MATTERS ARISING AT THE RSDB PRESS AND ANALYSTS' BRIEFING
Thursday 18 August, 2005, Rosarium, Amsterdam

Advantages and disadvantages of a stock exchange listing

Do you expect to delist this year?
We have been looking into this matter since April. An investigation like this mustn't take too long and any decisions taken will be publicised immediately.

What are the advantages and disadvantages of a listing?
We exchange views about our listing with the Supervisory Board every year. One advantage may be that we can achieve our growth ambitions via the stock exchange, but that doesn't mean that the stock exchange is the only way to do so. The reduced attention to small caps and the small free-float we have (± 25%) plead against maintaining our listing. One advantage, though, is that major customers often prefer to do business with a listed company because of the transparency of their reporting.

Progress in PlantijnCasparie divestment

Is it right that you are going to part- finance Thieme's takeover of the PC plants?
We shall release the information as soon as the divestment is completed. Until then we are making no statements about negotiations.

What's going to happen with Ten Klei now?
According to our strategy, Ten Klei does not fit into the two business lines, so we are talking to a number of parties about selling Ten Klei.

Do you expect to book a profit or a loss on the PC sale
We can make no statement on that at this stage.

Your presentation included PlantijnCasparie's figures. Does this include the Eindhoven and Utrecht plants, or are they all included in Print Productions?
The PlantijnCasparie figures are still 'business as usual'. Eindhoven and Utrecht will transfer to Print Productions after divestment.

Will the margins come under pressure after the companies have gone?
Added Value at, for instance, Eindhoven and Utrecht is higher than the rotary plants, so the margin will go up when these plants are included under Print Productions.

Print Productions

How much of your capacity have you utilised in the first half year?
Overall, 96% capacity was utilised during the first half.

Has the total capacity of the market increased?
In the 2004–2006 period the capacity in the market will grow by about 8%. This is the balance of new machines and old ones that are or will be 'put into mothballs'.

Why is capacity growing if demand is dropping?
In many cases, new equipment is replacing the capacity of older presses, but the new presses are more efficient, so capacity increases anyway.

Will capacity decline as a result of the consolidation process that we are seeing in the market?
It takes nerve to consolidate and integrate. Just as RSDB did in the Dutch market in the 1990s, going from 12 printing plants to five. The wave of concentration we are

seeing now at Quebecor and Prinovis has not yet led to a reduction in capacity because they are just stringing businesses together, not integrating. In the UK, Polestar is doing that with their greenfield start in Sheffield while closing the Bristol capacity.

What's the visible effect of this process?
In commercial terms, in particular, it's interesting for us because customers like to spread their orders between suppliers so as to profit from competitive advantage. Company mergers are leading some customers to look for new suppliers.

What is your role in the consolidation process?
We're looking at the players in the European major league to see where we may participate and in what sort of structure. We do not believe in stringing companies together but in creating combinations so that their capacities can be integrated.

Take over or being taken over – do you have a preference?
That has nothing to do with preferences but with market position and what an industrial plan might look like – if there's time to create a good business plan to reduce the number of units over time.

Is your vision shared by other parties?
Everybody talks to each other all the time in the graphics industry. There are movements that we are following. But you do have to talk to parties that are prepared to mothball their capacity or there's no sense to it. This is especially difficult with the rotary offset plants.

Is it your feeling that RSDB will have to do this to survive?
It might sound arrogant to say this, but we are in a healthy position so we shall survive. We could carry on and go it alone, but we see better prospects in combination with other industrial parties.

Do you expect that Catalogues is still a growth sector after the arrival of the Internet?
Mail order companies are telling us that the Internet orders are growing, but that doesn't mean that the catalogue readership is declining. The catalogue is used to make a choice, while the order goes via the Internet. We are seeing a shift from the fat catalogues to greater segmentation and more magazine-like catalogues, issued more regularly per year. This means that the mail order companies can grab their customers' attention more often each year. This has led to a catalogue volume growth of 5–6%. The fat catalogues often had to be produced externally, while we can do these thinner ones internally, which means that our turnover in this sector can grow.

Can you tell us some more about paper price developments?
The only thing we can say is that, in our view, the paper suppliers have lost the plot. Now that the market demand is dropping they want to push through price increases of 6–8%. We don't think many of their customers will agree to that.

Finances

How much room do you have left to save on costs?
We're still pursuing a number of programmes, which we shall not quantify here. What is fascinating is that we can still make internal savings while the pressure

increases. Profits should remain on target, largely by improving our process control. So we get more out of the same production facilities at the same cost.

It would appear that your stocks have increased?
This relates to the work-in-hand position. This seems to have increased above the start of the year, but not with respect to last year. Work in hand is invoiced as of 31 December, which means the ‘work in hand’ drops and ‘debitors’ rises.
The work in hand is determined at some point half-way through the year, but is invoiced on delivery. That’s why you see a different picture.

Can you tell us something more about the 2 million special assets? Is that only Print Productions?
No, that’s RSDB-wide. Some of it relates to ESF assets. Of that, 2/3 is Print Productions and 1/3 Marketing Communications.

What are your expectations about investments in the second half of 2005 and for 2006?
It all depends on the PlantijnCasparie divestment, of course. But for the second half we expect about 20 million Euro. Investment commitments for the press in Deventer, in particular, run over three years. In other words, part of it will be paid for in 2006. But the total then will be lower than in 2005, when we also have the presses in Weert and Doetinchem.

Do your investments also lead to a reduction in product unit costs?
They are replacement investments, true, but as I said earlier, the new techo nologies do result in greater capacity and more efficient operation, so cost price can drop.

Can the price erosion of 5 million Euro in the first six months be ascribed solely to contracts?
Not solely contracts; there are also one-off orders. We always try to plan contract negotiations so that they fall in different years. We are currently talking to publishers again now, too.

How are contracts with publishers put together? Are they based on number of pages? So what happens if the pages count drops?
There are three parts to a contract: the supply conditions, the planning agreements, and a price schedule. The price schedule itself comprises three parts: initial costs, which you always have whether you print 10 or a million copies. Then you have two variable components: the print run with run-on costs, i.e. per 1000 printed more or fewer, and the size. The size variations are also included in the contract, with a different bandwidth per title; from 40 to 148 pages, for example.

The second quarter was worse than the first. Do you expect that the third quarter will be worse again?
The picture in July was comparable with that in June and the market is recovering again, so it’s still too early to draw any conclusions. The last quarter is always the strongest in our market, so we have every confidence in that, but it’s still too early to say that everything will turn out well.
There was less volume in the 2nd quarter, industry-wide, which has never happened in the last three or four years. Decisions are being taken later nowadays, which delays our gaining a clear picture.