Wolters Kluwer

Wolters Kluwer 2018 Full-Year Report

February 20, 2019 – Wolters Kluwer, a global leader in professional information, software solutions, and services, today releases its full-year 2018 results.

Highlights

- **Revenues up 1% in constant currencies and up 4% organically.**
  - Digital & services revenues up 6% organically (88% of total revenues).
  - Recurring revenues up 5% organically (78% of total revenues).
- **Adjusted operating profit margin up 80 basis points to 23.0%.**
  - Excluding net positive one-time items, margin increased 30 basis points.
- **Diluted adjusted EPS €2.45, up 16% in constant currencies.**
- **Adjusted free cash flow €762 million, up 6% in constant currencies.**
- **Return on invested capital (ROIC) improved by 90 basis points to 10.9%.**
- **Balance sheet remains strong: net-debt-to-EBITDA 1.7x at year-end.**
- **Proposing 2018 total dividend of €0.98 per share, up 15%.**
- **Announcing new 2019 share buyback program of up to €250 million.**
- **Outlook 2019: expect diluted adjusted EPS to increase around 10% in constant currencies[1].**

Full-Year Report of the Executive Board

Nancy McKinstry, CEO and Chairman of the Executive Board commented: *"I am very pleased to report another year of good performance for the group, especially the important milestone of positive organic growth in all four divisions. We achieved further incremental margin and ROIC improvement, while delivering key product innovations to our customers and completing important organizational realignments. Our strategic priorities for the next three years are to drive scale in our expert solutions, advance our information products, and drive operational agility. We look forward to the year ahead."*

Key Figures – Year Ended December 31

€ million, unless otherwise stated	2018	2017*	Δ	Δ CC	Δ OG
Business performance – benchmark figures					
Revenues	4,260	4,368	-2%	+1%	+4%
Adjusted operating profit	980	970	+1%	+5%	+10%
Adjusted operating profit margin	23.0%	22.2%			
Adjusted net profit	683	639	+7%	+12%	
Diluted adjusted EPS	2.45	2.22	+10%	+16%	
Adjusted free cash flow	762	746	+2%	+6%	
Net debt	1,994	2,069	-4%		
ROIC	10.9%	10.0%			
IFRS reported results					
Revenues	4,260	4,368	-2%		
Operating profit	961	830	+16%		
Profit for the year	657	637	+3%		
Diluted EPS (€)	2.35	2.21	+6%		
Net cash from operating activities	934	940	-1%		

Note: % Change; % Change in constant currencies (€/$ 1.13); % Organic growth. Benchmark adjusted figures are performance measures used by management. See Note 4 for a reconciliation from IFRS to benchmark figures. *2017 restated for IFRS 15.

[1] Guidance for 2019 reflects IFRS 16 lease accounting standard, effective in 2019. See Note 2 and Appendix 4.

Full-Year 2019 Outlook

Our guidance for full-year 2019, provided in the table below, incorporates IFRS 16 lease accounting (see Note 2 and Appendix 4). We expect to deliver another year of solid organic growth, supported by all four divisions, and an improvement in adjusted operating profit margin, supported by Tax & Accounting and Governance, Risk & Compliance. Due to phasing of revenues and costs and the effect of one-time items recorded in 2018, the first half 2019 adjusted operating profit margin is expected to decline modestly.

Full-Year 2019 Outlook

Performance indicators	2019 Guidance	2018 (Restated for IFRS 16)
Adjusted operating profit margin	23.0%-23.5%	23.1%
Adjusted free cash flow	€750-775 million	€762 million
ROIC	10.5%-11.5%	10.6%
Diluted adjusted EPS	Around 10% growth	€2.45

Note: Guidance for adjusted operating profit margin and ROIC are in reported currencies and assume a 2019 average U.S. dollar rate of approximately €/$ 1.14. Guidance for adjusted free cash flow and earnings per share are in constant currencies (€/$ 1.18). Guidance for adjusted EPS includes the estimated effect of the announced up to €250 million share buyback planned for 2019. 2018 comparatives are in reported currencies and restated for IFRS 16.

Our guidance is based on constant exchange rates. In 2018, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2018 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately 1.5 euro cents in diluted adjusted EPS.

Restructuring costs are included in adjusted operating profit. We currently expect to incur restructuring costs of €10-€20 million in 2019 (2018: €30 million). We expect adjusted net financing costs of approximately €65 million in constant currencies[2] including approximately €10 million in IFRS 16 lease interest charges. Following the adoption of new tax legislation in The Netherlands in late 2018, we expect the benchmark effective tax rate to be in the range of 24.5%-25.5% for 2019. Capital expenditure (excluding cash payments on lease contracts) is expected to remain in the range of 5%-6% of total revenues (2018: 5.2%, excluding the sale of real estate). We expect the cash conversion ratio to be between 95%-100% in 2019 (2018: 103% restated for IFRS 16. See Appendix 4). Our guidance assumes no additional significant change to the scope of operations. We may make further acquisitions or disposals which can be dilutive to margins and earnings in the near term.

2019 Outlook by Division

Health: we expect organic growth to be in line with 2018. We expect the adjusted operating profit margin to decline, due to the absence of prior year one-time benefits and increased investment in sales & marketing.

Tax & Accounting: we expect organic growth to moderate from 2018 levels due a challenging comparable. We expect the adjusted operating profit margin to improve on the back of lower restructuring costs and the absence of prior year net one-time charges.

Governance, Risk & Compliance: we expect transactional revenue trends to moderate and recurring revenues to show improved organic growth. We expect the adjusted operating profit margin to see further improvement due to efficiency initiatives.

Legal & Regulatory: we expect organic growth to be in line with 2018. We expect the adjusted operating profit margin to decline due to an absence of prior year one-time benefits, higher investments, and a full twelve-month inclusion of eVision.

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[2] Guidance for net financing costs in constant currencies excludes the impact of exchange rate movements on currency hedging and intercompany balances.

Wolters Kluwer

Our Business and Strategy

Our mission is to empower our professional customers with the information, software solutions and services they need to make critical decisions, achieve successful outcomes and save time. We support professionals across four customer segments: healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory. All our customers face the challenge of increasing proliferation and complexity of information and the pressure to deliver better outcomes at a lower cost. Many of our customers are looking for mobility, flexibility, intuitive interfaces, and integrated, open architecture technology to support their decision-making. We aim to solve their problems and add value to their workflow with our range of digital solutions and services, which we continuously evolve to meet their changing needs. For more than ten years, we have been re-investing 8%-10% of our revenues in developing new and enhanced products and the supporting technology platforms.

Our fastest growing products are our *expert solutions,* which combine deep domain knowledge with specialized technology and services to deliver answers, analytics, and improved productivity for our customers. Our business model is primarily based on subscriptions or other recurring revenues (78% of total revenues), augmented by volume-based transactional, ad hoc, or other non-recurring revenues. Renewal rates for our digital information, software and service subscriptions are high and are one of the key indicators by which we measure our success. We have been evolving our technology towards fewer, globally scalable platforms, with reusable components. We are transitioning our solutions to the cloud and leveraging advanced technologies such as artificial intelligence, natural language processing, and predictive analytics to drive further innovation. We are standardizing tools, streamlining our technology infrastructure (including data centers) and improving our development processes using agile methods. It is our 19,000 employees who drive our achievements and we have been working to ensure we are providing engaging and rewarding careers.

Strategic Priorities 2019-2021

Every three years, we update our strategic priorities and this year we launched our plan for 2019-2021. This plan aims to deliver continued good organic growth and further incremental improvements to our adjusted operating profit margin and return on invested capital (ROIC). We intend to maintain product development at between 8%-10% of total revenues. We expect to fund the modernization of back-office systems by deriving additional cost savings. The strategy is based on organic growth, although we may make further bolt-on acquisitions or non-core disposals to enhance our value and market positions. Acquisitions must fit our strategic direction, strengthen or extend our existing business, be accretive to diluted adjusted EPS in their first full year and, when integrated, deliver a ROIC above our weighted average cost of capital (8%) within three to five years. Our priorities for the next three years are:

- **Grow Expert Solutions:** We will focus on scaling our *expert solutions* by extending these offerings and broadening their distribution through existing and new channels, including strategic partnerships. We will invest to build or acquire positions in adjacent market segments.
- **Advance Domain Expertise:** We intend to continue transforming our information products and services by enriching their domain content with advanced technologies to deliver actionable intelligence and deeper integration into customer workflows. We will invest to enhance the user experience of these products through user-centric design and differentiated interfaces.
- **Drive Operational Agility:** We plan to strengthen our global brand, go-to-market and digital marketing capabilities to support organic growth. We will invest to upgrade our back-office systems and IT infrastructure. In the next three years, we expect to complete the modernization of our Human Resources (HR) technology to support our efforts to attract and nurture talent.

Financial Policy, Leverage, and Capital Allocation

Wolters Kluwer uses its cash flow to invest in the business organically and through acquisitions, to maintain optimal leverage, and provide returns to shareholders. We regularly assess our financial position and evaluate the appropriate level of debt in view of our expectations for cash flow, investment plans, interest rates, and capital market conditions.

While we may temporarily deviate from our leverage target at times, we continue to believe that, in the longer run, a net-debt-to-EBITDA ratio of around 2.5x remains appropriate for our business given the high proportion of recurring revenues and resilient cash flow.

Net debt at December 31, 2018, stood at €1,994 million, a decrease of €75 million (year-end 2017: €2,069 million). The net-debt-to-EBITDA ratio at year end 2018 was 1.7x (year-end 2017: 1.8x).

Dividend Policy

For more than 30 years, Wolters Kluwer has increased or maintained its annual dividend per share in euros (or euro equivalent). In 2007, the company established a progressive dividend policy and, since 2011, all dividends are paid in cash. In 2015, we introduced an interim dividend payment, aligning cash distributions closer to our seasonal cash flow pattern.

Wolters Kluwer remains committed to a progressive dividend policy, under which we aim to increase the dividend per share in euros each year, independent of currency fluctuations. The pay-out ratio[3] can vary from year to year. Proposed annual increases in the dividend per share take into account our financial performance, market conditions, and our need for financial flexibility. The policy takes into consideration the characteristics of our business, our expectations for future cash flows, and our plans for organic investment in innovation and productivity, or for acquisitions. We balance these factors with the objective of maintaining a strong balance sheet.

2018 Dividend

In view of our strategic priorities and expected capital allocation for the coming three years (2019-2021), we are proposing to increase the total dividend per share for financial year 2018 by 15%. We will therefore recommend a final dividend of €0.64 per share which will bring the total dividend to €0.98 per share (2017: €0.85). The 2018 dividend proposal is subject to approval by the Annual General Meeting of Shareholders in April 2019.

Shareholders can choose to reinvest both interim and final dividends by purchasing additional Wolters Kluwer shares through the Dividend Reinvestment Plan (DRIP) administered by ABN AMRO Bank N.V. We currently intend to maintain the interim distribution at 40% of the prior year total dividend. This would result in a 2019 interim dividend of €0.39. Dividend dates for 2019 are provided in the financial calendar on page 42.

Share Buyback Programs

As a matter of policy since 2012, Wolters Kluwer will offset the dilution caused by our annual incentive share issuance with share repurchases (Anti-Dilution Policy). In addition, from time to time when appropriate, we return capital to shareholders through further share buyback programs. Shares repurchased by the company are added to and held as treasury shares and are either cancelled or held to meet future obligations arising from share-based incentive plans.

During 2018, we repurchased 11.5 million shares for a total consideration of €550 million, including 1.3 million shares to offset incentive share issuance (2017: 1.4 million). We thereby concluded our

[3] Pay-out ratio: dividend per share divided by adjusted earnings per share.

2016-2018 share buyback program which originally envisaged spending up to €200 million in each of the three years, including amounts required to offset incentive share issuance. The program was later expanded to include additional repurchases intended to mitigate dilution caused by disposals made in 2017 and 2018.

In October 2018, we cancelled 10.6 million of the shares held in treasury in consequence of the share buybacks during the year. As of December 31, 2018, we held 8.6 million shares in treasury: at the 2019 Annual General Meeting of Shareholders, we will propose cancelling some or all of the shares held in treasury or to be acquired under the future buyback programs.

Today, we are announcing our intention to repurchase shares for up to €250 million during 2019, including repurchases to offset incentive share issuance. This amount represents a third of our 2018 adjusted free cash flow. We will propose cancelling any or all shares that are not used for share-based incentive plans. Assuming global economic conditions do not deteriorate substantially, we believe this level of cash return leaves us with ample headroom to support our dividend plans, to sustain organic investment in innovation and productivity, and to make selective acquisitions. The share repurchases may be suspended, discontinued, or modified at any time.

For the period starting February 22, 2019, up to and including May 6, 2019, we have engaged a third party to execute €40 million in share buybacks on our behalf, within the limits of relevant laws and regulations (in particular Regulation (EU) 596/2014) and the company's Articles of Association. The maximum number of shares which may be acquired will not exceed the authorization granted by the General Meeting of Shareholders. Repurchased shares are added to and held as treasury shares, and will be used for capital reduction purposes or to meet obligations arising from share-based incentive plans.

Wolters Kluwer

Full-Year 2018 Results

Benchmark Figures

Group revenues declined 2% overall to €4,260 million due to the impact of currency movements, most importantly the U.S. dollar which averaged €/$ 1.18 in 2018 (2017: €/$ 1.13). In constant currencies, revenues increased by 1%. Excluding both the impact of exchange rate movements and the effect of acquisitions and disposals, organic growth was 4%. Had we continued to apply the IAS 18 accounting standard for revenue recognition, organic growth would have been 3% (2017: 3%).

Revenues from North America (61% of total revenues) grew 4% organically, with good momentum across all divisions in this region of the world. Revenues from Europe (31% of total revenues) also increased 4% organically, led by our Tax & Accounting and Governance, Risk & Compliance (GRC) divisions. Revenues from Asia Pacific and Rest of World (8% of total revenues) grew 7% organically, supported by strong performance by the Health division.

Adjusted operating profit was €980 million, up 5% in constant currencies. The adjusted operating profit margin was 23.0% (2017: 22.2%). Adjusted operating profit included €23 million net positive one-time items (2017: €2 million net positive). Excluding such one-time items, the adjusted operating profit margin would have increased by 30 basis points. The one-time items had a net positive impact in Health, Legal & Regulatory, and Corporate, and a negative impact in Tax & Accounting.

Also included in adjusted operating profit were €30 million of restructuring costs (2017: €33 million). These expenses were higher than we had planned at the outset of 2018 as we brought forward several efficiency initiatives in the fourth quarter.

Adjusted net financing costs[4] decreased to €70 million (2017: €109 million). The decrease reflects lower interest costs following the redemption in April 2018 of our €750 million, 6.375% senior Eurobond.

Adjusted profit before tax was €912 million (2017: €865 million), up 6% overall and up 10% in constant currencies. The benchmark effective tax rate on adjusted profit before tax was 25.1% (2017: 25.9%). The tax rate was at the lower end of our expectation for 2018 due to a favorable impact of tax credits and deferred tax movements. As a result, adjusted net profit increased 7% overall and 12% in constant currencies to €683 million (2017: €639 million).

Diluted adjusted EPS increased 10% overall and 16% in constant currencies to €2.45 (2017: €2.22), reflecting the increase in adjusted net profit and a 3% reduction in the diluted weighted average number of shares outstanding to 278.8 million (2017: 287.7 million).

IFRS Reported Figures

Reported operating profit rose 16% to €961 million (2017: €830 million) and included €159 million in net book gains (2017: €60 million) related to disposals completed in early 2018 (mainly ProVation Medical, Corsearch, and certain Swedish publishing assets). The rise in reported operating profit also reflects an overall €12 million decline in amortization and impairment of acquired intangible assets to €175 million. The net one-time benefits, as explained above, also explain the increase in reported operating profit.

The reported effective tax rate increased to 26.3% (2017: 12.2%), the prior year having benefitted from a one-time, non-cash revaluation of our U.S. deferred tax position in consequence of the lower U.S. corporate tax rate per January 1, 2018. 2018 was impacted by taxable gains on the divestments of Corsearch and ProVation Medical. Total profit for the year increased 3% to €657 million (2017:

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[4] Adjusted net financing costs are defined as total financing results, excluding the financing component of employee benefits, fair value changes in certain financial assets, and net book gains or losses on any divestments of non-controlled equity-interests.

€637 million) and diluted earnings per share increased 6% to €2.35 (2017: €2.21).

Cash Flow

Adjusted operating cash flow was €1,016 million, up 4% overall (2017: €974 million) and up 7% in constant currencies. Cash conversion was 104% (2017: 100%) and reflected stronger than expected working capital inflows in the fourth quarter. Net capital expenditure was €214 million (2017: €210 million) and primarily relates to the development of new and enhanced products and technology platforms. Capital expenditure included a €9 million benefit (2017: €13 million) related to real estate disposals. Excluding this benefit, capital expenditure was 5.2% of revenue (2017: 5.1%). Depreciation, amortization, and impairments of internally developed products and other assets increased to €220 million (2017: €209 million), or 5.2% of total revenue (2017: 4.8%).

Adjusted free cash flow was €762 million (2017: €746 million), up 2% overall and up 6% in constant currencies, better than expected due to the favorable working capital movement. Corporate income tax paid increased to €206 million (2017: €156 million) due to tax payments on 2018 disposals. Adjusted free cash flow excludes a €34 million cash tax payment related to these disposals. Paid financing costs were €96 million, ahead of the prior year (2017: €87 million) and included the final coupon payment on the 6.375% senior Eurobond redeemed in April 2018 as well as the first coupon payment on the 1.5% Eurobond issued in March 2017. Net cash use of restructuring provisions amounted to €5 million, reflecting restructuring additions of €17 million and appropriations of €22 million in relation to ongoing and new efficiency initiatives.

Dividends paid to shareholders during 2018 amounted to €277 million (2017: €232 million) and included the 2017 final dividend and the 2018 interim dividend.

Total acquisition spending, net of cash acquired and including costs, was €170 million (2017: €316 million). The main acquisitions were in the Legal & Regulatory division and included eVision, a world leader in operational risk management software, and Legisway, a contract management tool for corporate law departments. The Health division acquired Firecracker, an adaptive learning and study-planning solution for medical students. Deferred payments on prior year deals, including earnouts, amounted to €12 million (2017: €12 million). Divestment proceeds, net of cash disposed and transaction costs, were €304 million, and relate primarily to the divestments of ProVation Medical, Corsearch, and certain Swedish publishing assets.

A total of €550 million (2017: €302 million) of free cash flow was deployed towards share buybacks during the year.

Net Debt and Leverage

Net debt at December 31, 2018, amounted to €1,994 million (2017: €2,069 million). The year-end 2018 net-debt-to-EBITDA ratio was 1.7x.

Operating Review

All four divisions delivered positive organic growth, with Tax & Accounting and Legal & Regulatory improving on the prior year. Adjusted operating margins increased in all divisions, except Tax & Accounting.

Divisional Summary – Year ended December 31

€ million (unless otherwise stated)	2018	2017*	Δ	Δ CC	Δ OG
Revenues					
Health	1,110	1,166	-5%	-1%	+5%
Tax & Accounting	1,295	1,234	+5%	+9%	+7%
Governance, Risk & Compliance	975	1,054	-7%	-3%	+4%
Legal & Regulatory	880	914	-4%	-3%	+1%
Total revenues	**4,260**	**4,368**	**-2%**	**+1%**	**+4%**
Adjusted operating profit					
Health	302	297	+2%	+6%	+14%
Tax & Accounting	328	320	+3%	+6%	+6%
Governance, Risk & Compliance	290	295	-2%	+3%	+7%
Legal & Regulatory	111	110	+1%	+1%	+10%
Corporate	(51)	(52)	-1%	+1%	+1%
Total adjusted operating profit	**980**	**970**	**+1%**	**+5%**	**+10%**
Adjusted operating profit margin					
Health	27.3%	25.5%			
Tax & Accounting	25.3%	25.9%			
Governance, Risk & Compliance	29.7%	28.0%			
Legal & Regulatory	12.5%	12.0%			
Total adjusted operating profit	**23.0%**	**22.2%**			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. *2017 revenues and margin restated for IFRS 15.

Recurring revenues, which make up 78% of total revenues and include subscriptions and other renewing revenue streams, increased 5% organically. Print book revenues declined 6% organically (2017: 3% decline). Legal Services (LS) transactional revenues rose 10% organically (2017: 8%), while Financial Services (FS) transactions fell 3% (2017: 0%). Other non-recurring revenues, which include software license and implementation fees, grew 6% organically mainly reflecting 2017 new sales in Governance, Risk & Compliance and 2018 organic growth in software and services at CCH Tagetik in Tax & Accounting.

Revenues by Type – Year ended December 31

€ million (unless otherwise stated)	2018	2017*	Δ	Δ CC	Δ OG
Digital and service subscription	2,793	2,806	0%	+3%	+6%
Print subscription	209	234	-11%	-9%	-7%
Other recurring	288	292	-1%	+4%	+5%
Total recurring revenues	**3,290**	**3,332**	**-1%**	**+2%**	**+5%**
Print books	226	249	-10%	-8%	-6%
LS transactional	214	239	-10%	-6%	+10%
FS transactional	98	107	-8%	-3%	-3%
Other non-recurring	432	441	-2%	0%	+6%
Total revenues	**4,260**	**4,368**	**-2%**	**+1%**	**+4%**

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. Other non-recurring revenues include license & implementation fees. *2017 restated for IFRS 15.

Health

- Clinical Solutions grew 9% organically, led by UpToDate.
- Health Learning, Research & Practice grew 1% organically.
- Margin up 180 basis points, mainly due to one-time benefits and the ongoing shift in business mix.

Health – Year ended December 31

€ million (unless otherwise stated)	**2018**	**2017***	**Δ**	**Δ CC**	**Δ OG**
Revenues	1,110	1,166	-5%	-1%	+5%
Adjusted operating profit	302	297	+2%	+6%	+14%
Adjusted operating profit margin	27.3%	25.5%			
Operating profit	340	251	+36%		
Net capital expenditure	36	48			
Ultimo FTEs	2,866	3,162			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. *2017 restated for IFRS 15.

Wolters Kluwer Health revenues declined 1% in constant currencies, due to net disposal activity. In March 2018, we divested ProVation Medical and reduced and deconsolidated our stake in Medicom. On March 21, 2018, we completed the acquisition of Firecracker, an adaptive learning and study-planning tool for medical students. Excluding the impact of currency and the effect of net disposal activity, organic revenue growth was 5%. Adjusted operating profit increased 6% in constant currencies, resulting in a margin of 27.3%. Included in adjusted operating profit was a net positive €10 million in one-time items, mainly relating to the release of sales tax accruals. Excluding these items, the divisional margin would have increased by 80 basis points, driven by the ongoing mix shift towards Clinical Solutions, cost efficiencies, and favorable timing of sales and marketing and product investment. IFRS operating profit increased to €340 million, including a €75 million net book gain related to the aforementioned disposals.

Clinical Solutions (50% of divisional revenues) grew 9% organically. During 2018, we integrated our clinical decision support, drug information, and patient engagement units and re-organized sales and marketing by customer segment. This has enabled us to start cross-selling across a range of solutions that support medical decision-making along the continuum of care. The core UpToDate solution enjoyed strong renewals and added new customers globally. The new UpToDate Advanced module was launched in the U.S., offering clinicians patient-specific, guided pathways. Our drug information solutions delivered mid-single-digit organic growth for the year. In patient engagement, Emmi revenue trends improved in the second half following the realignment of sales and marketing. Our clinical software group saw positive organic growth, with softness at Health Language more than offset by positive momentum in the Sentri7 surveillance system and the POC Advisor clinical intelligence solution for Sepsis.

Health Learning, Research & Practice (50% of divisional revenues) recorded 1% organic growth for the full year. Digital revenues increased 3% organically, but this was partly offset by declines in print. In medical research, we saw good organic growth in Ovid online subscriptions and in open access journals, but continued weakness in print journal subscriptions, advertising, and reprints. In Education and Practice content, double-digit organic growth in digital learning and practice solutions for nurses (notably PrepU, vSim, and Lippincott Nursing Advisor) was offset by a 7% organic decline in print books (2017: 3% decline) and further softness in continuing medical education.

Tax & Accounting

- Organic growth 7%, driven by software globally.
- Corporate Performance Solutions grew 19% organically, led by CCH Tagetik.
- Margin was impacted by one-time items and increased restructuring.

Tax & Accounting – Year ended December 31

€ million (unless otherwise stated)	**2018**	**2017***	**Δ**	**Δ CC**	**Δ OG**
Revenues	1,295	1,234	+5%	+9%	+7%
Adjusted operating profit	328	320	+3%	+6%	+6%
Adjusted operating profit margin	25.3%	25.9%			
Operating profit	254	240	+6%		
Net capital expenditure	71	70			
Ultimo FTEs	6,649	6,738			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. *2017 restated for IFRS 15.

Wolters Kluwer Tax & Accounting revenues rose 9% in constant currencies, including the effect of a full twelve months of CCH Tagetik (acquired April 2017) and Adsolut (acquired September 2017). Excluding the effect of currency and acquisitions, organic growth was 7%. Under IAS 18 accounting, organic growth would have been 5%, marking an acceleration on the prior year (2017: 4%), primarily due to CCH Tagetik. Adjusted operating profit included a €6 million real estate gain which was more than offset by a €7 million impairment of internally developed software in our Brazilian unit. Excluding these two one-time items, the divisional margin would have declined by 30 basis points, due to higher restructuring costs and margin dilution from CCH Tagetik. IFRS operating profit included a further €9 million impairment of acquired intangibles relating to Brazil.

North America Professional Tax & Accounting (51% of divisional revenues) grew 6% organically, driven by software products, including our U.S. cloud-based professional tax software suite, CCH Axcess, and our integrated audit solution, CCH ProSystem fx Engagement. In 2018, the U.S. group launched two innovations to its cloud platform: CCH Axcess iQ, a new module that deploys artificial intelligence to help customers respond efficiently to changes in tax regulations, and CCH Financial Prep, a tool that leverages robotic process automation (RPA) to automate trial balances for audit preparation. Research & Learning recorded a modest decline, as a successful year in printed books was offset by ongoing softness in other information products.

Europe Professional Tax & Accounting (29% of divisional revenues) delivered 7% organic growth, with good growth in all countries and double-digit growth at Twinfield and Basecone. The European group continued to build out and launch hybrid and cloud collaboration tools. Recent product introductions, such as Genya OneClick in Italy and A3 Innuva in Spain were well-received.

Asia Pacific & ROW Professional Tax & Accounting (7% of divisional revenues). In Asia Pacific, we saw continued strong organic growth in China and India, but weakness in Australia where print decline outweighed growth in digital products such as CCH iFirm and CCH Integrator. Our Brazilian business remained challenged.

Corporate Performance Solutions (13% of divisional revenues), which comprises CCH Tagetik and TeamMate, grew 19% organically. CCH Tagetik, our corporate performance management solution, stepped up investment in sales and marketing, drove new and expanded customer relationships, and delivered double-digit organic growth with its on-premise and cloud solutions and services. TeamMate recorded single-digit organic growth, as it continued the roll-out of a cloud and hybrid-cloud version of its audit solution.

Governance, Risk & Compliance

- Legal Services grew 5% organically, buoyed by transactional volumes.
- Financial Services grew 3% organically, absorbing weak mortgage origination volumes.
- Margin increased 170 basis points, reflecting operational efficiency programs.

Governance, Risk & Compliance – Year ended December 31

€ million (unless otherwise stated)	**2018**	**2017***	**Δ**	**Δ CC**	**Δ OG**
Revenues	975	1,054	-7%	-3%	+4%
Adjusted operating profit	290	295	-2%	+3%	+7%
Adjusted operating profit margin	29.7%	28.0%			
Operating profit	308	299	+3%		
Net capital expenditure	65	54			
Ultimo FTEs	4,155	4,187			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. *2017 restated for IFRS 15.

Wolters Kluwer Governance, Risk & Compliance (GRC) revenues declined 3% in constant currencies, reflecting divestments made over the past two years (Transport Services in June 2017 and Corsearch in January 2018). Excluding the impact of currency and the effect of net disposal activity, organic revenue growth was 4%. Pro forma for IAS 18, 2018 organic growth would have been 1% (2017: 4%), reflecting the challenging comparable in fourth quarter software license sales. The adjusted operating profit margin increased by 170 basis points, driven by an operational efficiency initiative and the divestment of lower margin businesses. IFRS operating profit, which included disposal gains in both 2017 and 2018, increased 3%.

Recurring revenues, which account for 58% of divisional revenues, grew 3% organically. Transactional revenues rose 6% overall, with Legal Services up 10%, but Financial Services transactions down 3%. Other non-recurring revenues, which include license and implementation revenues for software such as Passport and OneSumX, increased 4%, reflecting 2017 license sales recognized over the contract period.

<u>Legal Services</u> (57% of divisional revenues) delivered 5% organic growth. CT, the leading provider of legal representation and compliance services, delivered accelerated organic growth of 5%, reflecting continued growth in service subscriptions and strong demand for search and filing transactions from law firm customers. Enterprise Legal Management (ELM), which provides legal spend and matter management software and analytics to corporations, recorded 6% organic growth, supported by strong new sales and the successful launch of LegalView Bill Analyzer.

<u>Financial Services</u> (43% of divisional revenues) recorded 3% organic growth, as steady growth in recurring software maintenance revenues and the recognition of prior year new software license sales helped offset a 3% decline in transactional revenues. Finance, Risk & Reporting, which provides the OneSumX regulatory compliance and reporting software, recorded 7% organic growth, driven by the recognition of software license sales made in the prior year. Despite a challenged commercial lending market, Wolters Kluwer Lien Solutions exhibited robust transactional revenue growth driven by customer wins and product innovation. Our Compliance Solutions group saw modest decline as it absorbed a double-digit drop in mortgage origination volumes with steady growth in software subscription and maintenance revenues.

Legal & Regulatory

- Organic growth turned positive (+1%) due to ongoing mix shift and portfolio changes.
- The Legal & Regulatory Software group grew 13% organically.
- Margin increase reflects one-time benefits.

Legal & Regulatory – Year ended December 31

€ million (unless otherwise stated)	**2018**	**2017***	**Δ**	**Δ CC**	**Δ OG**
Revenues	880	914	-4%	-3%	+1%
Adjusted operating profit	111	110	+1%	+1%	+10%
Adjusted operating profit margin	12.5%	12.0%			
Operating profit	110	92	+20%		
Net capital expenditure	40	38			
Ultimo FTEs	4,343	4,110			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. *2017 restated for IFRS 15.

Wolters Kluwer Legal & Regulatory revenues declined 3% in constant currencies, reflecting the net effect of disposals (U.K. and Swedish assets sold in September 2017 and January 2018, respectively) and acquisitions (Legisway and eVision acquired in September and October 2018, respectively). Excluding the impact of currency and net disposal activity, organic revenue growth was 1%, marking an improvement on the prior year (2017: 1% decline). Adjusted operating profit included total one-time benefits of €10 million reflecting a reversal of accruals relating to certain legal matters. Excluding these one-time items, the adjusted operating profit margin would have declined by 30 basis points due to the disposal of higher-margin businesses. IFRS operating profit included a book gain on the 2018 divestment.

Legal & Regulatory Information Solutions (90% of divisional revenues) recorded broadly stable organic growth (2017: 1% decline). Digital information solutions grew by 3% organically, driven by improved renewal rates and product innovation. Digital growth was, as expected, partly offset by the ongoing decline in print subscriptions and books. We continued to invest to transform our information products. In Europe, we launched One Fiscale, the first module of a next-generation legal research suite for Italy. We continued to drive savings in editorial and production and back-office functions to fund wage increases and investment. Our U.S. Legal & Regulatory business delivered a second consecutive year of positive organic growth, overcoming a challenging 2017 comparable. The U.S. unit launched several product innovations in 2018, including RBSource RegReview, a solution that allows securities attorneys to automatically check for changes in SEC forms since the last filing date.

Legal & Regulatory Software (10% of divisional revenues) includes Enablon, eVision, and our centralized Legal Software unit. In aggregate, this group delivered 13% organic growth. Enablon's environmental, health and safety and operational risk management solutions achieved double-digit organic growth, driven by growth in cloud subscriptions. In October 2018, we acquired eVision, adding to our existing position in operational risk management and strengthening our position in the energy and pharmaceuticals industries. Our Legal Software unit also delivered double-digit organic growth, supported by cloud-based practice management tools for law firms (Kleos) and corporate legal departments (effacts). In September, we completed the acquisition of Legisway, a provider of corporate contract management software based in France.

Corporate

Corporate expenses increased 1% at constant currencies. Underlying cost increases were partly offset by net positive one-time items of €5 million relating to the release of accruals for legal matters. Underlying cost increases were largely due to an ongoing three-year investment to transform our Human Resources systems and due to programs implemented for General Data Protection Regulation (GDPR) compliance.

Corporate – Year ended December 31

€ million (unless otherwise stated)	**2018**	**2017**	**Δ**	**Δ CC**	**Δ OG**
Adjusted operating profit	(51)	(52)	-1%	+1%	+1%
Operating profit	(51)	(52)	0%		
Net capital expenditure	2	0			
Ultimo FTEs	121	118			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Financial Statements for the years ended December 31, 2018, and 2017

This report has been prepared in accordance with IFRS. The full-year figures for 2018 and 2017 in this report are derived from the 2018 consolidated financial statements, which will be published on March 6, 2019.

Condensed Consolidated Statement of Profit or Loss

(in millions of euros, unless otherwise stated)

	Note	Full year 2018	2017*
Revenues	*6*	**4,260**	**4,368**
Cost of sales		1,297	1,331
Gross profit		**2,963**	**3,037**
Sales costs		753	807
General and administrative costs		1,405	1,447
Total operating expenses		2,158	2,254
Other operating income and (expense)		156	47
Operating profit		**961**	**830**
Financing results		(72)	(108)
Share of profit of equity-accounted investees, net of tax		2	4
Profit before tax		**891**	**726**
Income tax expense		(234)	(89)
Profit for the year		**657**	**637**
Attributable to:			
▪ Owners of the Company		657	636
▪ Non-controlling interests		0	1
Profit for the year		**657**	**637**
Earnings per share (EPS) (€)			
Basic EPS		2.37	2.23
Diluted EPS		2.35	2.21

* 2017 has been restated for IFRS 15; see Note 3 for further details.

Condensed Consolidated Statement of Comprehensive Income

(in millions of euros)

	Full Year 2018	2017*
Comprehensive income:		
Profit for the year	**657**	**637**
Other comprehensive income:		
Items that are or may be reclassified subsequently to the statement of profit or loss		
Net gains/(losses) on hedges of net investments and exchange differences on translation of foreign operations	123	(473)
Recycling of foreign exchange differences on loss of control	-	0
Gains/(losses) on cash flow hedges	13	0
Income tax on other comprehensive income	0	0
Items that will not be reclassified to the statement of profit or loss:		
Remeasurements on defined benefit plans	12	27
Income tax on other comprehensive income	(4)	(14)
Other comprehensive income for the year, net of tax	**144**	**(460)**
Total comprehensive income for the year	**801**	**177**
Attributable to:		
▪ Owners of the Company	801	175
▪ Non-controlling interests	0	2
Total	**801**	**177**

* 2017 has been restated for IFRS 15; see Note 3 for further details.

Wolters Kluwer

Condensed Consolidated Statement of Cash Flows

(in millions of euros)

	Full Year 2018	2017*
Cash flows from operating activities		
Profit for the year	657	637
Adjustments for:		
Financing results	72	108
Share of profit of equity-accounted investees, net of tax	(2)	(4)
Income tax expense	234	89
Amortization, impairments, and depreciation	395	396
Additions to provisions	19	25
Release of provisions	0	0
Fair value changes to contingent considerations	(1)	9
Book (profit)/loss on divestments of operations	(163)	(74)
Share-based payments	22	23
Autonomous movements in working capital	30	5
Paid financing costs	(96)	(87)
Paid corporate income tax	(206)	(156)
Appropriation of provisions for restructuring	(22)	(27)
Additional defined benefit plan contributions	(5)	(6)
Other	0	2
Net cash from operating activities	**934**	**940**
Cash flows from investing activities		
Capital expenditure	(214)	(210)
Acquisition spending, net of cash acquired	(166)	(313)
Receipts from divestments, net of cash disposed	307	94
Dividends received	1	1
Cash from settlement of derivatives	(11)	19
Net cash used in investing activities	**(83)**	**(409)**
Cash flows from financing activities		
Repayment of loans	(752)	(18)
Proceeds from new loans	147	497
Collateral received/(paid)	-	(5)
Repurchased shares	(550)	(302)
Dividends paid	(277)	(232)
Net cash used in financing activities	**(1,432)**	**(60)**
Net cash flow	**(581)**	**471**
Cash and cash equivalents less bank overdrafts at January 1	751	389
Exchange differences on cash and cash equivalents and bank overdrafts	9	(109)
	760	280
Cash and cash equivalents less bank overdrafts at December 31	**179**	**751**
Add: Bank overdrafts at December 31	604	288
Less: Cash and cash equivalents in Assets held for sale at December 31	-	(19)
Cash and cash equivalents at December 31	**783**	**1,020**

* 2017 has been restated for IFRS 15; see Note 3 for further details.

Condensed Consolidated Statement of Financial Position
(in millions of euros)

	Note	December 31, 2018		December 31, 2017 Restated*		January 1, 2017 Restated*	
Non-current assets							
Goodwill and intangible assets		5,785		5,581		6,113	
Property, plant, and equipment		94		101		126	
Investments in equity-accounted investees		15		11		10	
Financial assets		36		16		30	
Non-current contract assets	*8*	19		17		17	
Deferred tax assets		106		93		109	
Total non-current assets			6,055		5,819		6,405
Current assets							
Inventories		75		95		118	
Contract assets	*8*	99		105		90	
Trade and other receivables		1,283		1,182		1,258	
Income tax receivable		35		9		18	
Cash and cash equivalents		783		1,020		940	
Assets held for sale	*9*	-		247		-	
Total current assets			2,275		2,658		2,424
Current liabilities							
Deferred income	*8*	1,592		1,486		1,589	
Other contract liabilities	*8*	45		43		45	
Trade and other payables		397		333		413	
Income tax payable		26		12		23	
Short-term provisions		20		22		26	
Borrowings and bank overdrafts	*10*	748		288		556	
Short-term bond	*10*	-		750		-	
Other current liabilities		519		618		628	
Liabilities held for sale	*9*	-		80		-	
Total current liabilities			3,347		3,632		3,280
Working capital			(1,072)		(974)		(856)
Capital employed			**4,983**		**4,845**		**5,549**
Non-current liabilities							
Long-term debt	*10*		2,061		2,040		2,314
Deferred and other tax liabilities			509		421		479
Employee benefits			143		150		191
Provisions			3		2		1
Total non-current liabilities			**2,716**		**2,613**		**2,985**
Equity							
Issued share capital		34		35		36	
Share premium reserve		87		87		87	
Other reserves		2,146		2,106		2,436	
Equity attributable to the owners of the Company			2,267		2,228		2,559
Non-controlling interests			0		4		5
Total equity			**2,267**		**2,232**		**2,564**
Total financing			**4,983**		**4,845**		**5,549**

* 2017 has been restated for IFRS 15; see Note 3 for further details.

Condensed Consolidated Statement of Changes in Total Equity
(in millions of euros)

(in millions of euros)	Note			2018
		Equity attributable to the owners of the Company	Non-controlling interests	Total equity
Restated balance at December 31, 2017		**2,228**	**4**	**2,232**
Change of accounting policy (IFRS 9)	*3*	(9)	-	(9)
Restated balance at January 1		**2,219**	**4**	**2,223**
Total comprehensive income for the period		801	0	801
Share-based payments		22	-	22
Final cash dividend 2017		(181)	(2)	(183)
Interim cash dividend 2018		(94)	-	(94)
Repurchased shares		(500)	-	(500)
Other movements		0	(2)	(2)
Balance at December 31		**2,267**	**0**	**2,267**

(in millions of euros)	Note			2017*
		Equity attributable to the owners of the Company	Non-controlling interests	Total equity Restated
Balance at January 1, as presented		**2,621**	**5**	**2,626**
Change of accounting policy (IFRS 15)	*3*	(62)	**-**	(62)
Restated balance at January 1		**2,559**	**5**	**2,564**
Total comprehensive income for the period		175	2	177
Share-based payments		23	-	23
Final cash dividend 2016		(172)	(3)	(175)
Interim cash dividend 2017		(57)	-	(57)
Repurchased shares		(300)	-	(300)
Other movements		0	-	0
Restated balance at December 31		**2,228**	**4**	**2,232**

* 2017 has been restated for IFRS 15; see Note 3 for further details.

Notes to the Condensed Consolidated Financial Statements

Note 1 Reporting entity

Wolters Kluwer N.V. ('the Company') with its subsidiaries (together referred to as 'the group', and individually as group entities) is a global leader in professional information, software solutions, and services for the health; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

These condensed consolidated financial statements for the year ended December 31, 2018, comprise the Group and the Group’s interests in associates.

Note 2 Basis of preparation

Statement of compliance
The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the 2018 Annual Report which will be published on March 6, 2019. The consolidated financial statements included in the Annual Report 2018 were authorized for issue by the Executive Board and Supervisory Board on February 19, 2019. In accordance with article 393, Title 9, Book 2 of the Netherlands Civil Code, Deloitte Accountants B.V. has issued an unqualified auditor’s opinion on the 2018 Annual Report. The Annual Report 2018 has not yet been published by law and still has to be adopted by the Annual General Meeting of Shareholders on April 18, 2019.

These condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. However, they do not include all the information required for a complete set of IFRS financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements for the year ended December 31, 2017.

Effect of forthcoming accounting standards
A number of new standards and amendments are not yet effective for the year ended December 31, 2018, and have not been early adopted in these condensed consolidated financial statements.

IFRS 16 – ***Leases***
IFRS 16 is the new standard on lease accounting and will result in almost all operating leases being recognized in the consolidated statement of financial position, as the distinction between operating and finance leases is no longer applicable to lessees. Under the new standard, which became effective on January 1, 2019, an asset (the right to use the leased item) and a financial liability (a liability for discounted future lease installments) are recognized in the consolidated statement of financial position. In addition, the rent expense will be replaced by depreciation of the right-of-use asset and interest expense on the lease liability.

The standard will have a material impact on the consolidated statement of financial position, but will not have a material impact on the consolidated statement of profit or loss. The most significant impact will be the recognition of right-of-use assets and lease liabilities for leases qualifying as operating lease under the current standard, while our accounting for leases qualifying as finance lease under the current standard will remain substantially unchanged. Most of the leasing commitments that will be in scope of the new standard relate to real estate and, to a lesser extent, IT data centers, automobile leases, and other lease arrangements.

The group has decided to transition to this new standard based on the full retrospective approach. This means that a restated consolidated statement of financial position at January 1, 2018, will be prepared and the comparative consolidated statements of financial position and profit or loss in the 2019 financial statements will be restated.

IFRS 16 requires management judgment with respect to the determination of the discount rate and the assessment of renewal and termination options in the lease contracts. The discount rate applied is based on the incremental borrowing rate for the respective leases considering the primary economic environment of the lease, the currency, the credit risk premium, the lease term and the nature of the leased asset.

The group elected to exclude all short-term leases and all leases for which the underlying asset is of low value, and not to apply IFRS 16 to leases of intangible assets. Except for the group's real estate leases, the group elected to apply the practical expedient to not separate non-lease components from lease components, and instead to account for as a single lease component.

The preliminary impact of IFRS 16 on the consolidated statement of financial position at January 1, 2018, and at December 31, 2018, is as follows:

(in millions of euros) Impacted accounts only	Jan. 1, 2018 reported	IFRS 16	Jan. 1, 2018 restated	Dec. 31, 2018 reported	IFRS 16	Dec. 31, 2018 restated
Property, plant, and equipment	101	(5)	96	94	(5)	89
Right-of-use assets	-	221	221	-	232	232
Financial assets	16	2	18	36	2	38
Deferred tax assets	93	1	94	106	1	107
Other receivables	227	(6)	221	265	(4)	261
Trade and other payables	333	(15)	318	397	(14)	383
Short-term lease liabilities	-	73	73	-	67	67
Long-term lease liabilities	-	169	169	-	188	188
Deferred and other tax liabilities	419	(3)	416	509	(3)	506
Equity attributable to owners of the Company	2,219	(11)	2,208	2,267	(12)	2,255

*Restated for IFRS 9, at January 1, 2018

The preliminary impact of IFRS 16 on the consolidated statement of profit or loss 2018 is as follows:

(in millions of euros, unless otherwise stated) Impacted accounts only	2018 reported	IFRS 16	2018 restated
Revenues	4,260	1	4,261
Total operating expenses	2,158	(5)	2,153
Operating profit	961	6	967
Financing results	(72)	(7)	(79)
Income tax expense	(234)	0	(234)
Profit for the year	657	(1)	656
Adjusted operating profit	980	6	986
Adjusted operating profit margin	23.0%	0.1%	23.1%
Adjusted net profit	683	(1)	682
Return on invested capital (ROIC) (%)	10.9	(0.3)	10.6
Net-debt-to-EBITDA ratio	1.7	0.1	1.8
Diluted adjusted EPS (€)	2.45	0.00	2.45

Judgments and estimates
The preparation of the condensed consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues, and expense.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the 2017 Financial Statements (reference is made to Note 3 - *Accounting Estimates and Judgments* of the 2017 Consolidated Financial Statements), except for the new estimates and judgments due to the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on January 1, 2018.

Due to the adoption of IFRS 9 *Financial Instruments*, the group will determine its loss allowance for financial assets by making assumptions and using judgment about the risk of default and expected loss rates at contract inception over the life of the financial instrument, using the group's historical incurred losses and existing market conditions, as well as forward-looking information at the end of each reporting period.

Furthermore, as a result of the adoption of IFRS 15 *Revenue from Contracts with Customers*, we make judgments on the characteristics of a performance obligation, bundling/(un)bundling of multi-element arrangements, the fair value of a performance obligation, variable considerations such as provisions for returns, determination whether the revenue should be recognized over time or at a point in time, and the product and contract life.

Reference is also made to Note 27 - *Financial Risk Management* of the 2017 Financial Statements, which outlines Wolters Kluwer's exposure to a variety of risks, including market risk, currency risk, interest rate risk, liquidity risk, and credit risk. These risks have not substantially changed since the issuance of our 2017 Annual Report.

Estimates and judgments are being continuously evaluated and are based on past experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Actual results may differ from those estimates and current risk judgments.

Functional and presentation currency
These condensed consolidated financial statements are presented in euro, which is the company's functional and presentation currency. Unless otherwise indicated, the financial information in these condensed consolidated financial statements is in euro and has been rounded to the nearest million.

Exchange rates to the euro	2018	2017
U.S. dollar (average year)	1.18	1.13
U.S. dollar (at December 31)	1.15	1.20

Comparatives
Where necessary, certain non-material reclassifications have been made to the prior year financial information and the notes thereto to conform to the current year presentation.

Note 3 Changes in accounting policies

Summarized impact of the adoption of IFRS 9 and IFRS 15 on the financial statements
IFRS 9 was retrospectively adopted on January 1, 2018, applying the practical expedient not to restate comparative information. Therefore, the reclassifications and the adjustments arising from IFRS 9 are reflected in the opening equity in the consolidated statement of financial position at January 1, 2018.

IFRS 15 was retrospectively adopted on January 1, 2018, with the use of certain practical expedients (being disclosed in Note 1 to the 2017 Financial Statements), whereby the prior year's financial statements have been restated. Not applying the practical expedients would have led to a larger effect of revenue deferral and increased capitalized costs in the opening consolidated statement of financial position.

The following table presents the financial statement line items impacted by IFRS 15 and IFRS 9.

Changes in the Consolidated Statement of Financial Position

(in millions of euros) *Impacted accounts only*	Dec. 31, 2016 reported	IFRS 15	Jan. 1, 2017 restated	Dec. 31, 2017 reported	IFRS 15	Dec. 31, 2017 restated	IFRS 9	Jan. 1, 2018 restated
Non-current assets								
Financial assets	30	-	30	16	-	16	-	16
Non-current contract assets	-	17	17	-	17	17	-	17
Current assets								
Contract assets	53	37	90	69	36	105	(2)	103
Trade and other receivables	1,322	(64)	1,258	1,243	(61)	1,182	(9)	1,173
Current liabilities								
Deferred income	1,555	34	1,589	1,412	74	1,486	-	1,486
Other contract liabilities	1	44	45	2	41	43	-	43
Trade and other payables	413	-	413	333	-	333	-	333
Non-current liabilities								
Deferred and other tax liabilities	505	(26)	479	451	(30)	421	(2)	419
Equity								
Equity attributable to the owners of the Company	2,621	(62)	2,559	2,321	(93)	2,228	(9)	2,219

Impact of IFRS 15 – *Revenue from Contracts with Customers*

The impact of IFRS 15 on the group's retained earnings in total equity as at January 1, 2017, is as follows:

(in millions of euros)		
Equity attributable to owners of the Company as at December 31, 2016 – IAS 18		**2,621**
Recognition of asset for cost to obtain a contract	(i)	25
Recognition of asset for cost to fulfill a contract	(i)	1
Restatement of contract assets for unbilled revenue	(ii)	28
Restatement of contract liabilities	(ii)	(142)
Impact on deferred tax		26
Adjustment to retained earnings from adoption of IFRS 15, net of tax		(62)
Equity attributable to owners of the Company as at January 1, 2017 – IFRS 15		**2,559**

(i) Contract costs as a result of IFRS 15

Cost to obtain a contract and to fulfil a contract were previously expensed when incurred. However, sales commission plans which meet the criteria of incremental cost to obtain a contract are now capitalized and amortized over the longer of the contract term or product life period. Incurred cost to fulfil contracts are now, if directly associated with our effort to execute the contract, capitalized and amortized over the related revenue recognition period.

(ii) Contract asset and liabilities

The restatement in unbilled revenue (contract assets) and deferred income (contract liabilities) is the cumulative change due to deferral of license revenues, bundling/unbundling multiple element arrangements, and allocation of discounts. Revenue from licenses for certain license/maintenance business will no longer be recognized immediately in the statement of profit or loss, but recognized as a right to access license over the term of the underlying contract, or product life.

(iii) Changes in classification and presentation

A few presentation changes have been made whereby the group now discloses all contract assets and contract liabilities separately. The provision for returns has been reclassified from trade receivables to contract liabilities. For contracts whereby neither party has performed, we previously presented trade receivables and deferred income balances on a gross basis instead of on a net basis. This netting reclassification had an effect of €108 million on the opening balance sheet at January 1, 2017; at December 31, 2017, this amounted to €102 million. Furthermore, we changed the recognition and presentation of a few contractual arrangements whereby the group is considered to act as an agent instead of a prinicipal. This change had no effect on the operating profit but resulted in a decrease in revenues and in the corresponding cost of sales or sales costs.

Changes in the Consolidated Statement of Profit or Loss

(in millions of euros, unless otherwise stated)	December 31, 2017 reported	IFRS 15	December 31, 2017 restated
Revenues	**4,422**	(54)	**4,368**
Cost of sales	1,335	(4)	1,331
Gross profit	**3,087**	(50)	**3,037**
Sales costs	818	(11)	807
General and administrative costs	1,447	-	1,447
Total operating expenses	2,265	(11)	2,254
Other operating income and (expense)	47	-	47
Operating profit	**869**	(39)	**830**
Financing results	(108)	-	(108)
Share of profit of equity-accounted investees, net of tax	4	-	4
Profit before tax	**765**	(39)	**726**
Income tax expense	(94)	5	(89)
Profit for the year	**671**	(34)	**637**
Attributable to:			
Owners of the Company	670	(34)	636
Non-controlling interests	1	-	1
Profit for the year	**671**	**(34)**	**637**
Earnings per share (EPS) (€)			
Basic EPS	2.35	(0.12)	2.23
Diluted EPS	2.33	(0.12)	2.21

Impact of IFRS 9 - *Financial Instruments*

IFRS 9 includes revised guidance on the (de)recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting.

(i) Recognition, classification and measurement of financial instruments

The group has assessed which business models apply to the financial instruments at the date of initial application and has designated the financial assets and financial liabilities into the appropriate IFRS 9 measurement categories based on the facts and circumstances at that date. As per January 1, 2018, there were no significant classification and measurement adjustments. Currently, the financial assets and liabilities are either classified as fair value through profit or loss or at amortized cost (see Note 10 - *Net Debt* in this report).

(ii) Impairment of financial assets

The impact of the new accounting methodology for determining the impairment provision for trade receivables and contract assets resulted in an increase of the provision for impairment of trade receivables and unbilled revenue. The adjustment of €9 million, net of tax, is reported in the group's total equity at January 1, 2018.

(iii) Derivatives and hedge accounting

The group adopted the new general hedge accounting model in IFRS 9 and ensured that hedging relationships and documentation are aligned with the group's risk management strategy and objectives before year-end 2017. The outstanding foreign currency forwards and interest rate swaps used for cash flow hedges and net investment hedges at December 31, 2017, have continued as qualifying hedging relationships under IFRS 9 resulting in no significant change in accounting. Hedge effectiveness testing has been assessed by a more qualitative and forward-looking approach.

With respect to foreign currency forwards used for hedge accounting, the group designates as a hedge instrument only the change in the value of the spot component of a forward contract (and not the forward element). The differential between the contracted forward rate and the market spot rate, defined as forward points, was recognized immediately in the statement of profit or loss under the previous accounting policy (based on IAS 39 *Financial Instruments: Recognition and Measurement*). Under the new accounting policy, the group has accounted for these changes in forward points as cost of hedging. Forward points are now recognized in other comprehensive income and accumulated in the hedging reserve within total equity. This change has been applied as of January 1, 2018, and amounts to a loss of €4 million for the year 2018.

Note 4 Benchmark Figures

Wherever used in this report, the term 'adjusted' refers to figures adjusted for non-benchmark items and, where applicable, amortization and impairment of goodwill and acquired identifiable intangibles. Adjusted figures are non-IFRS compliant financial figures, but are internally regarded as key performance indicators to measure the underlying performance of the business from continuing operations. These figures are presented as additional information and do not replace the information in the condensed consolidated statement of profit or loss and in the condensed consolidated statement of cash flows. The term 'adjusted' is not a defined term under IFRS.

Reconciliation of benchmark figures

Revenue Bridge

(in millions of euros)	€	%
Revenues 2017*	**4,368**	
Organic change	181	4
Acquisitions	35	1
Divestments	(179)	(4)
Currency impact	(145)	(3)
Revenues 2018	**4,260**	**(2)**

U.S. dollar 2018: average €/$=1.18 versus 2017: average €/$=1.13
* Restated. See Note 3 of the condensed consolidated financial statements.

Reconciliation between operating profit and adjusted operating profit

(in millions of euros)	*Full Year* 2018	2017*
Operating profit	961	830
Amortization of acquired identifiable intangibles and impairments	175	187
Non-benchmark items in operating profit	(156)	(47)
Adjusted operating profit	**980**	**970**

* Restated. See Note 3 of the condensed consolidated financial statements.

Reconciliation between profit for the year and adjusted net profit

(in millions of euros)	*Full Year* 2018	2017*
Profit for the year attributable to the owners of the Company (**A**)	657	636
Amortization of acquired identifiable intangibles and impairments	175	187
Tax on amortization and impairments of acquired identifiable intangibles and goodwill	(43)	(65)
Non-benchmark items, net of tax	(106)	(119)
Adjusted net profit (B)	**683**	**639**

* Restated. See Note 3 of the condensed consolidated financial statements.

Reconciliation between total financing results and adjusted net financing costs

(in millions of euros)	*Full Year* 2018	2017
Total financing results	(72)	(108)
Non-benchmark items in total financing results	2	(1)
Adjusted net financing costs	**(70)**	**(109)**

Reconciliation between net cash from operating activities and adjusted free cash flow

(in millions of euros)	*Full Year*	
	2018	2017
Net cash from operating activities	934	940
Capital expenditure	(214)	(210)
Acquisition related costs	4	3
Paid divestment expenses	3	11
Dividends received	1	1
Income tax on internal restructuring	-	5
Net tax effects on divested assets, consolidation of platform technology, and mandatory repatriation tax	34	(4)
Adjusted free cash flow (C)	**762**	**746**

Per share information

(in euros, unless otherwise stated)	*Full Year*	
	2018	2017*
Total number of shares outstanding at December 31[1]	271.2	281.4
Weighted average number of shares (D)[1]	276.7	285.1
Diluted weighted average number of shares (E)[1]	278.8	287.7
Adjusted EPS (B/D)	2.47	2.24
Diluted adjusted EPS (minimum of adjusted EPS and (B/E))	2.45	2.22
Diluted adjusted EPS in constant currencies	2.60	2.24
Adjusted free cash flow per share (C/D)	2.75	2.62
Diluted adjusted free cash flow per share (minimum of adjusted free cash flow per share and (C/E))	2.73	2.59

* Restated. See Note 3 of the condensed consolidated financial statements.

1) In millions of shares.

Summary of non-benchmark items

(in millions of euros)	*Full Year*	
	2018	2017
Included in 'other operating income and (expense)':		
Divestment related results	159	60
(Additions to)/releases of acquisition integration provisions	0	(1)
Acquisition related costs	(4)	(3)
Fair value changes contingent considerations	1	(9)
Total non-benchmark income/(costs) in operating profit	**156**	**47**
Included in total financing results:		
Divestment related results on equity-accounted investees and disposal of financial assets	2	6
Employee benefits financing component	(3)	(5)
Revaluation gain/(loss) on financial assets	(1)	-
Total non-benchmark income/(costs) in total financing results	**(2)**	**1**
Total non-benchmark items, before tax	**154**	**48**
Tax on non-benchmark items	(57)	6
Impact of changes in tax rates and mandatory repatriation tax	9	65
Non-benchmark items, net of tax	**106**	**119**

Benchmark tax rate

(in millions of euros, unless otherwise stated)	*Full Year*	
	2018	2017*
Income tax expense	234	89
Tax benefit on amortization of acquired identifiable intangibles and impairments	43	65
Tax benefit/(expense) on non-benchmark items	(57)	6
Impact of changes in tax rates and mandatory repatriation tax	9	65
Tax on adjusted profit before tax (F)	**229**	**225**
Adjusted net profit (B)	683	639
Adjustment for non-controlling interests	0	1
Adjusted profit before tax (G)	**912**	**865**
Benchmark tax rate (F/G) (%)	**25.1**	**25.9**

* Restated. See Note 3 of the condensed consolidated financial statements.

Cash conversion ratio

(in millions of euros, unless otherwise stated)	*Full Year*	
	2018	2017*
Operating profit	961	830
Amortization, depreciation, and impairments	395	396
EBITDA	**1,356**	**1,226**
Non-benchmark items in operating profit	(156)	(47)
Adjusted EBITDA	**1,200**	**1,179**
Autonomous movements in working capital	30	5
Capital expenditure	(214)	(210)
Adjusted operating cash flow (I)	**1,016**	**974**
Adjusted operating profit (H)	**980**	**970**
Cash conversion ratio (I/H) (%)	**104**	**100**

* Restated. See Note 3 of the condensed consolidated financial statements.

Return on invested capital (ROIC) calculation

(in millions of euros, unless otherwise stated)	*Full Year*	
	2018	2017*
Adjusted operating profit (**H**)	980	970
Allocated tax	(246)	(251)
Net operating profit after allocated tax (NOPAT) (J)	**734**	**719**
Average invested capital (**K**)	6,709	7,189
ROIC-ratio (J/K) (%)	**10.9**	**10.0**

* Restated. See Note 3 of the condensed consolidated financial statements.

Note 5 Segment Reporting

Divisional revenues and operating profit

(in millions of euros)	*Full Year* 2018	2017*
Revenues		
Health	1,110	1,166
Tax & Accounting	1,295	1,234
Governance, Risk & Compliance	975	1,054
Legal & Regulatory	880	914
Total revenues	**4,260**	**4,368**
Operating profit		
Health	340	251
Tax & Accounting	254	240
Governance, Risk & Compliance	308	299
Legal & Regulatory	110	92
Corporate	(51)	(52)
Total operating profit	**961**	**830**

* Restated. See Note 3 of the condensed consolidated financial statements.

Disaggregation of revenues

The group disaggregates revenues by media format and by revenue type as part of the management information discussed by the Executive Board. Reference is made to Appendix 2 and 3 of this report.

Note 6 Earnings per share

Earnings per share (EPS)

(in millions of euros, unless otherwise stated)	*Full Year* 2018	2017*
Profit for the year attributable to the owners of the Company (A)	**657**	**636**
Weighted average number of shares *in millions of shares*		
Outstanding ordinary shares at January 1	290.3	301.9
Effect of cancellation of shares	(2.4)	(3.6)
Effect of repurchased shares	(11.2)	(13.2)
Weighted average number of shares (D) for the year	**276.7**	**285.1**
Basic EPS (€) [A/D]	2.37	2.23
Diluted weighted average number of shares *in millions of shares*		
Weighted average number of shares (D)	276.7	285.1
Long-Term Incentive Plan	2.1	2.6
Diluted weighted average number of shares (E) for the year	**278.8**	**287.7**
Diluted EPS (€) (minimum of basic EPS and [A/E])	2.35	2.21

* Restated. See Note 3 of the condensed consolidated financial statements.

Note 7 Acquisitions and Divestments

Acquisitions
Total acquisition spending, net of cash acquired, in 2018 was €166 million (2017: €313 million) and included the acquisition of Firecracker, Legisway, eVision, other smaller acquisitions, and deferred and contingent acquisition payments related to previous year acquisitions of €12 million (2017: €12 million). Acquisition related costs amounted to €4 million (2017: €3 million).

On March 21, 2018, Wolters Kluwer Health acquired 100% of the shares of Firecracker Inc. for an initial consideration of €6 million, net of cash acquired and working capital adjustments, excluding a deferred payment of €1 million. Firecracker is an adaptive learning, assessment, and study-planning solution used by more than 20 percent of U.S. medical students. Firecracker has become part of the Health Learning, Research & Practice group, has 16 employees and is headquartered in Boston, Massachusetts. Revenues are recurring in nature and derived from the U.S. market.

On September 28, 2018, Wolters Kluwer Legal & Regulatory acquired 100% of the shares of Legisway S.A., a provider of corporate contract management software, for a cash consideration of €17 million. The company employs 48 employees and is based in Paris, France. Legisway has been added to the Legal & Regulatory Software group.

On October 30, 2018, Wolters Kluwer Legal & Regulatory acquired 100% of the shares of eVision Holding B.V., a global provider of industrial operational risk management software, for an initial consideration of $140 million (net of cash acquired, working capital adjustments, and assumed debt) and a deferred contingent consideration of up to $35 million that may become payable in the future depending on certain financial and strategic targets being met. eVision will be aligned with the Enablon business unit, as eVision's software and services are highly complementary to Wolters Kluwer's Enablon environmental, health & safety (EHS) and operational risk management (ORM) platform. eVision has 225 employees and offices in the Netherlands, U.K., U.S., and Qatar. eVision recorded unaudited revenues of $25 million in 2017. While eVision's on-premise software remains in strong demand, future growth is expected to be driven primarily by recurring revenue from eVision' s cloud-based offerings. In 2017, approximately 20% of revenues was recurring and nearly 80% was booked in U.S. dollars. Margins currently reflect investment to drive growth.

In addition, smaller acquisitions were completed, with a combined acquisition spending, net of cash acquired, of €9 million excluding a total of €1 million deferred and contingent considerations, and combined annualized unaudited revenues of €13 million.

The goodwill recognized in 2018 did not include amounts deductible for corporate income tax purposes (2017: nil).

Acquisitions

(in millions of euros)	*Full Year* 2018	2017
Consideration payable in cash	157	309
Deferred and contingent considerations	13	1
Total consideration	**170**	**310**
Non-current assets	109	197
Current assets	13	38
Current liabilities	(16)	(31)
Non-current liabilities	(1)	(15)
Employee benefits	0	(1)
Provisions for restructuring commitments	0	-
Deferred tax liability	(19)	(47)
Fair value of net identifiable assets/(liabilities)	**86**	**141**
Goodwill on acquisitions	**84**	**169**
Cash effect of acquisitions:		
Consideration payable in cash	157	309
Cash acquired	(3)	(8)
Deferred and contingent considerations paid	12	12
Acquisition spending, net of cash acquired	**166**	**313**

The fair value of the identifiable assets and liabilities of some acquisitions could only be determined provisionally and will be subject to change based on the outcome of the purchase price allocation which will be completed within 12 months from the acquisition date.

Contingent consideration

The acquisitions completed in 2018 resulted in a maximum achievable undiscounted contingent consideration of €33 million. The fair value of this contingent and deferred consideration amounts to €13 million at acquisition date and at December 31, 2018.

Divestment related results on operations, equity-accounted investees, and financial assets

(in millions of euros)	*Full Year* 2018	2017
Divestments of operations:		
Consideration receivable in cash	315	93
Equity-accounted investee	2	-
Deferred divestment consideration receivable (current)	13	-
Consideration receivable	**330**	**93**
Non-current assets	0	31
Current assets (incl. assets held for sale)	234	15
Current liabilities (incl. liabilities held for sale)	(65)	(27)
Employee benefits	0	(1)
Deferred tax liability	0	1
Non-controlling interest	(2)	-
Net identifiable assets and liabilities	**167**	**19**
Reclassification of foreign exchange gain/(loss) on loss of control, recognized in other comprehensive income	-	0
Book profit/(loss) on divestments of operations	**163**	**74**
Restructuring of stranded costs following divestments	(1)	(3)
Divestment expenses	(3)	(11)
Divestment related results, included in other operating income and (expense)	**159**	**60**
Divestments of equity-accounted investees and financial assets:		
Consideration receivable in cash	6	7
Carrying value of equity-accounted investees	(1)	(1)
Goodwill allocated	(1)	-
Carrying value of financial assets	(2)	-
Divestment related results included in financing results	**2**	**6**
Cash effect of divestments:		
Consideration receivable in cash	321	100
Cash included in divested operations	(14)	(6)
Receipts from divestments, net of cash disposed	**307**	**94**

Divestment related results on operations and equity-accounted investees
The group completed three significant divestments in 2018, which were classified as an asset held for sale at year-end 2017.

On January 4, 2018, Wolters Kluwer Legal & Regulatory completed the sale of certain Swedish assets to Karnov Group, as originally announced on October 25, 2017. The consideration of the transaction, after purchase price adjustments for working capital and net debt, was SEK 611 million (€62 million) in cash and a deferred consideration of SEK 131 million (€13 million). The rationale for the divestment was to further sharpen our focus on core markets where the Legal & Regulatory division is best positioned for long-term growth. The Swedish assets sold included legal and regulatory information, in print and digital formats, as well as printing and distribution services. The business lines had revenues of €22 million in 2017 and had approximately 70 employees.

On January 6, 2018, Wolters Kluwer Governance, Risk & Compliance (GRC) completed the sale of Corsearch to Audax Private Equity, as originally announced on October 23, 2017, for €113 million in cash, after purchase price adjustments for working capital and net debt. The industry in which Corsearch operates is evolving from providing traditional trademark clearance and protection services to delivering end-to-end digital solutions for brand management and marketing professionals. Although this presented new opportunities for Corsearch, Wolters Kluwer GRC decided to focus its investment on developing its core regulatory compliance and risk management software and services for corporations, financial institutions, and law firms. The business had revenues of €53 million in 2017 and had approximately 215 employees.

On March 9, 2018, Wolters Kluwer Health completed the sale of ProVation Medical, its procedure documentation and order set management software business, to Clearlake Capital Group, L.P. for $172 million (€140 million) in cash, after purchase price adjustments for working capital and net debt. The divestment reflects the division's increasing focus on supporting healthcare providers in delivering improved patient outcomes by offering a broad and cohesive suite of products, from healthcare learning and research, to advanced clinical decision support, terminology management and patient engagement. This broad-based, multispecialty and integrated range of solutions can most effectively help healthcare providers in improving outcomes and reducing variability in care. The ProVation Medical business had revenues of €69 million in 2017 and had approximately 215 employees.

At the end of March 2018, Wolters Kluwer Health reduced its equity-shareholding in Chengdu Medicom Medical Information Systems Co., Ltd (China) from 55% to 45%. As a result, the group no longer has a controlling interest and Medicom China has been deconsolidated and treated as an equity-accounted investee starting in April 2018. The Medicom China business had revenues of €8 million in 2017 and approximately 230 employees.

On December 7, 2018, Wolters Kluwer Legal & Regulatory sold its 40% stake in Manz Schulbuch GmbH (Wien, Austria) for a consideration of €1 million.

Note 8 Contract Assets and Liabilities

Contract assets and liabilities

(in millions of euros)	December 31, 2018	December 31, 2017
Contract assets:		
Unbilled revenues	83	90
Cost to obtain a contract	34	30
Cost to fulfill a contract	1	2
Total contract assets	**118**	**122**
Receivables:		
Trade receivables	1,082	1,011
Impairment provision	(64)	(56)
Trade receivables, net of provision for impairment	**1,018**	**955**
Contract liabilities:		
Deferred income	1,592	1,486
Provision for refunds and other contract liabilities	45	43
Total contract liabilities	**1,637**	**1,529**

The impairment provision is restated to €67 million at January 1, 2018, due to the adoption of IFRS 9.

In the year 2018, the group recorded €17 million (2017: €21 million) as an expense due to impairment on financial assets, entirely due to credit risks on trade receivables and contract assets.

The majority of the cost to obtain a contract are non-current in nature.

Note 9 Assets and Liabilities held for Sale

(in millions of euros)	*Full Year*	
	2018	2017*
Assets classified as held for sale		
Disposal groups	-	247
Liabilities classified as held for sale		
Disposal groups	-	(80)
Net assets classified as held for sale	**-**	**167**

* Restated. See Note 3 of the condensed consolidated financial statements.

Disposal groups

(in millions of euros)	*Full Year*	
	2018	2017*
Health – ProVation Medical	-	50
Health – Chengdu Medicom Medical Information Systems Co., Ltd	-	12
Governance, Risk & Compliance – Corsearch	-	58
Legal & Regulatory – certain Swedish assets	-	47
Net assets classified as held for sale	**-**	**167**

* Restated. See Note 3 of the condensed consolidated financial statements.

The above listed divestments were announced but not yet completed as of December 31, 2017, and were therefore classified as disposal groups within Assets classified as held for sale in the 2017 financial statements. More information on the disposal groups in Note 7 - *Acquisitions and Divestments*.

Assets and liabilities of disposal groups
The following assets and liaibilities of the disposal groups were classified as held for sale:

(in millions of euros)	*Full Year*	
	2018	2017*
Non-current assets	-	176
Current assets	-	71
Current liabilities	-	(74)
Capital employed	-	173
Non-current liabilties	-	(6)
Net assets classified as held for sale	**-**	**167**

* Restated. See Note 3 of the condensed consolidated financial statements.

Result on disposals groups
No impairment charge had been recognized on the disposal groups in 2017.

The revenues, adjusted operating profit, and operating profit of the disposal groups can be specified as follows:

(in millions of euros)	*Full Year* 2018	2017*
Revenues	13	149
Adjusted operating profit	6	40
Operating profit	6	34

* Restated. See Note 3 of the condensed consolidated financial statements.

Note 10 Net Debt

Reconciliation gross debt to net debt

(in millions of euros, unless otherwise stated)	December 31, 2018	December 31, 2017
Gross debt		
Bonds*	1,628	1,627
Private placements*	407	396
Other long-term loans*	14	12
Deferred and contingent acquisition payments**	12	2
Derivative financial instruments**	-	3
Total long-term debt	2,061	2,040
Borrowings and bank overdrafts*	748	288
Bonds*	-	750
Deferred and contingent acquisition payments**	2	12
Derivative financial instruments**	0	0
Total short-term debt	750	1,050
Total gross debt	**2,811**	**3,090**
Minus:		
Cash and cash equivalents*	(783)	(1,020)
Deferred divestment consideration receivable	(13)	-
Derivative financial instruments:		
Non-current receivable**	(21)	-
Current receivable**	0	(1)
Net debt	**1,994**	**2,069**
Net-debt-to-EBITDA ratio***	1.7	1.8

* These financial liabilities are measured at amortized cost.

** These financial liabilities are measured at fair value through profit or loss.

*** The 2017 comparatives for this ratio have been restated for IFRS 15.

Note 11 Equity, Dividends, and LTIP

In 2018, the company completed share buybacks of €550 million, consisting of 11.5 million ordinary shares at an average share price of €47.81 (2017: €302 million, or 7.8 million shares at an average share price of €38.62). This buyback program was expanded to include additional repurchases intended to mitigate dilution caused by non-core divestments made in 2017 and early 2018.

Repurchased shares are added to and held as treasury shares. Part of the shares held in treasury are retained and used to meet future obligations under share-based incentive plans. In 2018, the company used 1.3 million shares held in treasury for the vesting of the LTIP grant 2014-16.

On October 2, 2018, the company cancelled 10.6 million treasury shares as approved by shareholders at the Annual General Meeting in April 2018. Following the share cancellation, the number of issued ordinary shares is 279.7 million, of which currently 8.6 million are held in treasury.

The 2017 dividend of €0.85 per share amounting to €238 million (2016 dividend: €227 million) was fully distributed in cash. This 2017 dividend was paid in two parts, an interim dividend of €57 million in the second half of 2017 and a final dividend of €181 million in the first half of 2018.

As announced on February, 22, 2018, the Supervisory Board and Executive Board of Wolters Kluwer resolved to distribute interim dividend for the year 2018 at 40% of the prior year's total dividend, or €0.34 per ordinary share. This interim dividend was distributed on September 19, 2018.

The LTIP 2015-17 vested on December 31, 2017. Total Shareholder Return (TSR) ranked second relative to the peer group of 15 companies, resulting in a payout of 150% of the conditional base number of shares awarded to the Executive Board and senior management. The EPS-related shares resulted in a payout of 150%. A total of 1,303,741 shares were released on February 22, 2018.

The LTIP 2016-18 vested on December 31, 2018. On Total Shareholder Return (TSR) Wolters Kluwer ranked third relative to its peer group of 15 companies, resulting in a payout of 125% of the conditional base number of shares awarded to the Executive Board and senior management. The EPS-related shares resulted in a payout of 150%. The shares will be released on February 21, 2019. The volume weighted average price for the shares released will be based on the average exchange prices traded at the Euronext Amsterdam N.V. on February 21, 2019, the first day following the company's publication of its annual results.

Under the 2018-20 LTIP grant, 611,122 shares were conditionally awarded to the Executive Board and other senior managers in the year 2018. In 2018, a total of 71,936 shares were forfeited under other outstanding long-term incentive plans.

At December 31, 2018, the Executive Board jointly held 391,274 shares (2017: 326,650 shares), of which 354,638 shares (2017: 292,014 shares) were held by Ms. McKinstry and 36,636 shares (2017: 34,636) by Mr. Entricken. One of the Supervisory Board members, Mr. Noteboom, held 4,865 shares in the company (December 31, 2017: 4,865 shares).

Note 12 Events after Balance Sheet date

Subsequent events were evaluated up to February 19, 2019, which is the date the condensed consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board. There are no events to report.

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Appendix 1 Divisional Supplemental Information – Year ended December 31

(in millions of euros, unless otherwise stated)	2018	2017*	Change: Organic	Change: Acquisition/ Divestment	Change: Currency
Health					
Revenues	1,110	1,166	50	(60)	(46)
Adjusted operating profit	302	297	39	(21)	(13)
Adjusted operating profit margin	27.3%	25.5%			
Tax & Accounting					
Revenues	1,295	1,234	84	23	(46)
Adjusted operating profit	328	320	21	(1)	(12)
Adjusted operating profit margin	25.3%	25.9%			
Governance, Risk & Compliance					
Revenues	975	1,054	38	(73)	(44)
Adjusted operating profit	290	295	19	(10)	(14)
Adjusted operating profit margin	29.7%	28.0%			
Legal & Regulatory					
Revenues	880	914	9	(34)	(9)
Adjusted operating profit	111	110	10	(8)	(1)
Adjusted operating profit margin	12.5%	12.0%			
Corporate					
Adjusted operating profit	(51)	(52)	0	-	1
Wolters Kluwer					
Revenues	4,260	4,368	181	(144)	(145)
Adjusted operating profit	980	970	89	(40)	(39)
Adjusted operating profit margin	23.0%	22.2%			

Note: (1) Acquisition/divestment column includes the contribution from 2018 and 2017 acquisitions before these became organic (12 months from their acquisition date), the impact of 2018 and 2017 divestments, and the effect of asset transfers between divisions, if any. *2017 restated for IFRS 15.

Appendix 2 Revenues by Media Format – Year ended December 31

(in millions of euros)	2018	2017*	Δ	Δ CC	Δ OG
Digital	3,274	3,318	-1%	+2%	+6%
Services	471	480	-2%	+3%	+5%
Print	515	570	-10%	-8%	-5%
Total revenues	**4,260**	**4,368**	**-2%**	**+1%**	**+4%**

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. Services includes legal representation, consulting, training, events, and other services. *2017 restated for IFRS 15.

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Appendix 3 Divisional Revenues by Type - Year ended December 31

(in millions of euros)	2018	2017*	Δ	Δ CC	Δ OG
Health					
Digital and service subscription	798	803	-1%	+4%	+7%
Print subscription	50	55	-10%	-5%	-5%
Other recurring	103	107	-3%	+1%	+2%
Total recurring revenues	**951**	**965**	**-1%**	**+3%**	**+6%**
Print books	89	98	-9%	-8%	-8%
Other non-recurring	70	103	-32%	-20%	+5%
Total Health	**1,110**	**1,166**	**-5%**	**-1%**	**+5%**
Tax & Accounting					
Digital and service subscription	939	900	+4%	+8%	+7%
Print subscription	27	30	-11%	-9%	-9%
Other recurring	141	140	+1%	+7%	+7%
Total recurring revenues	**1,107**	**1,070**	**+3%**	**+7%**	**+6%**
Print books	35	34	+1%	+3%	+3%
Other non-recurring	153	130	+18%	+20%	+11%
Total Tax & Accounting	**1,295**	**1,234**	**+5%**	**+9%**	**+7%**
Governance, Risk & Compliance					
Digital and service subscription	562	606	-7%	-3%	+3%
Print subscription	1	1	-17%	-17%	-17%
Total recurring revenues	**563**	**607**	**-7%**	**-3%**	**+3%**
LS transactional	214	239	-10%	-6%	+10%
FS transactional	98	107	-8%	-3%	-3%
Other non-recurring	100	101	-1%	+1%	+4%
Total Governance, Risk & Compliance	**975**	**1,054**	**-7%**	**-3%**	**+4%**
Legal & Regulatory					
Digital and service subscription	494	497	-1%	+1%	+5%
Print subscription	131	148	-11%	-11%	-7%
Other recurring	44	45	-3%	-3%	0%
Total recurring revenues	**669**	**690**	**-3%**	**-2%**	**+2%**
Print books	102	117	-13%	-12%	-7%
Other non-recurring	109	107	+2%	+3%	+3%
Total Legal & Regulatory	**880**	**914**	**-4%**	**-3%**	**+1%**
Total Wolters Kluwer					
Digital and service subscription	2,793	2,806	0%	+3%	+6%
Print subscription	209	234	-11%	-9%	-7%
Other recurring	288	292	-1%	+4%	+5%
Total recurring revenues	**3,290**	**3,332**	**-1%**	**+2%**	**+5%**
Print books	226	249	-10%	-8%	-6%
LS transactional	214	239	-10%	-6%	+10%
FS transactional	98	107	-8%	-3%	-3%
Other non-recurring	432	441	-2%	0%	+6%
Total Wolters Kluwer	**4,260**	**4,368**	**-2%**	**+1%**	**+4%**

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.13); Δ OG: % Organic growth. Note: Other non-recurring revenues include license & implementation fees. *2017 restated for IFRS 15.

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Appendix 4 Additional IFRS 16 Disclosure - Benchmark Figures

Wolters Kluwer will adopt IFRS 16 in 2019 based on the full retrospective approach. When we report 2019 results, we will provide restated 2018 figures for comparative purposes. A preliminary restatement is provided in this Appendix. Under IFRS 16, the year-end 2018 net-debt-to-EBITDA ratio would have been slightly higher at 1.8x.

Adjusted net profit

(in millions of euros, unless otherwise stated)	**FY 2018 Reported**	IFRS 16 Restatement	**FY 2018 Restated**
Revenues	**4,260**	1	**4,261**
Adjusted operating expenses	(3,280)	5	(3,275)
Adjusted operating profit	**980**	**6**	**986**
Adjusted operating profit margin	*23.0%*		*23.1%*
Adjusted net financing costs	(70)	(7)	(77)
Equity-accounted investees, net of tax	2	-	2
Adjusted profit before tax	**912**	**(1)**	**911**
Tax on adjusted profit	(229)	0	(229)
Effective benchmark tax rate	*25.1%*		*25.1%*
Non-controlling interests	-	-	-
Adjusted net profit	**683**	(1)	**682**
Diluted weighted average shares (million)	*278.8*	-	*278.8*
Diluted adjusted EPS (€)	**2.45**	0.00	**2.45**

Adjusted free cash flow

(in millions of euros, unless otherwise stated)	**FY 2018 Reported**	IFRS 16 Restatement	**FY 2018 Restated**
Adjusted operating profit	**980**	6	**986**
Depreciation, amortization and impairment of intangibles	220	-	220
Amortization of right-to-use assets	-	69	69
Adjusted EBITDA	**1,200**	**75**	**1,275**
Capital expenditure	(214)	-	(214)
Cash repayments of lease liabilities	-	(75)	(75)
Autonomous movements in working capital	30	-	30
Adjusted operating cash flow	**1,016**	0	**1,016**
Cash conversion ratio	*104%*	*-1%*	*103%*
Paid financing costs	(96)	-	(96)
Paid corporate income tax	(206)	-	(206)
Net change in restructuring provision	(5)	-	(5)
Tax adjustment	34		34
Other	19	-	19
Adjusted free cash flow	**762**	0	**762**

Appendix 4 Additional IFRS 16 Disclosure - Benchmark Figures (Continued)

Balance sheet

(in millions of euros, unless otherwise stated)	**FY 2018 Reported**	IFRS 16 Restatement	**FY 2018 Restated**
Total non-current assets	**6,055**	230	**6,285**
Cash	783	-	783
Other current assets	1,492	(4)	1,488
Deferred income	(1,592)	-	(1,592)
Short-term debt	(748)	(67)	(815)
Other short-term liabilities	(1,007)	14	(993)
Working capital	**(1,072)**	**(57)**	**(1,129)**
Capital employed	**4,983**	**173**	**5,156**
Total equity	2,267	(12)	2,255
Long-term debt	2,061	-	2,061
Non-current lease liabilities	-	188	188
Other non-current liabilities, incl. deferred tax	655	(3)	652
Total financing	**4,983**	**173**	**5,156**
Net debt	**1,994**	**255**	**2,249**

About Wolters Kluwer

Wolters Kluwer (WKL) is a global leader in professional information, software solutions, and services for the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

Wolters Kluwer reported 2018 annual revenues of €4.3 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,000 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

For more information, visit www.wolterskluwer.com, follow us on LinkedIn, Twitter, Facebook and YouTube.

Financial Calendar

March 6, 2019	Publication of 2018 Annual Report
April 18, 2019	Annual General Meeting of Shareholders
April 24, 2019	Ex-dividend date: 2018 final dividend
April 25, 2019	Record date: 2018 final dividend
May 8, 2019	First-Quarter 2019 Trading Update
May 16, 2019	Payment date: 2018 final dividend ordinary shares
May 23, 2019	Payment date: 2018 final dividend ADRs
July 31, 2019	Half-Year 2019 Results
August 27, 2019	Ex-dividend date: 2019 interim dividend
August 28, 2019	Record date: 2019 interim dividend
September 19, 2019	Payment date: 2019 interim dividend
September 26, 2019	Payment date: 2019 interim dividend ADRs
November 1, 2019	Nine-Month 2019 Trading Update

Forward-looking Statements and Other Important Legal Information

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

Elements of this press release contain or may contain inside information about Wolters Kluwer within the meaning of Article 7(1) of the Market Abuse Regulation (596/2014/EU).

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