

half-year report  
half-year report  
half-year report  
half-year report  
half-year report  
half-year report  
half-year report



**Roto Smets Group**

**Half-Year Report  
Roto Smets Group NV  
25 August 2011**

## **2011 Half-Year Report**

1. Financial position
2. Significant events in the first half of 2011
3. Prospects
4. Financial diary 2011 – 2012
5. Statement from the Board

## **First half 2011 in figures**

Consolidated profit and loss account

Consolidated balance

Consolidated statement of realised and unrealised results

Consolidated statement of changes in equity

Consolidated cash flow statement

Segmentation of data

Explanatory notes to consolidated half-year figures

## **Corporate profile**

Deventer, 25 August 2011

- Results considerably improved over 2010 figure
- Improvement plans to yield full benefit from 2012
- Interest bearing debt cut
- Solvency improved

## Half-year report 2011

### 1. Financial position

#### 1.1. First half 2011 results

The normalized operating result (EBIT) came out at € 0.6 million compared to € -6.5 million in the first half of 2010, representing an improvement of € 5.1 million over the comparable period last year. This has been influenced in part by the positive balance of assets and liabilities, including the book profit on the sale of the premises of De Wit Binders in Eindhoven and the release of reserves made for the payment of jubilee benefits. Cash flow from business operations was € 8.3 million (€ -3.6 million in first half 2010).

Despite the loss of revenue from Roto Smeets Utrecht, which was closed down mid 2010, and the increase in customer-supplied paper (+12%), there was only a slight drop in revenue in the first half of 2011 compared to the same period in 2010: € 158.3 million in 2011 vs. € 161.8 million in 2010.

Added value in the first half of 2011 came out € 2.5 million lower than the same period in 2010 (2010: € 78.2 million). Here too, a partial explanation can be found in the closure of the Roto Smeets printing plant in Utrecht in the first half of 2010. Added value as a percentage of turnover fell slightly compared to 2010, partly due to greater increases in the price of paper than envisaged for 2011. When corrected, percentage added value remains virtually constant, despite a number of marginal orders contracted in 2010. These orders have now either been terminated or revised.

EBITDA in the first half of 2011 rose by € 5.7 million to € 11.9 million compared to € 6.2 million in the first half of 2010.

#### Key figures

x € million	HY 2011	HY 2010	Index
Revenue	158.3	161.8	98
Added value	75.7	78.2	97
EBITDA	11.9	6.2	192
Operating result (EBIT)	0.6	-6.5	
Net result	-1.0	-6.1	
Cash flow from business operations	8,3	-3,6	

EBITDA / Added value (%)	15.8	7.9	
Return on capital employed (ROCE, %)	0.3	-3.3	
Added value / revenue (%)	47.8	48.3	
EBITDA / revenue (%)	7.5	3.8	

#### 1.2. Solvency

Solvency has increased to 37.2% (34.5% at year end 2010).

Interest bearing debt has been cut by € 8.0 million to € 77.7 million (€ 85.7 million at year end 2010). The financing credit line reported in the 2010 annual accounts remains unchanged.

## 2. Significant events in the first half of 2011

### 2.1. The market

The favourable developments mentioned in the 2011 Q1 bulletin have continued into the second quarter. It was stated earlier that customers were signalling concerns about available production capacity and business continuity, and this is becoming increasingly apparent. Bankruptcies and threatened plant closures among our competitors in the rotogravure sector are starting to gain pace, heralding a period of enforced rationalization.

Similar developments are not so apparent in the offset plants, so the downward pressure on margins is unremitting. The magazine market where Roto Smeets is most active appears to be stabilising somewhat. Senefelder Misset's not-for-profit market is under pressure due to lower print runs and reduced sizes, with some titles disappearing altogether. The promotional print market remains robust, as does the market for customer magazines. The home shopping market is showing signs of growth.

These developments have permitted Roto Smeets to book a large number of orders, not just domestically but also from surrounding countries. Besides the orders already announced this year, in July Roto Smeets Group announced that a printing contract had been signed with the Dutch motoring organization ANWB to manufacture its monthly membership magazine De Kampioen. This is the biggest family magazine in Holland, with a distributed print run of more than 3.5 million copies and a readership of more than 4.5 million. The contract is a substantial one and runs for three years.

In England the News of the World newspaper ceased publication and the fall-out from that results in higher volume at other titles. Roto Smeets being a printer for several UK-titles benefits from this increase.

### 2.2. Improvement plans

A number of plans have been implemented to bring the group's results back into recovery. The emphasis here is on the permanent improvement of the costs structure, involving a reduction of labour costs and measures to improve efficiency, coupled with improved management throughout the group.

The plans were developed in 2011 and implementation started in the same year. It is expected that they will make a full contribution to the group's results in 2012.

### 2.3. The organisation

Earlier this year Roto Smeets Deventer was nominated as 'PMLF Best Training Company, 2010' in the Process Technology sector. PMLF is a knowledge centre that functions as a link between businesses, educational institutes and government, its goal being to ensure that the sectors it represents have access to adequate numbers of well-qualified personnel. It is thanks to them that Roto Smeets will have young, qualified operators available for the future.

After radical restructuring at Roto Smeets Etten, the organisation is now in top form and results are encouraging.

The new management at Roto Smeets Weert have shown in the first six months that the organisation is full of potential. They are focusing on optimising the technology, which will allow the new press and associated equipment to be utilised to its maximum capacity. The new management team have completely reset the organisation, introducing a totally new corporate culture, which should lead to improved results.

Senefelder Misset bought two Komori Lithrone SP presses late last year and they have now been brought into production. The two new 'double deckers' replace three old sheetfed presses. They are part of Senefelder Misset's strategy of anticipating new trends. New titles are increasingly diversified, trying to reach more niche and speciality markets. Senefelder Misset (SMD) produces more than 700 titles, so must be able to switch capacity flexibly when needed.

The new SMD label, X-Media Solutions, is now able to offer customers the option of supplying content from remote locations, and to store and release it in media-independent form. The second quarter saw SMD launch a new service for magazine publishers: a platform for the construction of Apps for the iPad and similar equipment.

The group's sheetfed offset printing plants, Roto Smeets GrafServices, are collaborating closely to bring the results back into recovery. Management attention here is concerned to further improve efficiency, in part by introducing new systems.

Both the RS GrafServices plants, in Eindhoven and Utrecht, were the first in the group to become certified under the Corporate Social Responsibility Compliance Scale. This certification arose out of the need for an objective, verifiable way to measure the socially responsible conduct of business activities. It shows objectively that RS GrafServices has a management system in place that is socially aware in the way it conducts its business, in which stakeholder demands and expectations are managed according to results.

The Antok printing plant is located in Hungary, where there are no signs of market recovery. A new General Manager has now been appointed and closer links have been forged with the Roto Smeets international sales force, especially in Germany, to attract suitable orders for Antok's equipment.

MediaPartner Group continues to grow steadily and the results are good. Possible opportunities for expansion are being looked at in order to allow growth to continue into the near future. The market in which MPG operates is becoming increasingly crowded, with consequent pressure on margins.

#### **2.4. Raw materials**

Roto Smeets Group is constantly confronted with developments in the raw materials market that are hard to predict, where price increases cannot always be passed on to the customer. The Group itself does not take positions in the paper market – its most significant raw material – but tries as far as it can to cover customers' requests with the paper suppliers.

The prices of rotogravure and heatset inks also depend closely on raw material prices. The price of resin has risen very sharply in recent years, which has led to substantial increases in ink prices. The other basic materials for ink, many of which are petroleum based, have also risen in price.

Energy prices are partially covered. Last year's energy price interests will take a little time to work through into the cost price of our products.

Freight rates and ancillary materials (such as aluminum plates, adhesives, packaging, etc.) also depend indirectly on developments in the raw materials market. In time, price rises in the raw materials and energy markets will also start to show in the prices we are charged by our suppliers.

#### **2.5. Group developments**

On 1 January 2011, the ex-chairman of the Management Board, Mr. J.P. Caris, took the opportunity for early retirement. The Supervisory Board appointed one of its members, Mr. R.A.J. Huyzer, to the position of interim CEO. The reduced size of the holding structure meant that the post of COO had become superfluous, so an extraordinary shareholders' meeting was convened on 25 May at which the shareholders and Mr. Van der Heijden were heard, after which the Supervisory Board resolved to dispense with Mr. Van der Heijden's services as of 1 June 2011.

On 3 March, Printing Holding stated that the planned bid for Roto Smeets Group N.V. shares would not be pursued.

On 11 May the General Shareholders' Meeting assented to the appointment of Drs J.H.M. Rijper as member of the Supervisory Board.

#### **2.6. Other developments**

The premises lately occupied by Roto Smeets Utrecht have been leased as of 1 August. The lease contract involves an annual rent of € 0.9 million and runs for four years, with a one-year tenant option.

### 3. Prospects

#### 3.1. Priorities and action points for 2nd half 2011

- Improve market position;
- Further rationalise operations and processes;
- Optimise utilisation of available production capacity;
- Lower cost structure further by making labour more flexible;
- Improve financial health with capital discipline in investments and debt management;
- Stay alert to market opportunities and develop innovative earnings models.

#### 3.2. Risk profile

The most significant risk factors for the Roto Smeets Group at the time of writing are:

- Commercial occupancy of production capacity;
- Continuing pressure on margins due to overcapacity, especially in the offset market;
- Operational, debtor risks;
- Dependency on suppliers, price developments in raw materials and energy.

Roto Smeets Group will continue to monitor these risks and take action should new risks become apparent.

#### 3.3. Future expectations

Based on current knowledge and market conditions in 2011, it is the view of Roto Smeets Group that no extra provision of any material size will be necessary. It is therefore still justified to believe that the net results in 2011 will represent a considerable improvement over 2010. In respect of the operational results, the group cannot make any considered statement about future expectations, partly in view of the uncertainties in the market for raw materials.

### 4. Financial diary

Business update Q3	10 November 2011
Press Release Annual accounts 2011	15 March 2012
General Shareholders' Meeting	9 May 2012
Business update Q1 2012	9 May 2012
Half-year figures 2012 published	23 August 2012
Business update Q3 2012	8 November 2012

### 5. Statement from the Board

In accordance with the provisions of article 5:25d paragraph 2c of the European Transparency Directive the Board of Roto Smeets Group NV declares that the half-year figures represent a true statement of the assets, liabilities, financial position and result of the Roto Smeets Group NV and the incorporated business included in the consolidated figures.

The half-year report represents a true picture of the situation of Roto Smeets Group NV and incorporated businesses on the balance date, of the conduct of business in the six months' period and the expected progress of the business, whereby attention is paid to investments and the conditions on which the development of turnover and profitability depend.

Deventer, 25 August 2011

#### Management Board

R.A.J. Huyzer, interim CEO

#### Supervisory Board

Drs. R. Blom, interim chairman

H.C.A. Groenen

Drs. H.C.P. Noten

Drs. J.H.M. Rijper

## Half-year results 2011

### Consolidated profit and loss account

<i>(amounts x € 1,000)</i>	<b>HY 2011</b>	<b>HY 2010</b>	<b>index</b>
Total revenue	158,301	161,763	98
Cost of raw materials and consumables	-62,764	-63,489	99
Cost of work contracted out and other external costs	-19,801	-20,079	99
Value-added	75,736	78,195	97
Other revenue	256	243	
	75,992	78,438	
Personnel expenses	-45,141	-51,663	87
Depreciation tangible fixed assets	-11,381	-12,689	90
Other operating costs	-18,906	-20,588	92
Operating result	565	-6,502	
Financing income	304	171	
Financing costs	-2,079	-1,844	
Result before taxation	-1,210	-8,175	
Income tax	246	2,059	
Result after taxation	-965	-6,116	
Attributed to:			
Shareholders Roto Smeets Group NV	-965	-6,116	
Minority shares	-	-	
	-965	-6,116	
<b>Key Figures</b>			
Average number of outstanding ordinary shares	3,290,275	3,290,275	
Attributed to shareholders Roto Smeets Group NV:			
Results per share (€)	-0.3	-1.9	
Value-added in % of revenue	47.8	48.3	

## Consolidated balance sheet

(amounts x € 1,000)

30-06-2011 31-12-2010

### ASSETS

#### Fixed assets

Tangible fixed assets	130,831	139,563
Investment properties	4,831	4,831
Deferred tax receivable	10,535	10,724
Other financial fixed assets	763	512
	<u>146,960</u>	<u>155,630</u>

#### Current assets

Stocks	6,780	6,962
Trade receivables	43,683	55,179
Other receivables / prepayments	10,013	5,539
Cash and cash equivalents	482	1,313
	<u>60,958</u>	<u>68,993</u>
Assets classified as held for sale	4,481	4,481
	<u>65,439</u>	<u>73,474</u>

#### Total assets

**212,399 229,104**

### EQUITY AND LIABILITIES

#### Equity attributed to equity holders of Roto Smeets Group NV

Issued share capital	16,451	16,451
Share premium	12,833	12,833
Retained earnings	50,485	51,450
Other reserves	-827	-1,613
Total equity	<u>78,942</u>	<u>79,121</u>

#### Long-term liabilities

Provisions	6,603	8,702
Interest-bearing loans:		
Loans	11,000	11,750
Lease obligations	17,769	17,944
	<u>35,372</u>	<u>38,396</u>

#### Current liabilities

Trade and other liabilities	36,985	45,486
Finance companies	38,622	43,513
Interest bearing loans	10,276	12,451
Income tax payable	7,443	4,083
Financial derivatives	514	1,751
Provisions	4,244	4,303
	<u>98,084</u>	<u>111,587</u>

#### Total liabilities

133,456 149,983

#### Total equity and liabilities

**212,399 229,104**

## Condensed consolidated statement of cash flow summary

(amounts x € 1,000)

	HY 2011	HY 2010
<b>Cash flow from operating activities</b>		
Result after taxation	-965	-6,116
Depreciation and exceptional impairments	11,381	12,689
Profit on sale of assets	-1,549	-
(Deferred) taxation	3,549	-2,304
Other non-cash items	-1,875	-551
<b>Changes</b>		
Stock	183	2,471
Trade receivables	11,496	16,861
Other receivables / prepayments	-4,473	-3,769
Trade and other payables	-8,501	-10,895
Provisions	-992	-11,999
	<b>8,254</b>	<b>-3,613</b>
<b>Cash flow from investing activities</b>		
Investments in tangible fixed assets	-3,030	-11,675
Divestments in tangible fixed assets	199	872
Result on sale of assets	1,732	-
Change other financial fixed assets	6	801
	<b>-1,093</b>	<b>-10,002</b>
<b>Cash flow from financing activities</b>		
Withdrawal interest-bearing loans	1,040	-
Repayments interest-bearing loans	-4,140	-4,816
Finance companies	-4,891	17,923
	<b>-7,991</b>	<b>13,107</b>
Effect of changes in exchange rate	-1	26
Net cash flow	-831	-482
Cash and cash equivalents at 1 January	1,313	1,220
<b>Cash and cash equivalents at 30 June</b>	<b>482</b>	<b>738</b>

## Consolidated overview of changes in equity

(amounts x € 1,000)	issued capital	share premium	retained earnings	other reserves	total	minority interests	total equity
<b>Balance as at January 1, 2011</b>	16,451	12,833	51,450	-1,613	79,121	-	79,121
Result after taxes			-965		-965		-965
Unrealised results after taxes				786	786		786
Total realised and unrealised results after taxes			-965	786	-179		-179
<b>Balance as at June 30, 2011</b>	16,451	12,833	50,485	-827	78,942	-	78,942
(amounts x € 1,000)	issued capital	share premium	retained earnings	other reserves	total	minority interests	total equity
<b>Balance as at January 1, 2010</b>	16,451	12,833	73,997	-600	102,681	-	102,681
Result after taxes			-6,116		-6,116		-6,116
Unrealised results after taxes				-714	-714		-714
Total realised and unrealised results after taxes			-6,116	-714	-6,830		-6,830
<b>Balance as at June, 2010</b>	16,451	12,833	67,881	-1,314	95,851	-	95,851

## Consolidated overview of realised and unrealised results

<i>(amounts x € 1,000)</i>	<b>HY 2011</b>	<b>HY 2010</b>
Result after tax	-965	-6,116
<b>Unrealised results</b>		
Value changes forward currency contracts	984	-994
Result from participations	47	26
Other		
Income tax relating to components of other comprehensive income	<u>-246</u>	<u>254</u>
Unrealised results after taxes	786	-714
Total realised and unrealised results after taxes	<u>-179</u>	<u>-6,830</u>
Attributed to:		
Shareholders Roto Smeets Group NV	-179	-6,830
Minority shares	<u>-</u>	<u>-</u>
	-179	-6,830

## Segment information

The following summary shows the segment information in the first half of 2011

<i>(amounts x € 1,000)</i>	Print Productions	Marketing Communications	eliminations	total
Revenue	150,106	8,195	-	158,301
Intersegment revenue	-	-	-	-
Total revenue	150,106	8,195	-	158,301
Segment net results	-1,728	763	-	-965
<i>Assets and liabilities</i>				
Tangible fixed assets	130,204	207	-	130,411
Other segment assets	60,663	4,994	-142	65,515
Assets classified as held for sale	4,481	-	-	4,481
Unallocated assets				<u>11,992</u>
Total assets				212,399
Segment liabilities	66,065	2,838	-142	68,761
Unallocated liabilities				<u>64,695</u>
Total liabilities				133,456
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	2,985	45		3,030
Depreciation tangibel fixed assets (incl. Exceptional impairments)	11,352	29		11,381

The following summary shows the segment information in the first half of 2010

<i>(amounts x € 1,000)</i>	Print Productions	Marketing Communications	eliminations	total
Revenue	154,301	7,462	-	161,763
Intersegment revenue	-	-	-	-
Total revenue	154,301	7,462	-	161,763
Segment net results	-6,706	590	-	-6,116
<i>Assets and liabilities</i>				
Tangible fixed assets	159,109	194	-	159,303
Other segment assets	62,888	4,523	-243	67,168
Assets classified as held for sale	9,243	-	-	9,243
Unallocated assets				9,726
Total assets				245,440
Segment liabilities	88,117	1,082	-243	88,956
Unallocated liabilities				60,047
Total liabilities				149,003
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	11,635	40		11,675
Depreciation tangibel fixed assets (incl. Exceptional impairments)	12,647	42		12,689

## Notes to consolidated half-year financial report

### Accounting Principles

#### IAS 34

The consolidated half-year figures have been drafted in accordance with IAS 34 Interim Financial Reporting, as accepted within the European Union. They do not contain all the information required for a complete annual account and should be read in combination with the 2010 consolidated annual account.

#### Valuation basis

The consolidated half-year figures have been drafted in accordance with the accounting principles applied in the consolidated annual account of 31 December 2010, with the exception of the new standards and interpretations as set out below.

#### IFRS-amendments

Roto Smeets Group has introduced the following new IFRS standards, amendments and interpretations, all of which went into effect on 1 January 2011. The application of these standards, amendments and interpretations has had no significant influence on the 2011 half-year statement.

- Amendment to IAS 24 Related Party Transactions
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

### Explanatory notes, extraordinary items, 2010

#### Leasing / sale real estate

##### *De Wit Binder premises*

The De Wit Binders premises in Eindhoven were sold in the first half of 2010, resulting in an accounting profit of € 1.5 million. On sale, a lease arrangement was entered into with the new owner. Until 30 September 2014 the tenant has the right to continue the contract, annually until 30 September at the latest, after which continuation is no longer possible. The landlord may not cancel the lease in the interim.

##### *Roto Smeets Utrecht premises*

An agreement has been reached with TNT Post Shared Services to lease the Roto Smeets premises in Utrecht. The contract is for four years with a one-year tenant option. After this period has elapsed the lease may be continued for periods of one year unless it is terminated by one of the parties.

#### Deferred tax assets

The financial fixed assets include an item for future adjustment of corporation tax in the sum of € 10.5 million. The forward loss compensation of € 43.1 million represents temporary differences having their origin in the valuation of material fixed assets, stocks and differences related to the fiscal valuation of provisions, particularly in regard to the early retirement scheme.

It is expected that the forward loss compensation will be adjusted within the fiscally permitted period.

This half-year report has not been audited.

**For further information please contact:**

Roto Smeets Group N.V. – R.A.J. Huyzer  
Tel. +31 570 694 905

Hunneperkade 4  
7418 BT Deventer  
The Netherlands  
info@rotosmeetsgroup.com  
www.rotosmeetsgroup.nl

**Profile**

Roto Smeets Group N.V. is listed on the NYSE Euronext exchange, Amsterdam. Roto Smeets Group is an organisation of service companies that transform their customers' communications – with added value – into printed and multimedia productions. The companies are clustered in two business lines: Print Productions, which provides efficient, full-service, web-based printing services; and Marketing Communications, which provides optimum facilitation of the clients' own communications channels through effective, cross-media communications concepts.

**Disclaimer**

*This report contains information as referred to in the article 5:59 of the Dutch Financial Supervision Act ('Wet op het financieel toezicht'). Prospective statements, which can form a part of this report, refer to future events and may be expressed in a variety of ways, such as 'expects', 'projects', 'anticipates', 'intends' or other similar words ("Prospective statements").*

*Roto Smeets Group NV has based these prospective statements on its current expectations and projections of future events. Roto Smeets Group's expectations and projections may change and Roto Smeets Group's actual results, performance or achievements could differ significantly from the results expressed in or implied by these prospective looking statements due to possible risks and uncertainties and other significant factors that are neither manageable nor foreseeable by Roto Smeets Group, some of which are beyond Roto Smeets Group's control.*

*When considering these prospective statements, the reader should bear in mind such risks, uncertainties and other significant factors, as described in this report or in Roto Smeets Group's other annual or periodic filings. For a non-limiting discussion of the risks, uncertainties and other factors that may affect Roto Smeets Group's actual results, performance or achievements, the reader is referred to the Annual Report and any other publications issued by Roto Smeets Group.*

*In view of these uncertainties no assurance can be given about Roto Smeets Group's future results or financial position. You are advised to treat Roto Smeets Group's prospective statements with caution, since they apply only on the date when the statements are made. Roto Smeets Group is under no obligation to update or publicly revise any prospective statement, whether as a result of new information, future events or otherwise, except as may be required under applicable (securities) legislation.*

*In the event of any difference of interpretation, the Dutch original of this English translation shall apply throughout these Mid-Year Report of Roto Smeets Group NV.*

h  
h  
hal  
half



**Roto Smeets Group**

Roto Smeets Group NV

P.O. Box 822

NL 7400 AV DEVENTER

Tel. +31 570-69 49 00

Fax. +31 570-69 41 00

[info@rotosmeetsgroup.com](mailto:info@rotosmeetsgroup.com)

[www.rotosmeetsgroup.nl](http://www.rotosmeetsgroup.nl)