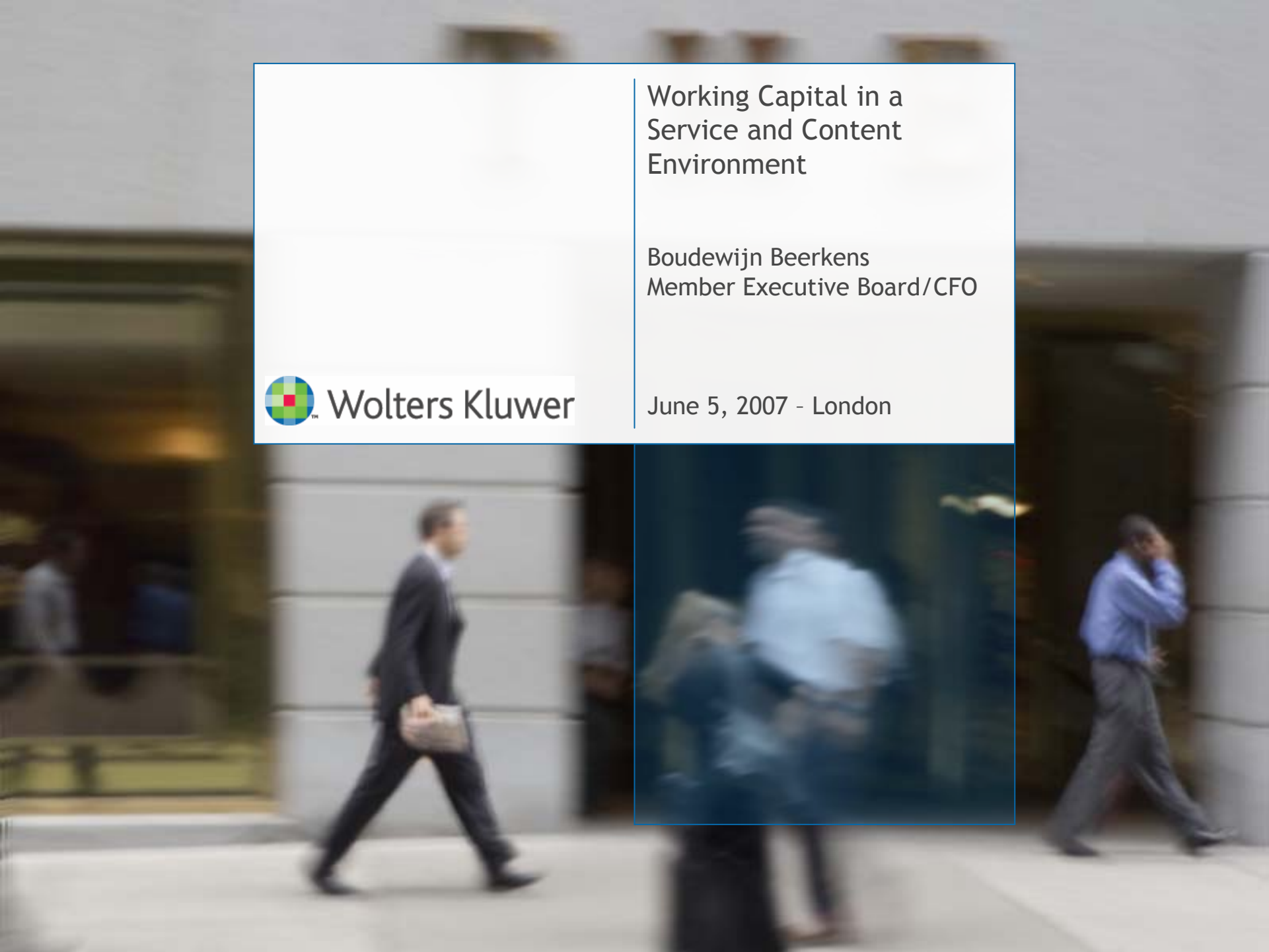


# Working Capital in a Service and Content Environment

Boudewijn Beerkens  
Member Executive Board/CFO



June 5, 2007 - London



# Agenda

- Introducing Wolters Kluwer
- Working Capital Management at Wolters Kluwer
- Credit Management initiatives at Kluwer Netherlands
- Achievements & next steps
- Conclusions

# Introducing Wolters Kluwer

# A Global information provider

## ■ Business profile

- Global information services and publishing company
- Market leading positions in core markets
- Operating in >30 countries; Europe, North America and Asia Pacific

## ■ Key market themes






- Migration from print to electronic is accelerating
- Compliance, regulation and information depth and breadth
- Developing leadership positions in adjacent markets
- Key drivers of growth opportunities, increasing in major markets

## ■ Financial highlights

- Euronext listed (AEX index)
- Market Capitalisation € 7 bln and Enterprise Value € 9 bln (31/05/07)
- Revenues 2006 € 3.4\* bln with 17% operating margins
- 85% institutionally held (of which 37% North America, 62% Europe, 1% Other)

*\*restated for continuing operations*

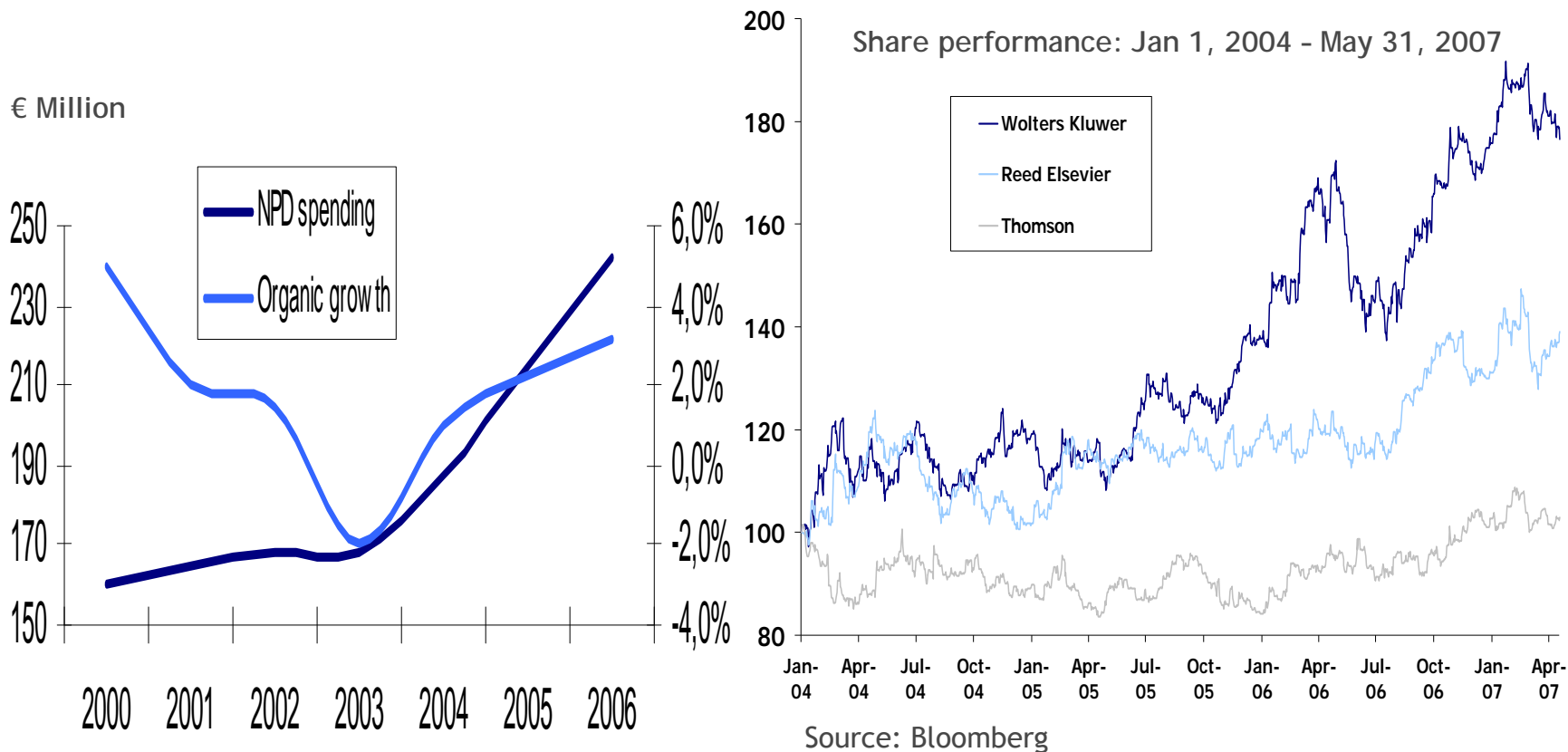
# Our strategy: to build on leading brands and positions

	Revenues 2006 (mln)	EBITA margin	Core Markets	Key Vertical Brands
 Health	€823	15%	<ul style="list-style-type: none"> <li>• Clinical solutions</li> <li>• Medical research</li> <li>• Pharma solutions</li> <li>• Professional &amp; education</li> </ul>	<ul style="list-style-type: none"> <li>• Lippincott Williams &amp; Wilkins</li> <li>• Ovid</li> <li>• Adis</li> <li>• Source Healthcare Analytics</li> <li>• Medi-Span/Facts &amp; Comparisons</li> </ul>
 Corporate & Financial Services	€534	22%	<ul style="list-style-type: none"> <li>• Business Entity Compliance</li> <li>• Governance</li> <li>• Litigation and practice management</li> <li>• Banking and insurance</li> <li>• Securities and mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• CT</li> <li>• CT TyMetrix / CT Summation</li> <li>• Wolters Kluwer Financial Services</li> <li>• PCi</li> </ul>
 Tax, Accounting & Legal	€826	19%	<ul style="list-style-type: none"> <li>• Tax research</li> <li>• Tax compliance</li> <li>• Specialty legal</li> <li>• Productivity tools and software</li> </ul>	<ul style="list-style-type: none"> <li>• CCH</li> <li>• ProSystem fx</li> <li>• Wolters Kluwer Law &amp; Business</li> <li>• ATX/Kleinrock</li> <li>• Croner</li> </ul>
 Legal, Tax & Regulatory Europe	€1,194	17%	<ul style="list-style-type: none"> <li>• Broad legal coverage</li> <li>• HR professionals</li> <li>• Tax &amp; accounting professionals</li> <li>• Health, safety and environment</li> <li>• Transport services</li> </ul>	<ul style="list-style-type: none"> <li>• Kluwer</li> <li>• Lamy</li> <li>• LA LEY</li> <li>• Luchterhand</li> <li>• Teleroute</li> </ul>
 Education*	€316	20%	<ul style="list-style-type: none"> <li>• Secondary education</li> <li>• Primary education</li> <li>• Vocational education</li> <li>• Higher education</li> </ul>	<ul style="list-style-type: none"> <li>• Wolters-Noordhoff</li> <li>• Liber</li> <li>• Nelson Thornes</li> <li>• Bildungsverlag Eins</li> </ul>

\* Discontinued in 2007

# Organic Growth and Share Performance

- Decline in organic growth was turned around by substantial investment in new product development, sales and marketing and restructuring the business to a customer-focused organisation.
- Significant positive reaction in share price.



# Strategy For 2007 And Beyond: Accelerating Growth To Deliver Superior Shareholder Value



# 2007 Outlook & Beyond

Key Operational Measures	2003	2004	2005	2006	2007 <sup>1</sup>	Beyond 2007 <sup>1</sup>
Organic Revenue Growth	-2%	1%	2%	3%	4%	4-5%
Ordinary EBITA Margin	18%	16%	16%	17%	19-20%	Continuous improvement
Cash Conversion	109%	126%	106%	100%	95-105%	95-105%
Key Financial Measures						
Free Cash Flow	€393 mln	€456 mln	€351 mln	€443 mln	± €425 mln	> €425 mln
ROIC %	7%	7%	7%	7%	≥ WACC <sup>2</sup>	> WACC <sup>2</sup>
Ordinary Diluted EPS	€1.18	€1.02	€1.06	€1.23	€1.45-€1.50	Double-digit growth

<sup>1</sup> For continuing operations and at constant currencies EUR/USD 1.26

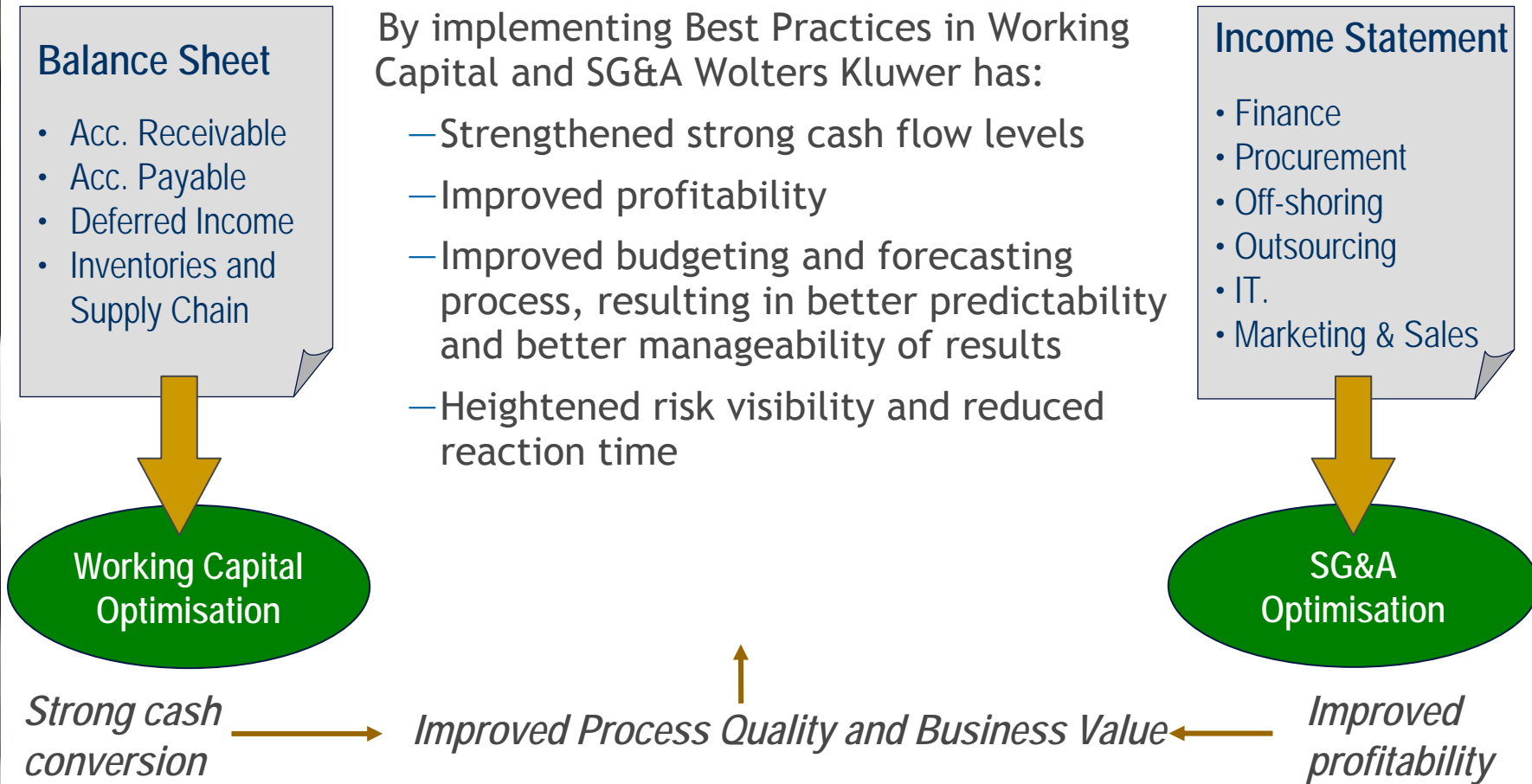
<sup>2</sup> Currently 8% after Tax



# Working Capital Management at Wolters Kluwer

# Wolters Kluwer Working Capital Management

A holistic approach focusing on the Balance Sheet and Income Statement

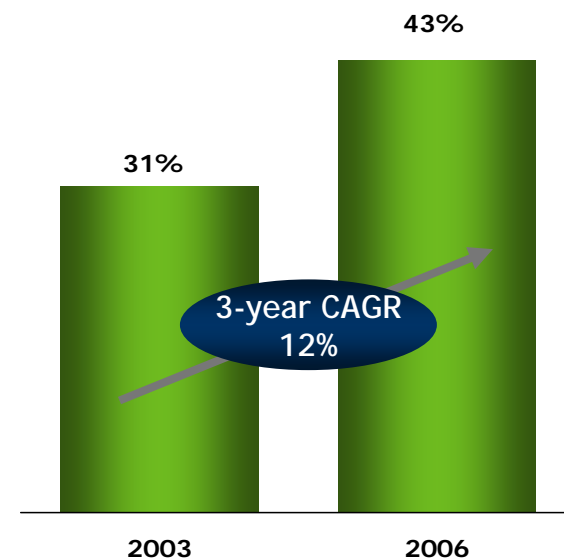


Source: REL

# Negative Working Capital at Wolters Kluwer

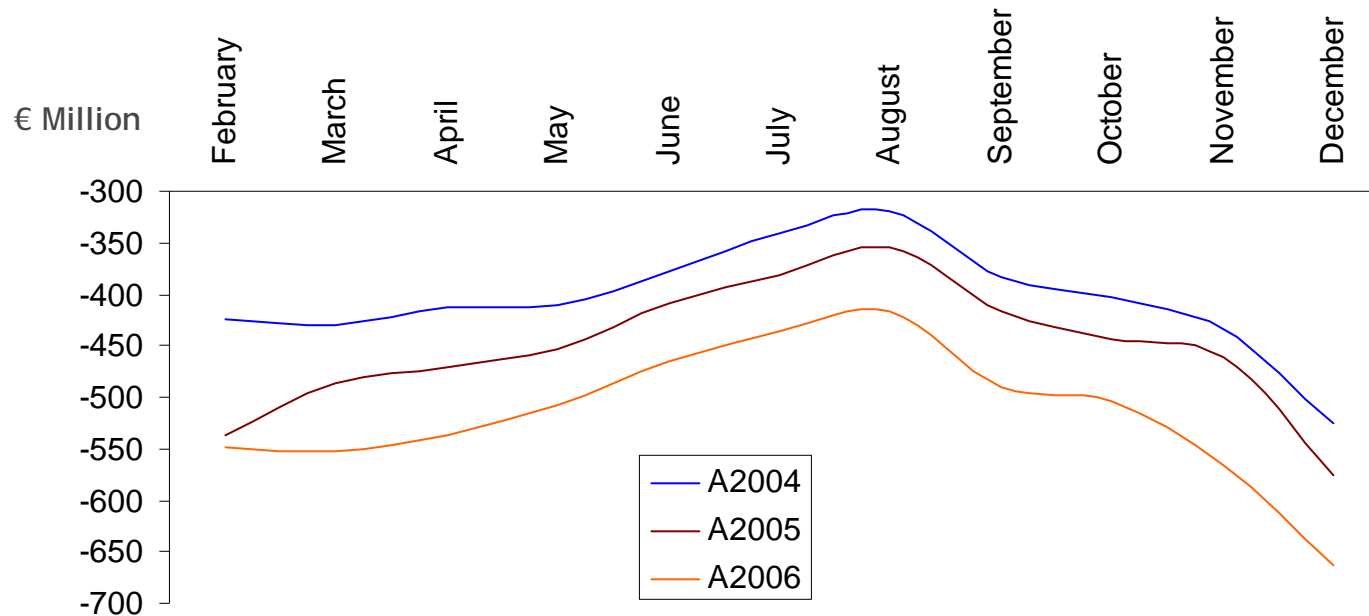
€ Million	YE 2006
Inventories	134
Accounts receivables	969
Deferred Income	(979)
Trade and other payables	(420)
Other current liabilities	(355)
<b>Operating Working Capital</b>	<b>(651)</b>

Percentage of Wolters Kluwer Revenue from Online/Electronic



- The Wolters Kluwer business is subscription driven resulting in a high proportion of deferred income and negative working capital.
- Our current business model requires investments in accounts receivables. Investments in inventory are minimised through a transition to electronic publishing and print on demand.

# Working Capital trend Wolters Kluwer



- Working capital improves in Q4 due to advanced invoicing and collection of subscription products and declines in Q1 and Q2 as subscription obligations are fulfilled.
- Q3 peak is driven by Education business sales cycle and will level off after the divesture of this division.

# Why Working Capital initiative?

- Strategic Importance: Working Capital is a significant driver of Free Cash Flow, Cash Conversion and ROIC: 3 of the 6 Company Key Performance Indicators.
- Improve Profitability: Profits are maximised by improved Working Capital positions (reduced financing charges, bad debt and inventory obsolescence write offs).
- Drive Operational Excellence: Optimisation of processes (purchasing, billing, inventory, collections).
- Improving Working Capital demonstrates financial and operational discipline and control to external stakeholders and enhances shareholder value.

# Active Working Capital Management initiated on central level

Working Capital Project centrally initiated at executive board level with strong operational involvement

Introduced incentive system on divisional level and business units

Share best practices

# Operational excellence on Divisional and Business unit-level

Divisions and BU's focus on all relevant line items improving Working Capital:

- Accounts Receivable: Improved collection processes, dunning and customer service procedures.
- Accounts Payable: Vendor consolidation and renegotiation of payment and discount terms.
- Deferred income: Timely start of renewal process and clear communication to customers regarding payment and service maintenance.
- Inventories: Decrease due to print on demand and shift from print to electronic.

# Initiatives to improve Accounts Receivable and Accounts Payable at divisions and business units

## ■ Initiatives to improve Account Receivables:

1. Transactional business model offering with credit card payment
2. Tailor collection efforts by customer segment
3. Increase customer touch points
4. Encourage use of upfront credit card payments on new sales and renewals
5. Collection efforts focused on top down approach
6. Segregate credit management from account collection
7. Collaborative collection efforts for significant accounts across business units

## ■ Initiatives to improve Account Payables

1. Summarised vendor billing and payment arrangements
2. Consolidating vendor spend through sourcing efforts
3. Consolidating print and paper buying volumes
4. Application of payment tools to maximise days payables outstanding metrics
5. Leverage off-shore relationships



# Initiatives to improve Deferred Income and Inventory levels at divisions and business units:

## ■ Initiatives to improve Deferred Income:

1. Offer automated renewal options to our customers
2. Adopt early subscription renewal process
3. Extension of multiyear contracts
4. Investments in sales and marketing

## ■ Initiatives to improve Inventory Levels

1. Encourage customer migration to online products
2. Tight management of print runs
3. Improved management of work in progress lead times
4. Migration to print on demand minimises need for capital tied up in inventory

# Credit Management initiatives at Kluwer Netherlands

# Kluwer Netherlands: Credit Management (CM) Operational Excellence

- Credit Management reports directly to CFO
- Whilst keeping the customer on board, still collecting every €uro, as quick as possible
- Quality billing (on time, correct, complete)
- Up front invoicing at the first possible moment (cash flow vs. economies of scale billing and planning capacity)
- CM part of the customer chain with a risk driven focus, but segregated from account management activities.
- Friendly, firmly and professionally collecting sales.
- Credit Management is in charge of credit limits AND credit terms
- Active CM: communication via mail, e-mail, phone and personal visits.
- CM process strengthened with a new automated CM-tool which:
  1. Improves transparency in the dunning process
  2. Improves management information and dashboard functions

# The automated Dutch CM-tool

OnGuard ICMS 1.4 (Kluwer Nederland) - [Jongbloed Juridische Boekhandel]

OnGuard Debiteuren Facturen Acties Disputen Venster Help

Nummer: 27846874  
 Nwe. debnr. (samenvoegen)  
 Status: Actief  
 Factuur saldo open: € 2.675.476,59  
 Naam: Jongbloed Juridische Boekhandel  
 Adres 1: Noordeinde 39  
 Postcode: 2514 GC  
 Plaats: 'S-GRAVENHAGE  
 Primair contactpersoon: Janssen  
 Telefoonnummer 1: +31 (070) 356 02 02  
 Profielklasse: KLU\_Boekhandels Speciaal  
 Profiel: boekhandel BGN/VIP/Speciaal  
 Debiteur status: actief

Openstaande facturen | Tellingen & saldo's | Debiteur notities | Debiteur gebruikersvelden | Factuur gebruikersvelden

	Factuurnummer	Factuurdatum	Vervaldatum	Bedrag	Bedrag open	Bedrag betaald	Datum betaald	+/-	T	B	!	B	Val.	Verlopen	InGuard
	120983531	31-7-2005	15-8-2005	1.054.680,61	1.044.730,77	9.949,84		-	T				0 €	78	15-€
	122249220	31-10-2005	15-11-2005	661.361,18	661.361,18	0,00		+					0 €	-14	15-11
	121862767	30-9-2005	15-10-2005	542.211,05	542.211,05	0,00		+					0 €	17	15-10
	121415210	31-8-2005	15-9-2005	454.533,29	454.533,29	0,00		-	T				0 €	47	15-9
	122249204	31-10-2005	15-11-2005	4,30	4,30	0,00		+					0 €	-14	15-11
	122213457	26-10-2005	26-10-2005	-31,51	-31,51	0,00		+					0 €	6	26-10
	121377899	24-8-2005	24-8-2005	-69,05	-69,05	0,00		-	T				0 €	69	24-8
	121713028	21-9-2005	21-9-2005	-82,26	-82,26	0,00		-	T				0 €	41	21-9
	121631667	14-9-2005	14-9-2005	-86,80	-86,80	0,00		-	T				0 €	48	14-9
	121820922	28-9-2005	28-9-2005	-110,70	-110,70	0,00		+					0 €	34	28-9

Gereed Gebruiker: Marianne van Teijlingen (M.)

# Strengths of the Dutch automated CM-tool

- Ability to split bad debtors from “late payers” and turn customers into individuals.
- Intelligent alert function with 300,000 debtors and 750,000 invoices at Kluwer Netherlands.
- Workflow tool which supports the CM policy and processes.
- Credit scoring model with the ability to localise tomorrow’s bad debtor.
- Cash flow forecasting.
- Creating a log of each customer contact/ action.
- Building performance reports per credit analyst (actions/ € collected).
- Break even calculation of efforts vs. profits.
- In line with Wolters Kluwer Internal Control Framework.

# Kluwer Netherlands: improved performance on Credit Management

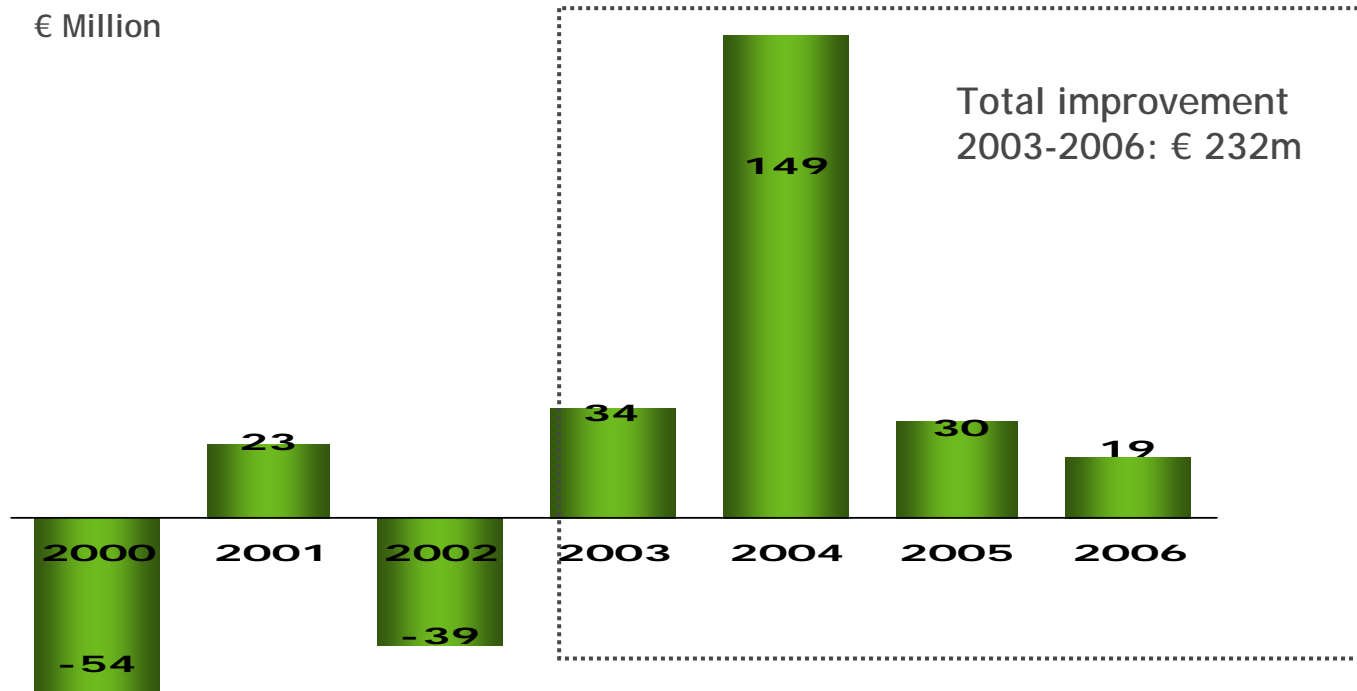
Year	DSO	Write-offs	# dunning letters
2003	72	0.3%	350,000
2004	66	0.5%	300,000
2005	54	0.3%	260,000
2006	39	0.2%	136,000

Dutch CM model including CM-tool currently the European standard

# Achievements and next steps

# In the past 4 years Organic Working Capital has improved €232 million (1)

Working Capital improvement an important source of funding



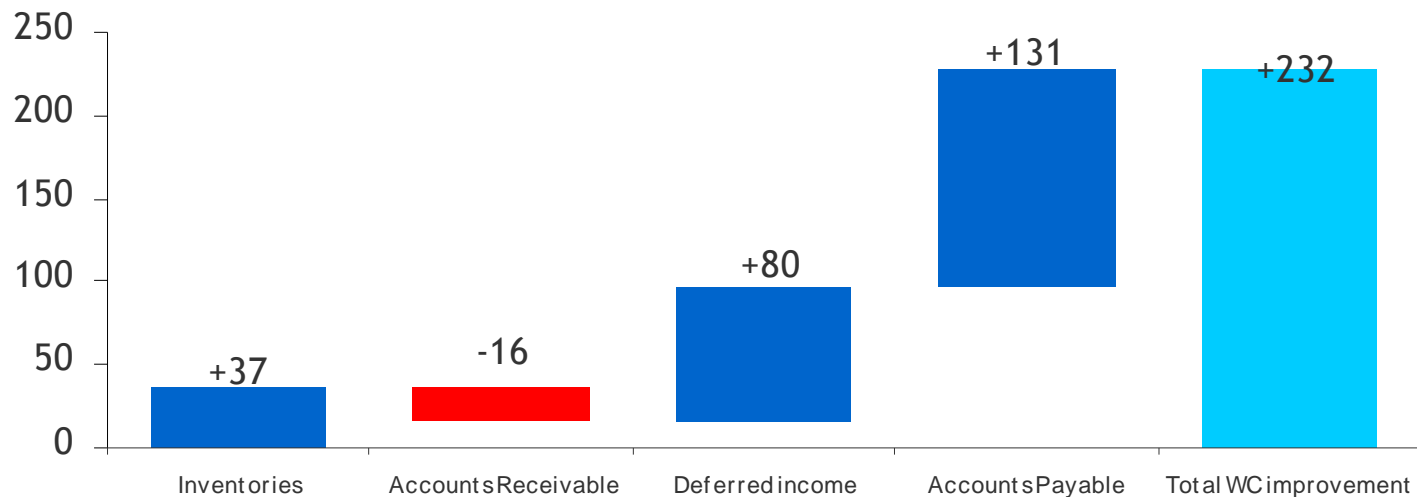
Organic Working Capital Movements



# In the past 4 years Organic Working Capital has improved €232 million (2)

- Significant components of Working Capital: Deferred Income, Accounts Receivable and Accounts Payable

€ Million



Next steps: Institutionalising operational excellence will further strengthen Process Quality and Business Value

## Strategic Initiatives

- Globalized strategic sourcing initiatives
- Data centre consolidation
- Off-shoring and outsourcing
- Collaborate management of wholesaler inventory levels
- Share best practices across business units
- Instil operation excellence throughout all aspects of working capital management

# Conclusions

1. Make working capital management a top priority
2. Drive to all levels of the organisation
3. Working capital financial initiative drives operational excellence in the business units
4. Improved working capital management provides a source of investment funding
5. Optimising working capital is a continuing process



Enhanced value for customers and shareholders



## The Professional's First Choice

Provide information, tools, and solutions to help professionals make their most critical decisions effectively and improve their productivity