NATURAL HEALTH TRENDS CORP
Form 10-Q
November 16, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 0-26272

NATURAL HEALTH TRENDS CORP.

(Exact name of registrant as specified in its charter)

Delaware	59-2705336
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2050 Diplomat Drive Dallas, Texas	75234
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (972) 241-4080

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

At November 9, 2009, the number of shares outstanding of the registrant s common stock was 10,858,709 shares.

NATURAL HEALTH TRENDS CORP.
Quarterly Report on Form 10-Q
September 30, 2009
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FORWARD-LOOKING STATEMENTS

Certain statements contained in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included in this report, other than statements of historical facts, regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives are forward-looking statements. When used in this report, the words believe, anticipate, intend, estimate, expect, project, could, would, predict, pursue, continue, feel and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

We cannot guarantee future results, levels of activity, performance or achievements, and you should not place reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or strategic investments. In addition, any forward-looking statements represent our expectation only as of the date of this report and should not be relied on as representing our expectations as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this report. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from forward-looking statements include the risks described under the caption Risk Factors in our most recent Annual Report on Form 10-K and our Form 10-Q s filed this year, which include the following:

- we may continue to experience substantial negative cash flows;
- we may need to seek additional debt or equity financing on unfavorable terms, if available at all;
- our dependence on the Hong Kong and China markets and our vulnerability to sometimes unpredictable changes in those markets;
- our ability to attract and retain distributors;
- our ability to recruit and retain key management, directors and consultants;
- our inability to directly control the marketing of our products;
- our inability to control our distributors to the same extent as if they were our own employees;
- our ability to protect or use our intellectual property rights;
- adverse publicity associated with our products, ingredients or network marketing programs, or those of similar companies;
- our ability to maintain or expand the number of our distributors or their productivity levels;
- changes to our distributor compensation plan may not be accepted;
- our failure to properly pay business taxes or customs duties, including those of China;
- risks associated with operating internationally;

risks associated with the amount of compensation paid to distributors, which can affect our profitability;

we face risks related to litigation;

we rely on our suppliers product liability insurance and product liability claims could hurt our business;

our internal controls and accounting methods may require further modification;

we could be adversely affected if we fail to maintain an effective system of internal controls;

risks associated with our reliance on information technology systems;

risks associated with the extensive regulation of our business and the implications of changes in such regulations;

currency exchange rate fluctuations could lower our revenue and net income;

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- failure of new products to gain distributor or market acceptance;
- failure of our information technology system could harm our business;
- we have a limited product line;
- our reliance on outside manufacturers;
- the intensely competitive nature of our business;
- terrorist attacks, cyber attacks, acts of war or other disasters, particularly given the scope of our international operations;
- disappointing quarterly revenue or operating results, which could adversely affect our stock price;
- our common stock is particularly subject to volatility because of the industry in which we operate;
- consequences arising if an active public trading market for our common stock does not continue;
- consequences of our recent delisting from Nasdaq Capital Market, including a potential adverse effect on the price and liquidity of our common stock;
- failure to maintain the registration statements covering the resale of shares of common stock for certain investors will result in liquidated damages;
- the implications of the actual or anticipated conversion or exercise of our convertible securities; and
- future sales by us or our stockholders of shares of common stock could depress the market price of our common stock.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this report, including under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations and in our financial statements and the related notes.

Forward-looking statements in this report speak only as of the date hereof, and forward looking statements in documents incorporated by reference speak only as of the date of those documents. The Company does not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Unless otherwise noted, the terms we, our, us, Company, refer to Natural Health Trends Corp. and its subsidiaries.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	December 31, 2008	September 30, 2009 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,491	$ 1,473
Restricted cash	340	399
Accounts receivable	71	97
Inventories, net	2,141	1,804
Other current assets	735	987
Total current assets	6,778	4,760
Property and equipment, net	1,173	882
Goodwill	1,764	1,764
Intangible assets, net	1,800	1,200
Restricted cash	3,646	393
Other assets	1,464	905
Total assets	$ 16,625	$ 9,904
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,746	$ 2,394
Income taxes payable	187	252
Accrued distributor commissions	554	637
Other accrued expenses	2,456	3,399
Deferred revenue	2,841	2,397
Convertible debentures, net of discount of $2,320 at December 31, 2008	1,534	
Deferred tax liability	351	351
Other current liabilities	1,170	1,053
Total liabilities	10,839	10,483
Commitments and contingencies		
Stockholders equity (deficit):		
Natural Health Trends stockholders equity (deficit):		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; 1,761,900 shares designated Series A convertible preferred stock, 138,400 shares issued and outstanding at December 31, 2008 and September 30, 2009, aggregate liquidation value of $275	124	124
Common stock, $0.001 par value; 50,000,000 shares authorized; 10,691,582 and 10,833,709 shares issued and outstanding at December 31, 2008 and	11	11

September 30, 2009, respectively				
Additional paid-in capital		79,711		80,158
Accumulated deficit		(74,853)		(81,774)
Accumulated other comprehensive income:				
Foreign currency translation adjustments		759		902
Total Natural Health Trends stockholders equity (deficit)		5,752		(579)
Noncontrolling interest		34		
Total stockholders equity (deficit)		5,786		(579)
Total liabilities and stockholders equity	$	16,625	$	9,904

See accompanying notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Net sales	$ 11,016	$ 5,698	$ 34,734	$ 24,039
Cost of sales	3,050	1,874	9,585	7,176
Gross profit	7,966	3,824	25,149	16,863
Operating expenses:				
Distributor commissions	4,573	1,997	13,170	9,098
Selling, general and administrative expenses (including stock-based compensation expense of $128 and $81 during the three months ended September 30, 2008 and 2009, respectively, and $421 and $447 during the nine months ended September 30, 2008 and 2009, respectively)	4,358	3,196	13,226	10,685
Depreciation and amortization	338	324	1,090	992
Impairment of long-lived assets	2		30	
Total operating expenses	9,271	5,517	27,516	20,775
Loss from operations	(1,305)	(1,693)	(2,367)	(3,912)
Other income (expense), net:				
Loss on foreign exchange	(345)	(82)	(92)	(125)
Interest income	18	3	86	27
Interest expense (including amortization of debt issuance costs and accretion of debt discount of $559 and $411 during the three months ended September 30, 2008 and 2009, respectively, and $1,370 and $2,039 during the nine months ended September 30, 2008 and 2009, respectively)	(666)	(565)	(1,609)	(2,420)
Loss on redemption of convertible debentures		(683)		(683)
De-recognition of commission liabilities		221		221
Other	19	(24)	5	(10)
Total other income (expense), net	(974)	(1,130)	(1,610)	(2,990)
Loss before income taxes	(2,279)	(2,823)	(3,977)	(6,902)
Income tax provision	(37)	(28)	(116)	(63)
Net loss	(2,316)	(2,851)	(4,093)	(6,965)
Plus: Net loss attributable to the noncontrolling interest		23		44
Net loss attributable to Natural Health Trends	(2,316)	(2,828)	(4,093)	(6,921)
Preferred stock dividends	(4)	(4)	(12)	(12)

Net loss attributable to common stockholders of Natural Health Trends	$ (2,320)	$ (2,832)	$ (4,105)	$ (6,933)
Loss per share of Natural Health Trends basic and diluted	$ (0.24)	$ (0.28)	$ (0.42)	$ (0.69)
Weighted-average number of shares outstanding	9,719	10,261	9,670	10,079

See accompanying notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30,	
	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,093)	$ (6,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	490	392
Amortization of intangibles	600	600
Amortization of debt issuance costs	234	502
Accretion of debt discount	1,136	1,537
Loss on redemption of convertible debentures		683
Stock-based compensation	421	447
Impairment of long-lived assets	30	
Changes in assets and liabilities:		
Accounts receivable	159	(24)
Inventories, net	1,540	332
Other current assets	432	(243)
Other assets	285	91
Accounts payable	(773)	647
Income taxes payable	9	59
Accrued distributor commissions	(901)	74
Other accrued expenses	(826)	938
Deferred revenue	(1,363)	(445)
Other current liabilities	(200)	(123)
Net cash used in operating activities	(2,820)	(1,498)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(276)	(95)
Decrease in restricted cash	665	3,212
Net cash provided by investing activities	389	3,117
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	145	
Payments on debt	(145)	(3,754)
Net cash used in financing activities		(3,754)
Effect of exchange rates on cash and cash equivalents	118	117

Net decrease in cash and cash equivalents		(2,313)		(2,018)
CASH AND CASH EQUIVALENTS, beginning of period		6,282		3,491
CASH AND CASH EQUIVALENTS, end of period	$	3,969	$	1,473

See accompanying notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

Natural Health Trends Corp. (the Company), a Delaware corporation, is an international direct-selling and e-commerce company headquartered in Dallas, Texas. Subsidiaries controlled by the Company sell personal care, wellness, and quality of life products under the NHT Global brand to an independent distributor network that either uses the products themselves or resells them to consumers.

Our majority-owned subsidiaries have an active physical presence in the following markets: North America; Greater China, which consists of Hong Kong, Taiwan and China; South Korea; Japan; Russia; and Europe, which consists of Italy and Slovenia. In July 2009, the Company activated an engagement with a service provider in Russia to provide storage, distribution and order processing services.

Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. As a result, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company s financial information for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2008 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (SEC) on March 23, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period.

The most significant accounting estimates inherent in the preparation of the Company s financial statements include estimates associated with obsolete inventory and the fair value of acquired intangible assets, including goodwill, and other long-lived assets, as well as those used in the determination of liabilities related to sales returns, distributor commissions, and income taxes. Various assumptions and other factors prompt the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account historical experience and current and expected economic conditions. The actual results may differ materially and adversely from the Company s estimates. To the extent that there are material differences between the estimates and actual results, future results of operations will be affected.

Reclassification

Certain balances have been reclassified in the prior year consolidated financial statements to conform to current year presentation.

Cash and Cash Equivalents

In April 2009, the Company reclassified non-current restricted cash in the amount of $2.9 million to cash and cash equivalents as the restrictions on the cash have been removed and the cash was made available for operations in China. The amount was previously held as part of a statutory requirement when a direct selling license application was pending. The Company has since tentatively withdrawn its last application, which has turned stale over the past year, with the intention to re-submit an updated application in the future.

Income Taxes

The Company recognizes income taxes under the liability method of accounting for income taxes. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

The Company and its subsidiaries file income tax returns in the United States, various states, and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2005, and is no longer subject to state income tax examinations for years prior to 2004. No jurisdictions are currently examining any income tax returns of the Company or its subsidiaries.

Fair Value of Financial Instruments

The carrying amounts of the Company s cash and cash equivalents approximate fair value because of their short maturities. The carrying amount of the noncurrent restricted cash approximates fair value since, absent the restrictions, the underlying assets would be included in cash and cash equivalents.

Revenue Recognition

Product sales are recorded when the products are shipped and title passes to independent distributors. Product sales to distributors are made pursuant to a distributor agreement that provides for transfer of both title and risk of loss upon our delivery to the carrier that completes delivery to the distributors, which is commonly referred to as F.O.B. Shipping Point. The Company primarily receives payment by credit card at the time distributors place orders. Amounts received for unshipped product are recorded as deferred revenue. The Company s sales arrangements do not contain right of inspection or customer acceptance provisions other than general rights of return.

Actual product returns are recorded as a reduction to net sales. The Company estimates and accrues a reserve for product returns based on its return policies and historical experience.

Enrollment package revenue, including any nonrefundable set-up fees, is deferred and recognized over the term of the arrangement, generally twelve months. Enrollment packages provide distributors access to both a personalized marketing website and a business management system. No upfront costs are deferred as the amount is nominal.

Shipping charges billed to distributors are included in net sales. Costs associated with shipments are included in cost of sales.

Various taxes on the sale of products and enrollment packages to distributors are collected by the Company as an agent and remitted to the respective taxing authority. These taxes are presented on a net basis and recorded as a liability until remitted to the respective taxing authority.

Income Per Share

Basic income per share is computed by dividing net income applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted income per share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of non-vested restricted stock and shares that might be issued upon the exercise of outstanding stock options and warrants and the conversion of preferred stock and debentures.

The dilutive effect of non-vested restricted stock, stock options and warrants is reflected by application of the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefit that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The potential tax benefit derived from exercise of non-qualified stock options has been excluded from the treasury stock calculation as the Company is uncertain that the benefit will be realized.

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In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. The following securities were not included for the time periods indicated as their effect would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Options to purchase common stock	47,500	27,500	70,500	42,500
Warrants to purchase common stock	6,281,310	4,785,358	6,281,310	6,281,310
Non-vested restricted stock	711,686	894,603	907,478	956,921
Convertible preferred stock	138,400	138,400	138,400	138,400
Convertible debentures	1,700,000	1,133,333	1,700,000	1,541,667

Options and warrants to purchase 27,500 and 4,785,358 shares of common stock, respectively, were outstanding at September 30, 2009. Such options expire on November 17, 2011. The warrants have expirations through April 21, 2015. The convertible debentures matured on October 19, 2009, but were redeemed by the Company on August 10, 2009 (see *Convertible Debentures*).

De-Recognition of Commission Liabilities

The Company de-recognized $221,000 of unclaimed, aged commission checks in its Hong Kong market during the three months ended September 30, 2009. These checks were initially delivered between 2006 and 2008 and it was determined that it is probable that these commission payments will not be claimed. These unclaimed checks were previously recorded as other current liabilities in the consolidated balance sheets.

Recently Issued and Adopted Accounting Pronouncements

Effective September 15, 2009, the Company adopted the requirements of FASB Accounting Standards Codification (ASC) 105 (previously SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*.) ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009 and establishes the FASB ASC as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. ASC 105 does not apply to rules and interpretive releases of the Securities and Exchange Commission (SEC), which are sources of authoritative U.S. GAAP for SEC Registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The Codification did not change current U.S. GAAP, and reorganized U.S. GAAP into a topical structure. References to the relevant ASC section and the previously existing U.S. GAAP standard have been provided throughout the document.

In May 2009, the FASB issued ASC 855 (previously SFAS No. 165, Subsequent Events). ASC 855 establishes standards for accounting and disclosure of material events that occur after the balance sheet date and their respective evaluation dates. The Company currently discloses its subsequent events within the established guidelines of ASC 855 and has performed its evaluation through November 16, 2009.

Convertible Debentures

On August 10, 2009, the Company redeemed each of its variable rate convertible debentures issued on October 19, 2007 in the aggregate original principal amount of $4,250,000 (the Debentures). Pursuant to an agreement reached with all of the debenture holders, the Company redeemed the Debentures by paying the debenture holders $2.4 million (96% of the then remaining outstanding principal amount plus unpaid interest accrued through August 10, 2009). The holders of the debentures accepted this payment as full and final payment of all amounts owed, and all claims arising, under the Debentures and waived any right or claim to the payment of the Optional Redemption Amount set out in the Debentures. Pursuant to their terms, the Debentures were to have matured on October 19, 2009, and the Company had the option of redeeming them earlier for an Optional Redemption Price equal to 115% of the outstanding principal amount.

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3. SHARE-BASED COMPENSATION

Share-based compensation expense totaled approximately $128,000 and $81,000 for the three months ended September 30, 2008 and 2009, respectively, and approximately $421,000 and $447,000 for the nine months ended September 30, 2008 and 2009, respectively. No tax benefits were attributed to the share-based compensation because a valuation allowance was maintained for substantially all net deferred tax assets.

The following table summarizes the Company s stock option activity:

	Shares	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life	Aggregate Intrinsic Value[1]
Outstanding at December 31, 2008	42,500	$ 1.80		
Cancelled, forfeited or expired	(15,000)	1.80		
Outstanding at September 30, 2009	27,500	1.80	2.1	$
Vested and expected to vest at September 30, 2009	23,262	1.80	2.1	
Exercisable at September 30, 2009	18,334	1.80	2.1	

1 Aggregate intrinsic value is defined as the positive difference between the current market value and the exercise price and is estimated using the closing price of the Company s common stock on the last trading day of the periods ended as of the dates indicated (in thousands).

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As of September 30, 2009, total unrecognized share-based compensation expense related to non-vested stock options was approximately $2,000, which is expected to be recognized over a weighted-average period of 0.1 years. All stock options outstanding at September 30, 2009 have an exercise price of $1.80 per share.
The following table summarizes the Company s restricted stock activity:

	Shares	Wtd. Avg. Price at Date of Issuance
Outstanding at December 31, 2008	807,471	$ 1.18
Granted	149,450	0.44
Vested	(381,716)	1.51
Forfeited	(67,323)	0.86
Outstanding at September 30, 2009	507,882	0.76

As of September 30, 2009, total unrecognized share-based compensation expense related to non-vested restricted stock was approximately $360,000, which is expected to be recognized over a weighted-average period of 1.5 years.
4. COMPREHENSIVE LOSS (In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Net loss	$ (2,316)	$ (2,851)	$ (4,093)	$ (6,965)
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	9	168	(333)	143
Comprehensive loss	$ (2,307)	$ (2,683)	$ (4,426)	$ (6,822)
Plus: Comprehensive loss attributable to the noncontrolling interest		23		44
Comprehensive loss attributable to Natural Health Trends	$ (2,307)	$ (2,660)	$ (4,426)	$ (6,778)

5. CONTINGENCIES
Legal Matters
On or around March 31, 2004, the Company s U.S. subsidiary, NHT Global, Inc. (NHT Global U.S.) received a letter from John Loghry, a former NHT Global distributor, alleging that NHT Global U.S. had breached its distributorship agreement with Mr. Loghry and that the Company had breached an agreement to issue shares of the Company s common stock to Mr. Loghry. On May 13, 2004, NHT Global U.S. and the Company filed an action against Mr. Loghry in the United States District Court for the Northern District of Texas (the Loghry Case) for disparagement and to declare that they were not liable to Mr. Loghry on his alleged claims. Mr. Loghry filed counterclaims against the Company and NHT Global U.S. for fraud and breach of contract, as well as related claims of fraud, tortuous interference and conspiracy against Mark Woodburn and Terry LaCore (who were officers and directors at that time) and Lisa Grossmann, an NHT Global distributor. On September 2, 2009, the court signed a Final Judgment dismissing with prejudice all claims asserted in the Loghry Case. No appeal has been taken from that Final Judgment, and the time for filing an appeal has expired. The Company reflected the settlement amount of $25,000 cash and 60,000 shares of restricted common stock in its operating results for the second quarter of 2009.

On September 11, 2006, a putative class action lawsuit was filed in the United States District Court for the Northern District of Texas by The Rosen Law Firm P.A. purportedly on behalf of certain purchasers of the Company s common stock to recover damages caused by alleged violations of federal securities laws. The lawsuit names the Company and certain current and former officers and directors as defendants. The Company and the other defendants have signed a definitive settlement agreement with the plaintiffs, pursuant to which the shareholder class will receive a total payment of $2.75 million. Of that amount, the Company s directors and officers insurance carriers agreed to pay $2.5 million, and the Company agreed to pay $250,000. On July 21, 2009, the Court granted final approval of the settlement and entered an order dismissing all claims. The Company recorded an accrual for $250,000 related to this matter during the third quarter of 2008 and simultaneously de-recognized $225,000 of legal fees that existed as of June 30, 2008, but which have now been paid under its directors and officers insurance policy. The Company fully paid the $250,000 in November 2009.

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On June 26, 2008, the Company filed a lawsuit in the 116th District Court, Dallas County, Texas, against Terry LaCore and bHIP Global, Inc. seeking an unspecified amount in actual and punitive damages, as well as a temporary and permanent injunction and other equitable relief. The Company claims that Mr. LaCore deceived the Company, breached fiduciary duties, and breached various agreements regarding the use, disclosure and return of confidential information and other assets and non-interference with the Company and its business and relationships. The Company also claims that Mr. LaCore and bHIP Global, Inc. are unlawfully taking, disparaging and/or interfering with the Company s reputation, identity, confidential information, contracts and relationships, products, businesses and other assets. On March 5, 2009 the Company obtained a temporary injunction that restrains Mr. LaCore and bHIP Global, Inc. (and their officers, agents, employees and attorneys, and all persons in active concert or participation with them) from (1) contracting with, or employing, any former or existing employee, distributor or supplier of the Company if such contract or employment would result in that person breaching his or her agreement with the Company; and (2) obtaining confidential information belonging to the Company if the defendants know that the information was obtained in breach of a confidentiality agreement between the Company and any former or existing employee, distributor or supplier of the Company. The temporary injunction also orders Mr. LaCore and bHIP Global, Inc. to locate and return the Company s trade secrets and proprietary and confidential information. The temporary injunction will remain in place until the trial of the case, which is currently scheduled for June 14, 2010. On April 10, 2009, the Company added a former employee and director of its Hong Kong subsidiary, Jeff Provost, as a defendant in this lawsuit. On July 2 2009, Mr. Provost asserted counterclaims against the Company for certain bonuses and other compensation that Mr. Provost alleges are owed to him. Mr. Provost seeks in excess of $400,000 on his counterclaims. The Company denies Mr. Provost s allegations and intends to vigorously defend them. The Company also believes that its claims against all of the defendants have merit and intends to vigorously pursue them.

On July 16, 2008, Lisa Grossmann, a former distributor and consultant for the Company, filed a lawsuit in the Superior Court of California in Sacramento, California, against the Company, and certain current officers and directors, purporting to sue individually and on behalf of California distributors, shareholders, and customers of the Company. On behalf of California residents, Ms. Grossmann alleges that the defendants engaged in, or conspired to engage in, unfair competition and false advertising and seeks an unspecified amount of restitution and disgorgement, as well as an injunction. Individually, Ms. Grossmann alleges that the Company breached a contract to pay distributor commissions to her, the Company breached an implied covenant of good faith and fair dealing, all defendants were unjustly enriched at her expense, the individual defendants breached fiduciary duties to her, all defendants were negligent in conducting the affairs of the Company, and all defendants committed fraud. Ms. Grossman seeks in excess of $500,000 in damages on her individual claims. On June 8, 2009, the Superior Court granted the defendants motion to quash service of the lawsuit on them for lack of personal jurisdiction. On June 16, 2009, Ms. Grossmann added one of the Company s subsidiaries, NHT Global U.S. as a defendant to her lawsuit. NHT Global U.S. denies Ms. Grossman s allegations and intends to vigorously defend them.

Currently, there is no other material litigation pending against the Company other than as disclosed in the paragraphs above. From time to time, the Company may become a party to litigation and subject to claims incident to the ordinary course of the Company s business. Although the results of such litigation and claims in the ordinary course of business cannot be predicted with certainty, the Company believes that the final outcome of such matters will not have a material adverse effect on the Company s business, results of operations or financial condition. Regardless of outcome, litigation can have an adverse impact on the Company because of defense costs, diversion of management resources and other factors.

Consumer Indemnity

As required by the Door-to-Door Sales Act in South Korea, the Company obtained insurance for consumer indemnity claims with a mutual aid cooperative by entering into two mutual aid contracts with Mutual Aid Cooperative & Consumer (the Cooperative). The initial contract entered into on January 1, 2005 required the Company to invest KRW 600 million in the Cooperative, and the subsequent contract entered into on January 9, 2007, required the Company to deposit KRW 600 million with a financial organization as security on behalf of the Cooperative. The contracts secure payment to distributors in the event that the Company is unable to provide refunds to distributors. Typically, requests for refunds are paid directly by the Company according to the Company s normal Korean refund

policy, which requires that refund requests be submitted within three months. Accordingly, the Company estimates and accrues a reserve for product returns based on this policy and its historical experience. The accrual totaled KRW 16.5 million (USD $14,000) as of September 30, 2009. Depending on the sales volume, the Company may be required to increase or decrease the amount of the security deposit. During the second quarter of 2008, the Company withdrew the entire KRW 600 million deposit. The term of the remaining contract is considered indefinite since it must remain in place as long as the Company operates within South Korea. The maximum potential amount of future payments the Company could be required to make to address actual distributor claims under these contracts is equivalent to three months of rolling sales. The Company believes that the likelihood of utilizing the investment funds to provide for distributor claims is remote.

Registration Payment Arrangements

Pursuant to the agreement with the investors in the Company s May 2007 financing for the sale of 1,759,307 shares of Series A preferred stock and warrants representing the right to purchase 1,759,307 shares of common stock, the Company is obligated to maintain the effectiveness of the registration statement that was filed with the SEC covering the resale of the shares of common stock issuable upon the conversion of Series A preferred stock or the exercise of warrants issued in the financing until the earliest of (i) the date when all underlying shares covered by such registration statement have been sold and (ii) the date on which the investors may sell all of the underlying shares acquired or which the investors have the right to acquire without restriction pursuant to Rule 144(k) under the Securities Act. If the Company fails to maintain the effectiveness of such registration statement due to an intentional and willful act without immediately causing a subsequent registration statement to be filed with the SEC, then it will be obligated to pay in cash an amount equal to 2% of the product of $1.70 times the number of shares of Series A preferred stock sold in the financing to the relevant purchasers, or approximately $60,000.

Pursuant to the agreement with the investors in the Company s October 2007 financing of variable rate convertible debentures having an aggregate face amount of $4,250,000, seven-year warrants to purchase 1,495,952 shares of the Company s common stock, and one-year warrants to purchase 1,495,952 shares of the Company s common stock, the Company is obligated to (i) file a registration statement covering the resale of the maximum number of Registrable Securities (as defined) that is permitted by SEC Guidance (as defined) prior to November 18, 2007, (ii) cause the registration statement to be declared effective within certain specified periods of time and (iii) maintain the effectiveness of the registration statement until all Registrable Securities have been sold, or may be sold without volume restrictions pursuant to Rule 144(k) under the Securities Act. If we failed to comply with these or certain other provisions, then we would have been required to pay liquidated damages of 2.0% per month of the aggregate purchase price paid with respect to the unregistered shares of common stock by the investors in the October 2007 financing until the first anniversary of the closing date of the financing and 1.0% per month thereafter through the second anniversary of the closing date, or October 19, 2009. The registration statement was declared effective on March 17, 2008 with respect to 1,700,000 shares of common stock issuable upon conversion of the variable rate convertible debentures and up to 1,495,952 shares issuable upon exercise of warrants held by the selling stockholders. Such warrants expired unexercised on April 21, 2009 and the convertible debentures were redeemed by the Company on August 10, 2009 (see Note 2). Additionally, the parties agreed that the Company shall not be liable for liquidated damages under this agreement with respect to any warrants or shares issuable upon exercise of the warrants. If there is no effective registration statement for the shares of common stock issuable upon exercise of the warrants at a time when such registration statement is required to be effective pursuant to the agreement, then the warrants may be exercised by means of a cashless exercise. The maximum number of shares that could be required to be issued upon exercise of the warrants (whether on a cashless basis or otherwise) is limited to the number of shares indicated on the face of the warrants.

As of September 30, 2009, no contingent obligations have been recognized under registration payment arrangements.

6. LIQUIDITY

At September 30, 2009, the Company had cash and cash equivalents of $1.5 million and a working capital deficit of $5.7 million, or $3.3 million excluding deferred revenue. During the years ended 2007 and 2008 and the first nine months of 2009, the Company incurred significant, recurring losses from operations and negative operating cash flows. Sales decreased significantly during these periods and the Company was unable to cut operating expenses sufficiently to avoid the negative operating results, though it did successfully manage to decelerate the losses in 2008 compared to 2007. The Company s losses attributable to common stockholders were $27.0 million and $3.9 million during 2007 and 2008, respectively.

The Company has taken numerous actions to ensure that it will continue as a going concern. It has planned and executed many cost reduction and margin improvement initiatives since the end of the third quarter of 2007, such as (1) reducing headcount, which includes the termination of multiple management-level positions in Greater China, South Korea and North America; (2) down-sizing offices in Greater China and South Korea; (3) closing offices in Latin America and Southeast Asia; (4) renegotiating vendor contracts in Greater China; (5) increasing product pricing in Greater China, Europe and the U.S.; (6) changing commission plans worldwide; (7) streamlining logistics processes

in Greater China; (8) introducing better margin pre-assortments; ; (9) working actively with our service vendors in Greater China to ensure continued services and reduce service charges and (10) reducing Company-wide discretionary expenses. As a result, the Company believes that its current cash breakeven level has been significantly reduced and is more attainable.

The Company believes that its existing internal liquidity, supported by cash on hand, anticipated improvement in cash flows from operations and much lower fixed costs since October 2007 should be adequate to fund normal business operations and address its financial commitments for at least the next 12 months, assuming no significant unforeseen expense or further revenue decline. If the Company s foregoing beliefs or assumptions prove to be incorrect, however, the Company s business, results of operations and financial condition could be materially adversely affected.

The Company has continued the positive trend of reducing the cash used in operations versus a year ago. Cash used in operations for the nine months ended September 30, 2009 was $1.5 million compared to $2.8 million in the comparable period of 2008. In August 2009, the Company utilized cash of $2.4 million to redeem each of its variable rate convertible debentures (see Note 2).

7. SUBSEQUENT EVENT

On November 2, 2009, the Company received a letter from the staff of The Nasdaq Stock Market advising the Company that it will be delisted from the Nasdaq Capital Market because it no longer complies with Listing Rule 5550(b), which requires the Company to have a minimum of $2.5 million in stockholders equity or $35.0 million market value of listed securities or $500,000 of net income from continuing operations for the most recently completed fiscal year or two of the three most recently completed fiscal years. After considering a number of factors, including the expenditure of resources necessary to regain compliance with Nasdaq s Listing Rule within Nasdaq s timeframe and then maintaining its Nasdaq listing, the Company decided not to appeal Nasdaq s delisting determination or undertake expensive or dilutive attempts to regain compliance with Nasdaq s minimum equity rule. As a result, trading of the Company s common stock was suspended on the Nasdaq Capital Market at the opening of business on November 11, 2009, and a form was filed with the SEC, which will remove the Company s securities from listing and registration on The Nasdaq Capital Market. The Company s common stock has continued to be quoted on the Pink Sheets, a centralized electronic quotation service run by Pink OTC Markets Inc. for over-the-counter securities.

The Company intends to continue filing current, quarterly and annual reports with the SEC. It believes it qualifies for listing on the OTCQX, which is the premier tier of the over-the-counter market run by Pink OTC Markets, Inc. The Company is presently evaluating a listing on the OTCQX, and until a listing application is filed and accepted, the Company s common stock will be quoted on the Pink Sheets Current Information Tier under the ticker symbol BHIP.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are an international direct-selling and e-commerce company. Subsidiaries controlled by us sell personal care, wellness, and quality of life products under the NHT Global brand to an independent distributor network that either uses the products themselves or resells them to consumers.

As of September 30, 2009, we are conducting business through approximately 24,000 active distributors. We consider a distributor active if they have placed at least one product order with us during the preceding year. Although we have in prior years expended significant efforts to expand into new markets, we do not intend to devote material resources to opening any additional foreign markets in the near future. Our priority is to focus our resources in our most promising markets, namely Greater China and Russia.

During the year 2008 and the first nine months of 2009, we generated approximately 93% and 95% of our revenue from subsidiaries located outside North America, with sales in Hong Kong representing approximately 66% and 67% of revenue, respectively. Because of the size of our foreign operations, operating results can be impacted negatively or positively by factors such as foreign currency fluctuations, and economic, political and business conditions around the world. In addition, our business is subject to various laws and regulations, in particular regulations related to direct selling activities that create certain risks for our business, including improper claims or activities by our distributors and potential inability to obtain necessary product registrations.

In June 2004, NHT Global obtained a general business license in China. The license stipulates a capital requirement of $12 million over a three-year period, including a $1.8 million initial payment we made in January 2005. Direct selling is prohibited in China without a direct selling license that we do not have. In December 2005, we submitted a preliminary application for a direct selling license and fully capitalized our Chinese entity with the remaining capital necessary to fulfill the $12.0 million required cash infusion. In June 2006, we submitted a revised application package in accordance with new requirements issued by the Chinese government. In June 2007, we launched a new e-commerce retail platform in China that does not require a direct selling license and is separate from our current worldwide platform. The platform is designed to be in compliance with our understanding of current laws and regulations in China. In November 2007, we filed a new, revised direct selling application incorporating a name

change, our new e-commerce model and other developments. These direct selling applications were not approved or rejected by the pertinent authorities, but did not appear to materially progress. By 2009, the information contained in the most recent application is stale. The Company s application to temporarily withdraw the license application in February 2009 has been granted, and the Company intends to re-submit an updated application. We are unable to predict whether we will be successful in obtaining a direct selling license to operate in China, and if we are successful, when we will be permitted to enhance our e-commerce retail platform with direct selling operations.

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Most of the Company s Hong Kong revenue is derived from the sale of products that are delivered to members in China. After consulting with outside professionals, the Company believes that its Hong Kong e-commerce business does not violate any applicable laws in China even though it is used for the internet purchase of our products by buyers in China. But the government in China could, in the future, officially interpret its laws and regulations or adopt new laws and regulations to prohibit some or all of our e-commerce activities with China and, if our members engage in illegal activities in China, those actions could be attributable to us. In addition, other Chinese laws regarding how and when members may assemble and the activities that they may conduct, or the conditions under which the activities may be conducted, in China are subject to interpretations and enforcement attitudes that sometimes vary from province to province, among different levels of government, and from time to time. Members sometimes violate one or more of the laws regulating these activities, notwithstanding training that the Company attempts to provide. Enforcement measures regarding these violations, which can include arrests, raise the uncertainty and perceived risk associated with conducting this business, especially among those who are aware of the enforcement actions but not the specific activities leading to the enforcement. The Company believes that this has led some existing members in China who are signed up as distributors in Hong Kong to leave the business or curtail their selling activities and has led potential members to choose not to participate. Among other things, the Company is combating this with more training and public relations efforts that are designed, among other things, to distinguish the Company from businesses that make no attempt to comply with the law. This environment creates uncertainty about the future of doing this type of business in China generally and under our business model, specifically.

Income Statement Presentation

The Company derives its revenue from sales of its products, sales of its enrollment packages, and from shipping charges. Substantially all of its product sales are to independent distributors at published wholesale prices. We translate revenue from each market s local currency into U.S. dollars using average rates of exchange during the period. The following table sets forth revenue by market and product line for the time periods indicated (dollars in thousands).

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008		2009		2008		2009	
North America	$ 473	4.3%	$ 416	7.3%	$ 2,652	7.6%	$ 1,115	4.6%
Hong Kong	7,011	63.6	2,857	50.1	22,517	64.8	16,129	67.1
China	354	3.2	414	7.3	820	2.4	1,200	5.0
Taiwan	1,376	12.5	570	10.0	3,658	10.5	1,763	7.3
South Korea	958	8.7	321	5.6	3,312	9.5	954	4.0
Japan	351	3.2	170	3.0	1,001	2.9	527	2.2
Russia			684	12.0			684	2.9
Europe	471	4.3	266	4.7	580	1.7	1,667	6.9
Other[1]	22	0.2			194	0.6		
Total	$ 11,016	100.0%	$ 5,698	100.0%	$ 34,734	100.0%	$ 24,039	100.0%

[1] Includes sales from the Latin America, Australia, New Zealand, and Southeast Asia

markets.

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Cost of sales consist primarily of products purchased from third-party manufacturers, freight cost for shipping products to distributors, import duties, costs of promotional materials sold to the Company s distributors at or near cost, and provisions for slow moving or obsolete inventories. Cost of sales also includes purchasing costs, receiving costs, inspection costs and warehousing costs.

Distributor commissions are typically our most significant expense and are classified as an operating expense. Under our compensation plan, distributors are paid weekly commissions, generally in their home country currency, for product sold by their down-line distributor network across all geographic markets, except China, where in the second quarter of 2007 we launched an e-commerce portal based on a buyers-club concept and do not pay any commissions. Distributors are not paid commissions on purchases or sales of our products made directly by them. This seamless compensation plan enables a distributor located in one country to sponsor other distributors located in other countries where we are authorized to do business. Currently, there are basically two ways in which our distributors can earn income:

- Through retail markups on sales of products purchased by distributors at wholesale prices (in some markets, sales are for personal consumption only and income may not be earned through retail mark-ups on sales in that market); and
- Through commissions paid on product purchases made by their down-line distributors.

Each of our products is designated a specified number of sales volume points, also called bonus volume or BV . Commissions are based on total personal and group sales volume points per sales period. Sales volume points are essentially a percentage of a product s wholesale cost. As the distributor s business expands from successfully sponsoring other distributors who in turn expand their own businesses by sponsoring other distributors, the distributor receives higher commissions from purchases made by an expanding down-line network. To be eligible to receive commissions, a distributor may be required to make nominal monthly or other periodic purchases of our products. Certain of our subsidiaries do not require these nominal purchases for a distributor to be eligible to receive commissions. In determining commissions, the number of levels of down-line distributors included within the distributor s commissionable group increases as the number of distributorships directly below the distributor increases. Under our current compensation plan, certain of our commission payouts may be limited by a fixed ceiling measured in terms of total payments to or for distributors as a specific percentage of total product revenue. In some markets, commissions may be further limited. Distributor commissions are dependent on the sales mix and, for fiscal 2008 and the first nine months of 2009, represented 37% of net sales. From time to time we make modifications and enhancements to our compensation plan to help motivate distributors, which can have an impact on distributor commissions. From time to time we also enter into agreements for business or market development, which may result in additional compensation to specific distributors.

Selling, general and administrative expenses consist of administrative compensation and benefits (including stock-based compensation), travel, credit card fees and assessments, professional fees, certain occupancy costs, and other corporate administrative expenses. In addition, this category includes selling, marketing, and promotion expenses including costs of distributor conventions which are designed to increase both product awareness and distributor recruitment. Because our various distributor conventions are not always held at the same time each year, interim period comparisons will be impacted accordingly.

Provision for income taxes depends on the statutory tax rates in each of the jurisdictions in which we operate. We implemented a foreign holding and operating company structure for our non-United States businesses effective December 1, 2005. This structure re-organized our non-United States subsidiaries into the Cayman Islands. In October 2007, we discontinued our operational use of this structure to reduce costs and because we determined that our United States operating losses will lower our overall effective tax rate. We believe that we operate in compliance with all applicable transfer pricing laws and we intend to continue to operate in compliance with such laws. However, there can be no assurance that we will continue to be found to be operating in compliance with transfer pricing laws, or that those laws would not be modified, which, as a result, may require changes in our operating procedures. If the United States Internal Revenue Service or the taxing authorities of any other jurisdiction were to successfully challenge these agreements, plans, or arrangements, or require changes in our transfer pricing practices, we could be required to pay higher taxes, interest and penalties, and our earnings would be adversely affected.

Results of Operations

The following table sets forth our operating results as a percentage of net sales for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	27.7	32.9	27.6	29.9
Gross profit	72.3	67.1	72.4	70.1
Operating expenses:				
Distributor commissions	41.5	35.0	37.9	37.8
Selling, general and administrative expenses	39.6	56.1	38.1	44.5
Depreciation and amortization	3.1	5.7	3.1	4.1
Impairment of long-lived assets			0.1	
Total operating expenses	84.2	96.8	79.2	86.4
Loss from operations	(11.9)	(29.7)	(6.8)	(16.3)
Other income (expense), net	(8.8)	(19.8)	(4.7)	(12.4)
Loss before income taxes	(20.7)	(49.5)	(11.5)	(28.7)
Income tax provision	(0.3)	(0.5)	(0.3)	(0.3)
Net loss	(21.0)%	(50.0)%	(11.8)%	(29.0)%

Net Sales. Net sales were $5.7 million for the three months ended September 30, 2009 compared to $11.0 million for the three months ended September 30, 2008, a decrease of $5.3 million, or 48%. Hong Kong net sales decreased $4.2 million, or 59%, over the comparable period a year ago. The decline in Hong Kong was partially due to an increase of $1.5 million in unshipped orders as compared to the quarter ended June 30, 2009, caused by certain customs issues that delayed orders placed between mid-August through the end of the quarter. Had these orders shipped timely, Hong Kong net sales would have decreased $2.7 million, or 38%, over the comparable period a year ago. The import issue arose from issues between our importer and the Chinese Custom authority. The issues were mostly resolved and shipment resumed in October and most of the back orders were fulfilled by early November. Net sales for South Korea, Taiwan, and Europe were down $637,000, $806,000 and $205,000, respectively. European sales were impacted by the opening of our Russian business in July 2009. Prior to the opening, sales into the Russian market were reflected in our European subsidiary. Russian sales during the third quarter of 2009 totaled $684,000.
Net sales were $24.0 million for the nine months ended September 30, 2009 compared to $34.7 million for the nine months ended September 30, 2008, a decrease of $10.7 million, or 31%. Hong Kong net sales decreased $6.4 million, or 28%, over the comparable period a year ago. Net sales for North America, South Korea, and Taiwan were down $1.5 million, $2.4 million, and $1.9 million, respectively. North American sales were impacted by the launch of retail product selling in Italy during June 2008. Prior to the launch, sales into the European market were fulfilled by our North American subsidiaries. European sales during the first nine months of 2009 totaled $1.7 million. Additionally, net sales in China from our e-commerce retail platform increased $380,000 over the comparable period a year ago.
The decrease in net sales in Hong Kong, Taiwan and South Korea was primarily due to the Company s effort to reduce loss-making recruitment programs. The Company is lowering the cost of new member acquisition and focusing more on improving the productivity of its existing members. Also, certain of the Company s Hong Kong members groups re-organized their leadership during the first half of 2009. In working with the changing leadership of the groups, the

Company has deferred and scaled back certain marketing activities. As of September 30, 2009, the operating subsidiaries of the Company had approximately 24,000 active distributors, compared to 35,000 active distributors at September 30, 2008. Hong Kong experienced a decrease of 5,000 active distributors, or 27%, from September 30, 2008 to September 30, 2009.

As of September 30, 2009, the Company had deferred revenue of approximately $2.4 million, of which approximately $1.7 million pertained to product sales and approximately $703,000 pertained to unamortized enrollment package revenue.

Cost of Sales. Cost of sales was $1.9 million, or 32.9% of net sales, for the three months ended September 30, 2009 compared with $3.1 million, or 27.7% of net sales, for the three months ended September 30, 2008. Cost of sales decreased $1.2 million, or 39%, for the three months ended September 30, 2009 over the comparable period in the prior year, due primarily to the decrease in net sales. Cost of sales as a percentage of net sales increased for the three months ended September 30, 2009 primarily due to Chinese importation costs incurred in Hong Kong, as these costs are not as variable as net product sales.

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Cost of sales was $7.2 million, or 29.9% of net sales, for the nine months ended September 30, 2009 compared with $9.6 million, or 27.6% of net sales, for the nine months ended September 30, 2008. Cost of sales decreased $2.4 million, or 25%, for the nine months ended September 30, 2009 over the comparable period in the prior year, due primarily to the decrease in net sales. Cost of sales as a percentage of net sales increased for the nine months ended September 30, 2009 due to the decline in enrollment package revenue, specifically in Hong Kong, as this component of net sales does not contain any corresponding charge to cost of sales, as well as Chinese importation costs incurred in Hong Kong that are not as variable as net product sales. The impact of the enrollment package revenue has been partially offset by a price increase and a restructuring of shipping methods in Hong Kong, both effective at the end of the fourth quarter of 2008.

Gross Profit. Gross profit was $3.8 million, or 67.1% of net sales, for the three months ended September 30, 2009 compared with $8.0 million, or 72.3% of net sales, for the three months ended September 30, 2008. Gross profit was $16.9 million, or 70.1% of net sales, for the nine months ended September 30, 2009 compared with $25.1 million, or 72.4% of net sales, for the nine months ended September 30, 2008. The gross profit decreases of $4.1 million and $8.3 million for the three and nine months ended September 30, 2009, respectively, over the comparable period in the prior year, was mainly due to, as stated above, decreased product sales, non-variable Chinese importation costs, and the decline in enrollment package revenue.

Distributor Commissions. Distributor commissions were $2.0 million, or 35.0% of net sales, for the three months ended September 30, 2009 compared with $4.6 million, or 41.5% of net sales, for the three months ended September 30, 2008. Distributor commissions decreased by $2.6 million, or 56%, mainly due to the decrease in product sales. The decrease in distributor commissions as a percentage of net sales is due to fewer commissions earned in the recently opened Russia market as compared to our more mature markets, and less supplemental commissions earned in our South Korean market.

Distributor commissions were $9.1 million, or 37.8% of net sales, for the nine months ended September 30, 2009 compared with $13.2 million, or 37.9% of net sales, for the nine months ended September 30, 2008. Distributor commissions decreased by $4.1 million, or 31%, mainly due to the decrease in product sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $3.2 million, or 56.1% of net sales, for the three months ended September 30, 2009 compared with $4.4 million, or 39.6% of net sales, for the three months ended September 30, 2008. Selling, general and administrative expenses decreased by $1.2 million, or 27%, over the comparable period in the prior year, mainly due to the following:

- lower employee-related costs ($39,000), legal and accounting fees ($518,000) and litigation settlement costs ($214,000) in North America;
- lower public relations expense ($70,000) and credit card fees and assessments ($52,000) in Hong Kong;
- lower operating costs due to office closures in Mexico ($29,000) and Southeast Asia ($10,000);
- lower employee-related costs ($63,000), credit card charges and assessments ($21,000), event costs ($21,000) and rent expense ($51,000) in South Korea;
- lower stock-based compensation expense ($47,000); partly offset by
- higher professional fees ($55,000) in North America.

Selling, general and administrative expenses were $10.7 million, or 44.5% of net sales, for the nine months ended September 30, 2009 compared with $13.2 million, or 38.1% of net sales, for the nine months ended September 30, 2008. Selling, general and administrative expenses decreased by $2.5 million, or 19%, over the comparable period in the prior year, mainly due to the following:

- lower legal and accounting fees ($759,000) and insurance costs ($48,000) in North America;
- lower rent expense ($220,000), public relations expense ($242,000), professional fees ($123,000), and credit card fees and assessments ($141,000) in Hong Kong and China;
- lower professional fees ($108,000) and event costs ($29,000) in Europe;
- lower operating costs due to office closures in Mexico ($392,000) and Southeast Asia ($136,000);
- lower employee-related costs ($429,000), credit card charges and assessments ($81,000), and rent expense ($164,000) in South Korea; partly offset by

higher stock-based compensation expense ($26,000) due to accelerated vesting on certain _______shares of restricted stock as stipulated in the Going Forward Agreement entered into with the former President of the Company s subsidiary, MarketVision Communications Corp., and due to the issuance of 60,000 shares of common stock as part of the settlement of the John Loghry legal matter; and

higher employee-related expense ($201,000) and other professional fees ($115,000) in North America and a legal expense credit in the second quarter of 2008 for reimbursement from our D&O insurance carrier ($100,000).

Depreciation and Amortization. Depreciation and amortization was $324,000, or 5.7% of net sales, for the three months ended September 30, 2009 compared with $338,000, or 3.1% of net sales, for the three months ended September 30, 2008. Depreciation and amortization was $992,000, or 4.1% of net sales, for the nine months ended September 30, 2009 compared with $1.1 million, or 3.1% of net sales, for the nine months ended September 30, 2008. Depreciation and amortization decreased by $14,000 and $98,000 for the three and nine months ended September 30, 2009 compared to the comparable periods in the prior year, respectively, as a result of the Company s reduction in the pace of capital expenditures.

Other Income (Expense), Net. Other expense was $1.1 million for the three months ended September 30, 2009 compared with $974,000 for the three months ended September 30, 2008. Other expense was $3.0 million for the nine months ended September 30, 2009 compared with $1.6 million for the nine months ended September 30, 2008. The increase in other expense for each period was primarily due to an increase in the interest expense recorded on convertible debentures issued in October 2007, including amortization of debt issuance cost and accretion of debt discount, and the loss on redemption of the convertible debentures that was recorded upon redemption in August 2009. Offsetting this expense in each of the three and nine month periods ended September 30, 2009, the Company de-recognized $221,000 of commission liabilities in its Hong Kong market for previous years as it determined that it is probable that these commission payments will not be claimed.

Income Taxes. The Company recorded a provision of $28,000 during the three months ended September 30, 2009 and a provision of $37,000 during the three months ended September 30, 2008 related to its operations outside the United States. The Company recorded a provision of $63,000 and $116,000 during the nine months ended September 30, 2009 and 2008, respectively. The Company did not recognize a tax benefit for U.S. tax purposes due to uncertainty that the benefit will be realized.

Net Loss. Net loss was $2.9 million, or 50.0% of net sales, for the three months ended September 30, 2009 compared to net loss of $2.3 million, or 21.0% of net sales, for the three months ended September 30, 2008. Net loss was $7.0 million, or 29.0% of net sales, for the nine months ended September 30, 2009 compared to net loss of $4.1 million, or 11.8% of net sales, for the nine months ended September 30, 2008. The increase in losses was primarily due to lower net sales and less margin due to non-variable Chinese importation costs, partially offset by the reduction in selling, general and administrative expenses, as compared to the comparable periods in the prior year. Additional net loss was generated by non-cash interest expense on the convertible debentures and the loss recorded on redemption of the convertible debentures in August 2009.

Liquidity and Capital Resources

The Company has in recent quarters supported its working capital and capital expenditure needs with cash generated from operations as well as capital raised from several private placements.

On May 4, 2007, the Company consummated a private equity placement generating gross proceeds of approximately $3.0 million. The May 2007 financing consisted of the sale of 1,759,307 shares of the Company s Series A convertible preferred stock and the sale of warrants evidencing the right to purchase 1,759,307 shares of the Company s common stock. As partial consideration for placement agency services, the Company issued warrants evidencing the right to purchase an additional 300,000 shares of the Company s common stock to the placement agent that assisted in the financing. The warrants are exercisable at any time through the sixth anniversary following their issuance. The exercise price of the warrants varies from $3.80 to $5.00 per share, depending on the time of exercise.

On October 19, 2007, the Company raised gross proceeds of $3.7 million in a private placement of variable rate convertible debentures (the Debentures) having an aggregate face amount of $4,250,000, seven-year warrants to purchase 1,495,952 shares of the Company s common stock, and one-year warrants to purchase 1,495,952 shares of the Company s common stock. The Debentures were convertible by their holders into shares of our common stock at a conversion price of $2.50, subject to adjustment in certain circumstances. The Debentures bore interest at the greater of LIBOR plus 4%, or 10% per annum. Interest was payable quarterly beginning on January 1, 2008. One-half of the original principal amount of the Debentures was payable in 12 equal monthly installments beginning on November 1, 2008, and the balance was payable on October 19, 2009, unless extended by the holders to October 19, 2012. The warrants have an exercise price of $3.52 per share. The placement agent and its assigns also received five-year warrants to purchase 149,595 shares of the Company s common stock at an exercise price of $3.52 per share. The one-year warrants expired on April 21, 2009. As more fully described below, the Debentures were redeemed on

August 10, 2009.

At September 30, 2009, the Company s cash and cash equivalents totaled approximately $1.5 million. Total cash and cash equivalents decreased by approximately $2.0 million from December 31, 2008 to September 30, 2009. In April 2009, the Company reclassified non-current restricted cash in the amount of $2.9 million to cash and cash equivalents as the restrictions on the cash had been removed and the cash was made available for operations in China. During July 2009, the Company revised its business license in China in order to complete a capital reduction application. A significant amount of this cash was utilized in August 2009 to redeem the Debentures.

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At September 30, 2009, the ratio of current assets to current liabilities was 0.45 to 1.00 and the Company had a working capital deficit of approximately $5.7 million. Current liabilities included deferred revenue of $2.4 million that consisted of unamortized enrollment package revenues and unshipped orders. The ratio of current assets to current liabilities, excluding deferred revenue, was 0.59 to 1.00. Working capital as of September 30, 2009 decreased $1.7 million compared to the Company s working capital as of December 31, 2008, mainly due to cash used in operations as well as an increase in accounts payable and accrued expenses. As of September 30, 2009, $1.8 million of the accounts payable and accrued expenses was with the Company s importer of record for the Hong Kong business, Elite Dynasty. The Company is currently engaged in negotiations to restructure this payable as well as its relationship with Elite Dynasty going forward. Our anticipation, though no assurance that it would be implemented according to our intention, is that the outstanding balance will be cancelled and a consulting agreement with Elite Dynasty or its principals will be entered into and importation costs would be reduced as a result. There is no assurance if or when the negotiations would be successfully concluded.

Cash used in operations for the nine months ended September 30, 2009 was approximately $1.5 million compared to $2.8 million in the comparable period of 2008. Cash was mainly utilized due to the incurrence of net losses and decreases in deferred revenue, partly offset by an increase in accounts payable and accrued expenses.

Cash provided by investing activities during the period was approximately $3.1 million, due to the removal of restrictions in April 2009 on cash held in China as part of a statutory requirement when a direct selling license was pending.

Cash used in financing activities during the nine months ended September 30, 2009 was approximately $3.8 million due to the monthly installment payments on the Debentures that began on November 1, 2008 and the redemption that occurred in August 2009 (as more fully described below).

The Company has taken numerous actions to ensure that it will continue as a going concern. It has planned and executed many cost reduction and margin improvement initiatives since the end of the third quarter of 2007, such as (1) reducing headcount, which includes the termination of multiple management-level positions in Greater China, South Korea and North America; (2) down-sizing offices in Greater China and South Korea; (3) closing offices in Latin America and Southeast Asia; (4) renegotiating vendor contracts in Greater China; (5) increasing product pricing in Greater China, Europe and the U.S.; (6) changing commission plans worldwide; (7) streamlining logistics processes in Greater China; (8) introducing better margin pre-assortments; ; (9) working actively with our service vendors in Greater China to ensure continued services and reduce service charges and (10) reducing Company-wide discretionary expenses. As a result, the Company believes that its current cash breakeven level has been significantly reduced and is more attainable.

The Company believes that its existing internal liquidity, supported by cash on hand, anticipated improvement in cash flows from operations and much lower fixed costs since October 2007 should be adequate to fund normal business operations and address its financial commitments for at least the next 12 months, assuming no significant unforeseen expense or further revenue decline. If the Company s foregoing beliefs or assumptions prove to be incorrect, however, the Company s business, results of operations and financial condition could be materially adversely affected.

The Company has continued the positive trend of reducing the cash used in operations versus a year ago. Cash used in operations for the nine months ended September 30, 2009 was $1.5 million compared to $2.8 million in the comparable period of 2008. In August 2009, the Company utilized cash of $2.4 million to redeem each of its variable rate convertible debentures.

On August 10, 2009, the Company redeemed each of its variable rate convertible debentures issued on October 19, 2007 in the aggregate original principal amount of $4,250,000 (the Debentures). Pursuant to an agreement reached with all of the debenture holders, the Company redeemed the Debentures by paying the debenture holders $2.4 million (96% of the then remaining outstanding principal amount plus unpaid interest accrued through August 10, 2009). The holders of the debentures accepted this payment as full and final payment of all amounts owed, and all claims arising, under the Debentures and waived any right or claim to the payment of the Optional Redemption Amount set out in the Debentures. Pursuant to their terms, the Debentures were to have matured on October 19, 2009, and the Company had the option of redeeming them earlier for an Optional Redemption Price equal to 115% of the outstanding principal amount.

The Company does not have any significant unused sources of liquid assets. Potentially the Company might receive additional external funding if currently outstanding warrants are exercised. Furthermore, if necessary, the Company may attempt to generate more funding from the capital markets, but currently does not believe that will be necessary. We do not intend to devote material resources to opening any additional foreign markets in the near future. Our priority is to focus our resources in our most promising markets, namely Greater China and Russia.

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Critical Accounting Policies and Estimates

In response to SEC Release No. 33-8040, Cautionary Advice Regarding Disclosure about Critical Accounting Policies and SEC Release Number 33-8056, Commission Statement about Management s Discussion and Analysis of Financial Condition and Results of Operations, the Company has identified certain policies and estimates that are important to the portrayal of its financial condition and results of operations. Critical accounting policies and estimates are defined as both those that are material to the portrayal of our financial condition and results of operations and as those that require management s most subjective judgments. These policies and estimates require the application of significant judgment by the Company s management.

The most significant accounting estimates inherent in the preparation of the Company s financial statements include estimates associated with obsolete inventory and the fair value of acquired intangible assets, including goodwill, and other long-lived assets, as well as those used in the determination of liabilities related to sales returns, distributor commissions, and income taxes. Various assumptions and other factors prompt the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account historical experience and current and expected economic conditions. The actual results may differ materially and adversely from the Company s estimates. To the extent that there are material differences between the estimates and actual results, future results of operations will be affected. The Company s critical accounting policies at September 30, 2009 include the following:

Inventory Valuation. The Company reviews its inventory carrying value and compares it to the net realizable value of its inventory and any inventory value in excess of net realizable value is written down. In addition, the Company reviews its inventory for obsolescence and any inventory identified as obsolete is reserved or written off. The Company s determination of obsolescence is based on assumptions about the demand for its products, product expiration dates, estimated future sales, and management s future plans. Also, if actual sales or management plans are less favorable than those originally projected by management, additional inventory reserves or write-downs may be required. At December 31, 2008 and September 30, 2009, the Company s inventory value was approximately $2.1 million and $1.8 million, respectively, net of reserves of $239,000 and $140,000, respectively. No significant provision was recorded during the nine month periods ended September 30, 2008 and 2009.

Valuation of Intangible Assets and Other Long-Lived Assets. In accordance with accounting principles generally accepted in the United States of America, goodwill and intangible assets with indefinite useful lives should no longer be amortized, but instead be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. At September 30, 2009, goodwill of approximately $1.8 million was reflected on the Company s balance sheet. No impairment of goodwill was recognized during the nine month periods ended September 30, 2008 and 2009.

The Company reviews the book value of its property and equipment and intangible assets with definite lives whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amounts to future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets with definite lives are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair value. At September 30, 2009, the net book value of the Company s property and equipment and intangible assets were approximately $882,000 and $1.2 million, respectively. No significant impairment was recorded during the nine month periods ended September 30, 2008 and 2009.

Allowance for Sales Returns. An allowance for sales returns is provided during the period the product is shipped. The allowance is based upon the return policy of each country, which varies from 14 days to one year, and their historical return rates, which range from approximately 1% to approximately 6% of sales. Sales returns are approximately 4% of sales for the nine months ended September 30, 2008 and 2009. The allowance for sales returns was approximately $517,000 and $260,000 at December 31, 2008 and September 30, 2009, respectively. No material changes in estimates have been recognized for the nine months ended September 30, 2009.

Revenue Recognition. Product sales are recorded when the products are shipped and title passes to independent distributors. Product sales to distributors are made pursuant to a distributor agreement that provides for transfer of both title and risk of loss upon our delivery to the carrier that completes delivery to the distributors, which is

commonly referred to as F.O.B. Shipping Point. The Company primarily receives payment by credit card at the time distributors place orders. The Company s sales arrangements do not contain right of inspection or customer acceptance provisions other than general rights of return. Amounts received for unshipped product are recorded as deferred revenue. Such amounts totaled approximately $1.9 million and $1.7 million at December 31, 2008 and September 30, 2009, respectively. Shipping charges billed to distributors are included in net sales. Costs associated with shipments are included in cost of sales.

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Enrollment package revenue, including any nonrefundable set-up fees, is deferred and recognized over the term of the arrangement, generally twelve months. Enrollment packages provide distributors access to both a personalized marketing website and a business management system. No upfront costs are deferred as the amount is nominal. At December 31, 2008 and September 30, 2009, enrollment package revenue totaling $1.0 million and $703,000 was deferred, respectively. Although the Company has no immediate plans to significantly change the terms or conditions of enrollment packages, any changes in the future could result in additional revenue deferrals or could cause us to recognize the deferred revenue over a longer period of time.

Tax Valuation Allowance. The Company evaluates the probability of realizing the future benefits of any of its deferred tax assets and records a valuation allowance when it believes a portion or all of its deferred tax assets may not be realized. At December 31, 2005, the Company increased the valuation allowance to equal its net deferred tax assets due to the uncertainty of future operating results. During 2006, the Company recorded deferred tax assets in foreign jurisdictions that were expected to be realized and therefore no valuation allowance was necessary. The valuation allowance will be reduced at such time as management believes it is more likely than not that the deferred tax assets will be realized. During the nine month periods ended September 30, 2008 and 2009, no such reduction in the percentage of the valuation allowance occurred. Any reductions in the valuation allowance to uncover deferred tax assets will reduce future income tax provisions.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable under smaller reporting company disclosure rules.

Item 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, with the participation of the Company s principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of September 30, 2009. The Company s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including the Company s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the principal executive officer and principal financial officer concluded that, as of September 30, 2009, the Company s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is subject to certain legal proceedings which could have an adverse effect on its business, results of operations, or financial condition. For information relating to such legal proceedings, see Note 5 in the Notes to Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

Not applicable under smaller reporting company disclosure rules.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

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Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act).
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATURAL HEALTH TRENDS CORP.

Date: November 16, 2009

/s/ Chris T. Sharng
Chris T. Sharng
President
(Principal Executive Officer)

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EXHIBIT INDEX

Exhibit Number	Exhibit Description

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular dollar amounts in millions, except per share data)

Note 1 Basis of Presentation

These interim unaudited consolidated financial statements have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q. They should be read in conjunction with the consolidated financial statements and related notes, which appear in The Dun & Bradstreet Corporation s (D&B, we or our) Annual Report on Form 10-K for the year ended December 31, 2011. The unaudited consolidated results for interim periods do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for annual financial statements and are not necessarily indicative of results for the full year or any subsequent period. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the unaudited consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included.

All inter-company transactions have been eliminated in consolidation.

Simultaneously with the sale of the domestic portion of our Japanese operations to Tokyo Shoko Research Ltd. (TSR), we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships has been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

- North America (which consists of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and
- Europe and Other International Markets (which primarily consists of our operations in the UK, Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

- North America (which consisted of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and
- Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

The financial statements of the subsidiaries outside North America reflect results for the three months ended February 29 in order to facilitate the timely reporting of our unaudited consolidated financial results and unaudited consolidated financial position.

Where appropriate, we have reclassified certain prior year amounts to conform to the current year presentation due to the change in segment structure discussed above.

Note 2 Recent Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210); Disclosures about Offsetting Assets and Liabilities. The amendments in this ASU require a company to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. A company should provide the disclosures required by those amendments retrospectively for all comparative periods presented. We are currently assessing the impact of the adoption of this authoritative guidance on our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 3 Restructuring Charge

Financial Flexibility is an ongoing process by which we seek to reallocate our spending from low-growth or low-value activities to other activities that will create greater value for shareholders through enhanced revenue growth, improved profitability and/or quality improvements. With most initiatives, we have incurred restructuring charges (which generally consist of employee severance and termination costs, contract terminations, and/or costs to terminate lease obligations less assumed sublease income). These charges are incurred as a result of eliminating, consolidating, standardizing and/or automating our business functions.

Restructuring charges have been recorded in accordance with ASC 712-10, Nonretirement Postemployment Benefits, or ASC 712-10 and/or ASC 420-10, Exit or Disposal Cost Obligations, or ASC 420-10, as appropriate.

We record severance costs provided under an ongoing benefit arrangement once they are both probable and estimable in accordance with the provisions of ASC 712-10.

We account for one-time termination benefits, contract terminations, and/or costs to terminate lease obligations less assumed sublease income in accordance with ASC 420-10, which addresses financial accounting and reporting for costs associated with restructuring activities. Under ASC 420-10, we establish a liability for cost associated with an exit or disposal activity, including severance and lease termination obligations, and other related costs, when the liability is incurred, rather than at the date that we commit to an exit plan. We reassess the expected cost to complete the exit or disposal activities at the end of each reporting period and adjust our remaining estimated liabilities, if necessary.

The determination of when we accrue for severance costs and which standard applies depends on whether the termination benefits are provided under an ongoing arrangement as described in ASC 712-10 or under a one-time benefit arrangement as defined by ASC 420-10. Inherent in the estimation of the costs related to the restructurings are assessments related to the most likely expected outcome of the significant actions to accomplish the exit activities. In determining the charges related to the restructurings, we had to make estimates related to the expenses associated with the restructurings. These estimates may vary significantly from actual costs depending, in part, upon factors that may be beyond our control. We will continue to review the status of our restructuring obligations on a quarterly basis and, if appropriate, record changes to these obligations in current operations based on management s most current estimates.

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

During the three months ended March 31, 2012, we recorded a $9.1 million restructuring charge in connection with Financial Flexibility initiatives. The significant components of these charges included:

Severance and termination costs of $3.1 million and $3.6 million in accordance with the provisions of ASC 712-10 and ASC 420-10, respectively, were recorded. Approximately 120 employees were impacted. Of these 120 employees, approximately 80 employees have exited the Company in the first quarter of 2012. The cash payments for these employees will be substantially completed by the third quarter of 2012; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of $2.4 million.

During the three months ended March 31, 2011, we recorded a $4.2 million restructuring charge in connection with Financial Flexibility initiatives. The significant components of these charges included:

Severance and termination costs of $4.2 million in accordance with the provisions of ASC 712-10. Approximately 95 employees were impacted. Of these 95 employees, approximately 60 employees exited the Company in the first quarter of 2011. The cash payments for these employees were substantially completed by the third quarter of 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

The following tables set forth, in accordance with ASC 712-10 and/or ASC 420-10, the restructuring reserves and utilization related to our Financial Flexibility initiatives:

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges:			
Balance Remaining as of December 31, 2011	$ 8.3	$ 2.2	$ 10.5
Charge Taken during First Quarter 2012	6.7	2.4	9.1
Payments during First Quarter 2012	(4.0)	(1.0)	(5.0)
Balance Remaining as of March 31, 2012	$ 11.0	$ 3.6	$ 14.6

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges:			
Balance Remaining as of December 31, 2010	$ 8.9	$ 0.5	$ 9.4
Charge Taken during First Quarter 2011	4.2	0.0	4.2
Payments/Pension Plan Settlement[(1)] during First Quarter 2011	(5.1)	0.0	(5.1)
Balance Remaining as of March 31, 2011	$ 8.0	$ 0.5	$ 8.5

(1) We incurred a settlement of $1.0 million in the first quarter of 2011 related to our Canadian Pension Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 4 Notes Payable and Indebtedness

Our borrowings are summarized in the following table:

	At March 31, 2012	At December 31, 2011
Debt Maturing Within One Year:		
Other	$ 1.0	$ 1.1
Total Debt Maturing Within One year	$ 1.0	$ 1.1
Debt Maturing After One Year:		
Long-Term Fixed-Rate Notes (Net of a $0.8 million discount as of March 31, 2012 and December 31, 2011, respectively)	$ 699.2	$ 699.2
Fair Value Adjustment Related to Hedged Debt	4.8	4.4
Credit Facility	137.1	259.4
Other	0.7	0.9
Total Debt Maturing After One Year	$ 841.8	$ 963.9

Fixed-Rate Notes

In November 2010, we issued senior notes with a face value of $300 million that mature on November 15, 2015 (the 2015 notes), bearing interest at a fixed annual rate of 2.875%, payable semi-annually. The proceeds were used in December 2010 to repay our then outstanding $300 million senior notes, bearing interest at a fixed annual rate of 5.50%, which had a maturity date of March 15, 2011 (the 2011 notes). In connection with the redemption of the 2011 notes, we recorded a premium payment of $3.7 million to Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the year ended December 31, 2010. The 2015 notes of $299.2 million, net of $0.8 million remaining discount, are recorded as Long-Term Debt in our unaudited consolidated balance sheet at March 31, 2012.

The 2015 notes were issued at a discount of $1.1 million, and, in connection with the issuance, we incurred underwriting and other fees of approximately $2.5 million. These costs are being amortized over the life of the 2015 notes. The 2015 notes contain certain covenants that limit our ability to create liens, enter into sale and leaseback transactions and consolidate, merge or sell assets to another entity. The 2015 notes do not contain any financial covenants.

In November and December 2010, we entered into interest rate derivative transactions with aggregate notional amounts of $125 million. The objective of these hedges was to offset the change in fair value of the fixed rate 2015 notes attributable to changes in LIBOR. These transactions have been accounted for as fair value hedges. We have recognized the gain or loss on the derivative instruments, as well as the offsetting loss or gain on the hedged item, in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income.

In March 2012, in connection with our objective to manage exposure to interest rate changes and our policy to manage our fixed and floating-rate debt mix, these interest rate derivatives were terminated. This resulted in a gain of $0.3 million and the receipt of $5.0 million in cash on March 12, 2012, the swap termination settlement date. The gain of $0.3 million was recorded in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income at March 31, 2012. The $5.0 million cash received is reflected as an offset to interest paid in the consolidated statement of cash flows at March 31, 2012.

Approximately $0.8 million of derivative gains offset by a $0.5 million loss on the fair value adjustment related to the hedged debt were recorded through the date of termination in the results for the three months ended March, 31, 2012. The $4.9 million adjustment in the carrying

amount of the hedged debt at the date of termination will be amortized as an offset to Interest Expense in the consolidated statement of operations and comprehensive income over the remaining term of the 2015 notes. Approximately $0.1 million of amortization was recorded from the swap termination date through March 31, 2012, resulting in a balance of $4.8 million in our unaudited consolidated balance sheet at March 31, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

In April 2008, we issued senior notes with a face value of $400 million that mature on April 1, 2013 (the 2013 notes), bearing interest at a fixed annual rate of 6.00%, payable semi-annually. The interest rate applicable to the 2013 notes is subject to adjustment if our debt rating is decreased four levels below the Standard & Poor s and Fitch A-credit ratings that we held on the date of issuance. After a rate adjustment, if our debt ratings are subsequently upgraded, the adjustment(s) would reverse. The maximum adjustment is 2.00% above the initial interest rate and the rate cannot adjust below 6.00%. As of March 31, 2012, no such adjustments to the interest rate have been made. Proceeds from this issuance were used to repay indebtedness under our credit facility. The 2013 notes are recorded as Long-Term Debt in our unaudited consolidated balance sheet at March 31, 2012.

The 2013 notes were issued at face value and, in connection with the issuance, we incurred underwriting and other fees of $3.0 million. These costs are being amortized over the life of the 2013 notes. The 2013 notes contain certain covenants that limit our ability to create liens, enter into sale and leaseback transactions and consolidate, merge or sell assets to another entity. The 2013 notes do not contain any financial covenants.

On January 30, 2008, we entered into interest rate derivative transactions with an aggregate notional amount of $400 million. The objective of these hedges was to mitigate the variability of future cash flows from market changes in Treasury rates in anticipation of the issuance of the 2013 notes. These transactions were accounted for as cash flow hedges and, as such, changes in fair value of the hedges that took place through the date of the issuance of the 2013 notes were recorded in Accumulated Other Comprehensive Income (AOCI). In connection with the issuance of the 2013 notes, these interest rate derivative transactions were terminated, resulting in a loss and a payment of $8.5 million on March 28, 2008, the date of termination. The payments are recorded in AOCI and are being amortized over the life of the 2013 notes.

Credit Facility

At March 31, 2012 and December 31, 2011, we had an $800 million, five-year bank revolving credit facility, which expires in October 2016. Borrowings under the $800 million credit facility are available at prevailing short-term interest rates. The facility requires the maintenance of interest coverage and total debt to Earnings Before Income Taxes, Depreciation and Amortization (EBITDA) ratios, which are defined in the credit agreement. We were in compliance with these credit facility covenants at March 31, 2012 and December 31, 2011.

At March 31, 2012 and December 31, 2011, we had $137.1 million and $259.4 million, respectively, of borrowings outstanding under the $800 million credit facility with weighted average interest rates of 1.25% and 1.58%, respectively. We borrowed under these facilities from time-to-time during the three months ended March 31, 2012 to supplement the seasonality in the timing of receipts in order to fund our working capital.

Other

At March 31, 2012 and December 31, 2011, certain of our international operations had uncommitted lines of credit of $3.4 million and $3.2 million, respectively. There were no borrowings outstanding under these lines of credit at March 31, 2012 and $0.2 million of borrowings outstanding under these lines of credit at December 31, 2011. These arrangements have no material facility fees and no compensating balance requirements.

At March 31, 2012 and December 31, 2011, we were contingently liable under open standby letters of credit issued by our bank in favor of third parties and guarantees in favor of certain of our banks totaling $13.2 million and $12.2 million, respectively.

In March 2012 we terminated our interest rate derivative transactions resulting in the receipt of $5.0 million in cash on the date of termination. The $5.0 million cash received is reflected as an offset to interest paid in the consolidated statement of cash flows, resulting in a net interest received of $4.4 million for all outstanding debt for the three months ended March 31, 2012. Interest paid for all outstanding debt totaled $0.8 million during the three months ended March 31, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 5 Earnings Per Share

In accordance with the authoritative guidance in ASC 260-10, we are required to assess if any of our share-based payment transactions are deemed participating securities prior to vesting and therefore need to be included in the earnings allocation when computing EPS under the two-class method. The two-class method requires earnings to be allocated between common shareholders and holders of participating securities. All outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends are considered to be a separate class of common stock and should be included in the calculation of basic and diluted EPS. Based on a review of our stock-based awards, we have determined that only our restricted stock awards are deemed participating securities. The weighted average restricted shares outstanding were 30,266 shares and 102,967 shares for the three months ended March 31, 2012 and 2011, respectively.

	Three Months Ended March 31,	
	2012	2011
Net Income Attributable to D&B	$ 63.4	$ 49.9
Less: Allocation to Participating Securities	0.0	(0.1)
Net Income Attributable to D&B Common Shareholders - Basic and Diluted	$ 63.4	$ 49.8
Weighted Average Number of Shares Outstanding - Basic	47.7	49.5
Dilutive Effect of Our Stock Incentive Plans	0.4	0.5
Weighted Average Number of Shares Outstanding - Diluted	48.1	50.0
Basic Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	$ 1.33	$ 1.00
Diluted Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	$ 1.32	$ 1.00

Stock-based awards to acquire 889,245 shares and 1,098,010 shares of common stock were outstanding at March 31, 2012 and 2011, respectively, but were not included in the computation of diluted earnings per share because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being anti-dilutive. Our options generally expire 10 years from the grant date.

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(Tabular dollar amounts in millions, except per share data)

Our share repurchases were as follows:

Program	For the Three Months Ended March 31, 2012 Shares	$ Amount	2011 Shares	$ Amount
	(Dollar amounts in millions)			
Share Repurchase Programs	0.0(a)	$ 0.0	182,350(b)	$ 15.0
Repurchases to Mitgate the Dilutive Effect of the Shares Issued Under Our Stock Incentive Plans and Employee Stock Purchase Plan (ESPP)	0.0(c)	0.0	229,750(c)	$ 18.7
Total Repurchases	0.0	$ 0.0	412,100	$ 33.7

(a) In October 2011, our Board of Directors approved a $500 million share repurchase program, which commenced in November 2011 upon completion of our then existing $200 million share repurchase program. Although there is not currently a specific time frame within which we plan to complete this share repurchase program, we intend to continue our policy of returning excess free cash to shareholders in the form of buybacks and/or dividends.

(b) In February 2009, our Board of Directors approved a $200 million share repurchase program, which commenced in December 2009 upon completion of our then existing $400 million, two-year repurchase program. This program was completed in November 2011.

(c) In May 2010, our Board of Directors approved a new four-year, five million share repurchase program to mitigate the dilutive effect of the shares issued under our stock incentive plans and ESPP. This program commenced in October 2010 and expires in October 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 6 Other Accrued and Current Liabilities

	At March 31, 2012	At December 31, 2011
Restructuring Accruals	$ 14.6	$ 10.5
Professional Fees	45.1	33.6
Operating Expenses	42.6	35.1
Spin-Off Obligation(1)	1.6	20.5
Other Accrued Liabilities	46.7	53.9
	$ 150.6	$ 153.6

(1) In 2000, as part of a spin-off transaction under which Moody s Corporation (Moody s) and D&B became independent of one another, Moody s and D&B entered into a Tax Allocation Agreement (TAA). Under the TAA, Moody s and D&B agreed that Moody s would be entitled to deduct the compensation expense associated with the exercise of Moody s stock options (including Moody s stock options exercised by D&B employees) and D&B would be entitled to deduct the compensation expense associated with the exercise of D&B stock options (including D&B stock options exercised by employees of Moody s). Put simply, the tax deduction would go to the company that granted the stock options, rather than to the employer of the individual exercising the stock options. In 2002 and 2003, the Internal Revenue Service (IRS) issued rulings that clarified that, under the circumstances applicable to Moody s and D&B, the compensation expense deduction belongs to the employer of the option grantee and not to the issuer of the option (i.e., D&B would be entitled to deduct the compensation expense associated with D&B employees exercising Moody s options and Moody s would be entitled to deduct the compensation expense associated with Moody s employees exercising D&B options). We have filed tax returns for 2001 through 2010 consistent with the IRS rulings. We may be required to reimburse Moody s for the loss of compensation expense deductions relating to tax years 2008 to 2010 of approximately $1.6 million in the aggregate for such years. This liability was reduced from $20.5 million at December 31, 2011 to $1.6 million at March 31, 2012 due to expiration of the statute of limitations. In 2005 and 2006, we paid Moody s approximately $30.1 million in the aggregate, which represented the incremental tax benefits realized by D&B for tax years 2003-2005 from using the filing method consistent with the IRS rulings. In February 2011, we paid Moody s an additional sum of approximately $2.5 million, for tax years 2003-2005. While not material, we may also be required to pay, in the future, amounts in addition to the approximately $1.6 million referenced above based upon interpretations by the parties of the TAA and the IRS rulings.

Note 7 Contingencies

We are involved in tax and legal proceedings, claims and litigation arising in the ordinary course of business for which we believe that we have adequate reserves, and such reserves are not material to our consolidated financial statements. We record a liability when management believes that it is both probable that a liability has been incurred and we can reasonably estimate the amount of the loss. For such matters where management believes a liability is not probable but is reasonably possible, a liability is not recorded; instead, an estimate of loss or range of loss, if material individually or in the aggregate, is disclosed if reasonably estimable, or a statement will be made that an estimate of loss cannot be made. Once we have disclosed a matter that we believe is or could be material to us, we continue to report on such matter until there is finality of outcome or until we determine that disclosure is no longer warranted. Further, we believe our estimate of the aggregate range of reasonably possible losses, in excess of established reserves, for our legal proceedings was not material at March 31, 2012.

China Operations

On March 18, 2012, we announced that we had temporarily suspended our Shanghai Roadway D&B Marketing Services Co Ltd. (Roadway) operations in China, pending an investigation into allegations that its data collection practices may violate local Chinese consumer data privacy laws. In addition, we have been reviewing certain allegations that we may have violated the Foreign Corrupt Practices Act and certain other laws in our China operations. As previously reported, we are cooperating with the local Chinese investigation and have voluntarily contacted the

Securities and Exchange Commission and the United States Department of Justice to advise both agencies of our investigation. Our investigation remains ongoing and is being conducted at the direction of the Audit Committee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Because the investigation is in its early stage, we cannot predict the ultimate outcome of the matter or its impact, if any, on our business, financial condition, or results of operations. No amount in respect of any potential liability in this matter, including for penalties, fines or other sanctions, has been accrued in our consolidated financial statements.

In connection with the ongoing investigation and evaluation of other factors, such as the time, cost and management bandwidth required to resolve the current matters and restart the business, as well as the very fluid situation in China, we subsequently determined to permanently cease the operations of Roadway and we have begun the process of winding down the business. The Roadway shut-down had no impact in our first quarter 2012 Asia Pacific revenue. For the first quarter of 2012, $5.4 million of revenue and $14.5 million of operating loss was related to the Roadway business. D&B acquired Roadway s operations in 2009, and for 2011 Roadway accounted for approximately $22 million in revenue and $2 million in operating income. During the first quarter of 2012, we recorded an impairment charge of $12.9 million related to the accounts receivable, intangible assets, prepaid costs and software for Roadway, an operation in our Greater China reporting unit.

Nicholas Martin v. Dun & Bradstreet, Inc. and Convergys Customer Management Group, Inc., No. 12 CV 215 (USDC N.D. III.)

On January 11, 2012, Nicholas Martin filed suit against Dun & Bradstreet, Inc. and Convergys Customer Management Group, Inc. in the United States District Court for the Northern District of Illinois. The complaint alleges that Defendants violated the Telephone Consumer Protection Act (TCPA) (47 U.S.C. §227) by placing a call to Plaintiff s cell phone using an automatic telephone dialing system. Plaintiff seeks to bring this action as a class action on behalf of all persons who received a call on their cell phone which was initiated by Defendant(s) using an automatic telephone dialing system during the period January 11, 2009 to the present. Both D&B and Convergys answered the complaint on March 2, 2012. Plaintiff has filed a motion for class certification. Discovery has commenced and at this point no discovery cut-off dates or other deadlines have been set. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. No amount in respect of any potential judgment in this matter has been accrued in our consolidated financial statements.

Other Matters

In addition, in the normal course of business, and including without limitation, our merger and acquisition activities and financing transactions, D&B indemnifies other parties, including customers, lessors and parties to other transactions with D&B, with respect to certain matters. D&B has agreed to hold the other parties harmless against losses arising from a breach of representations or covenants, or arising out of other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. D&B has also entered into indemnity obligations with its officers and directors.

Additionally, in certain circumstances, D&B issues guarantee letters on behalf of our wholly-owned subsidiaries for specific situations. It is not possible to determine the maximum potential amount of future payments under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by D&B under these agreements have not had a material impact on our consolidated financial statements.

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(Tabular dollar amounts in millions, except per share data)

Note 8 Income Taxes

For the three months ended March 31, 2012, our effective tax rate was 11.5% as compared to 37.8% for the three months ended March 31, 2011. The effective tax rate for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, was positively impacted by a tax benefit on a loss on the tax basis of a legal entity and by tax benefits from the divestiture of the domestic portion of our Japan operations and negatively impacted by the impairments related to permanently ceasing the operations of Roadway in China for which we have begun the process of winding down the business. Our effective tax rate for the three months ended March 31, 2011 was negatively impacted by the sale of an investment in North America and increased spending on our Strategic Technology Investment in foreign jurisdictions with lower statutory tax rates and positively impacted by the receipt of a refund from the IRS for a legacy tax matter. For the three months ended March 31, 2012, there are no known changes in our effective tax rate that we expect may reasonably have a material impact on our operations or future performance.

The total amount of gross unrecognized tax benefits as of March 31, 2012 was $124.8 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is $117.2 million, net of tax benefits. During the three months ended March 31, 2012, we increased our unrecognized tax benefits by $4.7 million, net of decreases. The increase is primarily due to legacy tax matters.

We or one of our subsidiaries file income tax returns in the U.S. federal, and various state, local and foreign jurisdictions. In the U.S. federal jurisdiction, we are no longer subject to examination by the IRS for years prior to 2005. In state and local jurisdictions, with a few exceptions, we are no longer subject to examinations by tax authorities for years prior to 2008. In foreign jurisdictions, with a few exceptions, we are no longer subject to examinations by tax authorities for years prior to 2007.

The IRS has completed its examination of our 2004, 2005 and 2006 tax years. During the year ended December 31, 2010, the IRS proposed certain adjustments to our Research Tax Credits and Domestic Production Deduction. We agreed with the proposed Research Tax Credit adjustments which were fully reserved under authoritative guidance. We disagreed with the proposed Domestic Production Deduction adjustments and are currently having this matter reviewed by the IRS Office of Appeals. We expect this dispute will be resolved within twelve to eighteen months. Should the IRS Office of Appeals decide in favor of the IRS, we do not expect the Domestic Production Deduction adjustment to have a material impact on our consolidated statement of operations and comprehensive income or consolidated statement of cash flows.

The IRS is examining our 2007, 2008 and 2009 tax years. We expect the examination will be completed in the fourth quarter of 2013.

We recognize accrued interest expense related to unrecognized tax benefits in income tax expense. The total amount of interest expense, net of tax benefits, recognized for each of the three months ended March 31, 2012 and 2011 was $0.5 million and $0.7 million, respectively. The total amount of accrued interest as of March 31, 2012 was $12.1 million, net of tax benefits, as compared to $13.0 million, net of tax benefits, as of March 31, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 9 Pension and Postretirement Benefits

The following table sets forth the components of the net periodic cost (income) associated with our pension plans and our postretirement benefit obligations:

	Pension Plans		Postretirement Benefit Obligations	
	For the Three Months Ended March 31,		For the Three Months Ended March 31,	
	2012	2011	2012	2011
Components of Net Periodic Cost (Income):				
Service cost	$ 1.6	$ 1.7	$ 0.1	$ 0.1
Interest cost	18.7	21.4	0.2	0.2
Expected return on plan assets	(24.8)	(27.6)	0.0	0.0
Amortization of prior service cost (credit)	0.1	0.1	(2.5)	(2.5)
Recognized actuarial loss (gain)	8.8	6.8	(0.5)	(0.5)
Net Periodic Cost (Income)	$ 4.4	$ 2.4	$ (2.7)	$ (2.7)

We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011 that we expected to contribute $26.0 million to our U.S. Non-Qualified plans and non-U.S. pension plans and $6.0 million to our postretirement benefit plan for the year ended December 31, 2012. As of March 31, 2012, we have made contributions to our Non-Qualified U.S. and non-U.S. pension plans of $4.4 million and postretirement benefit plan of $0.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 10 Segment Information

The operating segments reported below are our segments for which separate financial information is available and upon which operating results are evaluated by management on a timely basis to assess performance and to allocate resources.

Simultaneously with the sale of the domestic portion of our Japanese operations to TSR, we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships has been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

- North America (which consists of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and
- Europe and Other International Markets (which primarily consists of our operations in the UK, Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

- North America (which consisted of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and
- Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

Our customer solution sets are D&B Risk Management Solutions , D&B Sales & Marketing Solutions and D&B Internet Solutions . Inter-segment sales are immaterial, and no single customer accounted for 10% or more of our total revenue. For management reporting purposes, we evaluate business segment performance before restructuring charges, intercompany transactions and our Strategic Technology Investment, which we refer to as MaxCV for Maximizing Customer Value, because these charges are not a component of our ongoing income or expenses and may have a disproportionate positive or negative impact on the results of our ongoing underlying business.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

	For the Three Months Ended March 31,	
	2012	**2011**
Revenue:		
North America	$ 285.5	$ 288.5
Asia Pacific	47.2	40.6
Europe and Other International Markets	57.4	56.3
Consolidated Core	390.1	385.4
Divested Business	12.7	18.2
Consolidated Total	$ 402.8	$ 403.6
Operating Income (Loss):		
North America	102.5	106.9
Asia Pacific	(11.1)	(1.8)
Europe and Other International Markets	14.2	11.0
Total Segments	105.6	116.1
Corporate and Other(1)	(31.2)	(26.8)
Consolidated Total	74.4	89.3
Non-Operating Income (Expense), Net(2)	(2.4)	(12.1)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	$ 72.0	$ 77.2

(1) The following table summarizes Corporate and Other:

	For the Three Months Ended March 31,	
	2012	**2011**
Corporate Costs	$ (12.5)	$ (12.7)
Restructuring Expense	(9.1)	(4.2)
Strategic Technology Investment or MaxCV	(8.4)	(9.9)
Legal Fees Associated with Allegations in China	(1.2)	0.0
Total Corporate and Other	$ (31.2)	$ (26.8)

(2) The following table summarizes Non-Operating Income (Expense):

	For the Three Months Ended March 31,	
	2012	**2011**

Interest Income	$	0.1	$	0.4
Interest Expense		(9.1)		(9.2)
Other Income (Expense) - Net		6.6		(3.3)
Non-Operating Income (Expense) - Net	$	(2.4)	$	(12.1)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Supplemental Geographic and Customer Solution Set Information:

	For the Three Months Ended March 31, 2012	2011
Customer Solution Set Revenue:		
North America:		
Risk Management Solutions	$ 170.2	$ 178.7
Sales & Marketing Solutions	86.1	81.8
Internet Solutions	29.2	28.0
North America Core Revenue	285.5	288.5
Divested Businesses(3)	0.0	2.7
Total North America Revenue	285.5	291.2
Asia Pacific:		
Risk Management Solutions	35.1	32.2
Sales & Marketing Solutions	11.9	8.2
Internet Solutions	0.2	0.2
Asia Pacific Core Revenue	47.2	40.6
Divested Businesses(3)	12.7	15.5
Total Asia Pacific Revenue	59.9	56.1
Europe and Other International Markets:		
Risk Management Solutions	47.7	46.7
Sales & Marketing Solutions	9.0	9.0
Internet Solutions	0.7	0.6
Europe and Other International Markets Core Revenue	57.4	56.3
Divested Businesses	0.0	0.0
Total Europe and Other International Markets Revenue	57.4	56.3
Consolidated Total:		
Risk Management Solutions	253.0	257.6
Sales & Marketing Solutions	107.0	99.0
Internet Solutions	30.1	28.8
Core Revenue	390.1	385.4
Divested Businesses(3)	12.7	18.2
Consolidated Total Revenue	$ 402.8	$ 403.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

(3) During the three months ended March 31, 2012, we completed the sale of: i) the domestic portion of our Japanese operations to TSR; and ii) our market research business in China, consisting of two joint venture companies. These businesses have been classified as Divested Businesses. These divested businesses contributed 21% and 28% of our Asia Pacific total revenue for the three months ended March 31, 2012 and 2011, respectively.

During the three months ended March 31, 2012, we completed the sale of: i) AllBusiness.com, Inc.; and ii) Purisma Incorporated. These businesses have been classified as Divested Businesses. These divested businesses contributed 1% in the aggregate of our North America total revenue for the three months ended March 31, 2011. No revenue was earned in 2012 related to these divested businesses.

The following table represents divested revenue by solution set:

	For the Three Months Ended March 31,	
	2012	2011
Divested Businesses:		
Risk Management Solutions	$ 8.7	$ 8.9
Sales & Marketing Solutions	4.0	8.2
Internet Solutions	0.0	1.1
Total Divested Revenue	$ 12.7	$ 18.2

	At March 31, 2012	At December 31, 2011
Assets:		
North America	$ 713.6	$ 790.6
Asia Pacific	455.8	466.8
Europe and Other International Markets	323.1	317.8
Total Segments	1,492.5	1,575.2
Corporate and Other (primarily taxes)	411.3	401.9
Consolidated Total	$ 1,903.8	$ 1,977.1
Goodwill(4):		
North America	$ 266.5	$ 266.0
Asia Pacific	238.6	222.0
Europe and Other International Markets	112.9	110.4
Consolidated Total	$ 618.0	$ 598.4

(4) The increase in goodwill in the Asia Pacific and Europe and Other International Markets operating segments to $238.6 million and $112.9 million, respectively, at March 31, 2012 from $222.0 million and $110.4 million, respectively, at December 31, 2011 was primarily due to the positive impact of foreign currency translation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 11 Financial Instruments

We employ established policies and procedures to manage our exposure to changes in interest rates and foreign currencies. We use foreign exchange forward contracts to hedge short-term foreign currency denominated loans, investments and certain third-party and intercompany transactions. We may also use foreign exchange forward contracts to hedge our net investments in our foreign subsidiaries and foreign exchange option contracts to reduce the volatility that fluctuating foreign exchange rates may have on our international earnings streams. In addition, we may use interest rate derivatives to hedge a portion of the interest rate exposure on our outstanding debt or in anticipation of a future debt issuance, as discussed under Interest Rate Risk Management below.

We do not use derivative financial instruments for trading or speculative purposes. If a hedging instrument ceases to qualify as a hedge in accordance with hedge accounting guidelines, any subsequent gains and losses are recognized currently in income. Collateral is generally not required for these types of instruments.

By their nature, all such instruments involve risk, including the credit risk of non-performance by counterparties. However, at March 31, 2012 and December 31, 2011, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments. We control our exposure to credit risk through monitoring procedures.

Our trade receivables do not represent a significant concentration of credit risk at March 31, 2012 and December 31, 2011, because we sell to a large number of customers in different geographical locations.

Interest Rate Risk Management

Our objective in managing exposure to interest rates is to limit the impact of interest rate changes on our earnings, cash flows and financial position, and to lower overall borrowing costs. To achieve these objectives, we maintain a policy that floating-rate debt be managed within a minimum and maximum range of our total debt exposure. To manage our exposure and limit volatility, we may use fixed-rate debt, floating-rate debt and/or interest rate swaps. We recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position.

Fair Value Hedges

For interest rate derivative instruments that are designated and qualify as a fair value hedge, we assess quarterly whether the interest rate swaps are highly effective in offsetting changes in the fair value of the hedged debt. Changes in fair values of interest rate swap agreements that are designated fair-value hedges are recognized in earnings as an adjustment of Other Income (Expense) Net in our consolidated statement of operations and comprehensive income. The effectiveness of the hedge is monitored on an ongoing basis for hedge accounting purposes, and if the hedge is considered ineffective, we discontinue hedge accounting prospectively.

In November 2010, we issued senior notes with a face value of $300 million that mature on November 15, 2015 (the 2015 notes). In November and December 2010, we entered into interest rate derivative transactions with aggregate notional amounts of $125 million. The objective of these hedges was to offset the change in fair value of the fixed rate 2015 notes attributable to changes in LIBOR. These transactions have been accounted for as fair value hedges. We have recognized the gain or loss on the derivative instruments, as well as the offsetting loss or gain on the hedged item, in Other Income (Expense) Net in our consolidated statement of operations and comprehensive income.

In March 2012, in connection with our objective to manage exposure to interest rate changes and our policy to manage our fixed and floating-rate debt mix, these interest rate derivatives were terminated. This resulted in a gain of $0.3 million and the receipt of $5.0 million in cash on March 12, 2012, the swap termination settlement date. The gain of $0.3 million was recorded in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income at March 31, 2012. The $5.0 million cash received is reflected as an offset to interest paid in the consolidated statement of cash flows at March 31, 2012.

Approximately $0.8 million of derivative gains offset by a $0.5 million loss on the fair value adjustment related to the hedged debt were recorded through the date of termination in the results for the three months ended March, 31, 2012. The $4.9 million adjustment in the carrying amount of the hedged debt at the date of termination will be amortized as an offset to Interest Expense in the consolidated statement of operations and comprehensive income over the remaining term of the 2015 notes. Approximately $0.1 million of amortization was recorded from the swap termination date through March 31, 2012, resulting in a balance of $4.8 million in our unaudited consolidated balance sheet at March 31, 2012.

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Approximately $0.5 million of derivative losses offset by a $0.4 million gain on the fair value adjustment related to the hedged debt were recorded for the three months ended March 31, 2011.

Cash Flow Hedges

For interest rate derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the periodic hedge remeasurement gains or losses on the derivative are reported as a component of other comprehensive income and reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

In January 2009 and December 2008, we entered into interest rate swap agreements with aggregate notional amounts of $25 million and $75 million, respectively, and designated these interest rate swaps as cash flow hedges against variability in cash flows related to our then existing $650 million credit facility. These transactions were accounted for as cash flow hedges and, as such, changes in the fair value of the hedges were recorded in other comprehensive income. In connection with the termination of our former $650 million credit facility, these interest rate derivative transactions were terminated, resulting in an acceleration of payments otherwise due under the instruments of $0.3 million on October 25, 2011, the credit facility termination date and were recorded in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income at December 31, 2011.

Foreign Exchange Risk Management

Our objective in managing exposure to foreign currency fluctuations is to reduce the volatility caused by foreign exchange rate changes on the earnings, cash flows and financial position of our international operations. We follow a policy of hedging balance sheet positions denominated in currencies other than the functional currency applicable to each of our various subsidiaries. In addition, we are subject to foreign exchange risk associated with our international earnings and net investments in our foreign subsidiaries. We use short-term, foreign exchange forward and option contracts to execute our hedging strategies. Typically, these contracts have maturities of twelve months or less. These contracts are denominated primarily in the British pound sterling, the Euro and Canadian dollar. The gains and losses on the forward contracts associated with the balance sheet positions are recorded in Other Income (Expense) Net in our consolidated statement of operations and comprehensive income and are essentially offset by the gains and losses on the underlying foreign currency transactions.

As in prior years, we have hedged substantially all balance sheet positions denominated in a currency other than the functional currency applicable to each of our various subsidiaries with short-term foreign exchange forward contracts. In addition, we may use foreign exchange option contracts to hedge certain foreign earnings streams and foreign exchange forward contracts to hedge certain net investment positions. The underlying transactions and the corresponding foreign exchange forward and option contracts are marked-to-market at the end of each quarter and the fair value impacts are reflected within our consolidated financial statements.

As of March 31, 2012 and 2011, the notional amounts of our foreign exchange contracts were $268.5 million and $362.1 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Fair Values of Derivative Instruments in the Consolidated Balance Sheet

	Asset Derivatives				Liability Derivatives			
	March 31, 2012		December 31, 2011		March 31, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest rate contracts	Other Current Assets	$ 0.0	Other Current Assets	$ 4.3	Other Accrued & Current Liabilities	$ 0.0	Other Accrued & Current Liabilities	$ 0.0
Total Derivatives designated as hedging instruments		$ 0.0		$ 4.3		$ 0.0		$ 0.0
Derivatives not designated as hedging instruments								
Foreign exchange forward contracts	Other Current Assets	$ 0.0	Other Current Assets	$ 0.7	Other Accrued & Current Liabilities	$ 0.4	Other Accrued & Current Liabilities	$ 0.7
Foreign exchange options contracts	Other Current Assets	0.2	Other Current Assets	0.0	Other Accrued & Current Liabilities	0.0	Other Accrued & Current Liabilities	0.0
Total derivatives not designated as hedging instruments		$ 0.2		$ 0.7		$ 0.4		$ 0.7
Total Derivatives		$ 0.2		$ 5.0		$ 0.4		$ 0.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

The Effect of Derivative Instruments on the Consolidated Statement of Operations and Comprehensive Income

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) For the Three Months Ended March 31,		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) For the Three Months Ended March 31,		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) For the Three Months Ended March 31,	
	2012	2011		2012	2011		2012	2011
Interest rate contracts	$ 0.0	$ 0.3	Non-Operating Income (Expenses) - Net	$ 0.0	$ (0.4)	Non-Operating Income (Expenses) - Net	$ 0.0	$ 0.0

Derivatives in Fair Value Hedging Relationships	Location	Gain or (Loss) Recognized in Income on Derivative For the Three Months Ended March 31,		Hedged Item	Location	For the Three Months Ended March 31,	
		2012	2011			2012	2011
Interest rate contracts	Non-Operating Income (Expenses) - Net	$ 0.8	$ (0.5)	Fixed-rate debt	Non-Operating Income (Expenses) - Net	$ (0.5)	$ 0.4

Our foreign exchange forward and option contracts are not designated as hedging instruments under authoritative guidance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

The Effect of Derivative Instruments on the Consolidated Statement of Operations and Comprehensive Income

Derivatives not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income On Derivative For the Three Months Ended March 31,	
		2012	2011
Forward exchange contracts	Non-Operating Income (Expenses) - Net	$ 5.4	$ 3.0

Fair Value of Financial Instruments

Our financial assets and liabilities that are reflected in the consolidated financial statements include derivative financial instruments, cash and cash equivalents, accounts receivable, other receivables, accounts payable, short-term and long-term borrowings. We use short-term foreign exchange forward contracts to hedge short-term foreign currency-denominated intercompany loans, net investments in foreign subsidiaries and certain third-party and intercompany transactions and we use foreign exchange option contracts to reduce the volatility that fluctuating foreign exchange rates may have on our international earnings streams. Fair value for derivative financial instruments is determined utilizing a market approach.

We have a process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, we use quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves and referenced credit spreads.

In addition to utilizing external valuations, we conduct our own internal assessment of the reasonableness of the external valuations by utilizing a variety of valuation techniques including Black-Scholes option pricing and discounted cash flow models that are consistently applied. Inputs to these models include observable market data, such as yield curves, and foreign exchange rates where applicable. Our assessments are designed to identify prices that appear stale, those that have changed significantly from prior valuations and other anomalies that may indicate that a price may not be accurate. We also follow established routines for reviewing and reconfirming valuations with the pricing provider, if deemed appropriate. In addition, the pricing provider has an established challenge process in place for all valuations, which facilitates identification and resolution of potentially erroneous prices. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality and our own creditworthiness and constraints on liquidity. For inactive markets that do not have observable pricing or sufficient trading volumes, or for positions that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management s best estimate will be used.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011, and indicates the fair value hierarchy of the valuation techniques utilized by us to determine such fair value. Level inputs, as defined by authoritative guidance, are as follows:

Level Input:	Input Definition:
Level I	Observable inputs utilizing quoted prices (unadjusted) for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are either directly or indirectly observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs for the asset or liability in which little or no market data exists therefore requiring management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table summarizes fair value measurements by level at March 31, 2012 for assets and liabilities measured at fair value on a recurring basis:

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Balance at March 31, 2012
Assets:				
Cash Equivalents(1)	$ 34.0	$ 0.0	$ 0.0	$ 34.0
Other Current Assets:				
Foreign Exchange Option Contracts(2)	$ 0.0	$ 0.2	$ 0.0	$ 0.2
Liabilities:				
Other Accrued and Current Liabilities:				
Foreign Exchange Forwards(2)	$ 0.0	$ 0.4	$ 0.0	$ 0.4

(1) Cash equivalents represent fair value as it consists of highly liquid investments with an original maturity of three months or less.

(2) Primarily represents foreign currency forward and option contracts. Fair value is determined utilizing a market approach and considers a factor for nonperformance in the valuation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

The following table summarizes fair value measurements by level at December 31, 2011 for assets and liabilities measured at fair value on a recurring basis:

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Balance at December 31, 2011
Assets:				
Cash Equivalents(1)	$ 21.6	$ 0.0	$ 0.0	$ 21.6
Other Current Assets:				
Foreign Exchange Forwards(2)	$ 0.0	$ 0.7	$ 0.0	$ 0.7
Swap Arrangement(3)	$ 0.0	$ 4.3	$ 0.0	$ 4.3
Liabilities:				
Other Accrued and Current Liabilities:				
Foreign Exchange Forwards(2)	$ 0.0	$ 0.7	$ 0.0	$ 0.7

(1) Cash equivalents represent fair value as it consists of highly liquid investments with an original maturity of three months or less.

(2) Primarily represents foreign currency forward contracts. Fair value is determined utilizing a market approach and considers a factor for nonperformance in the valuation.

(3) Primarily represents our interest rate swap agreements including $0.7 million related to cash flow hedges and $4.3 million related to fair value hedges. Fair value is determined utilizing a market approach and considers a factor for nonperformance in the valuation.

At March 31, 2012 and December 31, 2011, the fair value of cash and cash equivalents, accounts receivable, other receivables and accounts payable approximated carrying value due to the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on valuation models using discounted cash flow methodologies with market data inputs from globally recognized data providers and third-party quotes from major financial institutions (categorized as Level II in the fair value hierarchy) are as follows:

	Balance at			
	March 31, 2012		December 31, 2011	
	Carrying Amount (Asset) Liability	Fair Value (Asset) Liability	Carrying Amount (Asset) Liability	Fair Value (Asset) Liability
Long-term Debt	$ 699.2	$ 739.8	$ 699.2	$ 723.3
Credit Facilities	$ 137.1	$ 137.8	$ 259.4	$ 259.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Items Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are recorded at fair value on a recurring basis, we are required to record assets and liabilities at fair value on a nonrecurring basis as required by GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

During the first quarter of 2012, we recorded an impairment charge of $12.9 million related to the accounts receivable, intangible assets, prepaid costs and software for Roadway, an operation in our Greater China reporting unit. As a result of the ongoing investigation and evaluation of other factors, such as the time, cost and management bandwidth required to resolve the current matters and restart the business, as well as the very fluid situation in China, we subsequently determined to permanently cease the operations of Roadway and we have begun the process of winding down the business. See Note 7 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion on this investigation. We determined that the new cost basis of intangible assets, prepaid costs and software is zero based on Level III inputs (see Fair Value Measurements above for discussion on Level inputs) to measure fair value, as market data of these assets are not readily available. We wrote down the accounts receivable to its realizable value based on the probability of collecting from the customer accounts. Of the $12.9 million impairment charge, $4.1 million was included in Operating Costs and $8.8 million was included in Selling and Administrative Expenses in our Asia Pacific segment.

During the three months ended March 31, 2011, we did not measure any assets or liabilities at fair value on a nonrecurring basis.

Note 12 Divestiture

Domestic Portion of our Japanese Joint Venture

In February 2012, we completed the sale of the domestic portion of our Japan operations to TSR, our local joint venture partner since December 2007, for $4.5 million. As a result, we recorded a pre-tax gain of $3.0 million in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the three months ended March 31, 2012. Our domestic Japanese operations generated approximately $64 million in revenue during 2011.

Simultaneously with closing this transaction, we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese customers and to become the exclusive distributor of TSR data to our World Wide Network partners.

AllBusiness.com, Inc.

In February 2012, we completed the sale of AllBusiness.com, Inc., a U.S. entity included in our North American reporting segment, for $0.4 million. As a result, we recorded a pre-tax loss of $0.4 million in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the three months ended March 31, 2012.

Chinese Market Research Joint Ventures

In January 2012, we completed the sale of our market research business in China, consisting of two joint venture companies, by selling our equity interests in such companies to our partner for a total purchase price of $5.0 million. As a result, we recorded a pre-tax gain of $1.4 million in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the three months ended March 31, 2012. The joint venture generated approximately $16 million in revenue during 2011.

Purisma Incorporated

In January 2012, we completed the sale of Purisma Incorporated, a U.S. entity included in our North American reporting segment, for $2.0 million. As a result, we recorded a pre-tax gain of $2.0 million in Other Income (Expense) Net in the consolidated statement of operations and comprehensive income during the three months ended March 31, 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-continued

(Tabular dollar amounts in millions, except per share data)

Note 13 Subsequent Events

Dividend Declaration

In May 2012, we approved the declaration of a dividend of $0.38 per share for the second quarter of 2012. This cash dividend will be payable on June 13, 2012 to shareholders of record at the close of business on May 29, 2012.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

The Dun & Bradstreet Corporation (D&B or we or our) is the world s leading source of commercial information and insight on businesses, enabling customers to Decide with Confidence ® for 170 years. Our global commercial database contains more than 205 million business records. The database is enhanced by our proprietary DUNSRight ® Quality Process, which provides our customers with quality business information. This quality information is the foundation of our global solutions that customers rely on to make critical business decisions.

We provide solution sets that meet a diverse set of customer needs globally. Customers use our D&B Risk Management Solutions to mitigate credit and supplier risk, increase cash flow and drive increased profitability; our D&B Sales & Marketing Solutions to increase revenue from new and existing customers; and our D&B Internet Solutions ® to convert prospects into clients faster by enabling business professionals to research companies, executives and industries.

Simultaneously with the sale of the domestic portion of our Japanese operations to Tokyo Shoko Research Ltd. (TSR), we entered a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships has been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

- North America (which consists of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and
- Europe and Other International Markets (which primarily consists of our operations in the UK, Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

- North America (which consisted of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and
- Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

How We Manage Our Business

For internal management purposes, we refer to core revenue, which we calculate as total operating revenue less the revenue of divested businesses. Core revenue is used to manage and evaluate the performance of our segments and to allocate resources because this measure provides an indication of the underlying changes in revenue in a single performance measure. Core revenue does not include reported revenue of divested and shut-down businesses since they are not included in future revenue.

During the three months ended March 31, 2012, we completed the sale of: i) the domestic portion of our Japanese operations to TSR; and ii) our market research business in China, consisting of two joint venture companies. These businesses have been classified as Divested Businesses. These divested businesses contributed 21% and 28% of our Asia Pacific total revenue for the three months ended March 31, 2012 and 2011, respectively. See Note 10 and Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form

10-Q for further detail.

During the three months ended March 31, 2012, we completed the sale of: i) AllBusiness.com, Inc.; and ii) Purisma Incorporated. These businesses have been classified as Divested Businesses. No revenue was earned in 2012 related to these divested businesses. These divested businesses contributed 1% in the aggregate of our North America total revenue for the three months ended March 31, 2011. See Note 10 and Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further detail.

We also isolate the effects of changes in foreign exchange rates on our revenue growth because we believe it is useful for investors to be able to compare revenue from one period to another, both with and without the effects of foreign exchange. The change in our operating performance attributable to foreign currency rates is determined by converting both our prior and current periods by a constant rate. As a result, we monitor our core revenue growth both after and before the effects of foreign exchange. Core revenue growth excludes the effects of foreign exchange.

From time-to-time we have analyzed and we may continue to further analyze core revenue growth before the effects of foreign exchange among two components, organic core revenue growth and core revenue growth from acquisitions. We analyze organic core revenue growth and core revenue growth from acquisitions because management believes this information provides an important insight into the underlying health of our business. Core revenue includes the revenue from acquired businesses from the date of acquisition.

We evaluate the performance of our business segments based on segment revenue growth before the effects of foreign exchange, and segment operating income growth before certain types of gains and charges that we consider do not reflect our underlying business performance. Specifically, for management reporting purposes, we evaluate business segment performance before non-core gains and charges because such charges are not a component of our ongoing income or expenses and/or may have a disproportionate positive or negative impact on the results of our ongoing underlying business operations. A recurring component of non-core gains and charges are our restructuring charges, which result from a foundational element of our growth strategy that we refer to as Financial Flexibility. Through Financial Flexibility, management identifies opportunities to improve the performance of the business in terms of reallocating our spending from low-growth or low-value activities to activities that will create greater value for shareholders through enhanced revenue growth, improved profitability and/or quality improvements. Management is committed through this process to examining our spending, and optimizing between variable and fixed costs to ensure flexibility in changes to our operating expense base as we make strategic choices. This enables us to continually and systematically identify improvement opportunities in terms of quality, cost and customer experience. Such charges are variable from period-to-period based upon actions identified and taken during each period. Management reviews operating results before such non-core gains and charges on a monthly basis and establishes internal budgets and forecasts based upon such measures. Management further establishes annual and long-term compensation such as salaries, target cash bonuses and target equity compensation amounts based on performance before non-core gains and charges and a significant percentage weight is placed upon performance before non-core gains and charges in determining whether performance objectives have been achieved. Management believes that by eliminating non-core gains and charges from such financial measures, and by being overt to shareholders about the results of our operations excluding such charges, business leaders are provided incentives to recommend and execute actions that are in the best long-term interests of our shareholders, rather than being influenced by the potential impact a charge in a particular period could have on their compensation. See Note 10 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for financial information regarding our segments.

Similarly, when we evaluate the performance of our business as a whole, we focus on results (such as operating income, operating income growth, operating margin, net income, tax rate and diluted earnings per share) before non-core gains and charges because such non-core gains and charges are not a component of our ongoing income or expenses and/or may have a disproportionate positive or negative impact on the results of our ongoing underlying business operations and may drive behavior that does not ultimately maximize shareholder value. It may be concluded from our presentation of non-core gains and charges that the items that result in non-core gains and charges may occur in the future.

We monitor free cash flow as a measure of our business. We define free cash flow as net cash provided by operating activities minus capital expenditures and additions to computer software and other intangibles. Free cash flow measures our available cash flow for potential debt repayment, acquisitions, stock repurchases, dividend payments and additions to cash, cash equivalents and short-term investments. We believe free cash flow to be relevant and useful to our investors as this measure is used by our management in evaluating the funding available after supporting our ongoing business operations and our portfolio of product investments.

Free cash flow should not be considered as a substitute measure for, or superior to, net cash flows provided by operating activities, investing activities or financing activities. Therefore, we believe it is important to view free cash flow as a complement to our consolidated statements of cash flows.

In addition, we evaluate our North America Risk Management Solutions based on two metrics: (1) subscription, and non-subscription, and (2) DNBi® and non-DNBi. We define subscription as contracts that allow customers unlimited use. In these instances, we recognize revenue ratably over the term of the contract, which is generally one year and non-subscription as all other revenue streams. We define DNBi as our interactive, customizable online application that offers our customers real time access to our most complete and up-to-date global DUNSRight information, comprehensive monitoring and portfolio analysis and non-DNBi as all other revenue streams. Management believes these measures provide further insight into our performance and growth of our North America Risk Management Solutions revenue.

The adjustments discussed herein to our results as determined under generally accepted accounting principles in the United States of America (GAAP) are among the primary indicators management uses as a basis for our planning and forecasting of future periods, to allocate resources, to evaluate business performance and, as noted above, for compensation purposes. However, these financial measures (e.g., results before non-core gains and charges and free cash flow) are not prepared in accordance with GAAP, and should not be considered in isolation or as a substitute for total revenue, operating income, operating income growth, operating margin, net income, tax rate, diluted earnings per share, or net cash provided by operating activities, investing activities and financing activities prepared in accordance with GAAP. In addition, it should be noted that because not all companies calculate these financial measures similarly, or at all, the presentation of these financial measures is not likely to be comparable to measures of other companies.

See Results of Operations below for a discussion of our results reported on a GAAP basis.

Overview

Simultaneously with the sale of the domestic portion of our Japanese operations to TSR, we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships has been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

- North America (which consists of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and
- Europe and Other International Markets (which primarily consists of our operations in the UK, Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

- North America (which consisted of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and
- Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

The financial statements of our subsidiaries outside North America reflect a fiscal quarter ended February 29 to facilitate the timely reporting of our unaudited consolidated financial results and unaudited consolidated financial position.

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The following table presents the contribution by segment to total revenue and core revenue:

	For the Three Months Ended March 31,	
	2012	2011
Total Revenue:		
North America	71%	72%
Asia Pacific	15%	14%
Europe and Other International Markets	14%	14%
Core Revenue:		
North America	73%	75%
Asia Pacific	12%	10%
Europe and Other International Markets	15%	15%

The following table presents contributions by customer solution set to total revenue and core revenue:

	For the Three Months Ended March 31,	
	2012	2011
Total Revenue by Customer Solution Set(1):		
Risk Management Solutions	63%	64%
Sales & Marketing Solutions	27%	25%
Internet Solutions	7%	7%
Core Revenue by Customer Solution Set:		
Risk Management Solutions	65%	67%
Sales & Marketing Solutions	27%	26%
Internet Solutions	8%	7%

(1) Our divested businesses contributed 3% and 4% of our total consolidated revenue for the three months ended March 31, 2012, and 2011, respectively. See Note 10 and Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further detail.

Our customer solution sets are discussed in greater detail in Item 1. Business in our Annual Report on Form 10-K for the year ended December 31, 2011.

Within our Risk Management Solutions, we monitor the performance of our Traditional products, our Value-Added products and our Supply Management products. Within our Sales & Marketing Solutions, we monitor the performance of our Traditional products and our Value-Added products.

Risk Management Solutions

Our Traditional Risk Management Solutions include our DNBi product line, as well as reports from our database which are used primarily for making decisions about new credit applications. Our Traditional Risk Management Solutions constituted the following percentages of total Risk Management Solutions Revenue, Total Revenue and Core Revenue:

	For the Three Months Ended March 31,	
	2012	2011
Risk Management Solutions Revenue	76%	75%
Total Revenue	48%	48%

Core Revenue	49%	50%

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Our Value-Added Risk Management Solutions generally support automated decision-making and portfolio management through the use of scoring and integrated software solutions. Our Value-Added Risk Management Solutions constituted the following percentages of total Risk Management Solutions Revenue, Total Revenue and Core Revenue:

	For the Three Months Ended March 31,	
	2012	2011
Risk Management Solutions Revenue	19%	20%
Total Revenue	12%	12%
Core Revenue	12%	13%

Our Supply Management Solutions can help companies better understand the financial risk of their supply chain. Our Supply Management Solutions constituted the following percentages of total Risk Management Solutions Revenue, Total Revenue and Core Revenue:

	For the Three Months Ended March 31,	
	2012	2011
Risk Management Solutions Revenue	5%	5%
Total Revenue	3%	4%
Core Revenue	4%	4%

Sales & Marketing Solutions

Our Traditional Sales & Marketing Solutions generally consist of marketing lists, labels and customized data files used by our customers in their direct mail and marketing activities. Our Traditional Sales & Marketing Solutions constituted the following percentages of total Sales & Marketing Solutions Revenue, Total Revenue and Core Revenue:

	For the Three Months Ended March 31,	
	2012	2011
Sales & Marketing Solutions Revenue	35%	37%
Total Revenue	10%	9%
Core Revenue	9%	10%

Our Value-Added Sales & Marketing Solutions generally include decision-making and customer information management solutions, including data management solutions like Optimizer (our solution to cleanse, identify and enrich our customers client portfolios) and products introduced as part of our Data-as-a-Service (or DaaS) Strategy, which integrates our data directly into the applications and platforms that our customers use every day. Our Value-Added Sales & Marketing Solutions constituted the following percentages of total Sales & Marketing Solutions Revenue, Total Revenue and Core Revenue:

	For the Three Months Ended March 31,	
	2012	2011
Sales & Marketing Solutions Revenue	65%	63%
Total Revenue	17%	16%
Core Revenue	18%	16%

Critical Accounting Policies and Estimates

In preparing our unaudited consolidated financial statements and accounting for the underlying transactions and balances reflected therein, we have applied the critical accounting policies described in Item 7. Management s Discussion and Analysis of Financial Condition and Results of

Operations in our Annual Report on Form 10-K for the year ended December 31, 2011.

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Recently Issued Accounting Standards

See Note 2 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for disclosure of the impact that recent accounting pronouncements may have on our unaudited consolidated financial statements.

Results of Operations

The following discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements and should be read in conjunction with the unaudited consolidated financial statements and related notes set forth in Item 1. of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2011, all of which have been prepared in accordance with GAAP.

Consolidated Revenue

The following table presents our core and total revenue by segment:

	For the Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Revenue:		
North America	$ 285.5	$ 288.5
Asia Pacific	47.2	40.6
Europe and Other International Markets	57.4	56.3
Core Revenue	390.1	385.4
Divested Businesses	12.7	18.2
Total Revenue	$ 402.8	$ 403.6

The following table presents our core and total revenue by customer solution set:

	For the Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Revenue:		
Risk Management Solutions	$ 253.0	$ 257.6
Sales & Marketing Solutions	107.0	99.0
Internet Solutions	30.1	28.8
Core Revenue	390.1	385.4
Divested Businesses	12.7	18.2
Total Revenue	$ 402.8	$ 403.6

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Total revenue decreased $0.8 million, or less than 1% (both before and after the effect of foreign exchange), for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The decrease in total revenue was primarily driven by a decrease in North America total revenue of $5.7 million, or 2% (both before and after the effect of foreign exchange), partially offset by an increase in Asia

Pacific total revenue of $3.8 million, or 7% (4% increase before the effect of foreign exchange) and an increase in Europe and Other International Markets total revenue of $1.1 million, or 2% (3% increase before the effect of foreign exchange).

North America total revenue was negatively impacted by the divesture of AllBusiness.com, Inc. and Purisma Incorporated in the first quarter of 2012, which we reclassified as divested businesses and accounted for $2.7 million of revenue for the three months ended March 31, 2011. No revenue was earned in 2012 related to these divested businesses.

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Asia Pacific total revenue was negatively impacted by the divestiture of our market research business in China, consisting of two joint venture companies, in the first quarter of 2012, which we reclassified as a divested business and accounted for a $3.2 million decline for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Core revenue, which reflects total revenue less revenue from a divested business, increased $4.7 million, or 1% (both before and after the effect of foreign exchange), for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The increase in core revenue is primarily attributed to:

- Growth in our products as a result of increased commitments primarily related to our Optimizer product, as well as growth in our new Data as a Service or DaaS products;
- An increase in revenue as a result of the acquisition of MicroMarketing, which we consolidated in the fourth quarter of 2011; and
- The positive impact of foreign exchange;

partially offset by:

- Lower revenue from non-DNBi subscription products as customers continue to manage their spend in the current economic climate and migration to usage based products at a lower value; and
- A one-time benefit in the prior year due to upfront revenue recognition on the existing customer set as a result of allocation of revenue in an arrangement using the best estimated selling price.

Customer Solution Sets

On a customer solution set basis, core revenue reflects:

- A $4.6 million, or 2% decrease (both before and after the effect of foreign exchange), in Risk Management Solutions. The decrease was driven by a decrease in revenue in North America of $8.5 million, or 5% (both before and after the effect of foreign exchange), partially offset by an increase in revenue in Asia Pacific of $2.9 million, or 9% (7% increase before the effect of foreign exchange), and an increase in revenue in Europe and Other International Markets of $1.0 million, or 2% (3% increase before the effect of foreign exchange);
- A $8.0 million, or 8% increase (both before and after the effect of foreign exchange), in Sales & Marketing Solutions. The increase was driven by an increase in revenue in North America of $4.3 million, or 5% (both before and after the effect of foreign exchange), an increase in revenue in Asia Pacific of $3.7 million, or 44% (both before and after the effect of foreign exchange); and
- A $1.3 million, or 5% increase (both before and after the effect of foreign exchange), in Internet Solutions. The increase was driven by an increase in revenue in North America of $1.2 million, or 5% (both before and after the effect of foreign exchange), and an increase in revenue in Europe and Other International Markets of $0.1 million, or 21% (23% increase before the effect of foreign exchange).

Recent Developments

On March 18, 2012, we announced that we had temporarily suspended our Shanghai Roadway D&B Marketing Services Co Ltd. (Roadway) operations in China, pending an investigation into allegations that its data collection practices may violate local Chinese consumer data privacy laws. In addition, we have been reviewing certain allegations that we may have violated the Foreign Corrupt Practices Act (FCPA) and certain other laws in our China operations. As previously reported, we are cooperating with the local Chinese investigation and have voluntarily contacted the Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ) to advise both agencies of our investigation. Our investigation remains ongoing and is being conducted at the direction of the Audit Committee.

In connection with the ongoing investigation and evaluation of other factors, such as the time, cost and management bandwidth required to resolve the current matters and restart the business, as well as the very fluid situation in China, we subsequently

determined to permanently cease the operations of Roadway and we have begun the process of winding down the business. The Roadway shut-down had no impact in our first quarter 2012 Asia Pacific revenue. For the first quarter of 2012, $5.4 million of revenue and $14.5 million of operating loss was related to the Roadway business. D&B acquired Roadway s operations in 2009, and for 2011 Roadway accounted for approximately $22 million in revenue and $2 million in operating income. During the first quarter of 2012, we recorded an impairment charge of $12.9 million related to the accounts receivable, intangible assets, prepaid costs and software for Roadway, an operation in our Greater China reporting unit. In addition, we performed a goodwill impairment assessment for the Greater China reporting unit during the first quarter of 2012. The assessment did not result in a goodwill impairment charge for the first quarter of 2012. The key assumptions factored in the goodwill impairment assessment were: recent operating results, economic projections, anticipated future revenue and cash flows and potential sanctions imposed by the Chinese government. The fair value of the Greater China reporting unit exceeded its carrying value by approximately 15%. Total goodwill associated with the reporting unit was $35.9 million at March 31, 2012. A 100 basis points increase or decrease in the revenue growth or discount rate assumption will have a 5% impact on the fair value of the Greater China reporting unit. See Note 7 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion on this investigation.

We are presently unable to predict the duration, scope or result of the Audit Committee s investigation, of any investigations by the SEC, or the DOJ, or any other US or foreign governmental authority, or whether any such authority will commence any legal action against us. The SEC and the DOJ have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations including, but not limited to, injunctive relief, disgorgement, fines, penalties, modifications to business practices, including the termination or modification of existing business relationships and the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. These investigations could ultimately result in penalties or other payments by us. In connection with the wind down of the Roadway operations, we believe we may incur additional cash expenditures for severance, lease payments, etc.

Consolidated Operating Costs

The following table presents our consolidated operating costs and operating income for the three months ended March 31, 2012 and 2011:

	For the Three Months Ended March 31,	
	2012	**2011**
	(Amounts in millions)	
Operating Expenses	$ 144.6	$ 137.2
Selling and Administrative Expenses	154.5	153.5
Depreciation and Amortization	20.2	19.4
Restructuring Charge	9.1	4.2
Operating Costs	$ 328.4	$ 314.3
Operating Income	$ 74.4	$ 89.3

Operating Expenses

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Operating expenses increased $7.4 million, or 5%, for the three months ended March 31, 2012, compared to the three months ended March 31, 2011. The increase was primarily due to the following:

- Impairment in China related to Roadway (see Recent Developments discussed above);

- Increased data costs; and

Increased costs associated with our investments, including our Strategic Technology Investment, which we refer to as MaxCV for Maximizing Customer Value, designed to strengthen our leading position in commercial data and improve our current technology platform to meet emerging needs of customers. As part of MaxCV, we are migrating customers to newer, and higher performing platforms, such as Hoover s, while we are shutting down legacy products that will not be supported by our new data supply chain;

partially offset by:

Decreased costs due to the divestiture of our market research business in China, consisting of two joint venture companies.

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Selling and Administrative Expenses

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Selling and administrative expenses increased $1.0 million, or 1%, for the three months ended March 31, 2012, compared to the three months ended March 31, 2011. The decrease was primarily due to the following:

Impairment in China related to Roadway (see Recent Developments discussed above);

partially offset by:

Lower compensation costs.

Matters Impacting Both Operating Expenses and Selling and Administrative Expenses

Pension, Postretirement and 401(k) Plan

We had net pension cost of $4.4 million and $2.4 million for the three months ended March 31, 2012 and 2011, respectively. Higher pension cost in 2012 was primarily driven by lower expected return from plan assets related to our US qualified plan. For our U.S. plans, the increase in pension cost in 2012 is primarily driven by lower expected return from plan assets. For 2012, we use an expected long-term rate of return of 7.75%, a 50 basis points decrease, compared to 8.25% used for 2011. Additionally, lower expected return from plan assets is also due to the lower market-related value of plan assets, which increase our 2012 net pension cost. Higher actuarial losses amortization in 2012 is substantially offset by lower interest cost, both driven by a lower discount rate. The discount rate applied to our U.S. plans at January 1, 2012 is 4.05%, a 101 basis points decrease from the 5.06% discount rate used for 2011.

We had postretirement benefit income of $2.7 million for both the three months ended March 31, 2012 and 2011.

We had expense associated with our 401(k) Plan of $2.8 million and $3.2 million for the three months ended March 31, 2012 and 2011, respectively. The decrease in expense in 2012 was due to the lower company match as a result of lower employee contributions driven by lower commission payout and headcount. The employer maximum match was 50% of seven percent of a team member s eligible compensation, subject to certain 401(k) Plan limitations.

Stock-Based Compensation

For the three months ended March 31, 2012, we recognized total stock-based compensation expense of $3.1 million, compared to $3.6 million for the three months ended March 31, 2011.

Expense associated with our stock option programs was $0.9 million for the three months ended March 31, 2012, compared to $1.0 million for the three months ended March 31, 2011. The decrease was primarily due to a decrease in the fair value of the stock options issued over the past several years.

Expense associated with restricted stock, restricted stock unit and restricted stock opportunity awards was $2.0 million for the three months ended March 31, 2012, compared to $2.3 million for the three months ended March 31, 2011. The decrease was primarily due to a decrease in the fair value of the awards issued over the past several years.

Expense associated with our Employee Stock Purchase Plan (ESPP) was $0.2 million for the three months ended March 31, 2012, compared to $0.3 million for the three months ended March 31, 2011.

We expect total equity-based compensation of approximately $14.3 million for 2012. We consider these costs to be part of our compensation costs and, therefore, they are included in operating expenses and in selling and administrative expenses, based upon the classifications of the underlying compensation costs.

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Depreciation and Amortization

Depreciation and amortization increased $0.8 million, or 4%, for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. This increase was primarily driven by an increase in amortization of acquired intangible assets resulting from our previous acquisitions.

Restructuring Charge

Financial Flexibility is an ongoing process by which we seek to reallocate our spending from low-growth or low-value activities to other activities that will create greater value for shareholders through enhanced revenue growth, improved profitability and/or quality improvements. With most initiatives, we have incurred restructuring charges (which generally consist of employee severance and termination costs, contract terminations, asset write-offs, and/or costs to terminate lease obligations less assumed sublease income). These charges are incurred as a result of eliminating, consolidating, standardizing and/or automating our business functions.

Restructuring charges have been recorded in accordance with ASC 712-10, Nonretirement Postemployment Benefits, or ASC 712-10 and/or ASC 420-10, Exit or Disposal Cost Obligations, or ASC 420-10, as appropriate.

We record severance costs provided under an ongoing benefit arrangement once they are both probable and estimable in accordance with the provisions of ASC 712-10.

We account for one-time termination benefits, contract terminations, asset write-offs, and/or costs to terminate lease obligations less assumed sublease income in accordance with ASC 420-10, which addresses financial accounting and reporting for costs associated with restructuring activities. Under ASC 420-10, we establish a liability for cost associated with an exit or disposal activity, including severance and lease termination obligations, and other related costs, when the liability is incurred, rather than at the date that we commit to an exit plan. We reassess the expected cost to complete the exit or disposal activities at the end of each reporting period and adjust our remaining estimated liabilities, if necessary.

The determination of when we accrue for severance costs and which standard applies depends on whether the termination benefits are provided under an ongoing arrangement as described in ASC 712-10 or under a one-time benefit arrangement as defined by ASC 420-10. Inherent in the estimation of the costs related to the restructurings are assessments related to the most likely expected outcome of the significant actions to accomplish the exit activities. In determining the charges related to the restructurings, we had to make estimates related to the expenses associated with the restructurings. These estimates may vary significantly from actual costs depending, in part, upon factors that may be beyond our control. We will continue to review the status of our restructuring obligations on a quarterly basis and, if appropriate, record changes to these obligations in current operations based on management s most current estimates.

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

During the three months ended March 31, 2012, we recorded a $9.1 million restructuring charge in connection with Financial Flexibility initiatives. The significant components of these charges included:

- Severance and termination costs of $3.1 million and $3.6 million in accordance with the provisions of ASC 712-10 and ASC 420-10, respectively, were recorded. Approximately 120 employees were impacted. Of these 120 employees, approximately 80 employees have exited the Company in the first quarter of 2012. The cash payments for these employees will be substantially completed by the third quarter of 2012; and

- Lease termination obligations, other costs to consolidate or close facilities and other exit costs of $2.4 million.

During the three months ended March 31, 2011, we recorded a $4.2 million restructuring charge in connection with Financial Flexibility initiatives. The significant components of these charges included:

Severance and termination costs of $4.2 million in accordance with the provisions of ASC 712-10. Approximately 95 employees were impacted. Of these 95 employees, approximately 60 employees exited the Company in the first quarter of 2011. The cash payments for these employees were substantially completed by the third quarter of 2011.

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Interest Income (Expense) Net

The following table presents our Interest Income (Expense) Net for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Interest Income	$ 0.1	$ 0.4
Interest Expense	(9.1)	(9.2)
Interest Income (Expense) - Net	$ (9.0)	$ (8.8)

Interest income decreased $0.3 million, or 66%, for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The decrease in interest income is primarily attributable to lower average amounts of invested balances.

Interest expense decreased $0.1 million, or 1%, for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The decrease in interest expense is primarily attributable to lower average amounts of debt outstanding.

Other Income (Expense) Net

The following table presents our Other Income (Expense) Net for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Effect of Legacy Tax Matters	$ 0.1	$ 0.2
Gain on Sale of Businesses(a)	6.0	0.0
Loss on Investment(b)	0.0	(3.2)
Miscellaneous Other Income (Expense) Net(c)	0.5	(0.3)
Other Income (Expense) - Net	$ 6.6	$ (3.3)

(a) During the three months ended March 31, 2012, we recognized gains primarily related to the sale of the domestic portion of our Japanese operations to TSR and our market research business in China, consisting of two joint venture companies. See Note 12 to our unaudited consolidated financial statements in Item 1. of this Quarterly Report on Form 10-Q.

(b) During the three months ended March 31, 2011, we recorded an impairment charge related to a 2008 investment in a research and development data firm as a result of its financial condition and our focus on MaxCV.

(c) Miscellaneous Other Income (Expense) Net increased for the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to foreign exchange.

Provision for Income Taxes

For the three months ended March 31, 2012, our effective tax rate was 11.5% as compared to 37.8% for the three months ended March 31, 2011. The effective tax rate for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, was positively impacted by a tax benefit on a loss on the tax basis of a legal entity and by tax benefits from the divestiture of the domestic portion of our Japan operations and negatively impacted by the impairments related to permanently ceasing the operations of Roadway in China for which we have begun the process of winding down the business. Our effective tax rate for the three months ended March 31, 2011 was negatively impacted by the sale of an investment in North America and increased spending on MaxCV in foreign jurisdictions with lower statutory tax rates and positively impacted by the receipt of a refund from the Internal Revenue Service (IRS) for a legacy tax matter. For the period ended March 31, 2012, there are no known changes in our effective tax rate that either have had or that we expect may reasonably have a material impact on our operations or future performance.

The total amount of gross unrecognized tax benefits as of March 31, 2012 was $124.8 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is $117.2 million, net of tax benefits. During the three months ended March 31, 2012, we increased our unrecognized tax benefits by $4.7 million, net of decreases. The increase is primarily due to legacy tax matters.

We or one of our subsidiaries file income tax returns in the U.S. federal, and various state, local and foreign jurisdictions. In the U.S. federal jurisdiction, we are no longer subject to examination by the IRS for years prior to 2005. In state and local jurisdictions, with a few exceptions, we are no longer subject to examinations by tax authorities for years prior to 2008. In foreign jurisdictions, with a few exceptions, we are no longer subject to examinations by tax authorities for years prior to 2007.

The IRS has completed its examination of our 2004, 2005 and 2006 tax years. During the year ended December 31, 2010, the IRS proposed certain adjustments to our Research Tax Credits and Domestic Production Deduction. We agreed with the proposed Research Tax Credit adjustments which were fully reserved under authoritative guidance. We disagreed with the proposed Domestic Production Deduction adjustments and are currently having this matter reviewed by the IRS Office of Appeals. We expect this dispute will be resolved within twelve to eighteen months. Should the IRS Office of Appeals decide in favor of the IRS, we do not expect the Domestic Production Deduction adjustment to have a material impact on our consolidated statement of operations and comprehensive income or consolidated statement of cash flows.

The IRS has commenced an examination of our 2007, 2008 and 2009 tax years. We expect the examination will be completed in the fourth quarter of 2013.

We recognize accrued interest expense related to unrecognized tax benefits in income tax expense. The total amount of interest expense, net of tax benefits, recognized for each of the three months ended March 31, 2012 and 2011 was $0.5 million and $0.7 million, respectively. The total amount of accrued interest as of March 31, 2012 was $12.1 million, net of tax benefits, as compared to $13 million, net of tax benefits, as of March 31, 2011.

Earnings per Share

In accordance with the authoritative guidance in ASC 260-10, we are required to assess if any of our share-based payment transactions are deemed participating securities prior to vesting and therefore need to be included in the earnings allocation when computing EPS under the two-class method. The two-class method requires earnings to be allocated between common shareholders and holders of participating securities. All outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends are considered to be a separate class of common stock and should be included in the calculation of basic and diluted EPS. Based on a review of our stock-based awards, we have determined that only our restricted stock awards are deemed participating securities. The weighted average restricted shares outstanding were 30,266 shares and 102,967 shares for the three months ended March 31, 2012 and 2011, respectively.

The following table sets forth our EPS for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
Basic Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	$ 1.33	$ 1.00
Diluted Earnings Per Share of Common Stock Attributable to D&B Common Shareholders	$ 1.32	$ 1.00

For the three months ended March 31, 2012, basic EPS attributable to D&B common shareholders increased 33%, compared with the three months ended March 31, 2011, due to an increase of 27% in Net Income Attributable to D&B common shareholders and a 4% reduction in the weighted average number of basic shares outstanding resulting from our total share repurchases.

For the three months ended March 31, 2012, diluted EPS attributable to D&B common shareholders increased 32%, compared with the three months ended March 31, 2011, due to an increase of 27% in Net Income Attributable to D&B common shareholders and a 4% reduction in the weighted average number of diluted shares outstanding resulting from our total share repurchases.

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Segment Results

Simultaneously with the sale of the domestic portion of our Japanese operations to Tokyo Shoko Research Ltd., we entered into a ten-year commercial arrangement to provide TSR with global data for its Japanese competitors and became the exclusive distributor of TSR data to our Worldwide Network partners. We continue to manage our business through three segments. However, as of January 1, 2012, our Asia Pacific Partnerships has been moved out of our Europe and Other International Markets segment and into our Asia Pacific segment.

On January 1, 2012, we began managing our business through the following three segments (all prior periods have been reclassified to reflect the new segment structure):

- North America (which consists of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consists of our operations in Australia, China, India and Asia Pacific Partnerships); and
- Europe and Other International Markets (which primarily consists of our operations in the UK, Netherlands, Belgium, Latin America and European Partnerships).

Prior to January 1, 2012, we managed and reported our business globally through the following three segments:

- North America (which consisted of our operations in the U.S. and Canada);
- Asia Pacific (which primarily consisted of our operations in Australia, Japan, China and India); and
- Europe and Other International Markets (which primarily consisted of our operations in the UK, Netherlands, Belgium, Latin America and our Worldwide Network).

North America

North America is our largest segment representing 71% of our total revenue for the three months ended March 31, 2012 compared to 72% of our total revenue for the three months ended March 31, 2011, respectively.

During the three months ended March 31, 2012, we completed the sale of: i) AllBusiness.com, Inc.; and ii) Purisma Incorporated. These businesses have been classified as Divested Businesses. These divested businesses contributed 1% in the aggregate of our North America total revenue for the three months ended March 31, 2011. See Note 10 and Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further detail. No revenue was earned in 2012 related to these divested businesses.

North America represented 73% of our core revenue for the three months ended March 31, 2012 compared to 75% of our core revenue for the three months ended March 31, 2011.

The following table presents our North America revenue by customer solution set and North America operating income for the three months ended March 31, 2012 and 2011.

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Additionally, this table reconciles the non-GAAP measure of core revenue to the GAAP measure of total revenue by customer solution set:

	For the Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Revenue:		
Risk Management Solutions	$ 170.2	$ 178.7
Sales & Marketing Solutions	86.1	81.8
Internet Solutions	29.2	28.0
North America Core Revenue	285.5	288.5
Divested Businesses	0.0	2.7
North America Total Revenue	$ 285.5	$ 291.2
Operating Income	$ 102.5	$ 106.9

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

North America Overview

North America total revenue decreased $5.7 million, or 2% (both before and after the effect of foreign exchange), for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. North America total revenue was negatively impacted by the divestiture of AllBusiness.com, Inc. and Purisma Incorporated in the first quarter of 2012, which we reclassified as divested businesses and accounted for $2.7 million of revenue for the three months ended March 31, 2011. Excluding the impact of the divestitures, core revenue decreased $3.0 million, or 1% (both before and after the effect of foreign exchange). No revenue was earned in 2012 related to these divested businesses.

North America Customer Solution Sets

On a customer solution set basis, the $3.0 million decrease in core revenue for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, reflects:

Risk Management Solutions

A decrease in Risk Management Solutions of $8.5 million, or 5% (both before and after the effect of foreign exchange), reflects: Traditional Risk Management Solutions, which accounted for 72% of total North America Risk Management Solutions, decreased 3% (both before and after the effect of foreign exchange). The decrease was primarily due to:

Lower revenue from non-DNBi subscription products as customers continue to manage their spend in the current economic climate and migration to usage based products at a lower value;

partially offset by:

Year-over-year growth in our core DNBi subscription plans that excludes modules enabled by our DNBi platform. The increase in DNBi was driven by continued high retention, increased dollar spend for our existing customers and new product releases. We

continue to see mid single digit price increases with these customers when they renew these subscription plans.

Value-Added Risk Management Solutions, which accounted for 20% of total North America Risk Management Solutions, decreased 11% (both before and after the effect of foreign exchange). The decrease was primarily due to:

- A shift in product mix from our Value-Added Risk Management Solutions to our Value-Added Sales & Marketing Solutions;
- A one-time benefit in the prior year due to upfront revenue recognition on the existing customer set as a result of allocation of revenue in an arrangement using the best estimated selling price; and

Lower purchases from existing customers of modules enabled by our DNBi platform.

Supply Management Solutions, which accounted for 8% of total North America Risk Management Solutions, decreased 7% (both before and after the effect of foreign exchange), on a small base.

Sales & Marketing Solutions

An increase in Sales & Marketing Solutions of $4.3 million, or 5% (both before and after the effect of foreign exchange), reflects:

Traditional Sales & Marketing Solutions, which accounted for 26% of total North America Sales & Marketing Solutions, decreased 6% (both before and after the effect of foreign exchange). The decrease was primarily due to:

Our decision to stop selling certain legacy products and convert the existing customer base as well as new prospects to Hoover s solutions;

partially offset by:

The positive impact of entering into a commercial arrangement with a third party whereby certain products will be provided under a licensing agreement.

Value-Added Sales & Marketing Solutions, which accounted for 74% of total North America Sales & Marketing Solutions, increased 10% (both before and after the effect of foreign exchange). The increase was primarily due to:

Growth in our products as a result of increased commitments primarily related to our Optimizer product, as well as growth in our new Data as a Service or DaaS products; and

A shift in product mix from our Value-Added Risk Management Solutions to our Value-Added Sales & Marketing Solutions;

partially offset by:

A one-time benefit in the prior year due to upfront revenue recognition on the existing customer set as a result of allocation of revenue in an arrangement using the best estimated selling price.

Internet Solutions

An increase in Internet Solutions of $1.2 million, or 5% (both before and after the effect of foreign exchange), as a result of continued growth in our subscription revenue at Hoover s as customers see our improved value proposition and innovation in addition to migration by certain customers from Traditional Sales & Marketing Solutions as we completed the bulk of the migration.

North America Operating Income

North America operating income for the three months ended March 31, 2012 was $102.5 million, compared to $106.9 million for the three months ended March 31, 2011, a decrease of $4.4 million, or 4%. The decrease in operating income was primarily attributable to:

A decrease in total revenue; and

Increased costs associated with our investments and marketing spend;

partially offset by:

Lower compensation costs.

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Asia Pacific

Asia Pacific represented 15% of our total revenue for the three months ended March 31, 2012, as compared to 14% of our total revenue for the three months ended March 31, 2011.

During the three months ended March 31, 2012, we completed the sale of: i) the domestic portion of our Japanese operations to TSR; and ii) our market research business in China, consisting of two joint venture companies. These businesses have been classified as Divested Businesses. The divested businesses contributed 21% and 28% of our Asia Pacific total revenue for the three months ended March 31, 2012 and 2011, respectively. See Note 10 and Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further detail.

Asia Pacific represented 12% of our core revenue for the three months ended March 31, 2012, as compared to 10% of our core revenue for the three months ended March 31, 2011.

The following table presents our Asia Pacific revenue by customer solution set and Asia Pacific operating income for the three months ended March 31, 2012 and 2011.

Additionally, this table reconciles the non-GAAP measure of core revenue to the GAAP measure of total revenue by customer solution set:

	For the Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Revenue:		
Risk Management Solutions	$ 35.1	$ 32.2
Sales & Marketing Solutions	11.9	8.2
Internet Solutions	0.2	0.2
Asia Pacific Core Revenue	47.2	40.6
Divested Businesses	12.7	15.5
Asia Pacific Total Revenue	$ 59.9	$ 56.1
Operating Income (Loss)	$ (11.1)	$ (1.8)

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Asia Pacific Overview

Asia Pacific total revenue increased $3.8 million, or 7% (4% increase before the effect of foreign exchange), for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Asia Pacific total revenue was negatively impacted by the divestiture of our market research business in China, which we reclassified as a divested business and accounted for a $3.2 million decline in revenue for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Asia Pacific total revenue was positively impacted by the acquisition of MicroMarketing which contributed seven percentage points of growth before the impact of foreign exchange to total Asia Pacific revenue growth during the three months ended March 31, 2012.

Excluding the impact of the divestiture, core revenue increased $6.6 million, or 16% (15% increase before the effect of foreign exchange) for the three months ended March 31, 2012.

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Asia Pacific Customer Solution Sets

On a customer solution set basis, the $6.6 million increase in Asia Pacific core revenue for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, reflects:

Risk Management Solutions

An increase in Risk Management Solutions of $2.9 million, or 9% (7% increase before the effect of foreign exchange), reflects:
Traditional Risk Management Solutions, which accounted for 91% of Asia Pacific Risk Management Solutions, increased 14% (12% increase before the effect of foreign exchange). The increase in Traditional Risk Management solutions was primarily due to:

Increased collections revenue in our Australia market primarily due to economic recovery from the prior year s natural disasters which slowed-down collection activity in 2011; and

Increased purchases and usage by new and existing customers in certain of our markets.
Value-Added Risk Management Solutions, which accounted for 9% of Asia Pacific Risk Management Solutions, decreased 20% (21% decrease before the effect of foreign exchange), primarily due to lower project-oriented business.

Sales & Marketing Solutions

An increase in Sales & Marketing Solutions of $3.7 million, or 44% (both before and after the effect of foreign exchange), reflects:
Traditional Sales & Marketing Solutions, which accounted for 81% of Asia Pacific Sales & Marketing Solutions, increased 33% (34% increase before the effect of foreign exchange). This increase was primarily due to:

An increase in revenue as a result of the acquisition of MicroMarketing, which we consolidated in the fourth quarter of 2011; and

Increased purchases and usage by new and existing customers in certain of our markets.
Value-Added Sales & Marketing Solutions, which accounted for 19% of Asia Pacific Sales & Marketing Solutions, increased 120% (116% increase before the effect of foreign exchange). This increase was primarily due to increased revenue as a result of the acquisition of MicroMarketing, which we consolidated in the fourth quarter of 2011.

Internet Solutions

Our Internet Solutions remained flat compared to prior year.
Asia Pacific Operating Loss

Asia Pacific operating loss for the three months ended March 31, 2012 was $11.1 million, compared to an operating loss of $1.8 million for the three months ended March 31, 2011, an increased loss of $9.3 million. The increase was primarily due to:

Impairment in China related to Roadway (see Recent Developments discussed above); and

An increase in operating costs (e.g., compensation and data expenses);

partially offset by:

An increase in Asia Pacific total revenue; and

Lower costs as a result of the divestiture of our market research business in China, consisting of two joint venture companies.

Europe and Other International Markets

Europe and Other International Markets represented 14% of our total revenue for the three months ended March 31, 2012, and 2011.

Europe and Other International Markets represented 15% of our core revenue for the three months ended March 31, 2012 and 2011.

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There were no divestitures within this segment during the three months ended March 31, 2012 and 2011. The following table presents our Europe and Other International Markets revenue by customer solution set and Europe and Other International Markets operating income for the three months ended March 31, 2012 and 2011:

	For the Three Months Ended March 31,	
	2012	2011
	(Amounts in millions)	
Revenue:		
Risk Management Solutions	$ 47.7	$ 46.7
Sales & Marketing Solutions	9.0	9.0
Internet Solutions	0.7	0.6
Europe and Other International Markets Total and Core Revenue	$ 57.4	$ 56.3
Operating Income	$ 14.2	$ 11.0

Three Months Ended March 31, 2012 vs. Three Months Ended March 31, 2011

Europe and Other International Markets Overview

Europe and Other International Markets total and core revenue increased $1.1 million, or 2% (3% increase before the effect of foreign exchange), for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Europe and Other International Markets Customer Solution Sets

On a customer solution set basis, the $1.1 million increase in Europe and Other International Markets total and core revenue for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011, reflects:

Risk Management Solutions

An increase in Risk Management Solutions of $1.0 million, or 2% (3% increase before the effect of foreign exchange), reflects:
Traditional Risk Management Solutions, which accounted for 79% of Europe and Other International Markets Risk Management Solutions, decreased 2% (1% decrease before the effect of foreign exchange). This decrease was primarily due to lower transactional volumes as well as lower demand in earlier periods for our ratable subscription products, primarily driven by our UK market.

Value-Added Risk Management Solutions, which accounted for 19% of Europe and Other International Markets Risk Management Solutions, increased 18% (19% increase before the effect of foreign exchange). This increase was primarily due to increased purchases as a result of new project-oriented business across all European markets.

Supply Management Solutions, which accounted for 2% of Europe and Other International Markets Risk Management Solutions, increased 65% (71% increase before the effect of foreign exchange), on a small base.

Sales & Marketing Solutions

Our Sales & Marketing Solutions remained flat compared to prior year.
Traditional Sales & Marketing Solutions, which accounted for 63% of Europe and Other International Markets Sales & Marketing Solutions, decreased 4% (3% decrease before the effect of foreign exchange).This decrease was primarily due to customers in this region carefully

managing their marketing spend in response to continued economic pressures.

Value-Added Sales & Marketing Solutions, which accounted for 37% of Europe and Other International Markets Sales & Marketing Solutions, increased 9% (10% increase before the effect of foreign exchange). This increase was primarily due to increased sales to our existing customer base in certain of our markets.

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Internet Solutions

Internet Solutions increased $0.1 million, or 21% (23% increase before the effect of foreign exchange) on a small base.

Europe and Other International Markets Operating Income

Europe and Other International Markets operating income for the three months ended March 31, 2012 was $14.2 million, compared to $11.0 million for the three months ended March 31, 2011, an increase of $3.2 million, or 29%, primarily due to:

- Decreased operating expenses (e.g., compensation, travel related expenses, etc.); and

- An increase in revenue.

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Forward-Looking Statements

We may from time-to-time make written or oral forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements contained in filings with the Securities and Exchange Commission, in reports to shareholders and in press releases and investor Web casts. These forward-looking statements can be identified by the use of words like anticipates, aspirations, believes, continues, estimates, expects, goals, guidance, intends, pla strategy, targets, commits, will and other words of similar meaning. They can also be identified by the fact that they do not relate strictly to historical or current facts.

We cannot guarantee that any forward-looking statement will be realized. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in, or remain invested in, our securities. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are identifying in the following paragraphs important factors that, individually or in the aggregate, could cause actual results to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements.

The following important factors could cause actual results to differ materially from those projected in such forward-looking statements:

We rely significantly on third parties to support critical components of our business model in a continuous and high quality manner, including third-party data providers, strategic third-party members in our D&B Worldwide Network, and third parties with whom we have significant outsourcing arrangements;

Our ability to implement and derive the benefit of our Strategic Technology Investment (MaxCV) program announced in February 2010 and to maintain sufficient investment in our technology infrastructure thereafter;

Any consequences of the investigation of our China operations and risks associated with potential violations of the Foreign Corrupt Practices Act;

Demand for our products is subject to intense competition, changes in customer preferences and economic conditions which impact customer behavior;

Our solutions and brand image are dependent upon the integrity and security of our global database and the continued availability thereof through the internet and by other means, as well as our ability to protect key assets, such as our data centers;

Our ability to secure our information technology infrastructure from cyber attack and unauthorized access;

Our ability to maintain the integrity of our brand and reputation, which we believe are key assets and competitive advantages;

Our ability to renew large contracts, the related revenue recognition and the timing thereof, or a shift in product mix, may impact our results of operations from period-to-period;

As a result of the macro-economic challenges currently affecting the global economy, our customers or vendors may experience problems with their earnings, cash flow, or both. This may cause our customers to delay, cancel or significantly decrease their purchases from us and impact their ability to pay amounts owed to us. In addition, our vendors may substantially increase their prices without notice. Such behavior may materially, adversely affect our earnings and cash flow. In addition, if economic conditions in the United States and other key markets deteriorate further or do not show improvement, we may experience material adverse impacts to our business, operating results, and/or access to credit markets;

Our results are subject to the effects of foreign economies, exchange rate fluctuations, legislative or regulatory requirements, such as the adoption of new or changes in accounting policies and practices, including pronouncements by

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the Financial Accounting Standards Board or other standard setting bodies, and the implementation or modification of fees or taxes that we must pay to acquire, use, and/or redistribute data. Future laws or regulations with respect to the collection, compilation, use and/ or publication of information and adverse publicity or litigation concerning the commercial use of such information, or changes in the rules governing the operation of the Internet could have a material adverse effect on our business and financial results;

Our ability to acquire and successfully integrate other complementary businesses, products and technologies into our existing business, without significant disruption to our existing business or to our financial results;

The continued adherence by third-party members of our D&B Worldwide Network or other third parties who license and sell under the D&B name to our quality standards, our brand and communication standards and to the terms and conditions of our commercial services arrangements;

The profitability of our international businesses depends on our ability to identify and execute on various initiatives, such as successfully managing our D&B Worldwide Network, complying with the Foreign Corrupt Practices Act and other anti-bribery and anti-corruption laws in all jurisdictions, and our ability to identify and contend with various challenges present in foreign markets, such as local competition and the availability of public records at no cost, or the adoption of new laws or regulations governing the collection, compilation, use and/ or publication of information, particularly in emerging markets;

Our future success requires that we attract and retain qualified personnel, including members of our sales force and technology teams, in regions throughout the world;

Our ability to successfully implement our growth strategy requires that we successfully reduce our expense base through our Financial Flexibility initiatives, and reallocate certain of the expense-base reductions into initiatives that produce desired revenue growth;

We are involved in various legal proceedings, the outcomes of which are unknown and uncertain with respect to the impact on our cash flow and profitability;

Our ability to repurchase shares is subject to market conditions, including trading volume in our stock, and our ability to repurchase shares in accordance with applicable securities laws; and

Our projection for free cash flow is dependent upon our ability to generate revenue, our collection processes, customer payment patterns, the timing and volume of stock option exercises and the amount and timing of payments related to the tax and other matters and legal proceedings in which we are involved.

We elaborate on the above list of important factors throughout this document and in our other filings with the SEC, particularly in the discussion of our Risk Factors in Item 1A. of our Annual Report on Form 10-K. It should be understood that it is not possible to predict or identify all risk factors. Consequently, the above list of important factors and the Risk Factors discussed in Item 1A. of our Annual Report on Form 10-K should not be considered to be a complete discussion of all of our potential trends, risks and uncertainties. Except as otherwise required by federal securities laws, we do not undertake any obligation to update any forward-looking statement we may make from time-to-time.

Liquidity and Financial Position

In connection with our commitment to delivering Total Shareholder Return, we will remain disciplined in the use of our shareholders cash, maintaining three key priorities for the use of this cash:

First, making ongoing investments in the business to drive growth;

Second, investing in acquisitions that we believe will be value-accretive to enhance our capabilities and accelerate our growth; and

Third, continuing to return cash to shareholders.

We believe that cash provided by operating activities, supplemented as needed with available financing arrangements, is sufficient to meet our short-term needs (twelve months or less), including restructuring charges, transition costs, our Strategic Technology Investment, which we refer to as MaxCV for Maximizing Customer Value, contractual obligations and contingencies (see Note 7 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q), excluding the legal matters identified in such note for which exposures cannot be estimated or are not probable. In addition, we believe that our ability to readily access the bank and capital markets for incremental financing needs will enable us to meet our continued focus on Total Shareholder Return. We have the ability to access the short-term borrowings market to supplement the seasonality in the timing of receipts in order to fund our working capital needs and share repurchases. Such borrowings would be supported by our credit facility, when needed. Our future capital requirements will depend on many factors that are difficult to predict, including the size, timing and structure of any future acquisitions, future capital investments, and the ultimate resolution of issues arising from the investigation regarding potential Foreign Corrupt Practices Act and data privacy violations in our China operation and future results of operations.

The disruption in the economic environment has had a significant adverse impact on a number of commercial and financial institutions. Our liquidity has not been impacted by the current credit environment and management does not expect that it will be materially impacted in the near future. Management continues to closely monitor our liquidity, the credit markets and our financial counterparties. However, management cannot predict with any certainty the impact to us of any further disruption in the credit environment.

Cash Provided by Operating Activities

Net cash provided by operating activities was $167.3 million and $135.9 million for the three months ended March 31, 2012 and 2011, respectively. The $31.4 million increase was primarily driven by:

Increased net income of our underlying business excluding the impact of non-cash gains and losses; and

Receipt related to the termination of interest rate derivatives.

partially offset by

Increased net tax payments as compared to prior year.

Cash Used in Investing Activities

Net cash used in investing activities was $1.4 million for the three months ended March 31, 2012, as compared to net cash used in investing activities of $10.4 million for the three months ended March 31, 2011. The $9.0 million change primarily reflects the following activities:

Proceeds related to the sale of: i) AllBusiness.com, Inc.; ii) Purisma Incorporated; iii) the domestic portion of our Japanese operations to TSR; and iv) our market research business in China, consisting of two joint venture companies. See Note 12 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q.

partially offset by:

An increase in additions to computer software and other intangibles (e.g., MaxCV).

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Cash Used in Financing Activities

Net cash used in financing activities was $134.0 million and $127.8 million for the three months ended March 31, 2012 and 2011, respectively. As set forth below, this $6.2 million change primarily relates to contractual obligations.

Contractual Obligations

Credit Facility

At March 31, 2012 and December 31, 2011, we had an $800 million, five-year bank revolving credit facility, which expires in October 2016. We had $137.1 million and $190.0 million of borrowings outstanding at March 31, 2012 and 2011, respectively. We borrowed under these facilities from time-to-time during the three months ended March 31, 2012 to supplement the seasonality in the timing of receipts in order to fund our working capital.

Share Repurchases

During the three months ended March 31, 2012, we did not repurchase shares of common stock.

During the three months ended March 31, 2011, we repurchased 412,100 shares of common stock for $33.7 million. The share repurchases were comprised of the following programs:

- In February 2009, our Board of Directors approved a $200 million share repurchase program, which commenced in December 2009. We repurchased 182,350 shares of common stock for $15.0 million under this share repurchase program during the three months ended March 31, 2011. This program was completed in November 2011; and

- In May 2010, our Board of Directors approved a four-year, five million share repurchase program to mitigate the dilutive effect of the shares issued under our stock incentive plans and ESPP. We repurchased 229,750 shares of common stock for $18.7 million under this share repurchase program during the three months ended March 31, 2011. This repurchase program commenced in October 2010 and expires in October 2014.

Future Liquidity Sources and Uses of Funds

Share Repurchases

In October 2011, our Board of Directors approved a $500 million share repurchase program, which commenced in November 2011. There is $470.2 million remaining under this program. Although there is not currently a specific time frame within which we plan to complete this program, we intend to continue our policy of returning excess free cash to shareholders in the form of share buybacks and/or dividends.

In May 2010, our Board of Directors approved a four-year, five million share repurchase program to mitigate the dilutive effect of shares issued under our stock incentive plans and ESPP. There are 4,175,566 shares of common stock remaining under this program. This program commenced in October 2010 and expires in October 2014.

Dividends

In May 2012, we approved the declaration of a dividend of $0.38 per share for the second quarter of 2012. This cash dividend will be payable on June 13, 2012 to shareholders of record at the close of business on May 29, 2012.

Debt

We have $400 million of senior notes maturing on April 1, 2013 and intend to refinance the notes. While we believe we will be able to refinance the notes, we also have the ability to retire the notes as they come due based on available borrowing capacity under our credit facility, future cash provided by operations, and current cash balances.

Strategic Technology Investment Program or MaxCV

In February 2010, we announced MaxCV, aimed at strengthening our leading position in commercial data and improving our current technology platform to meet the emerging needs of customers.

We expect that MaxCV will have a total cost of approximately $160 million on a project basis through 2012, of which the 2012 spend will be approximately $60 million. The project will largely focus on continuing to rebuild the data supply chain as well as introducing additional Web services. We expect MaxCV and the associated spending will be largely complete by the end of 2012. However, product and customer migration are now targeted to be concluded in 2013. We may experience additional costs that we do not currently foresee.

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Spin-off Obligation

In 2000, as part of a spin-off transaction under which Moody s Corporation (Moody s) and D&B became independent of one another, Moody s and D&B entered into a Tax Allocation Agreement (TAA). Under the TAA, Moody s and D&B agreed that Moody s would be entitled to deduct the compensation expense associated with the exercise of Moody s stock options (including Moody s stock options exercised by D&B employees) and D&B would be entitled to deduct the compensation expense associated with the exercise of D&B stock options (including D&B stock options exercised by employees of Moody s). Put simply, the tax deduction would go to the company that granted the stock options, rather than to the employer of the individual exercising the stock options. In 2002 and 2003, the Internal Revenue Service (IRS) issued rulings that clarified that, under the circumstances applicable to Moody s and D&B, the compensation expense deduction belongs to the employer of the option grantee and not to the issuer of the option (i.e., D&B would be entitled to deduct the compensation expense associated with D&B employees exercising Moody s options and Moody s would be entitled to deduct the compensation expense associated with Moody s employees exercising D&B options). We have filed tax returns for 2001 through 2010 consistent with the IRS rulings. We may be required to reimburse Moody s for the loss of compensation expense deductions relating to tax years 2008 to 2010 of approximately $1.6 million in the aggregate for such years. This liability was reduced from $20.5 million at December 31, 2011 to $1.6 million at March 31, 2012 due to expiration of the statute of limitations. In 2005 and 2006, we paid Moody s approximately $30.1 million in the aggregate, which represented the incremental tax benefits realized by D&B for tax years 2003-2005 from using the filing method consistent with the IRS rulings. In February 2011, we paid Moody s an additional sum of approximately $2.5 million, for tax years 2003-2005. While not material, we may also be required to pay, in the future, amounts in addition to the approximately $1.6 million referenced above based upon interpretations by the parties of the TAA and the IRS rulings.

Potential Payments in Legal Matters

We are involved in certain legal proceedings, claims and litigation arising in the ordinary course of business. These matters are at various stages of resolution, but could ultimately result in significant cash payments as described in Note 7 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q. We believe we have adequate reserves recorded in our consolidated financial statements for our current exposures in these matters, where applicable, as described herein.

As discussed under Recent Developments above, we are currently investigating alleged violations of law in our China operations, which could ultimately result in penalties or other payments by us. In connection, with the wind down of the Roadway operations, we believe we may incur additional cash expenditures for severance, lease payments, etc.

Unrecognized Tax Benefits

In addition to our contractual cash obligations as set forth in our Annual Report on Form 10-K for the year ending December 31, 2011, we have a total amount of unrecognized tax benefits of $124.8 million as of March 31, 2012. Although we do not anticipate payments within the next twelve months for these matters, these could require the aggregate use of cash totaling approximately $150.3 million.

Off-Balance Sheet Arrangements and Related Party Transactions

We do not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements except for those disclosed in Note 7 to our unaudited consolidated financial statements included in Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2011.

We do not have any related party transactions as of March 31, 2012.

Fair Value Measurements

Our non-recurring non-financial assets and liabilities include long-lived assets held and used, goodwill and intangible assets. These assets are recognized at fair value when they are deemed to be impaired.

During the first quarter of 2012, we recorded an impairment charge of $12.9 million related to the accounts receivable, intangible assets, prepaid costs and software for Roadway, an operation in our Greater China reporting unit. As a result of the ongoing investigation and evaluation of other factors, such as the time, cost and management bandwidth required to resolve the current matters and restart the business, as well as the very fluid situation in China, we subsequently determined to permanently cease the operations of Roadway and we have begun the process of winding down the business. See Note 7 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion on this investigation. We

determined that the new cost basis of intangible assets, prepaid costs and software is zero based on Level III inputs (see Note 11 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion on the level inputs) to measure fair value, as market data of these assets are not readily available. We wrote down the accounts receivable to its realizable value based on the probability of collecting from the customer accounts. Of the $12.9 million impairment charge, $4.1 million was included in Operating Costs and $8.8 million was included in Selling and Administrative Expenses in our Asia Pacific segment.

As of March 31, 2012, we did not have any unobservable (Level III) inputs in determining fair value for our assets and liabilities measured at fair value on a recurring basis other than our real estate funds.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks primarily consist of the impact of changes in currency exchange rates on assets and liabilities, the impact of changes in the market value of certain of our investments and the impact of changes in interest rates. As of March 31, 2012, no material change had occurred in our market risks, compared with the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2011 included in Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Item 4. Controls and Procedures.

We evaluated the effectiveness of our disclosure controls and procedures (Disclosure Controls) as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act) as of the end of the period covered by this report. This evaluation (Controls Evaluation) was done with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Disclosure Controls are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within D&B have been detected. Judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by individual acts, by collusion of two or more people, or by management override. The design of a control system is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. Our Disclosure Controls are designed to provide reasonable assurance of achieving their objectives.

Conclusions Regarding Disclosure Controls

Based upon our Controls Evaluation, our CEO and CFO have concluded that as of the end of the quarter ended March 31, 2012, our Disclosure Controls are effective at a reasonable assurance level.

Change in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the first quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this Item is included in Part I Item 1. Note 7 Contingencies and is incorporated by reference into Part II of this Quarterly Report on Form 10-Q.

Item 1a. Risk Factors

The outcome of the investigation by our audit committee or government agencies of possible violations of consumer data privacy laws, the Foreign Corrupt Practices Act (FCPA), and similar laws or, similar investigations and compliance reviews that we may conduct from time to time, could have a material adverse effect on our business.

On March 18, 2012, we announced that we had temporarily suspended our Shanghai Roadway D&B Marketing Services Co Ltd. (Roadway) operations in China, pending an investigation into allegations that its data collection practices may violate local Chinese consumer data privacy laws. In addition, we have been reviewing certain allegations that we may have violated the FCPA and certain other laws in our China operations.

Our investigation remains ongoing and is being conducted at the direction of the Audit Committee. In connection with the ongoing investigation and evaluation of other factors, such as the time, cost and management bandwidth required to resolve the current matters and restart the business, as well as the very fluid situation in China, we subsequently determined to permanently cease the operations of Roadway and we have begun the process of winding down the business. D&B acquired Roadway s operations in 2009, and for 2011 Roadway accounted for approximately $22 million in revenue and $2 million in operating income.

As previously reported, we are cooperating with the local Chinese investigation and have voluntarily contacted the Securities and Exchange Commission (SEC), and the United States Department of Justice (DOJ), to advise both agencies that the investigation is underway, and we continue to provide information to them. Because the investigation is in its early stage, we are presently unable to predict the duration, scope or result of the Audit Committee s investigation, of any investigations by the SEC, or the DOJ, or any other US or foreign governmental authority, or whether any such authority will commence any legal action against us. The SEC and the DOJ have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations including, but not limited to, injunctive relief, disgorgement, fines, penalties, modifications to business practices, including the termination or modification of existing business relationships, imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA. The imposition of any of these sanctions or remedial measures could have a material adverse effect on our business, financial condition or results of operations.

From time to time, we may conduct internal investigations and compliance reviews, the findings of which could negatively impact our business. Any determination that our operations or activities are not, or were not, in compliance with existing United States or foreign laws or regulations could result in the imposition of substantial fines, interruptions of business, loss of supplier, vendor or other third party relationships, termination of necessary licenses and permits, and other legal or equitable sanctions. Other internal or government investigations or legal or regulatory proceedings, may also follow as a consequence.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares Purchased (a)(b)	Average Price Paid Per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs(a)(b)	Maximum Number of Currently Authorized Shares that May Yet Be Purchased Under the Plans or Programs(a)	Approximate Dollar Value of Currently Authorized Shares that May Yet Be Purchased Under the Plans or

				Programs(b)
	(Dollar amounts in millions, except share data)			
January 1 - 31, 2012	$		$	
February 1 - 29, 2012	$		$	
March 1 - 31, 2012	$		$	
	$	4,175,566	$	470.2

(a) During the three months ended March 31, 2012, we did not repurchase any shares of common stock under our Board of Directors approved repurchase program to mitigate the dilutive effect of the shares issued under our stock incentive plans and Employee Stock Purchase Plan. This program was announced in May 2010 and expires in October 2014. The maximum number of shares authorized for repurchase under this program is 5,000,000 shares, of which 824,434 shares had been repurchased as of March 31, 2012. We anticipate that this program will be completed by October 2014.

(b) During the three months ended March 31, 2012, we did not repurchase any shares of common stock related to a previously announced $500 million share repurchase program approved by our Board of Directors in October 2011. Although this share repurchase program has no expiration date and there is not currently a specific time frame within which we plan to complete this share repurchase program, we intend to continue our policy of returning excess free cash to shareholders in the form of share buybacks and /or dividends.

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Item 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial information from The Dun & Bradstreet Corporation s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations and Comprehensive Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Shareholders Equity, and (v) the Notes to the Consolidated Financial Statements.*

* Users of this interactive data file are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DUN & BRADSTREET CORPORATION

By: /s/ Richard H. Veldran
Richard H. Veldran
Senior Vice President and Chief Financial Officer

Date: May 8, 2012

By: /s/ Anthony Pietrontone Jr.
Anthony Pietrontone Jr.
Principal Accounting Officer and Corporate Controller

Date: May 8, 2012