

FINAL TRANSCRIPT

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WTKWY - Half Year 2006 Wolters Kluwer NV Earnings Presentation

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CORPORATE PARTICIPANTS

Oya Yavuz

Wolters Kluwer - VP IR

Nancy McKinstry

Wolters Kluwer - CEO

Boudewijn Beerkens

Wolters Kluwer - CFO

Jean-Marc Detailleur

Wolters Kluwer - Executive Board Member

CONFERENCE CALL PARTICIPANTS

Sami Kassab

Exane BNP Paribas - Analyst

Ami Samir

- Analyst

Polo Tang

UBS - Analyst

Gert Potvlieghe

Petercam - Analyst

Reinier Westeneng

SNS Securities - Analyst

Mariska Zonneveld

Fortis Bank - Analyst

Colin Tennant

Lehman Brothers - Analyst

Johan van den Hooven

Delta Lloyd Securities - Analyst

Maurits Heldring

Kepler Equities - Analyst

Wijnand Heineken

Independent Minds - Analyst

PRESENTATION

Oya Yavuz - *Wolters Kluwer - VP IR*

Good afternoon, everyone. Thank you for joining us today. My name is Oya Yavuz and I'm responsible for Investor Relations at Wolters Kluwer. I would like to welcome you to our second quarter and half-year 2006 results presentation.

This afternoon's presentation will be given by our CEO, Nancy McKinstry, and our CFO, Boudewijn Beerkens. Also present here today is Jean-Marc Detailleur, member of the Executive Board. The presentation will last just over 30 minutes and will be followed by a Q&A session. Nancy will take all questions and where necessary redirect them to her colleagues.

This afternoon's presentation is also being simultaneously video webcast. Those of you following the webcast can send in questions by pressing the icon on your screens. I will then redirect the questions to the Board.

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I would kindly like to ask you to read the forward-looking statement which is included in your presentation on page two and in our press release. With that, I'd like to hand over to Nancy. Thank you.

Nancy McKinstry - *Wolters Kluwer - CEO*

Thank you, Oya. Welcome and good afternoon. Now, I'd like to just let you know what our agenda will be for this afternoon. We will -- I will provide you with an overview of Wolters Kluwer's year-to-date results and then I'll take you through each of our divisions and talk about their operating performance. Then Boudewijn will walk you through some of the more detailed financial performance. And then I'll come back up and talk about our outlook and give you some summary remarks, and then we'll move to Q&A. So let's begin with some highlights.

Our three-year plan continues on track. Our half-year results are well in line with our full-year guidance, with our organic growth momentum continuing. Our focus for growth is largely on organic activities, building winning products, driving sales and marketing and creating partnerships which provide us with additional growth opportunities. New product development in online products and software is tracking well towards our long-term goal of 45% of our revenues coming from electronic products.

The strategic acquisitions we've made to extend our market positions are tracking to plan. We view acquisitions as a way to augment our fundamental strategy, which is centered around organic growth. Therefore we are focused only on bolt-on acquisitions which provide us ways to strengthen our leadership positions in our core market and provide us ways to extend our product offerings to our customers.

Our restructuring initiatives are also progressing well, with HR Shared Services operational and data center consolidation continuing in North America. In LTRE in-country restructuring programs are also proceeding on plan.

In summary, we're pleased with these results and we're on track to meet our full-year guidance for 2006.

Now, for some additional highlights. Our revenues for the half-year increased 12% with organic growth of 2%, which accelerated in the second half of this year to 3% organic growth.

Product development spend was 126m in the half-year, representing a 13% increase over 2005. Increased investments in new products has been critical for driving the strong growth momentum that we see in Corporate & Financial Services and Tax, Accounting & Legal, as well as instrumental to delivering double-digit growth in online revenues across all of Wolters Kluwer.

Ordinary EBITA of 262m increased 9% over the half-year 2005 on higher revenues. Operating margins were flat compared to the prior year, due to the effect of increased investments in product development and sales and marketing. Structural cost savings of 58m, an increase of 23% over the prior year, enabled us to maintain our margins despite continued investments.

The Corporate & Financial Services and Tax, Accounting & Legal divisions delivered strong organic growth for the first half of this year. Revenue growth at our Health division was driven by acquisitions and by solid performance in our Professional & Education and Pharma Solutions customer units.

Organic growth in the second quarter accelerated for Wolters Kluwer, in part due to contributions from our Legal, Tax & Regulatory Europe group and our Education division. Education experienced 3% organic growth in the second quarter, marking the beginning of the traditional cyclical in that business.

So, to reiterate, we are on track to achieve our full-year guidance for all six key operating and financial targets. Most importantly, our organic growth accelerated in the second quarter to deliver 2% organic growth for the half-year. Ordinary EBITA margins

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of 15% for the half-year also accelerated in the second quarter to 16%, laying the foundation for reaching our full-year target despite significant investments and continued restructuring.

We maintain our cash flow guidance of approximately 350m for the full year. Overall, this performance contributed to ordinary earnings per share of 0.52.

So now I'd like to take you through each of our divisions, beginning with Health.

Revenues at Health increased 31% over the same period last year due to the acquisitions of Healthcare Analytics and ProVation Medical, as well as the solid performance in Professional & Education and Pharma Solutions customer units. The integration of our acquisitions are proceeding on plan and results are in line with expectations.

Organic growth of negative 1% during the first half of the year was affected by a couple of factors. First, the publishing schedule and the timing of our shipments is more heavily weighted to the second half of 2006 compared to how that schedule worked in 2005. In addition, in 2006 the results reflect the loss of the Journal of Urology that occurred -- that was present in the prior-year results.

In addition, we saw industry-wide softness in promotional spending on the part of our pharmaceutical clients. This softness is largely the result of delays in new drug launches and impacts our revenues associated with advertising, medical communication and physician-based marketing programs.

Within Professional & Education, the nursing and medical segments delivered positive results despite strong comparables from 2005. In the second half of the year, Health will benefit from new product launches associated with our strong front list, strong back list revenues and additional sales from new products which were launched in the first part of 2006, as well as anticipated strengthening of Pharma promotional spend.

Margins are affected through the half-year by product development spend and sales and marketing, including investments that were made in products that will launch in the second half of this year, as well as increased royalty expenses at our medical research unit.

So with that, I'd now like to move to our Corporate & Financial Services unit. Corporate & Financial Services contributed significant performance for the quarter with 7% organic growth for both the quarter and the half-year.

Within our CLS unit, organic growth was very strong at 8% despite tough comparables from the prior year. The business experienced strong performance in core representation, corporate and UCC services, driven by volume growth associated with M&A and business formation activity in the U.S. CLS' product lines in e-billing, litigation support software and trademark services continue to gain market share, supporting significant year-over-year growth.

Financial services also performed well with 5% organic growth in the second quarter and 4% for the half-year 2006. Sales of core lending and compliance software, e-forms and custom library products were strong. This unit also continued to build penetration within the credit unit market and within third-party system providers with our core products, as well as in the large bank market with our Expere product line.

Margins showed a modest decline year-over-year, reflecting increased investments in sales and marketing, product development and shared services.

So now for some comments on our Tax, Accounting & Legal division. Tax, Accounting & Legal performed very well with strong organic growth of 4% for the second quarter and 5% for the half-year. All units within the U.S., Canada and Asia Pacific contributed to these results.

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Tax and Accounting delivered double-digit growth in new tax and accounting software sales with ProSystem fx, Engagement and Document all performing well. Investments in publishing have contributed to growth through higher retention levels and new sales of key products, particularly our new integrated online libraries.

Law & Business delivered good growth in the half-year, driven by new product introductions, strong growth in standing order revenues and good sales from our Legal Education unit.

Margins were slightly lower than prior year, reflecting continued investments in product development and in sales and marketing, including a significant investment in building the next generation tax platform in .net technology.

I now wanted to take a few minutes to talk about ATX/Kleinrock, which is an acquisition that we made yesterday, or announced yesterday, that fits within our Tax & Accounting unit. ATX/Kleinrock provides professional tax preparation, accounting, tax research and software solutions to tax professionals and CPAs in the U.S. ATX/Kleinrock has over 48,000 customers with high retention rates, particularly for its software products.

Strategically, ATX is a very strong bolt-on acquisition within the Tax & Accounting group and it will significant expand our position in the low end of the CPA segment and allow us to achieve leadership in the overall CPA market. Our plans include achieving synergies by combining publishing operations in the short term. Revenue growth will be supported by integrating CCH's software suite with ATX's tax software line.

And just a couple of facts about the CPA market, which is what ATX/Kleinrock serves. The low end of the accounting market has approximately 76,000 customers. These customers consist of small CPA firms, tax preparers and sole practitioners. These customers are looking for practical solutions and tools, with ease of use being one of their most important buying criteria. Electronic filing and other productivity tools are growing in demand within this segment.

So the combined assets of CCH with ATX/Kleinrock positions us extremely well to serve the needs of this segment.

So now I'd like to turn back to the divisional results and talk about our Legal, Tax & Regulatory Europe group. Legal, Tax & Regulatory Europe showed solid organic growth of 2% in the quarter, a significant improvement over prior year, yielding flat results for the half-year 2006. Across LTRE, online revenues showed double-digit growth. Strong growth in Italy, Spain and Central Europe was clearly supported by new online and software solution products.

The integration of De Agostini in Italy and Carl Heymanns in Germany are progressing well. Restructuring activities in Belgium and The Netherlands show progress with good bottom line improvements year-over-year.

In The Netherlands online revenues continue to grow as the Navigator, which is our core online product, increases its penetration in the market particularly among large law firms and municipalities. In Belgium we also launched several online products in the first half focused on the tax and accounting market. Restructuring in the U.K. is also continuing.

Operating margins for the second quarter improved to 16%, largely as a result of successful restructuring activities that have supported cost improvements and efficiencies.

Now let me turn to Education. Education showed organic growth of 3% in the second quarter as the unit began its typical seasonal sales cycle, with the majority of the sales occurring between June and September. Revenues for the half-year were flat in comparison to 2005.

The division showed strong performance at Wolters-Noordhoff in The Netherlands. And good contributions from Belgium and the U.K., where despite challenging market conditions sales of our new math and science products which are endorsed by AQA are performing well. In Germany our entry into the elementary school market is showing promise with good early sales of those products.

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The margins in this division remain strong, driven by a continuous focus on operational efficiencies.

Now, with those divisional highlights, I just wanted to update you on our progress against the restructuring that has been underway for the last two and a half years. In 2006 we expect to spend an incremental 20m on product development for a total spend of 270m for the full year. Non-exceptional restructuring costs are expected to be approximately 30m.

By the end of 2006 we expect to achieve 120m in cost savings as we continue our restructuring programs. Our expected run-rate savings at the end of the three-year plan remain a strong 150m to 160m.

So now let me update you on just where we stand at the half-year. Our non-exceptional restructuring costs in the half-year were 14m. We had no exceptional restructuring costs for the half-year and we expect to have none for the full year. Our FTE reduction target is 200 for the full year, of which we completed about 60 through the half-year. By the end of this year we expect to achieve 120m in cost savings and through the half-year we achieved 58m.

As a result, you can see that we're tracking very well to achieve our goals this year in 2006 and as we head into 2007 for our full three-year plan.

So with that, I now want to turn it over to Boudewijn, who will give you some more details on the financials.

Boudewijn Beerkens - *Wolters Kluwer - CFO*

Thanks, Nancy, and good afternoon, everyone, and welcome. And let me take you through the financials of Wolters Kluwer.

We are on track to achieve our full-year KPIs. Organic growth has accelerated, ordinary EBITA margin was 15% and on track for full-year guidance to 16.5 to 17%. And cash flow was close to 80m versus 23m in the same period last year. We saw financing costs decrease by 12m. Our effective tax rate on pre-tax ordinary income was 26%, 1 percentage point below last year and sustainable. Net income came in above last year at 131m and our net debt increased by 11% to 2.1b, reflecting the acquisition spending.

Looking at specifics, revenues and actual currencies grew 12%, largely as a result of acquisitions, mainly Healthcare Analytics and Carl Heymanns. This time the dollar worked in our favor. The average U.S. dollar/euro rate in the first half of the year of 1.23 versus 1.29 over half-year '05 had a positive currency impact on our results.

Looking at organic growth, excluding acquisitions and divestment impacts and excluding exchange rate movements, we showed a 2% organic growth.

Our ordinary EBITA margin was equal to last year despite further acceleration of product development expenditure, and increased marketing and sales spend. Our ordinary net income came in at 161m compared to 135m in the same period last year, and this was supported by higher EBITA and lower financing costs.

The ordinary earnings per share in actual currencies was therefore 0.52. Free cash flow was higher due to increased earnings and tax refunds, which were slightly offset by absorption of working capital.

Taking a look at the P&L, you see that the higher operating profit was achieved was impacted by the increase of amortization of publishing rights as a result of recent acquisitions. We had 7m divestment income from Segment and two product lines within our CFS division, which I will talk about later.

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Financing costs were 12m lower than the same period last year due to three factors. We used our cash balance to redeem debt. We had a positive result from derivatives and positive impact from currency.

The effective tax rate on our ordinary net income came out lower at 26% compared to 27% at half-year '05. This is the result of a lower corporate tax level in The Netherlands, as well as more efficient use of the Dutch Financing Center.

The outlook for our effective tax rate on our ordinary net income remains 26% for the full year.

We like to look at our benchmark measure, which is ordinary net income, in order to get a better picture of our underlying business. To get to this benchmark, we take net income, we add amortization after tax, take away any divestment income and correct for exceptionals. For half-year '06 this resulted in a 20% higher ordinary net income of 161m and an 18% higher ordinary EPS of 0.52.

Moving to the balance sheet. Overall gross debt was reduced by almost 10% over the last 12 months, from 2.5b to 2.3b. Since '02 gross debt has been reduced by 25%. The increase in non-current assets compared with a year ago is largely as a result of acquisitions. The decline in working capital is mainly caused by acquisition spending that resulted in a lower cash balance and an increase in short-term debt. Current liabilities have risen as a result of higher amounts of debt maturing within 12 months.

At year-end we have approximately 650m of debt redeeming. Due to our current headroom of 0.7b in the form of a credit facility, there is no imminent need for refinancing debt, especially in light of the strong free cash flow we expect in the second half of this year as well as the swap gains.

Our current U.S. dollar balance sheet cover is approximately 27% and in line with our policy. In the first half we shifted to a natural hedge via direct U.S. dollar loans as we drew US\$180m, approximately 144m, on our multi-currency credit facility. Currently, the total market value of our outstanding financial instruments, mainly related to this cover, is over 100m, of which we have already realized 58m. We will be receiving this cash in September of this year.

Turning to cash flow. As you can see, cash flow from operating activities increased. This was caused by a higher EBITA and amortization from acquisitions, which was offset by a slight increase in autonomous movements of working capital compared to last year. Another item worth mentioning is the reduction in corporate tax paid due to a tax refund on tax paid in prior years, especially in The Netherlands. Paid corporate income tax was therefore positive in the first half-year.

Looking at cash flow from investments, we see higher acquisition spending which mainly relates to the acquisition of Healthcare Analytics, ProVation, Sage and Carl Heymanns, which I will talk about later. Slightly higher capital expenditure was mainly due to IT spend across the Company. Cash from derivatives is lower in the first half of '06 compared to the previous year but higher inflow is expected in the third quarter of the year. And cash flow from financing activities is affected by short-term debt and the repurchase of 1m shares.

So, summing up, free cash flow came in at 79m compared to 23m last year. This reflects higher EBITA and inflow of cash from the tax refunds. Despite significant investments in our business, we continue to enjoy a strong free cash flow. Our cash guidance remains approximately 350m for the full year.

I am pleased that our strong working capital performance continues in '06. Over the first three months in '06 we saw a cash absorption of 124m, in line with the historic trends of the business. Although in '06 the working capital is slightly higher than over the same period in '05, the overall working capital levels are substantially below prior-year levels. You can see this from the graph on the right.

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All divisions have contributed to this performance, which is also fuelled by the growth of the business. And as I have said before, you may recall in '03, '04 and 2005 we made significant progress in improving our working capital by over 200m. Hence we anticipate no improvement in working capital in 2006 but we aim to maintain prior-year improvements.

Turning to acquisitions. The total consideration for acquisitions in the half-year was 476m. The main acquisitions year-to-date June were the acquisition of NDC Information Management, which is a provider of healthcare information now called Healthcare Analytics. Healthcare Analytics has revenues of 165m.

In January we further strengthened our position within the health market with the completion of the ProVation Medical acquisition, a privately held company providing medical documentation, coding and workflow solutions to hospitals and surgery centers in the U.S. ProVation has revenues of \$13m.

Also in January we acquired Sage Practice Solutions line of business from Sage Software. This business offers business management software and services to small and mid-sized business customers in North America. With \$7m in revenues, this acquisition strengthens our Tax, Accounting & Legal division.

Finally, in May we closed the Carl Heymanns Verlag deal, which brings us revenues in of about 15m. Carl Heymanns, one of Germany's leading academic and legal publishers, further strengthened our German business within the LTRE division.

The contribution of our half-year '06 results from these acquisitions was 83m to revenues and 50m to EBITA. All our acquisitions are accretive to ordinary EPS in year one and are expected to cover the cost of capital within three to five years.

In the first half of the year we also announced two small divestments. In January the divestment of Segment was realized. This B2C business within LTRE had revenues of 5m. In February the CFS division divested CT Insurance Services, the divestment of two product lines of exchange software and financial securities exam training with annual revenues of approximately \$8m, which enables us now to increase alignment between our product portfolio and growth strategies in the securities and insurance markets. This resulted in a book gain of 7m.

Turning to post-balance sheet acquisitions, as Nancy discussed in her presentation, we announced the intention to acquire ATX/Kleinrock yesterday. This acquisition serves the low-end CPA market, providing text preparation software and research, and represents a significant expansion of our ability to serve these professionals with a complete suite of integrated research and software solutions. With 300 employees, annual revenues for ATX/Kleinrock are approximately \$40m.

As we look to our full-year targets for '06, the focus remains on driving organic revenue growth. Our target of 2 to 3% organic growth reflects a further increase over 2005 levels. We continue to guide improved margins of 16.5 to 17%, even as we continue to make substantial and incremental investments in the business.

We expect continued solid cash flow in line with last year, due to this improved growth and margins. We anticipate maintaining working capital improvements achieved over the last three years. Just as a reminder, this year the cash flow will be negatively impacted by the premium redemption on our convertible bonds. We anticipate having to pay 33m in November of this year. Like for like, this would mean a free cash flow increase of 20% in '06.

As previously communicated, we expect ordinary EPS to increase at least 10%.

As always, I am pleased to highlight that Wolters Kluwer is in a solid financial position which supports operational performance and facilitates growth opportunities.

And with that, I would like to give the floor back to Nancy. Thank you for your attention.

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Nancy McKinstry - *Wolters Kluwer - CEO*

Thank you, Boudewijn. Just a couple of remarks about our outlook and some summary comments, and then we'll head right into Q&A.

Our core strategy, which has been to invest in our business, reduce our costs and restructure, is yielding results on all fronts. Sustained investment in our businesses has enabled us to deliver new products across all of our divisions. The Expere product line, PFX Scan, the AQA relationship, Point-of-Learning and new online products in virtually every country in Europe are extending our core market positions. These new products have been key to reversing the negative trend in organic growth at Wolters Kluwer.

Investments in restructuring activities have not only decreased our costs but have improved our efficiency and productivity, increasing our capacity and supporting the concept of an integrated business.

Finally, as we said at the outset of our three-year strategy, we will invest to extend our market positions in our highest return markets of Health, Corporate & Financial Services, and Tax & Accounting. The footprint of each of these businesses have been extended over the last two and a half years through a combination of new and enhanced product introductions and expansion into adjacent growth markets.

As we look to the remainder of this year and into 2007, our focus remains consistent. We will drive revenue growth and achieve all of the performance indicators that we announced to you back in 2003. We are tracking to achieve 2 to 3% organic growth and 16.5 to 17% operating margins in 2006.

So, in summary, we are confident in our ability to achieve our targets. Our three-year strategy is working. We have the growth momentum that we need to achieve our goals. Restructuring is progressing well, with significant savings and efficiencies being achieved. Our strategy of providing our customers with integrated products and software solutions is cementing our position in the marketplace as the professionals' first choice.

So, thank you and now we will move to Q&A. If you could state your name and then ask a question. Sami.

QUESTIONS AND ANSWERS

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you. Good morning, everyone. It's Sami here, Exane BNP Paribas.

Nancy McKinstry - *Wolters Kluwer - CEO*

It's afternoon, but yes?

Sami Kassab - *Exane BNP Paribas - Analyst*

It's always the morning somewhere.

Nancy McKinstry - *Wolters Kluwer - CEO*

Go on.

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Sami Kassab - Exane BNP Paribas - Analyst

Can I ask you two questions, please?

Nancy McKinstry - Wolters Kluwer - CEO

Sure.

Sami Kassab - Exane BNP Paribas - Analyst

The first one is on the CFS. Of the 7% organic revenue growth, already \$11m growth, could you isolate how much was driven by transaction volumes improvement so -- rather than the new products, for instance?

And secondly, on the medical research business and, given that Springer and Blackwell have been quite successful in winning new society contracts where apparently you haven't, given the investments Reed Elsevier has made in drug databases and Thompson in the pharma solution area, and given the growth rate they have reported, could you comment on the changes you may have seen in the competitive landscape in medical research?

And, secondly, elaborate on why the royalties have increased and is it due to a worsening of the competitive landscape that you have to pay more royalties to get your content? Thank you.

Nancy McKinstry - Wolters Kluwer - CEO

Okay. Starting with CFS, the growth in CFS is due to two major factors. One is we see very good adoption of our software solutions, both in our corporate legal unit as well as our financial unit. As customers adopt these solutions and as volumes continue to grow in the marketplace associated with M&A and IPO and lending activity, we are gaining share in a growing market.

So, it is critical to understand that while, obviously, we're getting some lift from the growth economically in those transactions, it's really driven by the fact that we have solidified a leadership position with our customers and we have these software solutions that they are using.

We are also getting very good growth in e-billing and litigation support and trademark services, double-digit growth in some of those areas, which again isn't quite tied to economic growth. So we're getting some lift but the majority of what we're getting, or at least half of what we're getting, is clearly driven by the fact that we have put good solutions in place in the marketplace.

And then, on medical research, the competitive landscape has not shifted a great deal over time. We have gained medical society journals in the past; we've also lost, as you know, the Journal of Urology. So everyone wins and gains within this marketplace. So we feel comfortable with the overall position we have within medical research.

What you see happening is that you have seen over the last several years, and I think we've talked about this, that you know that there has been intense -- intensifying competition for content. So you see over time royalty costs have increased in the space. We anticipate that continuing, so our strategy has been very much focused on building more of our own proprietary content.

Today, if you look at our Ovid platform, about two-thirds of our revenues come from license content and about a third from our own proprietary content. We're working hard to shift that balance more towards our proprietary content. And, as a result, we will get more -- see some operating leverage when we have that migration occur.

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So we feel overall very comfortable. It's not where our competitive position has shifted a lot, it's just that that has been an increasingly competitive market for content.

Sami Kassab - *Exane BNP Paribas - Analyst*

And for me a brief follow up. To what extent does the guidance for '06 in Health spend on some improvement in your advertising environment?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. We are reiterating our guidance of 3 to 5% but we are anticipating strengthening in the Pharma Solutions unit. So it would be highly unlikely to reach the 5% part of that range because we have seen softness in the advertising sector. We are assuming that will strengthen in the second half, as the drug launches that we saw slip in the first half, they end up going in the third and the fourth quarter of the year.

Other questions? Yes, Oscar?

Unidentified Audience Member

Maybe some add-on questions related to Health. Could you update me on the percentage of sales that comes from advertising and the total sales you expect for Ovid this year?

And another question about CFS. Considering that your sales growth has been very impressive, wouldn't you have expected some leverage and somewhat higher margins from this business, despite higher investments?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. Let me begin with advertising. It's not just advertising. The pharma promotional spend affects three things that we do in Health. One is advertising, which is through our medical journals; physician-based marketing programs, which are voucher programs that are driven in that space; as well as medical communications. So those three kinds of products represents about 10% of the revenues in Health, so approximately US\$100m.

The Ovid revenues are not -- as you recall, the advertising is not really driven on Ovid but really driven through our print journal business. Ovid revenues are about half of the medical research revenues, so roughly US\$150m is in our Ovid Group.

And then, on CLS, we have gotten good growth. We continue to invest in the business. And so the margins reflect the investments that we're making in the Expere product line, and Shared Services in sales and Marketing.

Yes? You've got to press the button in front of you.

Polo Tang - *UBS - Analyst*

Okay, great. Hi, it's Polo Tang from UBS. I just have two questions. One's just a follow up on Health. When you said that, just to clarify, you still retain the guidance of 3 to 5% organic revenue growth for Health for the full year, but did you just say that you're unlikely to do towards the top end of that because of pharmaceutical delays, etc? Can I just clarify?

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And also, if you look at the H1/H2 split for Health, given that you've done minus 1% organic revenue growth for Health, implicitly you need something between 6 to 11% in the second half, so it's a very, very big jump. So can you maybe just -- I know you've given some color but how confident are you of that big step-up in the second half?

And the second question is just really about online. Because over the last couple of days we've heard a lot from Reed Elsevier about their big investment in terms of their global legal platform, so can you maybe just give us some color in terms of what you're doing on that side and is there a danger that you'll get left behind?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. First of all, let me just start with what -- I think what you're all trying to get a sense of is what's going to change in Health in the second half. So why don't I go through that and then come back on guidance?

What's changing in the second half? First of all, for all of Wolters Kluwer, as you know, over the last couple of years we're becoming more heavily weighted to second-half performance compared to first half throughout all of the divisions. Within Health there's a couple of key things that are going to happen in the second quarter.

One is, if you look at our publishing schedule and you look at the phasing of shipments, our front list this year is more heavily weighted towards the second half of 2006 than in the prior year of '05. So, front list timing. Second is we have strong back list revenues that will come in the second half, as those adoptions take hold within the schools.

The third factor is that we launched a series of new products this year in the first half, things like our Point-of-Learning product in P&E, which is our education -- medical education product for career schools. We also launched a series of business intelligence tools in the pharma data space. So there's a number of product launches that we made this year that will drive some additional revenues in the second half.

And then, finally, we are anticipating that the industry within pharma will begin to spend money as these drugs are launching. And so those are the factors that will drive that performance.

If you look last year, you also saw that we do have a strong second-half performance within the Health division, and that's been a pattern that has only intensified over the last four or five years. But it's been a pattern that's been in place there. So, yes, we do have to ramp in the third and fourth quarter but we have specific activities that will generate that ramping effect.

So on the guidance question, yes, given that the softness in advertising, it's not like you ever recoup all of the money they didn't spend. So given that softness, we don't -- it would be highly unlikely to make the high end of the range but the guidance remains the 3 to 5%.

Overall for Wolters Kluwer, I'd just like to reiterate we are well on our guidance for '06. There are no issues as it relates to the overall Company.

Polo Tang - *UBS - Analyst*

Then just the second question?

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Nancy McKinstry - *Wolters Kluwer - CEO*

Oh, the question on online. Yes. We are doing very well in online growth, particularly within Europe. We had double-digit online growth and gotten a lot of participation across the European countries. So what you see happening is, in North America within the same kind of product lines, online had been rapidly adopted all through the late 90s and certainly into the 2000s.

In Europe we're really seeing that adoption cycle take hold here, so we're very confident in our position in Europe as it relates to anybody else. We have very strong market positions. We have good online products. We're launching more online products today, every year, year on year. And we now have added a lot more as it relates to sales and marketing in those countries where we have good online positions. So we feel very comfortable with our competitive position.

Polo Tang - *UBS - Analyst*

Thanks.

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. And then, Ramiro, we'll come to you in a second.

Gert Potvlieghe - *Petercam - Analyst*

Gert Potvlieghe, Petercam. The first question. In your product investments, you expected a 20m increase this year. You already increased like 14m in the first half, so which implies 6m additional to go. Or will -- is there a risk you need to spend more to keep your organic growth going?

And second relating to the free cash flow. There is a huge difference between your interest line in the P&L and in the cash flow statements. I think this is where the derivatives come in, I guess, but can you explain a bit?

And secondly, I wanted the amount of the tax refund and was it initially in your -- foreseen in your free cash flow guidance of the 350m?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. I'll take product development spending and then turn it over to Boudewijn for cash flow.

In product development we are tracking to spend the 270m that we indicated over -- your question is, is that enough? As we indicated before, over the three-year plan we have been increasing our product development spend and our sales and marketing spend, and our anticipation as we head into '07 is that as a percentage of revenue that starts to level off.

So the increases that we've seen year on year will moderate as we've built a very strong pipeline now of products. And as you'd expect, with sales and marketing you make the investment ahead of the revenues coming in. So over -- as we head into '07, as you look at what will happen to us, organic growth will accelerate from the 2 to 3%, to the 4%, and then operating income goes from 16.5 to 17%, to 19 and 20%.

And what's occurring there is really a couple of things, right? We get the full effect of the cost savings. We get the benefit of the accelerated organic growth. And we don't have that steady -- continuous as a percentage increase, in product development in sales and marketing that we start to see that begin to smooth out on a percentage basis. And that's what's driving the operating leverage in the business.

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And then, Boudewijn, do you want to talk about cash flow?

Boudewijn Beerkens - *Wolters Kluwer - CFO*

Okay. Your question on the derivative contribution. As you know, when I indicated the market value of around 100m, most of those positions will actually end in September this year. So, of the 100m, 58m already has been realized. Maybe you recall the gain we made on derivatives earlier, of a little bit over 200m that was actually spread out over the years. So that relates to the 58m. That has been realized, so that will come in. The remainder of, let's say 42m, will of course depend a little bit on the dollar/euro movements until September, but given the current trends, I think that's an amount we could start working with.

On the tax refunds, we received about 43m in refunds from the tax authorities. As I said before, it just plainly relates to previous years' tax payments that we have made based on year-on-year estimates. And actually, at a certain moment, once you start finalizing actually the tax returns, which we did now this year in the first half, then repayment is pretty quick or additional payment then has to be made, but in our case we got a refund.

Gert Potvlieghe - *Petercam - Analyst*

But was it included in your guidance before the refund?

Boudewijn Beerkens - *Wolters Kluwer - CFO*

Yes, we had anticipated a partial refund but the final amount was slightly higher than we anticipated.

Gert Potvlieghe - *Petercam - Analyst*

Thank you.

Nancy McKinstry - *Wolters Kluwer - CEO*

Another? Reinier, do you want to go ahead?

Reinier Westeneng - *SNS Securities - Analyst*

Reinier Westeneng, SNS Securities. I've got a couple of questions. First of all, your sales costs; they were more or less stable quarter on quarter but it was still a big increase compared to last year. Should we assume that the level of, let's say around 170 per quarter, is it a level you can see for the forthcoming quarters or should we even expect a small decline because you now expect to launch your products in Q3 and Q4? That was my first question.

The second question is on NDC. Could you confirm the expectations for this year regarding organic sales growth and margin? And could you also elaborate on the future with respect to NDC and the kind of growth we can expect over there?

Then on the develop of gross profit margins, I see an acceleration in a decline quarter on quarter, and I don't understand why this has -- maybe it has to do with recent acquisitions, which are in -- which are taken into account. But what I see in Q1 '05, gross profit margin was 33 -- 63.8 and declined in the first quarter to 63.2, which means a decline of 60 basis points. But in the second quarter we have seen a decline of around 110 basis points and I don't see what's going on over there.

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And my final question that's on your developments in Shared Services. I know it's a subject which we discuss every time during the earnings releases, but last time my impression was that you were less comfortable about developments over there and that there was also a kind of risk that things were not going right. So maybe could you also elaborate on this?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. Well, lots of questions so if we miss one, come back.

First, on sales costs in terms of the leveling off, as you would expect, most of the sales costs are adding sales people, right? That's the nature of it. So, you typically find that you add a salesperson and within 12 months they pay for themselves. So you have this ramping-up effect where you see the expenses come through and then you see the revenues in future quarters. So you should anticipate that over the course of this year that we will -- there'll be some leveling off of the sales expenditures in line with our full-year forecast.

So again, I would very much caution you that the quarterly developments are not -- you cannot precisely pinpoint a quarter change and then extrapolate that to the full year. You should stick very much with the full-year guidance. We've a lot of confidence in that. And you're seeing just some changes quarter by quarter, depending on what's going on within the divisions.

Reinier Westeneng - *SNS Securities - Analyst*

And what's your guidance then on sales costs for the full year?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes, we don't give that level of guidance. We're giving overall guidance on the margins and you can --.

Reinier Westeneng - *SNS Securities - Analyst*

That's fine.

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes, exactly, you can feel very confident in the 16.5 to 17% guidance.

On NDC, the integration -- we now call it Healthcare Analytics, so we are trying to get away from the historical name. The integration is proceeding well. We are on track to meet our organic growth guidance of 3%, which we gave at the time of the acquisition. Within the core product line on a margin basis they are tracking to the 18% margins that we gave you.

We did make a decision, though, since we've owned the property to purchase some additional mail order data. One of the trends going on in the U.S. in particular is that people are ordering drugs through the mail, and we wanted to get that data because it's highly valued by our customers. So we made the decision to purchase that information and as a result of that we'll see a modest decline from the 18% as we take that new data on.

But, overall again, no issues with the overall margin developments for Wolters Kluwer. So it's still 16.5 to 17%.

And then, in terms of gross margin, I don't know if you, Boudewijn, you maybe want to take that question and then I'll come back on -- oh, let me just come back on Shared Services and then you can take the gross margin question.

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Boudewijn Beerkens - *Wolters Kluwer - CFO*

Sure.

Nancy McKinstry - *Wolters Kluwer - CEO*

On Shared Services we are under confidentiality agreements with our outsource partner, Perot, so there's not a lot of elaboration I can get into. But I will state that very good progress has been made from the first quarter into the second quarter. And we continue to A, reiterate our overall guidance, so you should take that as a sign that things are progressing well. And we will continue to work with them to resolve the remaining issues that we have. And we continue the transformation that's going on within the data center consolidation in North America.

Reinier Westeneng - *SNS Securities - Analyst*

On the Healthcare Analytics, could you also elaborate on the future growth we can expect over there? The 3% number, is it also the kind of number we should take into account for the coming years?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes, what we'll do is we'll give you -- as you know, we're talking about our future in September and we'll talk more about each of the divisions at that time, and Healthcare Analytics will be part of that.

Boudewijn Beerkens - *Wolters Kluwer - CFO*

I think the gross margin is impacted by a few elements and I think a few of them we already mentioned. For example, some of the additional costs that we talked about, like royalty, mix of products that we are currently selling quarter by quarter, will impact actually, let's say on a six-month basis, the overall number. I think I can reiterate what Nancy said and the margin in the end will be 16.5 to 17%. We're very confident about that.

And therefore, the specific mix between those cost brackets will actually give us the desired results. But I think if you listen to the story and you read the press release, you see actually all those underlying changes actually impact one cost category after the other.

Nancy McKinstry - *Wolters Kluwer - CEO*

Because, again, in a number of our businesses we do have this concept of a front list. Even though we've become very electronic, we still do produce a lot of front list kinds of products. And you do have this dynamic where you're producing the product, you're marketing it ahead of the revenues coming in. And so, again on a quarterly basis, there can be enough variability that you see the kinds of changes that you highlighted, Oscar.

Other questions? Sorry, Reinier, I called you Oscar. I didn't mean to do that. Yes, Mariska?

Mariska Zonneveld - *Fortis Bank - Analyst*

Sure, Mariska Zonneveld, Fortis. I had a question concerning your margin improvement, which will be at least about 180 basis points in the second half of the year. Could you give some color on that? Will it be heavily dependent on rebound in Health? Will it be across the board? Could you give some more feeling about how the divisions, what you would expect? Because

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especially in Health it seems to me that it will be quite challenging to show there a year-over-year margin improvement there. So if there's some risk to that target.

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes, we don't -- as you know, we don't give guidance specifically on operating margins division by division. What I can say is we have a high degree of confidence in the 16.5 to 17% for Wolters Kluwer overall. I can also say that as the revenues in all of our divisions come through in the second half of the year, much of that revenue falls or a greater percentage falls to the bottom line, because again you've incurred the cost in the first part of the year to launch the products in the second half of the year.

So, all of that gives us a lot of leverage in the second half of the year. We also have -- I'll give you a quick example because you're quite familiar with this. In Education, we make all of our money in the third and fourth quarter in Education basically. So we have those dynamics going on within our business. So again, to reiterate, very high confidence in 16.5 to 17% and confidence in the dynamics that are going on in the business that will give us the lift in margins also within our Health business as well.

Mariska Zonneveld - *Fortis Bank - Analyst*

And as far as job cuts is concerned, in the second quarter there were only about 10 FTE jobs cut, so that implies also a lot of job cuts to occur in the second half of the year. And to which areas will those job cuts be made?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes, our target for the year is 200 FTEs reduction. We had about 60 through the first half and the remaining, it's spread in several areas but most of it is related to the continuous restructuring that is going on the U.K. and a few other places where we're continuing to do IT off-shoring and other kinds of outsourcing off-shoring. But it's pretty diffused now, as we get to the last part of the program as it relates to FTE. So there's no big bang scheduled at the end of any period here.

Yes, Colin.

Colin Tennant - *Lehman Brothers - Analyst*

Thanks. Colin Tennant at Lehman. Just looking at the acquisitions that you've made both this year and last year, I guess the acquisition spend has probably been higher than we would have anticipated going back to October 2003. The rate of investment has actually been higher. And the long-term -- so in other words, the acquisitions are a bigger portion of the business than we probably would have expected but the long-term targets haven't really changed.

Does that imply that the businesses that you've bought are basically mapping pretty much to where the core business was? Or should we expect some sort of change in those targets when we get to September and we've got the strategy update? Have they changed the shape of the business or the type of business you're in materially?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. When I do this, I'd like to answer the question by talking about our acquisition strategy and talking about what they do for us and how you should interpret that within the numbers, and then ask Boudewijn to reiterate our targets financially that we have for acquisitions.

The fundamental strategy we have is around organic growth. We have made a number of acquisitions this year but it's purely coincidence, frankly. We made almost none in '03 and '04 and, as you'd expect, some of this is opportunistic.

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So when do we decide to make an acquisition? Strategically, it's based on two factors. One, can we solidify and grow a very strong market position. So, if you look at ATX that we just talked about, fits into that category. D'Agostini in Italy fits into that category. We're in the market and they provide us a way to become either a stronger leader or move from a number two to a number three position. So your classic consolidation within the market space.

The second type of acquisition that we would consider would be one that moves us into an adjacent market for a customer base that we already serve. So if you look at Healthcare Analytics, we already serve the pharmaceutical companies as customers. And now, by making -- or having made the Healthcare Analytics, we have a much broader product line to offer those customers.

So, as we -- how does that all relate to the financial picture? We have committed to you folks that the target we set back in October of 2003 was an organic growth target for '07 of 4%, so we will break out the bigger acquisitions of Healthcare Analytics and D'Agostini, those are the big ones. The other ones are relatively small in terms of their ability to affect the numbers. So we're highly, highly committed to proving to you folks and our investors that the plan is an organic growth plan and we have every confidence we'll meet that target.

And then maybe financially, Boudewijn, you can reiterate.

Boudewijn Beerkens - *Wolters Kluwer - CFO*

Yes. I think that, financially, when we look at the acquisitions, and we have stated this also several times to you so you probably know, but -- and the EPS accretion and coming up to our record in three to five years is something we really take seriously. We monitor all our acquisitions also on a quarterly to six-months basis to make sure they are all in line with deal book. And I can you tell you that by far the majority of the acquisitions made are in line with deal book and therefore are contributing according to what we anticipated from it. So we anticipate also that they will have a good positive impact on the organic growth that we have.

Colin Tennant - *Lehman Brothers - Analyst*

Thanks.

Mariska Zonneveld - *Fortis Bank - Analyst*

A follow-up question on mark -- your spending on marketing and sales and Shared Services. In your strategic plan you only elaborated on product spend of 270m but now we see as an explanation for the margin, as a negative impact on margin, also increased spending on marketing and sales and on Shared Services. Could you a bit elaborate how that weighs? And is this also the reason why you upgraded your cost-savings targets for 2007? So could you give more color on those spending items?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. What you'd expect in Shared Services is you -- and this was anticipated as we developed the three-year plan, is you invest ahead of savings. That's true for anyone who's undertaking shared services. So in the case of HR, for example, and other shared services that we have going on within LTRE and in North America, '05 and '06 have been investment years. And some of that savings is part of what's in the 150m and 160m run rate that we get to as we head into '07.

In particular with our data center consolidation, that is very much a contract where the investments in the early part of the contract and the savings come in the latter part, because you have to, as you'd expect, invest to bring all these data center -- these servers together as you then optimize it and get the savings out. Same thing with HR, you have an investment upfront and then you get the savings as you move through.

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In sales and marketing, again, I would say that the majority of what we're spending on -- particularly on the sales side, is adding new sales people. And so you do have this ramp-up effect where you have the cost of those people initially and they don't produce a whole lot, but then within 12 months they are producing well beyond what you've cost them. So there is, again, into -- as we look to '07, there's an expectation that we have based on our plans that you will see the sales growth come through and the costs will stay the same as relates to those respective sales people.

Oya is indicating she has a few comments or questions from --

Oya Yavuz - Wolters Kluwer - VP IR

Yes. Most of them have been answered but I've got a question from Chris Collett at Goldman Sachs, a question on education. You mentioned that you're doing well in the U.K. Reed Elsevier commented last week that they're seeing revenue losses, lower revenues in the weak U.K. market. Does that mean you're gaining market share?

Nancy McKinstry - Wolters Kluwer - CEO

Yes, we're absolutely gaining market share in the U.K. The overall market is still declining at quite a steady state but we are gaining market share, again, primarily because of the math and -- new math and science curriculum and the fact that we have the HUA endorsement is really helping our new sales there. So, it's still a tough market but we are having good performance and, again, largely on the back of the new products that we're bringing out.

Oya Yavuz - Wolters Kluwer - VP IR

I have one more from Paul Gooden from ABN Amro. Will the current level of 270m product development spend need to be maintained or increased next year?

Nancy McKinstry - Wolters Kluwer - CEO

Yes. What we've guided to you folks in the past is, again, that we had this 220m, 250m, 270m, or I think it was 230m, 250m, 270m over the last three years and that as we head into '07 and beyond that we will have roughly kind of a leveling or an average and then a leveling of that expenditure as we head into the future. We are committed to continuing to invest in the business but we feel comfortable with the level of investment that we've been making over the three-year period.

So you should anticipate that that is, as a percentage of sales, going to start to level off. Because a lot of the investments that we've made, some of them were one-time investments where we've converted content, that we've built out capabilities and platforms, and those start to, as I say, you don't continue to do those every single year.

Oya Yavuz - Wolters Kluwer - VP IR

Then I have a question on tax from Mark Braley at Deutsche Bank. You have indicated a tax rate of 26% for 2006. Is this sustainable into '07/'08?

Boudewijn Beerkens - Wolters Kluwer - CFO

Yes, we -- and I think I tried to indicate it also in my presentation, we do think it's sustainable. The Dutch Financing Center is still operational, at least until that moment in time. So we feel confident we can maintain 26%.

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Johan van den Hooven - *Delta Lloyd Securities - Analyst*

Johan van den Hooven, Delta Lloyd Securities. Two questions, first one about LTR Europe, particularly The Netherlands and Belgium. The press release only mentions good bottom line improvements but what about organic sales growth which was, if I remember correctly, positive in Q1?

Second question about the 4% organic sales growth target for '07. If I also that remember correctly, at the time you set that target in -- back in, what was it, October '03, you didn't assume any economic recovery but now CFS is showing very strong performance, including some economic recovery. So does that mean that the 4% target is too conservative?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. Let me start with Holland and Belgium, and what we have seen through the first half-year is good bottom line improvement. If you'll recall the classic sort of way that restructuring occurs within our European operation, if it takes three years approximately, in the first year and the second year it's all around the cost restructuring as you reduce the products that were not performing, you cut out the FTEs, you streamline the production and then, in the second part, you begin to see the growth happening.

So if you look at -- and what is really encouraging through the LTRE result is that you see the benefits now of the cost reductions coming through in both Holland and Belgium. And our expectations for those two countries, as we said in the first quarter results, is that by the end of 2006 we will have slightly positive organic growth occurring in both those countries. We are still very much on track to reach that 2006 goal.

The U.K. is behind because we started later, so the U.K. is still in the restructuring mode. So we do not anticipate, in terms of the U.K., that we will have that positive effect until '07.

And then, on the 4% target, well, what we had said at the time we did the 2003 plan is that we weren't going to predict the economic cycle, that we took kind of a trend line and used that as the base line for our activities. I would say that CFS -- first of all, the part of the business that is transactional sensitive is not the whole CFS, right? It's a portion of that really associated with business formation. So in the aggregate it's not big enough to change the target.

And I would also say that while we're clearly -- rising tides carry out boats, right? So, clearly, we are getting a lift, it's really largely driven by the fact that we have built these very well-received software products that are embedded in our customer workflows, so we're getting a disproportionate share of what's going on in that marketplace.

Yes?

Maurits Heldring - *Kepler Equities - Analyst*

It's Maurits Heldring from Kepler. Two questions. First of all, could you say what your priorities are for free cash flow use in the coming two years? So acquisitions, dividends or maybe share buybacks, how would you rank them?

And, secondly, could you provide the earn-out obligations that are still outstanding?

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. I'll take the first one and then ask Boudewijn. What we have said since we launched the strategic plan back in 2003 is that we had three uses of our cash, not in any particularly priority order - dividend, debt repayment, which we have done a significant

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amount since '03, and acquisitions. And then we'll talk more about our future uses of cash as we head into the September presentation.

And then on earn-outs, I thought it was in the press release but --

Boudewijn Beerkens - *Wolters Kluwer - CFO*

It's around 70m plus. Seven, zero. I'd just like to come back on the question also on the [chemical] upturn. I think at that time we also, for example, had in the portfolio Ten HagenStam, which was a far more cyclical part of the portfolio which we of course sold to [STU] and therefore saw diminishing, actually, the impact of any upturn in that business that could occur in the future to actually zero. So therefore, actually, the basis on which we could expect any large cyclicity has also been smaller.

Nancy McKinstry - *Wolters Kluwer - CEO*

Reinier?

Reinier Westeneng - *SNS Securities - Analyst*

I've basically got another question with regard to Ten Hagenstam. We all know that STU is in the process of being sold. Is there any clause in the agreement you have with STU that, as soon as one other part of your mobile STU, that you can sell your stake earlier than expected, or is there --?

Boudewijn Beerkens - *Wolters Kluwer - CFO*

I think the contract stipulates that we will be a shareholder until a certain moment in time, regardless who the -- actually the owner of STU unveils. Maybe you'll recall Wolters Kluwer as a shareholder in STU [inaudible], which is a subsidiary. So actually we should not be impacted by any change in the top holding, or in ownership.

Reinier Westeneng - *SNS Securities - Analyst*

So there's no change in ownership clause in the agreement you have with STU?

Boudewijn Beerkens - *Wolters Kluwer - CFO*

No. It's always up to Wolters Kluwer to determine whatever moment in time they would like to change their position or even exit, but to the contract, that's correct.

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes?

Wijnand Heineken - *Independent Minds - Analyst*

Wijnand Heineken, Independent Minds. A few questions left. Just a bit, once again, on your Health results because I understand with product investments and things like that that one quarter is not something you should focus on too much, but now we see that, taking out the acquisition effects, organic results were more than one-third down due to the items you mentioned.

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Could you give some indication whether this will have an impact by any follow-ups in the spending for the full-year margin expectations of the division?

And then, secondly, getting back to the question about your earn-out obligations, the 70m you mentioned, is that including the acquisition announced yesterday or is that just for already finalized acquisitions, or closed acquisitions, that's a better phrase?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. The first -- the second question is an easy one, which is there is no earn-out associated with the acquisition of ATX, so that won't affect the 70m number that Boudewijn mentioned.

On healthcare, once again, we don't give specific guidance on operating margins division by division. But I will reiterate, once again, that we are very confident in the 16.5 to 17% and we also expect that the margins in Health will also improve as we head into the second half.

So any other? Otherwise I'm getting the hook from Oya, but Mariska one last time.

Mariska Zonneveld - *Fortis Bank - Analyst*

Sorry for that. Actually I have a question concerning the print migration. Reed Elsevier mentioned about a pre-migration of about 2%. Do you see similar rates or could you a bit elaborate on that negative impact on your organic sales and when you expect that to bottom out?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. It really depends segment by segment. If you actually look at the tax business -- I'll give you two examples and then get back to a summary response. But if you look at, for example, our tax and accounting business in the U.S., our print business right now is relatively stable. Because what you find is that all of the migration to online and software has occurred and now customers who are buying either print alone or usually in combination with something, are keeping those products. And so it's a relatively -- on a revenue basis, a relatively stabilizing number.

In other markets, like here for example in Holland or in other markets where online is just really beginning to get penetrated, you of course see the dynamics that customers -- some customers choose right away to migrate, others bundle for a while and then migrate. So there of course you would see a more steep decline in the print business. So it really depends which segment of the market that you're talking about. But we manage that very well and with a lot of attention directly with our customers to make sure that, as customers do move to online, that we're getting the benefit of those higher-value products in online.

Oya Yavuz - *Wolters Kluwer - VP IR*

Okay?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes.

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Oya Yavuz - *Wolters Kluwer - VP IR*

Alright.

Nancy McKinstry - *Wolters Kluwer - CEO*

Sami, one last question then we will wrap it up.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you. You gave a guidance for online revenue growth of 25%, I think in March. Can you just give us what you did in the first half in terms of overall online revenue growth, please?

Nancy McKinstry - *Wolters Kluwer - CEO*

Yes. We don't have guidance for online revenue growth. We didn't give that. You must be thinking of some other company, Sami. But what I can say is, again, we're driving to our 45% electronic product targets and we're well on our way. At the end of last year we were 39% electronics. So we're really doing well in the online environment and we feel comfortable in every market segment, so.

Sami Kassab - *Exane BNP Paribas - Analyst*

Would you say double digit? Is it double digit like 20% plus?

Nancy McKinstry - *Wolters Kluwer - CEO*

It's double digit. Okay. Yes.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thanks.

Nancy McKinstry - *Wolters Kluwer - CEO*

Okay. Time -- definitely time to wrap it up. Thank you very much. Thanks a lot.

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