

FINAL TRANSCRIPT

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WTKWY - Half Year 2009 Wolters Kluwer NV Earnings Presentation

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PRESENTATION

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Good afternoon, everyone. Thank you for joining us today. I'm Kevin Entricken, VP of Investor Relations at Wolters Kluwer, and welcome to our 2009 half year results presentation. Today's presentation will be delivered by Nancy McKinstry, our CEO and Chairman of the Executive Board; and Boudewijn Beerkens, our CFO and Member of the Executive Board; and also joining us, Jack Lynch, Member of the Executive Board.

Today's presentation will be webcast simultaneously, and for those of you who are participating on the web, you can ask questions by using the Ask Email link on your browser.

For those of you that are in the room today, I do ask you that please do ask your questions during the presentation's question and answer session that will follow the remarks of Nancy and Boudewijn. That way we can ensure that your questions are heard by this audience but also the audience that may be participating on the web.

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Please do read the Look Forward statements that are in Page 2 of the presentation that you have before you, and also in our press release. With that, I'd like to hand it over to Nancy and thanks for coming.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Good afternoon, everybody. Welcome. Thank you very much for joining us this afternoon. It's my pleasure to discuss the highlights of our 2009 half year results.

I will start with some brief introduction of the program, then I'm going to turn it over to Boudewijn, who will talk about our financial performance in more detail. Then I'll return to talk about each one of our divisions, highlighting their operating results, and then conclude with the outlook for the balance of this year.

So let's begin now with the highlights of the first half. Challenges in the world economy continued into 2009. Market conditions and contractions continued to be felt in all geographies, and subsequently had an impact on our customers and businesses. Yet despite these unfavorable conditions, Wolters Kluwer has shown resilience, and we are well positioned for sustained profitability and long term growth.

I'm pleased with our double digit EPS growth, growing operating margins and strong cash flow performance. Revenue growth was 7%, driven by acquisitions and the favorable impact of currency. Underlying organic revenue growth declined 3%, due to the impact of market conditions on our cyclical product lines and on new sales.

More importantly, subscription products continued to deliver stable performance, driven by solid retention rates and 7% growth in online and software products. Operating margins improved, driven by the contribution from higher margin electronic products, the benefit from acquisitions made in prior years and the contribution from operational excellence programs, including Springboard. We are pleased to reiterate our guidance for 2009, as well as our progressive dividend policy.

Wolters Kluwer continues to make good progress on our long term strategy for delivering profitable growth. We remain committed to investing 8% to 10% of our revenues in new products and platforms to strengthen our core leadership positions and increase our penetration of next generation platforms for information and software.

In the first half, we launched IntelliConnect, our new online research platform for tax and accounting markets, both in the US and in Asia Pacific. Additionally TAL launched the beta versions of our next generation software platform for our ProSystem tax and document product lines.

These new platforms, coupled with the launch of several new online and software products, supported the growth that we saw in electronic revenues. These revenues now represent 52% of the total revenues for Wolters Kluwer, an increase from 50% in 2008.

Operational excellence initiatives continue to drive efficiencies such as Project Springboard, which delivered solid results in the first half of 2009. As the program progresses through the balance of this year, we are comfortable that we'll deliver EUR55m in run rate savings by year-end, and we are also comfortable in reaching our full year or multiple year target of EUR120m by the end of 2011.

As part of our efforts to achieve greater efficiencies, we've also created a global shared services organization to leverage synergies across our global businesses. Finally, our prior year restructuring initiatives in the Health division are yielding positive results, marked by improvements both in revenue developments as well as growth in operating margins.

The continued growth of higher margin electronic products contributed to improved profitability, both organically and by recent acquisitions. We have made solid progress in enhancing our portfolio. Today, electronic revenues represent 52% of our

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total revenues as compared to 31% in 2003. In the first half of 2009, these products grew 7% with strong growth noted at LTRE and at Ovid within the Health division.

Wolters Kluwer has delivered growth in earnings, better profit margin and strong free cash flow. The portfolio is solid and resilient, and our 2009 half year results demonstrates that the investments we've made in new products and operational excellence initiatives have yielded good results.

Good earnings growth and profit margins, as well as strong free cash flow performance sets the stage for delivery of our full year guidance. With this, I'd now like to turn it over to Boudewijn, who will provide you with some more details on our financial results.

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Thank you, Nancy, and good afternoon, everybody. I'm happy I have the opportunity to review Wolters Kluwer's 2009 half year financial performance. The highlights for the first half of '09 confirm the strong fundamentals of the business, and demonstrate a resilient portfolio. Despite ongoing challenges in economic conditions, the company continued to improve its profitability.

Ordinary EBITA grew by 4% in constant currencies, and the ordinary EBITA margin improved 70 basis points from 18.6% from 17.9% last year. This solid performance was driven by the continued growth of higher margin electronic products, the contribution of prior year acquisitions, diligent and ongoing cost containment measures, and the positive results of Springboard. And as a result, ordinary diluted earnings per share grew to EUR0.64 in constant currencies.

Free cash flow grew 27% in constant currencies to EUR134m. And as a result, the company reduced its net debt in the first half, even while paying dividends to our shareholders. At June 30, the net debt to EBITA ratio was 3.1, marking progress towards our intended target of 2.5 times over the medium-term.

Wolters Kluwer grew revenue -- grew 7% in the first half as compared to the same period of the prior year. Acquisitions contributed growth, as did the impact of currencies. Underlying revenue declined 3%, reflecting the economy's impact on transactional and cyclical product lines.

Wolters Kluwer enjoys the benefit of a resilient portfolio, where the majority of the revenue streams derive from must have content, software and services. Approximately two-thirds of revenues are subscription based, with stable retention rates. Underlying subscription and other non-cyclical revenues, which make up 73% of total half year revenues, were materially in line with the prior year.

With retention rates stable across the business, subscription revenues showed a solid performance, while other non-cyclical products, which include tax form clicks and tax related bank products, were weaker due to market conditions.

New subscription sales, however, experienced downward pressure at the first half as sale cycles lengthened. This has largely impacted our TAL and LTRE businesses. Despite these conditions, our customers continue to demand integrated workflow and software solutions, driving growth in electronic revenue.

Books showed good growth, due to strong ordering in Health and Legal Education, ahead of the full selling season. And the balance of the portfolio is comprised of transactional products, including mortgage and corporate lending products, advertising and pharma promotional services and training. In these transactional areas, Wolters Kluwer continued to experience pressure.

Several key strategic acquisitions made in the prior year contributed to our leading positions. I am pleased to report that the integration of these acquisitions is complete, and performance in the first half has lived up to expectations.

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These are high value companies, which support our strategy to move into more electronic and software and services, and have higher growth and margin characteristics. And as you can see, the overall margin contributions of these acquisitions was accretive to Wolters Kluwer in total.

Looking closer at the impact of currency fluctuations, the movement in the euro/dollar exchange rate as compared to the prior year finally benefited reported growth rates. Approximately half of Wolters Kluwer's revenue is earned in dollar denominated areas. Revenue grew 2% in constant currencies, and the underlying portfolio declined 3% in the period, while acquisitions contributed 5% to growth.

The stronger US dollar in the first half resulted in our average euro/dollar exchange rate improving from \$1.53 in 2008 to \$1.33 in 2009. This resulted in a favorable 5% impact on our reported growth rate.

Despite challenging market conditions, I am pleased to report the company's profitability improved in the period. Ordinary EBITA grew by 11% and ordinary EBITA margin improved to 18.6% from 17.9% in 2008. This performance was driven by strong growth in the higher margin online and software products, the contribution of acquisitions completed in the prior year, diligent and ongoing cost containment measures and Project Springboard.

Now, moving to the statement of the profit and loss, exceptional costs of EUR28m included EUR19m in exceptional restructuring expenses, related to Project Springboard and EUR9m in non-recurring costs of acquisition integration. Amortization increased in the period, mainly due to the additions in intangible assets from acquisitions in the second half of '08.

Finance expenses increased EUR57m in the period, and this was due to higher cost of funding as a result of prior year refinancing initiatives, and a higher average net debt due to 2008's acquisition.

The effective tax rate on profit before tax decreased to 8% for the first half from 21% in '08, reflecting lower tax exposure, resulting in the release of tax provisions. And profit from continuing operations of EUR133m declined 8% compared to the prior year, driven by higher financing and amortization costs, and the inclusion of exceptional restructuring expenses. This was partly offset by lower tax expenses.

However, when we adjust for amortization of publishing rights and exceptional items, ordinary net income grew 14% to EUR203m as compared to EUR178m in the prior year. We believe this view of ordinary net income and EPS to present a clear picture of our underlying business performance.

The stronger US dollar contributed to this improvement. Ordinary net income grew 2% in constant currencies, and ordinary diluted EPS improved to EUR0.64 in constant currencies. The diluted weighted average number of shares increased in the period, and this was related to the issuance of stock dividends.

Moving to the balance sheet, Wolters Kluwer enjoys a strong financial position. Non-current assets mainly include goodwill and publishing rights. The decrease in these assets in the first half is driven by accumulated amortization of publishing rights and depreciation on information systems.

Operating working capital balances declined slightly from the prior year-end, due to lower trade payables. Non-operating working capital also decreased, reflecting the settlement of a portion of the short term credit facility.

The net debt position decreased to EUR2.2b compared to the prior year-end balance of EUR2.3b. And the ratio of net debt to ordinary EBITA decreased to 3.1 from 3.2. Strong free cash flow during the first half of '09 was partly offset by the 2008 cash dividend payment and acquisition spending.

Turning to cash flow, I am pleased to report our results were very strong. Free cash flow grew 38% to EUR146m. This was driven by a 27% increase in constant currencies, and an 11% benefit of currency fluctuations. Cash flow from operating activities grew



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by 13%, driven largely by growth in ordinary EBITA and lower corporate income tax payments in the period. This was partly offset by higher financing payments and cash payments related to exceptional and non-recurring acquisition integration costs.

Capital expenditure continued to be approximately 4% of total revenue, largely consistent with the prior year. The improvement in the autonomous movement in working capital is the result of the company's continued focus on working capital management. And I'm pleased with the improvement of cash conversion to 88% in the period. Strong operating performance, lower working capital and reduced tax payments supported the strong results.

Wolters Kluwer continued to invest in the future. New products and platforms will support our future growth. The company has consistently invested 8% to 10% in growth initiatives to drive innovation and the continued migration of revenues from print to electronic products.

These investments included the development of the next generation Pfx.net, our tax software platform, the global atlas online platform launched as IntelliConnect, and content conversion programs in Germany and the Netherlands. These investments are in addition to our Springboard operational excellence efforts.

I'm also pleased that our progress on Project Springboard throughout the half year is on track and in line with our expectations. Total cost savings increased by EUR20m to EUR36m in the first half of '09. Project program costs incurred in the first half of EUR19m were also in line with expectations.

Based on our progress to date, we believe the full year run rate cost saving target of EUR55m will be comfortably achieved. Longer term, run-rate savings are expected to reach EUR120m by 2011. Non-recurring program costs of EUR180m through 2011 will be treated as exceptional costs.

In conclusion, we have a solid financial position. We are realizing stable performance in core subscription, despite the challenge of the economic backdrop. Higher margin electronic revenue growth, acquisitions, and operational excellence initiatives continue to drive improved profit margins.

Refinancing initiatives have pushed out maturities beyond 2013, increased liquidity and improved headroom, which is currently in excess of our EUR500m threshold. Our free cash flow generation continues to be strong. Earnings per share are growing, and our financial position is solid. Thank you very much for your attention, and I will turn the floor to Nancy.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Thanks, Boudewijn. Now I'd like to walk you through each of the divisions and talk a little bit about their performance through the first half, beginning with Health. The Health division achieved significant progress in the half year.

While results were impacted by challenging market conditions in Journal advertising and other Pharmaceutical promotional products, strong growth was noted in Books due to improved market orders from wholesalers and increasing online volume from Amazon.

Medical Research and Clinical Solutions also posted growth, driven by good renewal sales. The integration and performance of UpToDate, acquired in the prior year, is on schedule and in line with expectations, with double digit growth in the first half.

The division continued to deliver new and enhanced products to the market. UpToDate expanded its neurology content, with the launch of Neurology Specialty. Pharma Solution introduced inThought, a market research service that offers pharmaceutical forecasting capabilities. And LWW Journals continued the expansion of myLWW eJournal Network, with the addition of many new journals to the platform.



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The half year ordinary EBITA margin improved 650 basis points, as compared to the prior year period. This improvement was driven by the results of prior year restructuring, the contribution from Project Springboard, the good recovery in the Books business and the addition of higher margin UpToDate to our portfolio.

Health revenues grew 20% in the first half of 2009, supported by prior year acquisition of UpToDate and the positive impact of currency. The underlying business was largely in line with prior year. The decline in journal advertising and other pharmaceutical promotional products was partially offset by the stable performance in the subscription portfolio and the recovery within the Books business.

The Books business showed stabilization and a return to growth with stronger and early ordering for the fall semester selling season. Electronic revenues in Health grew to 53% of the total division revenues, driven by good growth in the underlying Clinical Solutions business, continued strong growth at Medical Research and the addition of the UpToDate acquisition.

Now moving to Corporate and Financial Services. The CFS division leveraged its strong brands and customer loyalty and market positions to increase its market share penetration by offering leading, full service compliance solutions to its customers.

Corporate Legal Services declined 7%, as corporate formation transactions and UCC lending volumes continued to be negatively impacted by the economic cycle. Despite this, CLS continued to strengthen its leading positions through investments in innovation.

The Group launched the new core search advantage platforms, which offers unique features for trademark searching and screening. Additionally, the new release of CT TyMetrix 360 is designed to help corporate law departments deal with alternative fee arrangements.

Financial Services' results were in line with prior year. While refinancing and loan modification activities increased revenues in the mortgage business, indirect lending showed continued weakness. The division's ordinary EBITA margin of 23.6% was impacted by revenue performance, which was partially offset by the contribution of Project Springboard and diligent cost management activities.

Revenues at CFS grew 10% in the first half of 2009. The positive impact of currency offset the 4% decline in the underlying business, which was largely impacted by the effect of the economic cycle on our transactional product lines. Subscription and non-cyclical products, which make up 62% of half year revenues, were stable. Solid growth was noted in the representation and banking content product lines, driven by good retention rate development.

Securities and insurance product lines also posted positive results. Transactional products, which make up the balance of the division, declined 11%. Overall, year-on-year comparisons for the transactional products were improved in the second quarter as compared to the first quarter.

Corporate lending and formation transactions related to M&A and IPO activities, as well as UCC lending, represents 25% of the division revenues, and these revenues were down 16% as compared to the prior year. Similarly, mortgage and indirect lending related transactions, which represent 10% of the total division revenues, were off 4% year-on-year.

Now, a few words about our Tax Accounting and Legal division. TAL revenues grew 10%, supported by prior year acquisitions of IntelliTax and MYOB, and [G] and the positive impact of currency. The underlying business declined 3%, largely impacted by the effect of the economic cycle on transactional product lines.

Tax and Accounting continued to strengthen its core leadership position with the launch of IntelliConnect, and the expansion of its product line in the corporate tax market. Strong growth in Canada was driven by software products as well as TeamMate. Performance in the subscription portfolio was consistent in the half year. Weaker new software sales and bank product transactions were offset by stable retention rates.



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Advertising and training revenues, particularly in the UK, were impacted by economic conditions. Law and Business expanded its proprietary content offering, and compliance software product lines in key specialty areas. The Group posted double digit growth in bankruptcy and medical regulations practice areas, and very strong growth in the Legal Education business.

Online revenues also continued to post positive growth. These results were offset by declines in print products and weaker new sales. Despite the challenging market conditions, ordinary EBITA margins increased 100 basis points to 27.4%. This improvement was driven by the contribution of Project Springboard, cost management activities and the addition of higher margin acquisitions made in the prior year.

Underlying subscription and non-cyclical products make up approximately 80% of the division's revenues. Subscription revenues were in line with prior year, while other non-cyclical revenues, which include software services, bank product transactions and tax form click products were below prior year, due to the impact of the economy.

While retention rates were largely stable across the business, new subscription sales experienced downward pressure in the first half, as sale cycles elongated. Bank product lines, which comprise 7% of total revenues, declined 6% as a result of the weak economic environment. Strong performance in legal textbooks for the student market was offset by weaker professional sales in business, information and tax.

Other cyclical products, which make up 14% of the total revenues in the division and include advertising, training and consulting services, these businesses declined 8% in the period due to customer contractions in discretionary spending.

Now I'd like to conclude the divisional highlights with our Legal Tax and Regulatory Europe group. LTRE revenues declined 2% as the result of unfavorable effect of currency. Revenue was in line with prior year in constant currencies. The underlying business declined 4%, largely due to the performance of cyclical products, which include advertising, training and consulting, as well as slow new sales.

Central and Eastern Europe performed well, driven by improved retention rates, good new product sales and sustained growth in key countries. Belgium, Germany, Italy and Spain demonstrated stability, with good retention of its core subscription product lines. The integration of Addison in Germany is on track and progressing well.

France and the Netherlands were impacted by declines in advertising, training and other cyclical products. The ordinary EBITA margin was 17.4%, impacted by the weakness in the higher margin transactional product lines. This trend was partially offset by the contribution from Project Springboard, and other restructuring initiatives.

Subscription and non-cyclical revenues make up the majority of LTRE's revenues. Subscription revenues were in line with prior year, driven by stable retention rates, while other non-cyclical products, which include service products related to software, were weaker due to market conditions. New sales of subscription were also pressured as customer sale cycles have been elongated.

Book sales showed signs of stabilization in the period, and posted organic growth of 2%. Advertising and other cyclical revenues, which include training and consulting, declined 18% due to the weak economic conditions. LTRE continued to strengthen its core leadership positions by expanding its online and workflow solutions product lines. Revenues from these product lines now constitute 50% of total revenues within the division.

These advances have included both the expansion in the German market through the Addison acquisition, as well as several other new online and software product launches across the geographies.

So now I'd like to give you a brief update on the outlook for the remainder of the year and then we'll move on to Q&A. Based on the resilient results of the first half and our expectations of the balance of the year, we reiterate our full year 2009 guidance.



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Ordinary EBITA margin is expected to be broadly in line with 2008, despite the expectation of continuing weak market conditions. Free cash flow is expected to be approximately EUR350m in constant currency. Return on invested capital is currently expected to meet or exceed 8% after tax, and ordinary diluted EPS is expected to be in the range of EUR1.41 to EUR1.46 in constant currency. This guidance reflects the resiliency of our portfolio.

We believe we are realistic in our view for the remainder of the year. The resiliency of our business and the solid performance in the first half sets the stage for delivery of our full year guidance. Full year results will be supported by the contribution of prior year acquisitions, the continued growth in electronic revenues, and the benefits from Project Springboard.

New subscription sales and transactional revenues, including books, will continue to be pressured by the economic conditions. Importantly, we do see stabilization around similar revenue trends, observed in the second half of last year. It is also worth noting prior year comparables in the second half of the year will be more favorable as compared to the first half.

We will be steadfast in our pursuit of our long term strategy to meet our customer needs with innovative solutions. We are confident that the macro trends that are leading to increased regulation, more complex compliance requirements and increasing demand for productivity tools on the part of our customers will serve Wolters Kluwer well over the medium term. These macro trends will continue to drive the need for high quality content, software expertise and innovative products.

In summary, I'm pleased that Wolters Kluwer has shown good resilience. While market contractions were felt, the fundamentals are strong and the company benefits from a diversified and defensive portfolio. We continued to make good progress on our strategic goals in the first half of this year. This progress was evidenced by the integration of key acquisitions that have strengthened our market positions.

Additionally, new and enhanced products and platforms enable us to continue to increase the share of our revenues coming from electronic products. Our solid profitability and cash flow was driven by stable growth in subscription and online and software products, as well as the benefits from structural improvements coming from Project Springboard.

Finally, our strong balance sheet provides flexibility and supports our long term strategy. All of this provides us with confidence in our ability to position the company for long term growth and value for our shareholders. Thank you very much for your attention, and now I'll turn it over to Q&A.

QUESTIONS AND ANSWERS

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Nancy and Boudewijn, before we turn it over to Q&A in this room, I just want to remind those participating on the webcast that you can ask a question by using the question icon. Please refresh your screen if you don't see the icon, and that will help you navigate the questions. So thank you very much and I'll turn it over here.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes, Hans? Sorry? I've got the wrong person and said Hans. Go ahead.

Unidentified Audience Member

Sorry. A couple of questions on the net interest expenses. Maybe Boudewijn, could you give some guidance on what you are expecting for the full year? That's the first question.

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The second is on the tax rate. It's coming down, still coming down. I think there was an interesting deal with the Italian tax authorities. Maybe you could also give us the implication also for maybe next year, what this will mean for the tax rate.

The third question is on Healthcare Analytics within Health. What are seeing there, and how is there a potential risk that you might lose the Wyeth revenues given it's being acquired by Pfizer. And maybe could you split out TAL in Tax and Accounting organic growth and Legal organic growth. That's it.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay. Do you want to start with interest in tax and then I'll pick up?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Okay, well as you maybe recall, the first half financial -- were you referring to the P&L or were you referring to the cash flow actually?

Unidentified Audience Member

Yes, both. The P&L (multiple speakers)

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Okay. So the P&L expenses for financial expenses will be evenly distributed over the year. Cash flow wise, we of course had the first bullet payment on the refinancing from last year, so that's why we have a disproportionately large cash expense in the first half, and you will see actually minor additional payments contributing in the second half.

As to the tax rates, the effective tax rate at the first half was around 23%. We anticipate that it will remain more or less at the same level in the second half, and also continuing into 2010. The benefit that we had, or actually the effective use of the tax structure in Italy had to do with what we call substitute tax.

The Italian government, or tax authorities, allowed us to take a step up in our intangibles, and as a result of that, we had to pay down about EUR34m in additional cash that will happen in the second half of 2009. But we will have a benefit over the next nine years of about EUR67m so it has a very positive net present value over the total length of the project, and that's why we decided to take advantage of it.

Now, to immediately preempt any question on cash flow, why, given the good performance of cash flow in the first half, that by that we repeat it in the second half, then the down payment on substitute tax is one of the reasons why we stick to our guidance.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay, now to talk about the Healthcare Analytics business, it did show improved performance over last year's level. We continue to see the same kind of trends as we have been seeing, which is good growth in Managed Care and Brand Analytic product lines, and continued price pressure within the targeting and compensation area.

We have been successful at renewing our business within that unit, as well as winning new contracts. The Wyeth is not one of our major T&C customers so the merger --

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Unidentified Audience Member

So it's a small account for you?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. They buy some products from us, but it's not one of the major accounts, so the consolidation with Pfizer won't have an impact on us.

Unidentified Audience Member

Okay.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

In terms of tax and the TAL group, we're not giving you specific organic growth by sub-unit, but what I can say is that the performance in North America was stronger in terms of its growth relative to the UK business where obviously we have a higher percentage of our revenues tied to advertising, fee protection and other kinds of transactional product lines. As well as it was stronger than our Legal business, where we while we had a good performance in online and legal education that was offset by weaker print sales and weaker new sales overall. Claudio?

Claudio Aspesi - *Sanford Bernstein - Analyst*

Claudio Aspesi for Bernstein. Can you please tell us, looking forward, where do you expect price deflation? I'm thinking of your major businesses at least. Price deflation, where do you see prices firming up and where do you think you still have pricing flexibility?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes, as you know we typically price in two ways, just to get the basics out. We typically price ahead of the current year, so in 2009, our price levels reflect the increases we took at the end of 2008, and those price increases have been achieved. Now as we're heading into the 2009 cycle we've already established, obviously, the price list for those activities.

So we are still expecting that we will see positive price increases across the majority of our product lines, and that is directly a function of the investments that we've made in new platforms and new products, because we have -- we will and we are able to demonstrate to the customers that the products that they're renewing for, say, 2010, have higher value than where they even sit today.

So really the only market segment where I would say we continue to see a significant price compression is really within the targeting and compensation product area of Healthcare Analytics, and that's in total about EUR90m to EUR100m in total revenues. So we still are expecting, as I said, to see our ability to get price increases in the market. Yes, please?

Maurits Heldring - *Fortis Bank - Analyst*

Maurits Heldring, Fortis Bank, Netherlands. Three questions. The first one is on the margin expectation for the full year. That's approximately the same level as last year. Obviously margin in the first half was up, so should we expect margin decline in the

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second half of the year, and if so, why? Comparables will be easier and apart from that, I see no reason, but maybe you could explain?

The second question is on Health. In the press release you talk about early ordering of wholesalers. Can you quantify the impact on growth and profitability of that early ordering?

And finally on cost savings, you said that Springboard is on track, which is good news, and my question would be are there other cost savings apart from Springboard, so savings more related to, let's say, the economic cycle, and could you quantify those for the year as a whole, what your expectations are?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay. Why don't I take the Health question and then turn it over to Boudewijn for questions around margin development over the remaining months?

Within Health we did see two effects within the Books business. One is we continue to see strong online ordering through our online retailers like Amazon and barnesandnoble.com. We also continue to see stronger ordering from the wholesalers relative to prior year, because their inventory turns are at a fairly high level right now.

So some of the growth that you saw in the first half are due to those two factors, and then some of it is because the stock levels were fairly low in the wholesalers. They ordered a bit earlier, in June. Some of that maybe would have come in July in prior years. So there is some normalization you will see in that, that level of growth in Books over the remaining months. Boudewijn, do you want to talk about margin?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Yes. There are a few aspects I'd like to mention. First, the margin of course does increase in the second half. We go from 18.5% to 19.9% so we do actually anticipate therefore an improved margin in the second half compared to the first half.

But as we often have a larger portion of costs in the first half relative to the second half, it's also offset of course by we have some worse inflation throughout the year.

We have some additional pension costs under IFRS, so no funding, but under IFRS calculations some additional pension costs, and that basically -- and we have some additional depreciation from, let's say, earlier years' investments, and those basically curb any further growth of the margin beyond the guidance we gave you.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

And then Springboard, other costs being the contribution from Springboard?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Yes, as I indicated to you, we have also the integration costs from acquisitions in the first half. Those were around EUR9m. We have a little bit more in the second half but that's about it to the extent that we talk about the exceptional costs.

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Nancy McKinstry - *Wolters Kluwer NV - CEO*

And then in terms of the question you asked around Springboard, obviously there's also other costs management activities going on. We really put under Springboard, all of the things related to the four programs that Jack has talked about previously, and really related to structural activities that can be reoccurring year-on-year, other things like reducing travel costs or something like that. That's not a structural activity, so that would be potentially outside -- would be outside the Springboard numbers. Sami?

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you very much, good afternoon, Sami at Exane. Two or three questions as well if I may. The first one on Springboard, you reported EUR20m of cost savings in the first half out of the EUR39m incremental you want to achieve. You've reported EUR19m in costs related to those out of the EUR55m you guided for.

So it looks like there is -- you're making more cost savings compared to the costs, so is that linked to timing effect and you'll have more costs in the second half? Does that mean that it costs you less to get the Springboard benefit, or does that mean you're getting more benefit per unit of cost you invest into Springboard? That will be the first question, please.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay, Jack's going to take that one.

Jack Lynch - *Wolters Kluwer NV - Member of Executive Board*

Yes, if you look at the Springboard savings, essentially we had EUR16m in savings in 2008, and then in the first half of this year, EUR20m savings for accumulative run rate savings of EUR36m. So if you look at the first half pacing, and you apply it to the second half, you can see why we're confident we'll comfortably achieve the EUR55m that we have for our savings target for Springboard.

In terms of cost, the EUR16m for the first half of the year versus the EUR55m in the full year, what we're seeing is a lot of our programs are IT dependent programs, and typically in any IT program you have a planning phase, you have an analysis phase, design and construction phase.

And so given where we are in the lifecycle of the program, we've completed less capital intensive phases like planning and analysis, and we're beginning to go into design and construction, so you'll begin to see a ramp-up in the cost, and that's why you'll see a ramp-up in the cost for the Springboard initiatives in the second half of the year.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you. Secondly, if I may, there's been an increase in the number of US bank failures. Can you discuss whether some of your clients were amongst the failing or fallen banks in the last 12 months or in the first half, please?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Sure. There have actually been about 52 bank failures through this period, as well as a number of mortgage service companies that have gone out of business. So clearly we have lost some business as a result of those folks exiting. However, what has balanced that is a couple of things.

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One is in the large bank mergers, we have fortunately been on the right side of those mergers where the acquiring bank were large customers of ours, and therefore in fact that has led to new business for us, and we've also, as you know, had a very diverse product line within the portfolio of Financial Services, so other things have contributed where we might have lost some products from one of the banks that has failed. So we believe we can mitigate any future failures within the portfolio.

Sami Kassab - *Exane BNP Paribas - Analyst*

And lastly on the Books business, I understand what you say about early ordering. On the other hand we've seen several publishers announcing very strong results on the US higher education market. You serve both the medical and legal segments of that market. So is that just early ordering, or is there a case to argue that actually, the strong performance as we've seen for, say, Pearson or McGraw Hill will be flat underlying strength in the medical and legal higher education market in the US?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes, I think that it's really apples and pears, so to speak, meaning that we're in verticals of health, medical and nursing education, and we're also in legal education, so don't necessarily compete head to head with McGraw Hill in those areas. What we're seeing is good legal education sales, really driven by share gains on our part in the marketplace, as well as good titles, which ultimately is the key in the Books business.

On the medical and nursing side, the performance that we have has mostly to do with the fact that you're seeing much more strong online ordering going on. We now have established a direct relationship with Amazon, where historically they had been going through one of our wholesalers, and the fact that both wholesalers and retailers had destocked quite a bit in the fourth quarter of last year, so some of this is that asset turns are at a reasonably high level relative to anything you might have seen in the past.

So obviously that affects the order pattern that we saw in the first half. So as we indicated, we expect leveling off of that kind of pattern through the remaining six months of this year.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you, Nancy.

Sander van Oort - *Kempen & Co - Analyst*

Sander van Oort, Kempen & Co. One question on Health, if I may. It's on the Healthcare Analytics business. I was wondering if you have won any new contracts in the first half of '09 after the successful contract wins of the FDA and the Bristol-Myers Squibb last year. I was wondering what proportion of the contracts have been renewed so far this year, and what the renewal rates are.

And then on -- IMS Health last week lowered its organic sales growth guidance to minus 5%. And I was wondering if this is a level, growth level you're feeling confident with for the year? Risk Analytics business.

And then I was wondering, on the Advertising business, if you can maybe elaborate a little bit on the trends during the quarter. If you've seen any pick up in June, or if it's still low at trough levels?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay. First on Healthcare Analytics yes, we have won another contract -- we can't disclose the name -- that will start in 2010. We've also successfully renewed a number of contracts that were coming up for 2010. So we're already working on, as you'd



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expect, 2010, 2011 contracts. So we feel good about our ability to compete in the market. Although obviously what balances that statement is the fact you do see price compression within the Targeting & Compensation space.

So we continue to see the same kind of trends as I indicated this year, as we saw last year. Good growth in Managed Care Brand Analytics. Securing renewals and winning some new contracts on the T&C side. But balancing that positive is the compression that we've seen. And I think the whole industry sees that compression as well.

On Advertising if we -- if you look at where we have the concentration of advertising, it's in the UK, in Holland, in France and in the Health business. The Health business I would say that we haven't seen any significant changes between second quarter and first quarter. Obviously there it's mostly driven by the number of new drugs that are getting proved, etc. So it's both an economic effect on advertising, but also a more industry-specific effect. Within the European Group we did see, certainly, a worsening in the first half relative to the fourth quarter of last year.

Yes. Jack, do you want to elaborate?

Jack Lynch - *Wolters Kluwer NV - Member of Executive Board*

Just to add one -- you see the advertising declines that we face, to the intelligence we get, is always slightly less than what the industry average does. And that comes actually, it's particular for Health.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes.

Michel Veul - *SNS Securities - Analyst*

Michel Veul, SNS. Three questions please. The first one is on the credit rating. You've got two negative outlooks. Could you provide us guidance on what the maximum net debt/EBITDA should be to maintain your ratings? And secondly how keen are you to keep these ratings. So if there's a tradeoff between acquisitions or debt reduction where would it fall?

Second question, you mentioned that subscription cycle, the sales cycle lengthened at TAL and LTRE. Do you expect this pattern to continue in the second half? Or do you maybe expect some positive phasing effects in the second half?

And thirdly, could you provide us an update on what the status of the restructuring is in Health, North America. What has been done so far? What are the next steps being taken? And also bearing in mind that I think this morning I saw that some small divestments has been made or some (inaudible) journal site has been stopped in the US. Do you expect some portfolio changes in that area as well? Thank you.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay. Boudewijn, why don't you talk about debt?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Well, the credit rating that we currently have, we are pleased with the BBB plus rating. And our intention, as we indicated also at full year, is to focus this year particularly on debt reduction. Net debt to EBITDA of around 3.1. And then moving that closer to our target level of 2.5 is definitely priority for the Board. So in that sense we anticipate that with these results and the strong

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cash flow generation and the good margin improvement, that we're able to keep our rating and maybe even improve over the medium term.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Then on your other two questions, on the subscription cycle, what we meant was -- what's gotten elongated is the new selling cycle, right? So as you expect every year we sell new products. We're still selling new products. But the close rate is just a little less. And it's just taking a little bit longer, as you'd expect in this kind of environment. And we see that really across the board of the business.

We -- specifically on Health restructuring, the things that we have completed has been the reengineering of our Books business, both taking care of the wholesaler activities that we did last year, as well as establishing a direct relationship with Amazon, as well as a lot of things in the production and back office side that obviously improves the operating margin.

We have also taken our Journal Print business and merged it in with our Ovid business, again really looking to use that as an opportunity to develop broader and more comprehensive product offerings between print and online in that sector. So those are the major activities. And of course the integration of UpToDate continues within that portfolio.

We did talk last year about looking at some pieces of our portfolio from a strategic perspective. That review is complete. What we have indicated is that we do not plan to divest any pieces of the portfolio in Health. We have pruned some products, primarily what I would call underperforming content products, small journals, book titles, as well as reposition some of the product lines. An example of that is within our pharma -- our traditional pharma solutions product line we're very much focused on developing some analytical products around forecasting for the pharmaceutical group away from things like journal reprints and other sort of lower value added product lines. So we feel the review of Health is complete from a strategic perspective.

Sure. In the back? Yes.

Simon Wallis - *ING Financial Markets - Analyst*

Simon Wallis, ING. You've reported I think 70 basis points margin improvement on the first half compared to last year. And you've also set between 8% and 10% of sales target for new product development expenditure. I think from memory, roughly half of that is expensed. Could you give an idea on the first half, what the first half '09 new product development expense was compared with first half of '08? Thank you.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Boudewijn, you want to do that?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Yes. I think your assumption is correct. We -- about 4% to 5% is CapExed. And often 5% to 6% is actually OpExed. So you see that also for this year we anticipate our CapEx to be at around the 4%. And our OpEx in NPD to be around 5% to 6%. This is more or less evenly spread throughout the year. And therefore, from a product development perspective, I don't expect that there will be material change. Maybe slightly [enhanced] into the second half, but not materially.



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Nancy McKinstry - *Wolters Kluwer NV - CEO*

Keep in mind that most of the products that we develop take two or three years to build out. So you have this consistent spending over the life of the product until it's launched into the market place.

Simon Wallis - *ING Financial Markets - Analyst*

And in terms of expensed, or actually expensed expenditure first half to second half, is there anything there that's helping to improve the margin? Or is the level of investment flat?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

No, no. Of course you can imagine there are lots of projects ongoing. And sometimes you see it slightly skewed into CapEx versus OpEx. But that has more to do, for example, when you achieve in certain projects your technical feasibility, that you start capitalizing away from OpEx and back and forth when projects finalize. So it's not something we, from that perspective, manage in one way or another to influence margin whatsoever.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes, please.

Wijnand Heineken - *Independent Minds - Analyst*

Wijnand Heineken, Independent Minds. I have a question about the trends within subscription because I cannot work it out completely what's going on there. Because, if I look at the category subscription and other non-cyclical, then organically that was down 1%. You mentioned that within the category some other parts have been under pressure due to the economic environment.

Furthermore I heard you mention quite -- sometime retention of subscription was in line. What -- how should I interpret it? Is that the number of subscriptions that's in line with previous year? Is that the sales number? Because you're still able to increase your prices. So at stable subscription levels that would mean that you would lose customers.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. The way retention works, just kind of again step back, do the basic math, right. For our software products we renew at above 90%. So you have to, say, sell 10% new to get to 100% and grow from that.

For our typical information product, the retention rate is between 80% and 85%. Online renews somewhere between 85% and more like 88%. So depending on the product line that you're talking about, you always have to sell new products year-on-year to fill some of that portfolio gap. And then grow beyond that. So when we talk about subscription in the context of the half year results, what we are saying is that subscription levels are stable and retention rates are stable and good.

The non-cyclical product lines that make up that category, what they are, are they're things like bank transaction products that are associated with the software that we sell to small firms in the US. It's things like services that are wrapped around the software products, but again customers buy in a transactional way things like training, things like other kinds of things around that subscription. And tax click revenues which are again, the customer already buys a subscription, but there's a portion that's transactional based on them doing different states, or doing other kinds of forms within that portfolio.



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So there's a linkage obviously between those non-cyclical transactional products and the core subscription. But those non-cyclical transactional products obviously have some discretionary element from a customer spending perspective. So if you look at the results that category of non-cyclicals were under pressure from just a volume perspective, based again on the cycle. But the core subscription products continue to perform well. So hopefully that answers your question.

Wijnand Heineken - *Independent Minds - Analyst*

And then another one on the -- a margin question for Boudewijn. As I understand it correctly, you mentioned that there would be higher integration costs in the remainder of the year which would have an impact on the further development on your margin. But I thought those were taken as exceptional costs in the P&L. So that should not affect the EBITA margin.

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

No, that's correct. The acquisition integration costs are taken as exceptional, sorry. When I mentioned that as part of the margin improvement, then I misspoke. Basically -- but the fact is that we still improve our margin in the second half from 18.5% to 19.9%. So there is still a way to go.

And what I tried to indicate is, on the one hand, there's never an even distribution of costs and revenues from the first half to the second half. So we definitely do not see the 18.5% as an encouragement at this moment to say, well, that would lead to higher margin at year end. It's kind of here again also phasing of costs, phasing of revenues over different times. And to all our projections in our own estimates, the 19.9% is a guidance we're confident in that we're going to achieve. But it will not lead to our over-deliverance.

Hank Slodon - *The Idea - Analyst*

Perhaps a very easy question. [Hank Slodon], [The Idea]. When I look at the amortization charges, they go up quite significantly. So is the EUR6m impairment included in it? Could you give us a better feel for the composition? What causes the jump underlying EUR56m to EUR85m? And what's the EUR6m all about.

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Well, it's actually mainly three components. One of course the normal underlying amortization based on the existing asset base. Secondly, the acquisitions. Don't forget that at the end of the fourth quarter last year we did actually acquire businesses in a total of over EUR600m. So that adds of course a big chunk. You're right, the EUR6m impairment that's more a technicality, okay that.

And last but not least what you normally do when you do your purchase price allocations for past acquisitions over the last 12 months, you first take an assumption what those purchase price allocations should be. So you actually start allocating assets to goodwill which are not amortizable and the intangible portion that are amortizable. Now you can always review a little bit with hindsight how that should be. And then that catch-up also ends up actually in these numbers. But again, that's not a material amount. But those four, basically, make up the composition of amortization. And you should anticipate it will remain at higher levels, of course, than we have seen in the past.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes.

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Hans Slob - Rabo Securities - Analyst

Yes. Hans Slob, Rabo Securities. Two questions on Health. One is could you give us a feel for the impact of the pressure on hospital budgets on your Clinical Tools business? Is the pressure increasing there?

And secondly that's more on the Ovid business, given also the pressure on hospital library budgets. What do you expect with regard to pricing going forward? Are you going to let's say mitigate your journal prices also going into next year in order to keep renewal rates high, or what should we expect in terms of journal pricing?

Nancy McKinstry - Wolters Kluwer NV - CEO

Okay. So on hospital budgets, what I can say is clearly we do see those budgets being under pressure and customer sales cycles longer. But with that said, we have a very strong position in our Clinical Solutions group. So the underlying business of that group, which are things like ProVation and Medi-Span, grew in the first half. Also, as I indicated in my remarks, UpToDate also had double-digit growth in the first half. So the customers do continue to obviously need these products. And therefore there is spending going on.

In terms of the Journal business, Ovid continued to have good growth in the first half of this year. As you know, a lot of the way that the products are sold into those markets, it's really a collection of journals that the customer is buying. So there's always a kind of custom purchase that is going on in that business. So, as I indicated, we do see customer budgets come under pressure. But renewals are holding up very well. And we continue to sell new products into that market.

And again it speaks more to where we have certain strengths in different therapeutic categories relative to, perhaps, some competitors in the marketplace. So we have been able to weather these cycle effects and still grow the business in (multiple speakers) categories.

Hans Slob - Rabo Securities - Analyst

So you're still increasing your prices for the majority of your journals also for next year?

Nancy McKinstry - Wolters Kluwer NV - CEO

Yes. Now some of that is dictated by society relationships. But in general I would that's -- we are increasing prices.

Hans Slob - Rabo Securities - Analyst

Thanks.

Kevin Entricken - Wolters Kluwer NV - VP, IR

Nancy, we've got a couple of questions that have come in over the webcast. First two come from Mark Braley at Deutsche Bank. Firstly, on your interest payments on your cash flow, why is the cash outflow on interest so much higher than the charge in the P&L?

And secondly, can you give a little bit more color on what are indirect products in the CFS division and what do you expect from them in the future?

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Nancy McKinstry - *Wolters Kluwer NV - CEO*

Okay. Why don't I start on indirect and then Boudewijn take interest?

Indirect products are really loans that are extended to individuals that are buying pre-owned cars in the US. Also individuals that are buying boats, other kinds of recreational vehicles. And this is done through our AppOne business within the US where we act, through our software, as a hub between consumers that are going into auto dealers or other kinds of retailers to buy the products and banks which are lending them money. And we provide that transaction. You can see that volumes are still relatively weak, again reflecting the tough credit market that we find. Boudewijn.

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

The difference between the P&L and the cash flow in this case is the P&L charge or expense is actually evenly distributed over the full year. In the cash flow we paid, actually, the first interest payment on the refinancing from last year into the first half. So you see a disproportionate large cash-out in the cash flow. And, as I indicated earlier, for the full year you only should anticipate a small increase of those financing costs throughout the remainder of the second half in cash flow.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Thank you. We've got a question from Patrick Wellington of Morgan Stanley. Speaking of the Books business, first question is, have you seen a holdover in purchases by Amazon from December of last year into January of [last] year? I think they indicated that some other companies have seen that sort of trend. And is that what is impacting the good performance in the Book numbers in the first half?

Secondly what we can expect for Books in the second half?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. Two comments. First of all we -- up until establishing a direct relationship with Amazon that really occurred in the beginning of the second quarter of this year, we historically served Amazon through one of our larger wholesale agreements. So anything they were doing was, again, not transparent to us up until this direct relationship. So what Patrick indicated would not necessarily have affected our results.

And then the second thing is, as I indicated, there was some early ordering on the part of our customers in the Books business ahead of the fall selling cycle. So we expect that the pattern of ordering will begin to kind of even out over the course of the remaining six months, so that you'll see some flattening of what we saw in the first half.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Okay. Thank you. We have a question from Meg Geldens of MF Global. Specifically on the acquisitions in TAL, IntelliTax and in MYOB, can you give some color onto the seasonality of the revenues and the margins of those acquisitions and how that might impact results?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. Both MYOB and IntelliTax are classic tax products where they're software products bought by customers primarily to use in the tax season. So we are just now starting our selling cycle within tax in the US. From the period of January through May

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there is virtually no selling that goes on. Now we start that renewal cycle and start that selling cycle. And so we'll continue to see the sales ramp up over the course of the remaining months, which we typically do see.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Thank you.

Nancy McKinstry - *Wolters Kluwer NV - CEO*

And margin kind of follows that.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

A question from Polo Tang of UBS. Can you give us any insight in what you expect in TAL and LTRE in this second half as far as organic revenue growth development?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. As you know we have not given organic growth targets for each of the divisions nor for Wolters Kluwer as a whole. But what I can say is we expect the exact same kind of trends as we saw in the first half in the following ways. We expect the transactional and cyclical products like advertising, training, seminars to be under pressure from the cycle, as we expect new sales to continue to be pressured. Countering that, we continue to expect that our subscription portfolio will be stable and that our retention rates will continue to be good.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Very good. And final question online from Tom Singlehurst of Citi. Can you give us an indication of what the drivers were in the working capital performance, the positive working capital performance in the first half?

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

Yes. I think the most dominant driver was, given our scrutiny on the working capital, that our payables turned out more favorable. On the receivables side, those were also slightly lower, partly by the fact that we had done proper collections in the first quarter. But also, given the decline in the transactional business, we had also lower billings. So that's kind of a double-edged sword. So on a net-net basis you know the largest contributor were the lower payables. Sorry, the higher payables on our balance sheet.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Thank you. And actually one late question has come in from Tim Nollen. Can you give us any thoughts on the potential US healthcare reform, and will that be positive, negative or neutral for Wolters Kluwer?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. We clearly have an expectation that over the medium term we're going to see some fundamental reform, not just on the health side, but also in tax and securities and banking regulation. It's all working its way through Congress right now. So it's clearly not anticipated that it will affect our results this year, but really, as we head into 2010/2011.

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There's two potential catalysts on the health side. One is that some of the TARP money has been earmarked for healthcare IT. So as that trickles into the hospital budgets, that supports their purchase of some of our software products in that area. So that's a positive from our standpoint. And second, much of the reform that's going, or been speculated on in healthcare is predicated on better outcomes in order to lower cost.

And many of our products like UpToDate, ProVation we sell them to clients based on definitive analysis that shows if the doctor or nurse uses those products, it leads to better diagnosis, better treatment and therefore lower cost. So we believe that we are well positioned in the whole clinical decisions support area with our product lines. And we believe that the reform is going to stimulate purchasing in that area.

Kevin Entricken - *Wolters Kluwer NV - VP, IR*

Thank you very much. That's it for online. Any further questions here in Amsterdam?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. Sure.

Unidentified Audience Member

One question on the CFS business. Last year the divisional margin remained stable at around 27%, despite the organic sales growth declining throughout the year. Now in the first half year the organic sales growth is around minus 4%, and the margin dropped significantly. So I was wondering, what's the difference in the first half '09 compared to the second half '08 when it comes to the operating margin?

Then my second question on LTRE. Maybe you can elaborate a little bit more on the Central and Eastern European businesses, how these markets are developing in the current environment?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Sorry. Why don't I start with the second one and then hand it off to Boudewijn on the margin question.

Central and Eastern Europe is holding up very well. They grew in the first half of this year. It's really from a combination of our strong market positions, plus we have a number of new products that have launched in the market and are doing well. And we continue to have good online growth there. So I don't believe that the economies in those countries are any better than the other parts of Europe. But we have been able to continue to have good performance there.

Boudewijn Beerkens - *Wolters Kluwer NV - CFO*

On the margin of CFS. CFS actually is, as you know, our most cyclical business unit and also our most early indicator. So we already took cost actions quite early in the program to offset revenue decline in previous years. Now you know that the fall-off, of course, a transactional business always carries a high margin. Therefore you know those fall-offs can be significant. Now through those early cost savings were offset, of course, a large of the negative impact last year. This year, of course, the decline continued with high margin fall-off. And the impact of those cost savings basically was less. And therefore you see the margin declining.

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Nancy McKinstry - *Wolters Kluwer NV - CEO*

Any other questions? Okay. Sorry, one more.

Unidentified Audience Member

I was just wondering, because new subscription sales are at least weakening or somewhat difficult, do you step up, maybe, sales to enter -- to get some new revenues coming in? Do you maybe change something to, maybe, package deals or prices to get new customers in? How do you cope with the new situation?

Nancy McKinstry - *Wolters Kluwer NV - CEO*

Yes. We are clearly still selling new products. So if you look at the sales reps and you look at other channels, not just field selling but direct mail and telemarketing, we're certainly still selling new. It's just that the cycles have gotten longer relative to prior years. So we're doing a number of different kinds of activities to continue to generate new sales.

First you've got to have the right product, which we believe we have, in the marketplace. And then we are, in many cases, not just potentially adding new sales people, but also working with partners where we can expand, potentially, our distribution in certain markets where we may see that as an advantage.

Pricing, we don't see that it is really around the price that is necessarily the issue, whether a customer chooses to buy today versus tomorrow. It's really just this overall sentiment of I want to evaluate things a little bit longer. I want to take my time before I make a purchase. So that's been more the driver than specifically around the value proposition.

Okay. So with that, thank you very much. There's refreshments outside that we'd ask you to join us for. Thank you.

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