THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

WKL.AS - Interim 2013 Wolters Kluwer NV Earnings Conference Call

EVENT DATE/TIME: JULY 31, 2013 / 8:00AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Meg Geldens *Wolters Kluwer NV - VP, IR*

Nancy McKinstry *Wolters Kluwer NV - Chairman and CEO*

Kevin Entricken *Wolters Kluwer NV - CFO*

CONFERENCE CALL PARTICIPANTS

Sami Kassab *Exane BNP Paribas - Analyst*

Hans Slob *Rabobank - Analyst*

Andrea Beneventi *Kepler Cheuvreux - Analyst*

Margo Joris *KBC Securities - Analyst*

Mark Braley *Deutsche Bank - Analyst*

Sander van Oort *Kempen & Co - Analyst*

PRESENTATION

Meg Geldens - *Wolters Kluwer NV - VP, IR*

Okay, great. Good morning everybody. Welcome to Wolters Kluwer's half-year 2013 results presentation. Thank you for joining us here in Amsterdam and thank you also to those of you who have dialed in or have joined us on the live webcast. Today's presentation contains forward-looking statements and of course we caution that actual results may differ materially from what's contemplated in these statements. Please refer to our annual report and also slide two for a list of the risks that would be --- apply. I will now give the word to our Chief Executive and Chairman of Wolters Kluwer, Nancy McKinstry.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Thank you Meg. Good morning, everybody. Thanks very much for joining us for the presentation of Wolters Kluwer's half-year 2013 results. As per usual, I will start with a brief summary of our results and then turn it over to Kevin Entricken, our CFO, to talk about our financial results in more detail. Then I'll come back and give you an update on the progress we're making against our strategy, talk a little bit about the outlook for 2013 and then of course have plenty of time for Q&A.

We are pleased with our half-year 2013 results as, despite some tough comparables and continued economic challenges in Europe, we achieved positive organic growth of 1%. In line with our strategy, our electronic and service subscription revenues saw 4% organic growth, and our leading high-growth positions saw organic growth of 5% or better, further extending our market positions in these key areas. Our first half-year ordinary EBITDA margin declined slightly due to investments, due to the impact of dilutive disposals as well as the timing of restructuring expenses. We expect that -- improvement in the margin in the second half and we are confident in our ability to achieve our full-year guidance.

So, with that as a summary, I'll now turn it over to Kevin Entricken to talk about our results in more detail.

Kevin Entricken - *Wolters Kluwer NV - CFO*

Thank you Nancy and welcome everyone. I'm very pleased to be here to deliver our financial results for the first half of 2013. Let's start with the highlights. First-half revenues were largely stable as compared to the prior year. This included a slightly negative effect from the weaker US dollar.

However, in constant currencies, revenue grew by 1%. Organic revenue growth was also 1% and this reflects a significant improvement in performance in the second quarter as compared to the first quarter. Ordinary EBITDA was slightly down on a reported basis reflecting the weaker dollar, but stable at constant currencies.

Diluted ordinary earnings per share of EUR0.66 was 1% off in constant currencies. However, we are still on track to deliver low-single-digit growth in EPS at constant currencies for the full year. Our free cash flow was steady at EUR140m. While this performance was impacted by the weaker dollar, it represents growth of 1% in constant currencies. Our net debt to EBITDA ratio stands at 2.6 times for the half year. This follows our cash dividend paid in the second quarter. Our medium-term target remains at 2.5 times.

Now let's take a look at the results in detail and I'd like to begin by looking at revenue by division. Underlying revenues in our Legal & Regulatory division eased by 1%. This marks an improvement over the prior year 2% decline. Tax & Accounting delivered 1% organic growth. This also represents an improvement over the prior year, partially aided by phasing. Within the Health division, after a muted first-quarter performance we achieved strong growth in the second quarter. This 4% organic growth for the half year was driven by our Clinical Solutions unit.

As we mentioned in February, we did expect to face tough comparables in the Finance & Compliance Services division. Underlying revenues declined 3%, largely driven by declines in transactional volumes and a challenging environment in transport services.

Geographically, we're seeing the trends in revenue develop very similar to the way they developed last year. Our North American businesses are seeing 2% organic growth while we see 2% organic decline in Europe due to challenging economic conditions. Asia Pacific and the rest of the world revenues are growing 8% organically, and this part of the world now represents 7% of our entire portfolio.

With that, let's take a look at revenues by type. Electronic, services and subscription revenues are our top source of revenue growth, contributing 54% of total revenue. Organic growth in these product areas was 4% for the half year. Print subscriptions, as we anticipated, declined. While underlying revenues dropped 6%, it's worth noting that we have seen a slight abatement in this rate of decline as compared to the prior year. Other non-cyclical revenue products grew organically by 3%. This growth was fueled by our Health and Financial & Compliance Services divisions. In total recurring revenues now represent over 75% of our entire portfolio and they grew 2% organically in the first half.

Now looking at our cyclical revenue streams, books revenue, the majority of which are still print, declined 8% organically. Print markets remain challenging. However, this performance also reflects our decisions to prune some of the front list titles and timing of orders. Corporate legal services' transaction volumes grew organically at 8% despite volatile market conditions. Financial services transaction revenue retreated from the prior year high. As mentioned, in this area we did anticipate tough comparables in the first half of the year. Other cyclical revenues include advertising, training and transport service transactional revenues. Underlying revenue declined 8% in this area, largely in our European markets.

With that, let's turn our attention to EBITDA. Our underlying EBITDA of EUR334m was 1% off the prior period. The EBITDA margin contracted modestly to 19.2%.

As expected, we saw contraction in the Legal & Regulatory EBITDA margin. This reflects lower revenue, the dilutive impact of disposals and investments we've made in higher-growth-rate areas. We continue to expect the Legal & Regulatory margin to contract for the full year.

The Tax & Accounting EBITDA margin improved modestly. EBITDA margins in all regions benefited from revenue phasing. For the full year, we continue to expect the Tax & Accounting EBITDA margin to be broadly in line with the prior year.

The Health EBITDA margin developed nicely. The impact in profitable growth in Clinical Solutions was enough to outpace more challenging markets in book and print journals.

Financial & Compliance Services division EBITDA declined. Operational revenue gearing played a role here as did restructuring initiatives. In addition we've made investments in new products and developments and in global expansion in this division. We expect improvement both in organic growth and in EBITDA margin in the second half.

Now let's go on to ordinary income. Ordinary net income of EUR197m was modestly below the last year. Our ordinary net finance result was an expense of EUR61m. As a reminder, this benchmark or ordinary figure excludes pension financing expenses. We do expect for the full year our ordinary net financing results to be broadly in line with the guidance we gave you in February of EUR130m at constant currencies. Our effective benchmark tax rate rose to 27.7% as compared to a year ago. The increase reflects a rising portion of our profits coming from higher-tax-rate jurisdictions, namely the United States. For the full year we continue to expect the effective benchmark tax rate to be in line with the last year.

Ordinary net income and ordinary diluted earnings per share of EUR0.66 were down 1% in constant currencies. The diluted weighted average number of shares was stable. Our share buybacks offset the dilution caused by our performance shares.

Now a few words on IFRS figures. Operating profit grew 15% to EUR285m. As you can see, this was driven by a EUR50m gain as a result of the disposal of Best Case Solutions. Additionally, amortization of intangibles increased to EUR93m due to acquisitions. Net finance results was EUR51m. This result includes a EUR12m gain of the sale of our minority stake in AccessData. The disposal gains helped drive profit before tax up 28% to EUR234m. Our reported net tax rate increased as the gain on these two divestitures were realized in a higher-tax-rate region.

Profit for the period grew 37% to EUR164m. A much reduced net loss on discontinued operations drove this result. Discontinued operations currently is the remaining pharma business, which is currently advancing through the divestiture process. Diluted EPS increased 38% to EUR0.55, reflecting the impact of gains on divestments and the reduced loss on discontinued operations.

Let's look at cash flow. Ordinary free cash flow was largely in line with the prior year at EUR140m. Let's look at the components. Ordinary operating cash flow declined 8% to EUR282m. This reflects a cash conversion rate of 85%, down from 92% a year ago. This was due to timing of payments and collections. For the full year we continue to expect our cash conversion ratio to return to more normalized levels, however, probably below the prior year record high. Paid income taxes decreased to EUR40m due to the timing of tax payments. This largely compensated for the working capital movement. Paid finance costs and appropriation of restructuring provisions were largely in line with the prior year.

With that, let's take a look at net debt. In total net debt increased EUR190m at the half year. In addition to our ordinary free cash flow of EUR140m, we received EUR74m as a result of our divestiture activity. The uses of our cash include EUR172m on acquisitions. This includes Health Language, Prosoft, Avantiq and iSentry. Additionally we also paid EUR250m (sic -- see presentation "EUR205m") in an all-cash dividend. The increase in the dividend over the prior year is a result of our decision to abolish the stock dividend. Finally, we spent EUR14m on share repurchases. Our current share repurchase program of EUR20m was subsequently completed on July 9. Net debt ended the period just under EUR2.3b.

And, with that, I'd like to take a closer look at our leverage. As I mentioned, our 12-month rolling net debt to EBITDA ratio was 2.6 times, significantly improved from the three times we saw in the prior year. Our medium-term target levels remain at 2.5 times. As we generate most of our cash in the second half of the year, we expect to be in line or better than our target by year end.

Now let's take a look at the balance sheet. The majority of our capital employed is goodwill and intangibles. The increase in goodwill and intangibles is a direct result of our acquisition and investments in information systems, partially offset by amortization and depreciation. Investments in equity-accounted investees declined related to the divestiture of our minority stake in AccessData. Our non-current assets include property, plant and equipment, fixed assets and deferred tax assets. These are largely unchanged from the prior half year. Non-current liabilities increased as a result of the increases in deferred tax liabilities. Deferred tax liabilities increased as a result of our acquisition of Health Language and Prosoft.

Long-term debt is broadly flat, although we did refinance part of this with our new bond issue in March. To wrap up our financial review, I'd like to provide an update on our debt financing. In March we successfully issued a EUR70m Eurobond with a coupon rate of 2.875%. In doing so, we took advantage of current low interest rates to refinance our existing outstanding debt. In May, we redeemed our perpetual bond at EUR225m. The remaining funds, together with our free cash flow, will be used to redeem our senior bond in January of next year. This effect will reduce our interest rate beginning in 2014.

So, in summary, we are pleased with our financial results for the half year. Organic growth was 1%, reflecting an improvement in second-quarter performance. We expect margins to improve in the second half of the year, and free cash flow was strong and largely in line with the prior year. Now, as Nancy will discuss in greater detail, we are reiterating our guidance in the full year.

With that, I'd like to welcome Nancy back to the podium.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Thank you Kevin. I'd like to begin by recapping our strategy for the next few years and giving you a progress report on how we're progressing against our objectives. Our strategy is focused on accelerating profitable organic growth and we have three priorities. The first is to expand our leading high-growth positions through organic investments and bolt-on acquisitions while at the same time divesting non-core assets.

The second priority is to deliver solutions and insights to our customers. We will continue to reinvest 8% to 10% of our revenues back in building new and enhanced products. We are significantly investing in mobile and cloud-based applications, as well as in tailored solutions in close collaboration with our customers.

And then the third priority is to deliver efficiencies through cost reductions in select areas such as technology. The near-term realized savings that we will get in 2013 against these programs will go to support our restructuring, our wage inflation, as well as our growth investments.

So now let me give you an update on how we've progressed against each one of these priorities through the first half. Our leading growing positions now represent 45% of our revenues today. Those are the areas in the shaded areas. And these businesses have been growing through the first half at an organic growth rate of 5% or higher. They include Finance, Audit, Risk & Compliance, which together achieved a 5% organic growth rate, Clinical Solutions, which once again grew organically at double-digit levels, Tax & Accounting Software, which grew at 6% globally, and Corporate Legal Services, which also grew at 6% organically despite volatile market conditions as well as tough comparables from 2012.

We continue to make significant investments in organic growth activities in these four areas. And some examples include UpToDate within Clinical Solutions; we've added our 21st specialty area in dermatology, we've introduced a foreign-language search capability, and we've embarked on building out a Chinese language version of UpToDate. In Audit, Tax & Accounting we are investing to build out our next-generation platforms across the product portfolio. In addition, the acquisitions that we've made in the first half fall very much into these targeted areas. They include Health Language in Clinical Solutions, Prosoft in Tax & Accounting and Avantiq in Corporate Legal Services.

We've made a lot of progress on our second area of focus, which is on delivering solutions that drive our customers' productivity and I wanted just to highlight an example in each one of these areas. UpToDate in Clinical Solutions has offered a mobile app for individual users for some years now. We did, however, launch in the first half UpToDate Anywhere, which makes it easier for our hospital and school customers who are enterprise users to get access to UpToDate, not just 24-seven, but whether or not they're on site or off site.

A good example of a productivity tool that drives decisions and outcomes is our new TyMetrix 360 user interface, which has increased functionality that allows our corporate legal department customers to be able to make better decisions about their legal spend. It also improves the collaboration between the corporate legal departments and the law firms.

And finally, a recently launched product that is tailored to specific customer needs is our TeamMate Express product line, which is essentially a trimmed-down version of our core TeamMate audit management solution, and it's designed specifically for smaller audit departments that have less complicated requirements and of course smaller budgets. And it's a fully cloud-based solution. So these are just three examples of how we're allocating our capital across the portfolio to drive innovation and growth.

The third pillar of our strategy is to continue to drive efficiencies across the business. We are pursuing initiatives in these five areas. Through the first half of this year, we developed specific initiatives and plans to reduce cost in these areas, and we've begun our implementation. We expect to realize some savings in the second half of 2013 and those savings will help support our restructuring efforts as well as continue to support the growth investments that we're making across the business.

Now I'd like to just highlight our acquisitions in the first half. Our acquisitions reflect our strategy to augment organic growth with bolt-on acquisitions, and they are designed to really extend our leading market positions in specific areas.

The most significant acquisitions we made are Health Language in the Clinical Solutions area. Health Language is a leader in medical terminology management. Its products allow systems that use different terms for the same medical condition to be able to communicate with each other. This is extremely important and it's a very rapid growth area in medicine because all hospitals are moving towards electronic medical records and they need, these systems need to be able to communicate with legacy systems that exist within hospitals. In addition, this area is supported by the meaningful use legislation that was passed in the US.

Second acquisition I want to talk about is Prosoft. Prosoft provides us now with a strong foothold in the Brazilian tax market, which is one of the faster-growing markets in tax in the world, and this product line is one of the leaders and operates in 27 states of Brazil. And, finally, we acquired Avantiq, which expands our Corporate Legal Services trademark business. In addition to those acquisitions, we've also made a number of smaller software acquisitions, most notably iSentry, which is a company based in the UK that fits nicely within our Finance & Compliance Service portfolio.

So with those remarks about our strategy, I'd now like to move to talk about the operating results within each of our divisions, beginning with Legal & Regulatory. Legal & Regulatory experienced a 1% organic revenue decline, which was a modest improvement over last year's results, both in North America and in Europe.

Corporate Legal Services grew 6% organically. CLS's transaction revenues grew 8%, despite the volatile market conditions in the M&A market. This was largely driven by strong growth in our UCC search and lien business, which is more closely tied to the commercial lending markets.

Law & Business, which is our US legal information business, continues to see good growth in online and software products, which was offset by declines in print subscriptions and books.

Our European legal operations declined 4%. This marked a slight improvement over the first half of last year. Online and software solutions held up well, but this was offset by declines in print subscriptions and books, as well as other cyclical product lines, like training. Through the balance of 2013, we remain cautious on the outlook for Europe, particularly within the southern countries.

The EBITDA margin contracted, as we expected, due to the revenue decline, the timing of restructuring charges and the impact from dilutive disposals.

Tax & Accounting saw 1% organic growth driven by 6% organic growth in software, which now accounts for 59% of the total revenues in this division. In North America growth in software was partially offset by the expected decline in bank products as well as softness in the publishing markets. Europe saw modest improvement in organic growth, with software growth beginning to outweigh the decline in print products. And Asia-Pacific also saw good growth in software. We extended the division's global footprint through our acquisition of Prosoft in Brazil.

And around the world we continue to invest in cloud solutions. In the US our cloud-based product called CCH Axcess is being well received by customers and customer feedback suggests that the product is delivering on the productivity benefits that we have expected. In Europe we are introducing Twinfield into the UK market to further extend the leading position that that company has within the SaaS-based accounting solution world.

Health. Health achieved 4% organic growth following a strong second quarter. Clinical Solutions, which accounts for 43% of the division's revenues maintained double-digit organic growth. Growth was seen across the product line within Clinical Solutions, with particularly strong growth at ProVation and UpToDate.

Health Language, which was acquired in January, is on track to deliver double-digit growth for 2013. Medical Research's revenues were broadly stable as online growth at Ovid was offset by continued weakness in print subscriptions. The unit continues to win society contracts and we continue to build out our open access platform through Medknow, which is our organization in India. Professional & Education book sales declined due to weaknesses in certain market segments as well as product pruning.

The growth in revenues as well as the mix shift towards Clinical Solutions drove a further improvement in our EBITA margin to 19.9%.

And now finishing up with Financial & Compliance Services. As we indicated in February, FCS faced tough comparables and was expected to see some revenue attrition as it streamlines its product line. In all the division saw a 3% organic revenue decline due to lower transaction volumes and implementation revenues within its Origination unit, which faced particularly strong comparables from 2012. This was in part due to the slowdown in mortgage refinancing in the US.

Within Audit, TeamMate delivered 5% organic growth as it continues to expand its global customer base. This growth was offset by the expected impact of migrating Axentis customers to TeamMate and other platforms. Finance, Risk & Compliance enjoyed high single-digit organic growth driven by new customers to our enterprise risk management solutions as well as by the good progress and integrating FRSGlobal and FinArch. And finally, Transport Services continues to face challenging market conditions in Europe which drove transaction volumes down.

The margin decline in the division reflects the impact of the revenue decline, the timing of restructuring and investments that we're making in global expansion.

So with those remarks I'd now like to make a few comments on the outlook for 2013, beginning with divisions. For Legal & Regulatory we expect conditions to remain challenging in Europe. However, we do expect to continue our growth in North America and rest of world.

In Tax & Accounting we anticipate a fairly steady year with growth and margins similar to 2012.

We expect Health to see good organic growth and there is scope for some margin improvement in this division despite the continued investments that we will be making.

And in Financial & Compliance Services we expect to see good growth in Finance, Risk & Compliance product lines offsetting some of the challenges that we will see elsewhere in the division and we also expect margins to see improvements in the second half of this year.

So in all we are reiterating our guidance for the full year. We expect ordinary EBITA margins between 21.5% and 22%. We expect ordinary free cash flow to be at or above EUR475m. We expect our return on invested capital to be equal or above our WACC. And we expect ordinary EPS growth to be in the low single digits.

So thank you very much for your attention and now of course we'll open it up for Q&A.

QUESTIONS AND ANSWERS

Sami Kassab - *Exane BNP Paribas - Analyst*

Yes please. Thank you Nancy. It's Sami at Exane. Three questions if I may please. First one, can you comment on the acceleration in organic revenue growth you've seen in Q2? Was that due to phasing or is it due to underlying markets improving? Was it due to you launching new products? Maybe a mix of all these. Can you comment on that please?

Secondly, can you discuss the new sales trend in Legal & Regulatory Europe? Revenues tend to lag the sales by definition. Have you seen any improvement in the net sales activity?

And lastly, can you remind me whether you expect the comparable base for the Financial Services transaction revenues to improve or to worsen in the second half of this year please?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Okay. So why don't I'll take the last two and ask Kevin to comment on phasing?

Kevin Entricken - *Wolters Kluwer NV - CFO*

The second quarter results we did see improvement over the first quarter. I specifically guided or told you in our interim statement we saw organic revenue growth decline 1% in the first quarter and improve to 3% in the second quarter. That improvement was seen across all of our divisions with the exception of Financial & Compliance Services. There was some timing impact in the Health group and in the Tax & Accounting group.

Sami Kassab - *Exane BNP Paribas - Analyst*

And excluding this timing impact, would you have seen the improvement as well?

Kevin Entricken - *Wolters Kluwer NV - CFO*

We would have seen improvement excluding that impact, yes.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

So as it looks --- as then the second question was about new sales trends in Europe, as you know, we don't give revenue guidance. But what I can tell you is that we saw an improved trend in Northern Europe relative to 2012, but Southern Europe still remains challenging. Now that's overall for revenues, both renewals and new sales.

I would say we're not seeing any major shift in new selling activity. It still remains challenging throughout Europe. But the good news is our online and software solutions continue to grow 3% organically. So where we're targeted obviously for future business and where we're focused on from a transformational perspective, those areas are still growing, and where we're seeing the weakness is really in the traditional print product lines.

And then on transactional revenue, as we've indicated, we have two major transactional lines. One is in our Corporate Legal Services group and the other is in Financial Services. Financial Services had very tough comparables from last year. Those transactional revenues grew 25% last year and then declined 4% this year largely because of the decline in mortgage refinancing activities.

We clearly have a lower comparable to meet in the second half for Financial Services so that will become part of the equation as we look within that division. However, we expect no improvement in refinancing activity. So refinancing will stay low throughout 2013 but will have less of a steep comparable to make in the second half within Financial & Compliance Services. So we expect for the whole division of FCS, as Kevin indicated, improved growth in margin in that division.

And then within CLS, it's kind of we don't have a prediction necessarily on the transaction volume. It will very much depend on what happens with M&A and corporate lending.

Sami Kassab - *Exane BNP Paribas - Analyst*

The improvement in FCS for the second half, is that versus the margin of the first half or of the second half of last year?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

We are not guiding to a specific number, but you will certainly see improvement in the second half.

Sami Kassab - *Exane BNP Paribas - Analyst*

Improvement versus what base?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Versus the first half.

Sami Kassab - *Exane BNP Paribas - Analyst*

Versus the first half.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes. Okay. Hans?

Hans Slob - *Rabobank - Analyst*

Yes. Hans from Rabobank. A couple of questions. First of all, could you update us on your restructuring initiatives, especially in Europe?

And also what your restructuring expenses were in terms of drag on the margin in H1 and do we expect more restructuring in H2 or should we expect restructuring to come down in the second half, maybe helping the margins a little bit?

And also on Europe maybe could you guide us through the portfolio transformation and possible disposals there in order to streamlining your portfolio further?

And the second question is on the Audit business because you say Audit was up 5%, but I think you're doing a migration. But I think the overall picture is that the business is down or am I not correct there, and what's really happening there with this transformation to this new product line?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Okay. So why don't I -- you want to take restructuring and I'll take the other two.

Kevin Entricken - *Wolters Kluwer NV - CFO*

Okay. Yes, in fact we did see some restructuring in the first half of the year and I'll remind you modest restructuring, nothing compared to our Springboard programs in the past. I'll also remind you, all our restructuring charges are in our EBITA numbers. We expect to fund those restructuring efforts by cost savings and operational excellence going forward.

As far as where we saw this restructuring, we did see restructuring in our Transport Service business in Europe, some in Tax & Accounting North America and some in Medical Research. We do expect to see restructuring in the second half of the year continue but again at very modest levels.

Hans Slob - *Rabobank - Analyst*

So it's relatively steady state. There's not a need to do more, for instance in Europe?

Kevin Entricken - *Wolters Kluwer NV - CFO*

And we will constantly look at our portfolio, through operational excellence look to improve upon the business where we see fit.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes, so you should expect that we will do more restructuring in Europe both this year and next year just as we continue to change the portfolio, which I'll talk about, and right-size the cost base. But, as Kevin indicated, that will all flow through the normal P&L that we have.

On the portfolio, we are in the process of rebalancing our footprint in Europe. So what does that mean? That means that we are focused on core online and software products in the legal and tax segments, and then we are de-emphasizing or exiting the regulatory markets and some of the even business media markets that we've been in historically. We are also continuing to extend our business in Corporate & Legal Services and Financial Services within Europe, which has been a growing area for us. So we're putting capital in the growing areas of Europe and either harvesting or exiting the non-growing or the traditional assets.

So what that means is that, as you know Hans -- you've been watching us for a long time now -- over the last decade we've divested about EUR800m of assets. So every year we're looking at our portfolio for where we do we want to continue to invest, where might we want to dispose. So we will continue that process and we will continue to dispose of things that don't fit the portfolio.

Hans Slob - *Rabobank - Analyst*

So you really would like to dispose all of your regulatory businesses in Europe? How large is that business in total?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

No. It's really a country by country assessment and it's more product lines, but they typically fall into non-legal areas. So in one country it might be something that serves the public administration. In another area it might be something that's been targeted at financial professionals, for example. So we have a lot of different product portfolios in the countries, but those tend to be, the regulatory area is where they tend to fall.

And then the last question was on Audit. What we indicated was the core product in the Audit area is TeamMate which has been growing very well for many years now. It grew 5% organically through the first half. That growth was offset by the migration of the Axentis customer base. We are basically exiting the Axentis product line through a series of activities, whether we migrate them to another product within our portfolio or even a third party offering, and as a result of that it's virtually flat and so that's what you will see in the first half of this year.

Hans Slob - *Rabobank - Analyst*

Okay. Thanks.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes, please.

Andrea Beneventi - *Kepler Cheuvreux - Analyst*

Thank you. Good morning. It's Andrea Beneventi from Kepler. My first question is to come back to FCS. Can we expect better trends already in the third quarter of the year or will we have to wait until the last quarter?

And secondly, on print do you see revenue decline abating in the second half?

And finally on the working capital absorption that we have seen in the first half, is it related in any way to payment delays from customers please?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Do you want to do working capital and then I'll come back to the other two?

Kevin Entricken - *Wolters Kluwer NV - CFO*

Sure. On the working capital, as I said, the changes in working capital are largely due to the timing of payments and collections, more so on the payments side and where we saw the timing of some of our vendor payments that in the prior year were in the third quarter, changes in contracts were moved into the second quarter. So it's largely in that area.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

And then in terms of FCS, we do expect that we will see improved performance on the growth side both in the third and the fourth quarter. And of course some of that depends on the timing of the larger contracts but that's clearly what our expectations are.

And then on the print decline, print falls into two product lines. Print subscriptions, where the rate of decline in the first half of this year was lower than the prior year rate so we are seeing some return to what I would call is the normal structural decline on the subscription side. On books, that actually went in the other direction both because of soft markets but also because of deliberate pruning activities that we are undertaking as it relates to some of our front list. So we would expect that these trends will likely continue through the second half although I would just tell you that books always gets stronger in the second half of the year than the first half of the year based on just the normal patterns that we have.

Andrea Beneventi - *Kepler Cheuvreux - Analyst*

On books could you highlight how much of this 8% decline came from pruning?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes, we're not giving that specific number, but I would tell you that it did have an effect on the overall rate of decline.

Andrea Beneventi - *Kepler Cheuvreux - Analyst*

Thank you.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes, please.

Margo Joris - *KBC Securities - Analyst*

Margo Joris, KBC Securities. My first question is the 3% organic growth in the second quarter, do you see any reason why you cannot maintain this in the second half?

And then on Corporate Legal Services business, I got the impression during the seminar that the 6% growth posted last year could not be maintained because of all kinds of trends. Can you give me a little bit more flavor on what you saw in the second quarter and what you expect for the second half?

And then on the margin improvement in the Financial & Compliance business you guide for some improvement and then on Group level you say that the decline in Legal will be offset by improvement in other divisions while you guide for flat margin in Tax & Accounting. Is this coming from Financial & Compliance as well or do you expect a flat margin in this division, or will it be lower? So my question is the Financial & Compliance margin, what can we expect for the second half in terms of improvement? Thank you.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Before I answer I'd like to remind you we don't give margin guidance by division but I'll do my best to try and give you some color commentary and ask for your help, Kevin, as well. Within -- on the second quarter performance, as Kevin indicated, we had 3% organic growth in the second quarter and we had 1% decline in the first quarter. So of course there's a lot of timing and phasing that goes on in that so we don't give revenue guidance for the full year but I would just remind folks that we typically have stronger performance in the second half of the year than in the first half of the year. So I don't think you should make too much of the change between first and second quarter, but look at it more in totality.

Second thing is on CLS. CLS did have tough comparables from 2012. We continued to see good performance in lending, which is in our UCC area. I would say the activity level in M&A and IPO was less than prior year, but good lending activity. So we don't have a prediction for you on the second half of this year because it all depends on what happens with lending and with M&A activity so we're continuing to look at it on a month-to-month basis.

And then on margins in FCS, you want to address that?

Kevin Entricken - *Wolters Kluwer NV - CFO*

Yes. I will say margin development, as you know, margin development is usually in our business stronger in the second half of the year as compared to the first half of the year. We have told you that we do expect challenging margin in the L&R business. I will say that Tax & Accounting, we expect that to be somewhat stable. We do expect Health and FCS, as we guided to you, to be strong in the second half of the year.

Margo Joris - *KBC Securities - Analyst*

Okay. Thank you.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Do we have questions from the web?

Unidentified Company Representative

Yes, we do have one question from a dial-in. Do you want to put him through?

Operator

Yes, please. Mark Braley from Deutsche Bank is up next. Your line is open and please speak loud and clearly.

Mark Braley - *Deutsche Bank - Analyst*

Yes, good morning. Apologies, just this is a bit like the last question, but just thinking about this in terms of the full-year margin guidance. You've kept the 21.5% to 22%. Last year on the restated basis you were at 21.5%.

Now if we take what you're saying about the divisions in turn, in Legal you're going to be down, in Tax & Accounting you're suggesting about flat. Those are your two biggest divisions. In FCS the first-half margin's quite a long way down. You're saying improvement in the second half, but it doesn't sound as if we're looking for improvement on a full-year basis there. So we're left with Health, which is up slightly in margin terms in the first half. Do we have to assume quite a lot of full-year margin progress in Health for the top end of your overall margin guidance to be plausible?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes, I have to be honest, Mark, we heard about a third of what you asked come through. But I think that we got the basics, which is about how will margins develop in the second half to reach our full-year guidance. So I'm going to just start and then turn it over to Kevin. Clearly we're reiterating our guidance for the full year so we have confidence in the margin guidance that we've given you. And then, Kevin, you want to maybe explain the math a little bit?

Kevin Entricken - *Wolters Kluwer NV - CFO*

Yes. As I said, we do expect improvement in the Financial & Compliance Services business. We expect revenue to improve as well. So the improved revenue in the second half will certainly support margins in that business. The Health business, we always do see margin improvement in the second half of the year. That has a lot to do with revenue phasing as well. As you know, our selling seasons in the book business are largely the second half of the year as well as in our Clinical Solutions software business. So those revenue developments will also support margins in the second half of the year. As we've said before, we do expect some margin contraction in L&R and we do expect the Tax & Accounting margins to be in line.

But beyond that, the first half performance, based on our expectations, gives us the confidence to say that we will meet our guidance for the full year.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

And then finally, Mark, just one last quick comment is of course we're getting some benefit from the restructuring that we're doing that we sort of are paying for in the first half but the benefits come in the second half and that helps to mitigate the impact of the restructuring charges that we've taken.

Mark Braley - *Deutsche Bank - Analyst*

Okay. Great. Thank you.

Unidentified Company Representative

We have a question that's coming from the webcast from Peter Wilton of IBIS Capital. He asks can you please provide some idea of the scale of the print infrastructure, i.e. warehousing etc., and how are you managing the diseconomies of scale in print as print volume declines?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes. So if you look at our print business we have moved over many years to outsource the largest components of the print production costs. So we outsource our printing. We also are one of the larger on-demand printers in the US for a lessee perspective. So if you look at the margins of our print subscription business, they're relatively high as a result of having variabalized a lot of those costs. So we still have a couple of warehouses around the world but it's not a significant cost for us. So we are in a good position from a scale perspective around the decline in print because as you all know we've been managing that decline for several years now. So that is not a major issue for us from a cost standpoint.

Operator

(Operator Instructions).

Unidentified Company Representative

So we should probably move back to the room.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Yes. Any other questions? Why don't we go to the second row and then, Sami, we'll come back to you?

Sander van Oort - *Kempen & Co - Analyst*

Sander van Oort, Kempen. Two questions if I may. First of all on Transport Services, I was wondering if you've seen the bottom already if you look at the volumes and the top line performance in the second quarter versus the first quarter?

The second question is to do with the restructuring. Is it fair to assume that you took most of the costs in the first half of the year and have seen relatively limited benefit so far or are there already any positive impacts from the restructuring visible in the first-half results?

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Do you want to do restructuring?

Kevin Entricken - *Wolters Kluwer NV - CFO*

On restructuring you're right to assume that usually with restructuring you spend ahead of the savings so we do expect to see some benefit of that in the second half of the year. I'd also point out that some of our operational excellence programs, we'll see some benefit of those in the second half of the year, so that also supports the underlying margin. The restructuring in the second half of the year, I do expect that there will be some small restructuring efforts that we kick off in the second half of the year, probably in Europe is where I would point to, but given all of this I do say that what we're seeing right now we're confident that we can reiterate guidance of our margin improvement for the full year.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

And on Transport Services, we still are seeing the same rate of decline in volumes as we saw in the prior year so there is not yet any indication yet of a change in that trend line.

Yes, Sami.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you. You announced restructuring in the Medical Research and Tax & Accounting in North America. Can you be more specific as to what part of these divisions are being restructured? Is it just the bank products within Tax & Accounting or is it something else? And the same goes for Medical Research; is it something going on at Ovid or is it more the print (inaudible) part?

Kevin Entricken - *Wolters Kluwer NV - CFO*

I would say in each of those businesses we're constantly looking at the most efficient way to go to market, what's the most efficient way to bring our products to market. As we have evolved in those two areas we've taken a look and made some changes to be much more efficient. So it's not necessarily in print or just Ovid but the division as a whole. We're looking at the best optimal way.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

There's been more sales force restructuring in Tax & Accounting and in MR.

Sami Kassab - *Exane BNP Paribas - Analyst*

And can you quantify the amount of legal textbook revenues you generate? How big is it in the Law & Business division? Is it half of it?

Kevin Entricken - *Wolters Kluwer NV - CFO*

Yes, actually we don't guide revenues at that level of granularity, but we can say that the book markets in the Legal & Regulatory business did see pressure. Some of it is due to enrolments being down in law schools and some of it is due to the pruning of some of the titles that we've executed.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you.

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Also one of the things which I think we mentioned in February is that we had a particularly strong front list in legal ed in 2012 and we, obviously you can't repeat that every single year. So that's also a factor this year as well.

Unidentified Company Representative

Any more questions from the room, otherwise I have one from the webcast. Okay, we have a question coming from Pavel Govciyan from Natixis in Paris. He asks regarding Wolters Kluwer's Sante disposal, Health in France, can you give us an agenda and elaborate on the current procedures?

Kevin Entricken - *Wolters Kluwer NV - CFO*

Certainly I can tell you that we are progressing through that process. And beyond that we don't comment on specifics as we are in the middle of a process, but we are progressing.

Unidentified Company Representative

Any more questions from the room? Yes, I think that's it. No questions from the --

---

Nancy McKinstry - *Wolters Kluwer NV - Chairman and CEO*

Thank you very much. We really appreciate you joining us this morning and we welcome you to attend our customer meeting and roundtable that will follow this, and there's also some refreshments for you outside. So thanks a lot.
