

Press Release



Wolters Kluwer nv
August 14, 2001

Half-Year Results 2001

Wolters Kluwer reports First Half 2001 Results Positive Outlook for Full Year maintained

- Sales up 7% to EUR 1,808 million (5% at constant currencies); organic sales up 2%
- Operating income (EBITA) at EUR 344 million (HY1-2000: EUR 362 million); impact additional Internet spending EUR 43 million (HY1-2000: EUR 8 million)
- Internet sales doubled to EUR 175 million (HY1-2000: EUR 89 million); Internet sales are expected to end 2001 at approximately EUR 350 million
- Total electronic sales representing 26% of sales (EUR 470 million), expected to increase to more than EUR 1 billion by year-end
- Ordinary net income before amortization of intangible fixed assets (benchmark profit) at EUR 173 million, consistent with forecast for full year 2001. Excluding the impact of additional (Internet) product development, the benchmark profit increased by 3%.
- Outcome portfolio review Legal, Tax & Business Europe: focus on six rather than sixteen core customer segments, accounting for approximately 75% of sales
- Solid financial position (single A rating)
- Acquisition program on track: 13 companies acquired, nearly all smart information tool (software) companies
- Outlook 2001 unchanged: ordinary net income before amortization of intangible fixed assets approximately 5% higher, at constant currencies

Benchmark Figures

EUR million	HY1 2001	HY1 2000 pro forma restated ¹⁾	Change %	HY1 2000 as reported
Net Sales	1,808	1,690	7%	1,690
EBITDA	395	406	(3%)	406
EBITA	344	362	(5%)	362
EBITA margin %	19.0%	21.4%		21.4%
Ordinary profit before tax and amortization of intangibles	256	278	(8%)	278
Ordinary net income before amortization of intangibles	173	191	(9%)	191
Ordinary EPS before amortization of intangibles 'fully diluted'	EUR 0.62	EUR 0.69	(10%)	EUR 0.69
Ordinary free cash flow	47	76	(38%)	76
Ordinary free cash flow per share 'fully diluted'	EUR 0.16	EUR 0.28	(43%)	EUR 0.28

¹⁾ Restated for changes in standards Dutch Council for Annual Reporting with respect to amortization of intangibles (see Appendix)

Rob Pieterse, Chairman of the Executive Board of Wolters Kluwer, about HY1-2001:

'Our businesses were able to realize further top-line growth, bringing sales to EUR 1,808 million, despite the divestment of Professional Training. Our strongest performer was Legal, Tax & Business North America. The fact that we were able to double our profitable Internet sales to EUR 175 million shows that our Internet policy is proving to be very successful. We expect our Internet sales to reach approximately EUR 350 million by year-end. Overall, our migration towards electronic products and services is well underway.'

I am extremely pleased with the positive outcome of the portfolio review of Legal, Tax & Business Europe, which will lead to a concentration of our resources and attention on six rather than sixteen customer segments. This gives me confidence that the European cluster will further improve its performance. Our European activities will become more cost effective and will increase the speed and quality of product development.

The performance of International Health & Science was unsatisfactory. This cluster was confronted with a number of operational setbacks, partly originating from events in 2000.

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Under the leadership of my colleague Hugh Yarrington, actions are being taken to bring this cluster back on track towards the end of this year.

I am also delighted to report that our drive to create a more entrepreneurial and innovative culture has taken root within our organization. Aside from the additional (Internet) product development program, operating companies throughout the organization also are initiating programs to enhance their organic growth in the years to come.

We expect that our acquisition program aimed at smart information tools will also contribute to an acceleration of our growth.

In the light of the implementation of our strategy, focused on entrepreneurship and innovation, the Supervisory Board has asked me to consider an extension of my position beyond my retirement date of September 2002. I will be pleased to do so.

Despite challenging market conditions, we reiterate our outlook for the year 2001: ordinary net income before amortization of intangible fixed assets approximately 5% higher than in 2000, at constant currencies.'

Highlights Half-Year 2001

Portfolio review Legal, Tax & Business Europe. Over the past few months, the CEO of Legal, Tax & Business Europe has reviewed the European portfolio to prioritize the growth opportunities and sharpen its direction. As a result, Legal, Tax & Business Europe will focus on six rather than sixteen core customer segments across Europe. These core segments are:

- legal
- fiscal/financial
- human resources management
- public & government administration
- health, safety & environment
- transport

These six core customer segments represent approximately 75% of cluster sales. The decision has been made to divest ten Hagen & Stam, our trade journal publisher in the Netherlands, with annual sales of approximately EUR 100 million.

The 'drive for change' message results in culture shift. To empower the strategy focused on entrepreneurship and innovation of Wolters Kluwer, as announced in March of this year, a range of programs has been developed. These are aimed at improving organic growth and enhancing (Internet) product development. Furthermore, our acquisition program is increasingly focused on high growth smart information tool (software) and services companies. Incentive and remuneration programs have been developed to further strengthen the innovative culture within the company.

Clear focus on acquiring smart information tool (software) and services companies. We successfully completed 13 transactions, with total annualized future sales of EUR 177 million. Nearly all acquisitions were smart information tool companies, active in the fields of legal, human resources, banking, logistics, accounting, and health. The three major acquisitions were:

- Loislaw (annualized sales: EUR 23 million), the US provider of primary and secondary source material for legal research delivered on a subscription basis over the Internet, was integrated into Aspen Publishers;

- CBF Systems (annualized sales: EUR 26 million) provides printed and automated forms and tools for mortgage lenders and commercial banks, and was integrated into BSI, a unit of CCH;
- SilverPlatter (annualized sales: EUR 72 million), integrated into Ovid, provides secondary source bibliographic databases aimed at medical/academic markets.

Profitable Internet sales doubled to EUR 175 million. We were able to increase profitable Internet sales to EUR 175 million (HY1-2000: EUR 89 million), reaping the benefits from our previous investments. These sales now represent 10% of the total (HY1-2000: 5%). We expect Internet sales to reach approximately EUR 350 million by year-end.

Benchmark ordinary net income before amortization of intangible fixed assets was EUR 173 million (HY1-2000: EUR 191 million), consistent with the full year 2001 forecast.

Group Financials

During the first half of 2001, sales increased by 7% from EUR 1,690 million to EUR 1,808 million (+5% at constant currencies). Acquisitions, net of 2% divestments, contributed 3% to the sales growth.

The benchmark ordinary net income before amortization of intangibles showed a 9% fall from EUR 191 million to EUR 173 million. The cash earnings per share were EUR 0.62 (HY1-2000: 0.69). Excluding the net effect of the additional (Internet) product development spending, the ordinary net income before amortization of intangibles would have risen by approximately 3%. Again we saw a strong shift from traditional print to electronic products and services.

Internet sales doubled from EUR 89 million in the first half of 2000 to EUR 175 million in the first six months of 2001, and now represent 10% of the total (HY1-2000: 5%). Electronic products (Internet, other online and CD-ROM), which are key to our future success, again put in excellent performance, rising

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by 37% overall and 20% organically. Demand continues to vary greatly among geographic regions and professions, but the relative importance of electronic and in particular Internet products will rise significantly in the years to come. We are confident that we will realize approximately EUR 350 million of Internet sales in the full year 2001. Underscoring this shift in customer preferences, paper-based products accounted for 72% of sales in the first half of 2001 (HY1-2000: 75%). This is a modest 3% points decline compared to the same period last year, largely due to lower demand for looseleaf publications (21% of sales). More than half of our sales are subscription-based. For the Internet, upfront subscriptions represent approximately three quarters of sales. Advertising sales, which account for a mere 5% of the total, held up reasonably well in the first half.

The additional (Internet) product development program of EUR 250 million is now running at full speed. The expenditure related to this program was much higher (EUR 43 million) in the first half 2001 than the amount spent in the same period of last year (HY1-2000: EUR 8 million). This was in line with the forecast that the full year spending of approximately EUR 100 million (2000: EUR 47 million) would be spread more or less evenly over the two halves of 2001. In addition to projects funded from the EUR 250 million program, product development efforts and spending from the normal operating company budgets were stepped up.

As a result of these increased expenditures, which have been charged to the profit and loss account, the operating income before amortization of intangibles (EBITA) fell by 5% to EUR 344 million. Excluding this expenditure, the EBITA would have risen by 5% (up 2% at constant currencies), leading to a margin of 21.4% (HY1-2000: 21.9%).

The reported EBITA margin, after additional Internet spending, fell from 21.4% in the first half of 2000 to 19.0% in the period under review. Acquisitions, net of 1% divestments contributed 4% to EBITA growth. No reorganization provisions were created. From the EUR 60 million of reorganization provisions created last year, EUR 14 million was used in the first half.

The effective tax rate on the basis of pre-tax profits before amortization of intangibles was 32.3% (HY1-2000: 30.4%).

Cash flow from operations increased from EUR 312 million to EUR 332 million, despite additional (Internet) product development spending. Trends in working capital improved due to favorable changes in inventories and debtors, and deferred income. Combined with an increased level of capital expenditure, the ordinary free cash flow moved from EUR 76 million to EUR 47 million or EUR 0.16 per share (full year 2000 ordinary free cash flow: EUR 363 million). Acquisition payments were EUR 342 million, in line with the first half of last year (HY1-2000: EUR 354 million).

The interest-bearing net debt position increased, as a result of our ambitious acquisition program, from EUR 2,614 million at end of last year to EUR 2,961 million. The funding of these acquisitions was derived from the free cash flow as well as the available headroom in our financing facilities. In May, we successfully launched a perpetual cumulative subordinated bond of EUR 225 million. We currently have credit ratings in the single A category. As standard practice, we are pursuing further financing opportunities to fund our ongoing acquisition program and to realize optimal financing costs.

<i>Sales by Media</i>	HY1-2001	ln %	HY1-2000	ln %
Internet sales	175	10	89	5
Other online sales	24	1	23	1
Subtotal	199	11	112	6
C-D-ROM	271	15	232	14
Total electronic sales	470	26	344	20
Print sales	1,300	72	1,271	75
Training	38	2	75	5
Total EURmillion	1,808	100	1,690	100

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Performance by cluster

Legal, Tax & Business Europe - focus on six core customer segments

Sales up 5% to EUR 658 million (HY1-2000: EUR 624 million)
EBITA down 2% to EUR 119 million (HY1-2000: EUR 121 million)

- Cluster management team installed and portfolio review concluded
- Decision to focus on core customer segments accounting for some 75% of sales
- Modest improvement organic sales growth, focus on operational excellence
- Excellent performance France; substantial results improvement the Netherlands (amongst others ten Hagen & Stam)
- Reorganizations in progress in notably the Netherlands, Belgium and Spain
- Priority: focus resources on growth areas

During the first halfyear, the cluster's core management team was established and the strategic direction, aimed at sustainable, profitable growth and operational excellence, was formulated. In order to identify the best opportunities for leadership and growth in our markets, an in-depth portfolio analysis was taken in hand by the new cluster CEO. As a result of this portfolio review, Legal, Tax & Business Europe will narrow its focus from sixteen to six core customer segments across Europe. These core segments are legal; fiscal/financial; human resources management; public & government administration; health, safety & environment (HSE) and transport. The six core customer segments represent approximately 75% of total cluster sales. The non-core operations will either be harvested or divested.

Stemming from the portfolio review, it was decided to divest ten Hagen & Stam, our trade journal publisher in the Netherlands, with sales of approximately EUR 100 million. The activities of ten Hagen & Stam are focused on ICT, construction, and industry and no longer fit within Legal, Tax & Business Europe's new focus.

To realize common technology platforms and systems, corporate-wide contracts have been signed with leading companies for content and customer relation management. A partnership was formed with Atos Origin for local portals and the European Internet Platform.

Although not yet at targeted performance, Wolters Kluwer Netherlands delivered a significant improvement in results compared to last year, and was able to sign important deals with large accountancy firms in the Netherlands. France was a growth accelerator with good performance across all activities and a successful product development program.

Jean-Marc Detailleur, Member of the Executive Board responsible for Legal, Tax & Business Europe, said:

'The cluster portfolio review identified opportunities and growth possibilities within the chosen core business areas. I have already seen many promising product development initiatives and I am confident that thanks to the new strategy, Legal, Tax & Business Europe will in the near future strengthen its competitiveness and market positions in our core business areas.'

Legal, Tax and Business North America - our strongest performer

Sales up 16% to EUR 584 million (HY1-2000: EUR 505 million)
EBITA up 1% to EUR 147 million (HY1-2000: EUR 146 million)

- Electronic sales now 42% of total; Internet sales more than doubled to EUR 86 million or 15% of total sales
- Legal Information Services (LIS) growing strongly, despite slowing business formations and trademark activities
- Portfolio review: increased focus on compliance business for the banking, insurance and securities industries
- Healthy flow of smart information tool acquisitions: Loislaw, CBF Systems, and TSoft
- Integration Loislaw progressing well: on track for FY-2001 EBITA break-even target
- Priority: extend leading market position into smart information tools and services

Legal, Tax & Business North America again reported double-digit sales growth and the cluster is further strengthening its leading position in its chosen markets. LIS realized good growth again, despite some effects from the slowing US economy.

Several acquisitions were completed. Loislaw and Emanuel were added to the portfolio of Aspen Publishers. CBF Systems, TSoft, and Compliance International became part of CCH. The integration of Loislaw, acquired to further develop the segment of small and medium-sized legal firms, into Aspen's operations is largely completed and proving a great commercial success. We are confident that the full year 2001 EBITA break-even target for Loislaw will be met.

In addition to our activities in the areas of tax, legal, and human resources, this cluster will also increasingly focus on legal and transaction compliance for the banking, insurance and securities industries. The cluster strongly increased its Internet sales, which doubled to EUR 86 million and now represent 15% of total cluster sales.

Good progress has been made on Internet projects, with spending concentrated on the Legal Compliance Services Site and Tax and Accounting Destination Site. Other promising (electronic) products in the pipeline should deliver an additional boost to our growth opportunities during the course of 2002.

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Nancy McKinstry, Member of the Executive Board responsible for Legal, Tax & Business North America, said:

'I am pleased that Legal, Tax & Business North America was again able to deliver strong growth. However, to make sure that we continue this in the years to come, we will increase our business in the area of legal and transaction compliance for the banking, insurance and securities industries, in addition to our existing core activities. I also am very excited that we were able to boost our Internet sales to EUR 86 million. And with promising Internet projects launched or well under way, a further improvement of profitable sales via the Web is expected.'

Legal, Tax and Business Asia Pacific - promising new products in the pipeline

Sales down 3% to EUR 31 million (HY1-2000: EUR 32 million)
EBITA below last year at EUR 5 million (HY1-2000: EUR 6 million)

- Sales of electronic products up 50%; Internet represents 13% of total sales
- High organic growth of EBITA offset by negative currency impact
- Double-digit organic sales growth for CCH Asia
- Priority: further expansion into Asia

The cluster results were impacted by product delays that could not be fully offset by the strong sales growth in Asia. All operations, including the acquisitions MAUS and Access Communication, have promising new products in the pipeline.

Internet sales represent 13% of the total sales of this cluster. The success of our Internet strategy is based on recognizing and responding to each of the geographic markets. The additional Internet projects are doing well under the umbrella of eCCH Asia.

Hugh Yarrington, Member of the Executive Board responsible for Legal, Tax & Business Asia Pacific said:

'Although small in size compared to the other clusters, Legal, Tax & Business Asia Pacific is an important testing ground for Wolters Kluwer. In the areas of smart information tools, Internet syndication, and investment/partnering techniques, Legal, Tax & Business Asia Pacific will teach us a great deal that can be applied to the other clusters in the years to come.'

International Health & Science - expansion electronic activities and streamlining of business

Sales up 13% to EUR 382 million (HY1-2000: EUR 339 million),

EBITA down 6% to EUR 75 million (HY1-2000: EUR 80 million)

- Organic growth held back by Lippincott Williams & Wilkins, in part due to bankruptcy of a wholesaler in the second half of 2000
- Acquisition of SilverPlatter (June 2001) further enhances Ovid's leading position as provider of databases and research tools for the medical and academic markets
- Decision on single electronic delivery platform taken
- Selective allocation of resources aimed at growth and electronic leverage
- Priority: acceleration of electronic delivery of content and smart information tools

Sales and results of this cluster are affected by phasing of product dispatches to wholesalers at Lippincott Williams & Wilkins. This company also decided to discontinue certain 'society journals' business, which was faced with unprofitable renewals.

The strategic direction of International Health & Science is to become the leading provider of content-based productivity tools for key sectors of the health, pharmaceutical, and scientific markets. The coming months will see an aggressive program to position the cluster's companies to achieve this strategy and to fully realize their great potential. Our overall strategy of combining content, software, and essential services, using subscription-based business models, is readily applicable to the cluster. And, the drive to achieve this overall Wolters Kluwer strategy in the cluster will be intensified.

The integration into Ovid Technologies of SilverPlatter (deal closed in June), a global provider of medical and scientific databases and related software, is progressing well.

Hugh Yarrington, Member of the Executive Board responsible for International Health & Science said:

'Recent acquisitions, crisper managerial execution, and a tightening of our strategic vision for this cluster will make International Health & Science a significant contributor to Wolters Kluwer's growth and prosperity for years to come. The key market sectors in health, pharmaceutical, and science where we will focus our efforts all provide good opportunities for profitable growth, and the assets we have assembled in this cluster give us the strength we need to be market leaders.'

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Education - in good shape

Sales at the same level, at EUR 115 million (HY1-2000: EUR 113 million),
EBITA 33% lower at EUR 7 million (HY1-2000: EUR 12 million)

- High seasonality both in sales and costs
- Strong performance in the Netherlands and Sweden, with favorable phasing towards the first half-year
- Now ready to move forward with reorganization of Swedish operation, reducing the headcount
- Priority: expand e-learning activities

Preparing for its main season, the Education cluster performed well with many cluster projects underway and strong performance in the Netherlands and Sweden. Especially good contributions came from Wolters-Noordhoff, which still enjoys the benefit of the new purchase cycle in secondary education. The business improvement plan for Sweden is well on track; it will reduce headcount and improve the competitive position.

A number of Internet/electronic projects are being developed within WKE Online and are currently in the execution phase. The commercial launch of Vespucci in the Netherlands, a ground breaking online learning environment, is scheduled for the new educational season.

Hugh Yarrington, Member of the Executive Board, responsible for Education said:

'Wolters Kluwer's Education cluster has the capabilities and assets necessary to extend its reach. In this respect, we are very interested in smart information tools and Internet applications for education. Books have been essential teaching tools for centuries, and we will always produce great educational books. Now, we have an opportunity to build electronic teaching tools like Vespucci and WKE Online for our education markets and to think about using them to serve the corporate training market as well. The search for a new CEO for this cluster is continuing'

Professional Training

The sale of Professional Training was almost completed, with only ROVC and ISBW left to be sold. Wolters Kluwer will strive to sell ROVC before the end of this year and expects to sell ISBW during 2002.

Outlook Wolters Kluwer for 2001 unchanged

Results will be affected by the further acceleration of our additional (Internet) product development investment from EUR 47 million in 2000 to approximately EUR 100 million in 2001. This investment will be charged to the profit and loss account and will affect our 2001 profit growth as previously announced. We expect our year 2001 ordinary net income before amortization of intangible fixed assets to increase approximately 5%, measured in constant currencies.

Forward-Looking Statements

This press release contains forward-looking statements. These statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. These statements are subject to risks and uncertainties, and actual results and events could differ materially from what is expected presently.

Factors leading thereto may include without limitations general economic conditions, conditions in the markets in which Wolters Kluwer is engaged, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting Wolters Kluwer's business.

Note for the editor:

Wolters Kluwer is a multinational information services company with annual sales of approximately EUR 3.7 billion, employing approximately 19,000 people in Europe, North America and Asia Pacific. The company's core activities are Legal, Tax & Business, International Health & Science, and Education. The Wolters Kluwer shares are quoted on the Euronext Amsterdam. The financial results for the year 2001 will be announced on March 19, 2002.

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- All amounts in EUR million unless otherwise stated
- The data included in this report are unaudited
- Changes in accounting principles for intangible fixed assets and provisions compared to the year 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT HY 1, 2001

	HY 1 2001	Pro forma restated HY 1 2000 1)	As reported HY 1 2000
Net sales	1,808	1,690	1,690
Cost of raw materials, subcontracted work and other external expenses	475	442	442
Personnel costs	570	518	518
Depreciation	51	44	44
Other operating expenses	368	324	324
Total operating costs	1,464	1,328	1,328
Operating income before amortization of intangible fixed assets (EBITA)	344	362	362
Amortization of intangible fixed assets	- 149	- 130	- 54 2)
Operating income after amortization of intangible fixed assets	195	232	308
Financing results	- 88	- 84	- 84
Income before taxation	107	148	224
Taxation on income	- 72	- 78	- 79 2)
Income after taxation	35	70	145
Minority interests	- 1	- 2	- 2
Results on divestments (before taxation)	33	---	---
Taxation on results on divestments	- 3	---	---
Results on divestments (after taxation)	30	---	---
Net income	64	68	143

Benchmark figures			
Net sales	1,808	1,690	1,690
EBITDA	395	406	406
EBITA	344	362	362
EBITA margin %	19.0%	21.4%	21.4%
Ordinary net income before amortization of intangible fixed assets	173	191	191
EPS before amortization of intangible fixed assets and results on divestments 'fully diluted' 3)	EUR 0.62	EUR 0.69	EUR 0.69

Reconciliation between net income and benchmark figure:

Net income	64	68	143
Amortization of intangible fixed assets	149	130	54
Tax on amortization	- 10	- 7	- 6
Results on divestments (after taxation)	- 30	---	---
Ordinary net income before amortization of intangible fixed assets	173	191	191

1) The 2000 figures are restated for the amortization of publishing rights (EUR 40 mln) and the pro forma amortization of goodwill based on the new accounting principles (additional EUR 36 mln).

2) In the HY1 2000 report published in August 2000, amortization of intangible fixed assets was presented after taxation (EUR 48 mln). In this format the presentation is before taxation, and the tax effect of EUR 6 mln is included in taxation on income.

3) Based on weighted average number of shares 'fully diluted' (x million) 286.25 282.97 282.97

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CONSOLIDATED BALANCE SHEET JUNE 30, 2001

	June 30, 2001	Pro forma restated December 31, 2000	Pro forma restated June 30, 2000	As reported June 30, 2000
Fixed assets				
Intangible fixed assets	4,849	4,277	4,228	4,873
Tangible fixed assets	308	296	290	290
Financial fixed assets	31	30	28	28
Total fixed assets	5,188	4,603	4,546	5,191
Current assets				
Stocks/inventories	236	215	242	242
Accounts receivable	959	895	805	805
Cash and cash equivalents	47	79	56	56
Total current assets	1,242	1,189	1,103	1,103
Current liabilities	- 1,796	- 1,841	- 1,554	- 1,554
Working capital	- 554	- 652	- 451	- 451
Capital employed	4,634	3,951	4,095	4,740
Long-term loans				
Subordinated bond loans	594	595	596	596
Bond loans	1,527	1,527	977	977
Loans from credit institutions	429	347	1,100	1,100
Total long-term loans	2,550	2,469	2,673	2,673
Provisions	355	333	246	283
Minority interests	2	3	4	4
Perpetual cumulative subordinated bond	225	---	---	---
Shareholders' equity				
Issued share capital	34	34	34	34
Share premium reserve	91	85	82	82
Revaluation reserve	433	286	295	295
Other reserves	944	741	761	1,369
Total shareholders' equity	1,502	1,146	1,172	1,780
Total financing	4,634	3,951	4,095	4,740
Net interest bearing debt 1)	2,961	2,614	2,779	2,779
Guarantee equity 2)	2,323	1,744	1,772	2,380
Shareholders' equity to total assets	0.23	0.20	0.21	0.28
Guarantee equity to total assets	0.36	0.30	0.31	0.38

1) Defined as: sum of total long-term loans, perpetual cumulative subordinated bond, cash loans minus cash and cash equivalents.

2) Defined as: sum of subordinated bond loans, minority interests, perpetual cumulative subordinated bond and total shareholders' equity.

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CONSOLIDATED CASH FLOW STATEMENT HY 1, 2001

	HY 1 2001	HY 1 2000
Operating income before amortization of intangible fixed assets (EBITA)	344	362
Depreciation	51	44
EBITDA	395	406
Autonomous movements in working capital	- 63	- 94
Cash flow from operations	332	312
Financing costs	- 59	- 78
Paid corporate income tax	- 82	- 61
Appropriations of reorganization provisions	- 14	- 7
Other	- 45	- 18
	- 200	- 164
Cash flow from operating activities	132	148
Net expenditure fixed assets	- 60	- 48
Appropriations of acquisition provisions	- 25	- 24
Acquisition spending	- 342	- 354
Divestments of activities	64	---
Cash flow investments	- 363	- 426
Cash flow deficit/surplus	- 231	- 278
Exercise of stock options	6	1
Movements in long-term loans	252	254
Movements in bank debts	10	54
Dividend payments	- 72	- 65
Repurchased shares	---	- 19
Cash flow financing	196	225
Net cash flow	- 35	- 53
Cash and cash equivalents as at January 1	79	108
Exchange differences on cash and cash equivalents	2	1
	81	109
Cash and cash equivalents as at June 30	46	56

Benchmark figures

Ordinary free cash flow	47	76
Ordinary free cash flow per share 'fully diluted' 1)	EUR 0.16	EUR 0.28

Reconciliation between cash flow from operating activities and benchmark figure:

Cash flow from operating activities	132	148
Net expenditure fixed assets	- 60	- 48
Appropriations of acquisition provisions	- 25	- 24
Ordinary free cash flow	47	76

1) Based on weighted average number of shares 'fully diluted' (x million)

286.25

282.97

Changes in standards Dutch Council for Annual Reporting with respect to amortization for intangible fixed assets

With effect from 1 January 2001, the Dutch Council for Annual Reporting issued new standards with respect to amortization and valuation of intangible fixed assets. These new standards are directly derived from International Accounting Standards.

Publishing rights

- With effect from 1 January 2001, publishing rights need to be amortized over the useful economic life, which is assumed not to exceed 20 years, unless there are compelling grounds on which to rebut this number of years.
- Previously there was no requirement to amortize publishing rights. In accordance with the afore-mentioned regulation, Wolters Kluwer nv has now started amortizing its publishing rights. Although the option of amortizing over a maximum of 40 years is kept open, in practice the company has prudently decided not to rebut the period of 20 years for the existing publishing rights.
- The amortization of publishing rights entails a change in accounting principles. The retrospective amortization of publishing rights for past years, amounting to EUR 451 million (including the deferred tax effect), has therefore been charged to the shareholders' equity of 31 December 2000.
- The annual amortization charge for publishing rights will be channeled through the Profit and loss account, but will not affect the benchmark ordinary net profit before amortization of intangible fixed assets. In the first half of 2001, the pre-tax amortization of publishing rights charged to the Profit and loss account amounted to EUR 42 million.
- For comparison purposes: If publishing rights had already been amortized through the Profit and loss account in the first half of 2000, the pre-tax amortization of publishing rights charge would have amounted to EUR 40 million. For the full year 2000, pre-tax amortization of publishing rights would have resulted in a charge to the Profit and loss account of EUR 82 million.

Goodwill

- Wolters Kluwer nv currently already amortizes goodwill. The average amortization period amounts to 33 years, compared with a maximum permitted period of 40 years.
- The new standards still indicate that the amortization period should be based on the estimated useful economic life. However, new with effect from 1 January 2001, is that the useful economic life is now assumed not to exceed 20 years, again unless there are compelling grounds on which to rebut this maximum. For this reason Wolters Kluwer nv has prudently decided that - whilst keeping open the option to amortize over a maximum of 40 years - in practice it will reduce the maximum period for amortizing goodwill to 20 years for the existing goodwill.
- The new standards are not considered a change in accounting principles, but entail an adjustment of the useful economic life. Therefore, there will be no retrospective amortization of goodwill. This implies that the remaining book value of goodwill per 31 December 2000 will be amortized over the remaining period up to a maximum of 20 years from acquisition date.
- The resulting change in the annual amortization charge with effect from 1 January 2001 will not affect the benchmark ordinary net profit before amortization of intangible fixed assets. In the first half of 2001, the pre-tax amortization of goodwill charged to the Profit and loss account amounted to EUR 107 million.
- For comparison purposes: If the 20-year period had already been applied in the first half year of 2000, the pre-tax amortization of goodwill charged to the Profit and loss account would have been EUR 90 million instead of the EUR 54 million reported. This would have taken the full amortization of intangible assets to EUR 130 million. For the full year 2000, pre-tax goodwill amortization would have amounted to EUR 193 million if the 20-year period had already been applied at that time. This would have taken the full amortization of intangible fixed assets to EUR 275 million.

Valuation Intangible fixed assets

- Also new standards with respect to measuring the value of intangible fixed assets became effective on 1 January 2001. These are stricter than the previous standards.
- Wolters Kluwer has always been cautious with respect to the valuation of intangible fixed assets. However, the company has decided to adopt an even more prudent methodology for measuring the current value of these assets, in line with the new standards.
- All intangible fixed assets whose book value give some rise for concern on the basis of this new and very strict valuation approach have been revalued. As the new standards for valuing intangible fixed assets are considered a change in accounting principles, a one-off correction, amounting to EUR 162 million (including deferred tax effects), has been made to the shareholder's equity of 31 December 2000. This amounts to approximately 3% of the total intangible assets reported per year-end 2000.
- If in future any corrections to the valuation of intangible fixed assets are needed, these will be charged to the Profit and loss account through the item amortization, but will not affect the benchmark ordinary net profit before amortization of intangible fixed assets.

Restatements

For comparison purposes, we have attached the pro-forma restated:

- Profit and loss account for the first half of 2000 (in half-year report) and the full year 2000 (in appendix).
- Balance sheet as at 30 June 2000 and 31 December 2000 (in appendix).

The Cash flow statements as reported for the first half of 2000 and the full year 2000 remain unchanged.

Changes in standards Dutch Council for Annual Reporting with respect to reorganization and restructuring provisions

The accounting standards with respect to reorganization and restructuring provisions also changed with effect from 1 January 2001. Wolters Kluwer nv has adapted its accounting policies for provisions in line with these new standards. This has not had any material effect on either the Profit and loss account or Balance sheet.

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Appendix

RECONCILIATION FROM REPORTED TO PRO FORMA RESTATED CONSOLIDATED PROFIT AND LOSS ACCOUNT FY 2000

	Pro forma restated 2000	As reported 2000
Net sales	3,664	3,664
Cost of raw materials, subcontracted work and other external expenses	976	976
Personnel costs	1,072	1,072
Depreciation	89	89
Other operating expenses	738	738
Total operating costs	<u>2,875</u>	<u>2,875</u>
Operating income before amortization of intangible fixed assets (EBITA)	789	789
Amortization of intangible fixed assets	- 275	- 121 ¹⁾
Operating income after amortization of intangible fixed assets	<u>514</u>	<u>668</u>
Financing results	- 178	- 178
Income before taxation	<u>336</u>	<u>490</u>
Taxation on income	- 185	- 186
Income after taxation	<u>151</u>	<u>304</u>
Minority interests	- 1	- 1
Results on divestments (before taxation)	39	39
Taxation on results on divestments	- 3	- 3
Results on divestments (after taxation)	<u>36</u>	<u>36</u>
Net income	186 =====	339 =====
Benchmark figures		
Net sales	3,664	3,664
EBITDA	878	878
EBITA	789	789
EBITA margin %	21.5%	21.5%
Ordinary net income before amortization of intangible fixed assets	412	412
EPS before amortization of intangible fixed assets and results on divestments 'fully diluted' ²⁾	EUR 1.47	EUR 1.47

Reconciliation between net income and benchmark figure:

Net income	186	339
Amortization of intangible fixed assets	275	121
Tax on amortization	- 13	- 12
Results on divestments (after taxation)	- 36	- 36
Ordinary net income before amortization of intangible fixed assets	412	412

1) The 2000 figures are restated for the amortization of publishing rights (EUR 82 million) and the pro forma amortization of goodwill based on the new accounting principles (additional EUR 72 million).

2) Based on weighted average number of shares 'fully diluted' (x million) 284.2 284.2

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Appendix

RECONCILIATION FROM REPORTED TO PRO FORMA RESTATED CONSOLIDATED BALANCE SHEET June 30, 2000

	Reported June 30 2000	Correction publishing rights	Correction impairment review	Pro forma additional amortization goodwill	Total	Pro forma restated June 30 2000
Fixed assets						
Goodwill	3,138		- 169	- 36	- 205	2,933
Publishing rights	1,666	- 401	- 39		- 440	1,226
Other	69				0	69
Total intangible fixed assets	<u>4,873</u>		<u>- 208</u>		<u>- 645</u>	<u>4,228</u>
Tangible fixed assets	290					290
Financial fixed assets	28					28
Total fixed assets	<u>5,191</u>					<u>4,546</u>
Current assets						
Stocks/inventories	242					242
Accounts receivable	805					805
Cash and cash equivalents	56					56
Total current assets	<u>1,103</u>					<u>1,103</u>
Current liabilities	<u>- 1,554</u>					<u>- 1,554</u>
Working capital	<u>- 451</u>					<u>- 451</u>
Capital employed	4,740					4,095
Long-term loans						
Subordinated bond loans	596					596
Bond loans	977					977
Loans from credit institutions	1,100					1,100
Total long-term loans	<u>2,673</u>					<u>2,673</u>
Provisions	283	10	- 46	- 1	- 37	246
Minority interests	4					4
Shareholders' equity						
Issued share capital	34					34
Share premium reserve	82					82
Revaluation reserve	295					295
Other reserves	1,369	- 411	- 162	- 35	- 608 1)	761
Total shareholders' equity	<u>1,780</u>					<u>1,172</u>
Total financing	4,740	0	0	0	0	4,095
1) Retrospective correction amortization publishing rights opening balance 2000	- 343					
Exchange differences	- 18					
Amortization publishing rights HY1 00	- 40					
	<u>- 401</u>					
Tax effect		- 10				
		<u>- 411</u>				
Effect of applying new versus existing impairment review	- 208					
Tax effect	46					
	<u>- 162</u>					
Pro forma additional amortization goodwill HY1 00	- 36					
Tax effect	1					
	<u>- 35</u>					
Correction to shareholders' equity		- 608				

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RECONCILIATION FROM REPORTED TO PRO FORMA RESTATED CONSOLIDATED BALANCE SHEET December 31, 2000

Appendix

	Reported Dec. 31 2000	Correction publishing rights	Correction impairment review	Pro forma additional amortization goodwill	Total	Pro forma restated Dec. 31 2000
Fixed assets						
Goodwill	3,234		- 169	- 72	- 241	2,993
Publishing rights	1,681	- 441	- 39		- 480	1,201
Other	83				0	83
Total intangible fixed assets	4,998		- 208		- 721	4,277
Tangible fixed assets	296					296
Financial fixed assets	30					30
Total fixed assets	5,324					4,603
Current assets						
Stocks/inventories	215					215
Accounts receivable	895					895
Cash and cash equivalents	79					79
Total current assets	1,189					1,189
Current liabilities	- 1,841					- 1,841
Working capital	- 652					- 652
Capital employed	4,672					3,951
Long-term loans						
Subordinated bond loans	595					595
Bond loans	1,527					1,527
Loans from credit institutions	347					347
Total long-term loans	2,469					2,469
Provisions	370	10	- 46	- 1	- 37	333
Minority interests	3					3
Shareholders' equity						
Issued share capital	34					34
Share premium reserve	85					85
Revaluation reserve	286					286
Other reserves	1,425	- 451	- 162	- 71	- 684 1)	741
Total shareholders' equity	1,830					1,146
Total financing	4,672	0	0	0	0	3,951
1) Retrospective correction amortization publishing rights opening balance 2000 - 343						
Exchange differences - 16						
Amortization publishing rights FY 2000 - 82						
Tax effect - 441						
- 10						
- 451						
Effect of applying new versus existing impairment review - 208						
Tax effect 46						
- 162						
Pro forma additional amortization goodwill FY 2000 - 72						
Tax effect 1						
- 71						
Correction to shareholders' equity - 684						

Press Release



Appendix

Shareholders' equity	Issued share capital	Share premium reserve	Revaluation reserve	Other reserve	Total 2001	Total 2000
<u>Reported position as at January 1</u>	34	85	286	1,425	1,830	1,488
<i>Change in accounting principles:</i>						
Publishing rights				- 451	- 451	- 353
Impairment review				- 162	- 162	- 162
Pro forma amortization goodwill				- 71	- 71	---
<u>Pro forma restated position as at January 1</u>	<u>34</u>	<u>85</u>	<u>286</u>	<u>741</u>	<u>1,146</u>	<u>973</u>
Reversal pro forma amortization goodwill				71	71	---
Stock dividend				68	68	63
Exercise of stock options		6			6	1
Exchange differences			147		147	86
Repurchased shares					---	- 19
Retained earnings current HY				64	64	68
Position as at June 30	<u>34</u>	<u>91</u>	<u>433</u>	<u>944</u>	<u>1,502</u>	<u>1,172</u>