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

Roto Smeets Group

Half-Year Report
Roto Smeets Group NV
26 August 2010

Half-year report 2010

First half 2010, figures

Corporate profile

Deventer, 26 August 2010

- **Roto Smeets Group NV and Riva Investments B.V. still in consultation**
- **Roto Smeets Group sees beneficial results of radical measures**
- **No sign of market recovery**
- **Major part of restructuring finalised**

Half-year report, 2010

1. Major developments in the first half of 2010

1.1. Corporate developments

On 7 April 2010, Riva Investments B.V. announced they had initiated preparations for a planned public bid for shares in the capital of Roto Smeets Group N.V. The parties are still in consultation about a possible voluntary public bid and hope to be able to make a further announcement soon.

Mr. A.P. Lugt announced to the General Shareholders' Meeting on 28 April 2010 his intention to retire from the Supervisory Board with effect from 23 July. The Supervisory Board and the Management Board are both very grateful to him for his contribution, commitment and hard work.

1.2. The market

The paper volume processed for Western Europe grew by approximately 5% compared with the first half of 2009. This, though, is far less than would be needed to compensate the drop from 2008 to 2009, coupled with the overcapacity of 20–25%. Partly as a result of an approximately 8% cut in its own printing capacity, the Roto Smeets Group (RSG) has processed about 4% less paper volume.

Despite signs of a cautious recovery in the Western European economy, such developments do not appear to be affecting the graphics industry, partly because there has been no reduction in overcapacity. It is mainly the German rotogravure printers, which are experiencing problems with their domestic market, which are having a greater than ever impact on surrounding countries. This is exacerbated by a German part-time work scheme, in which some 60,000 businesses are cooperating, including graphics companies. The graphics industry is still failing to implement the necessary consolidation, so the associated pressure on margins is eroding the industry's vitality. Partly thanks to the influence of new media and their effect on paper, the entire industry is now standing on the brink of a much-needed readjustment.

At an early stage RSG has anticipated on these developments and fore that reason implemented in 2009 and first half 2010 reorganisations which are contributing to a sharp recovery of the result compared with 2009. This is the result of internal policy, though; it is not due to any recovery in the market.

Publishers both at home and abroad are sending us cautious, positive messages about a slight growth in the advertising market, which over time could have a positive effect on RSG. Against this, though, we must set the publishers' quest for digital options, such as tablet computers and e-readers. The retail and catalogue market remains relatively stable for RSG.

With its activities in loyalty, campaign and internal communications, MediaPartners Group is frankly successful in their area of the market. They have acquired major new clients and have also succeeded in retaining commissions that had become doubtful, under pressure from the recession, but which the clients ultimately decided to continue.

1.3. Reorganisation status

The major part of the organisation's restructuring was complete on time and under budget in the first half of 2010. Roto Smeets Utrecht finally closed its doors early in June and the job-guidance sessions were completed in the other plants. The positive effects of all this will become visible in the second half of this year.

De Wit Grafische Projecten is to move to the Roto Smeets Weert site in 2011, the goal being to achieve cost savings while at the same time being able to exploit additional marketing options for Roto Smeets Weert in the finishing area.

2. Financial position

Revenue for the first 6 months of 2010 dropped by EUR 24.4 million to EUR 161.8 million (HY 2009: EUR 186.2 million), principally due to lower margins and the withdrawal of capacity at RS Utrecht and RS Etten. Added value over the first half of 2010 is EUR 78.2 million (HY 2009: EUR 85.4 million).

Thanks to the reorganisation, personnel costs dropped by more than 19% compared to the same period in 2009. Compared to the first half of 2009, the total number of workers employed directly by the Group dropped by 393 full-time equivalents (fte) to 1725 fte across the Group as a whole. Compared to the same period in 2009, this has led to an improvement in normalised EBITDA of EUR 3.4 million to EUR 7.4 million (HY 2009: EUR 4.0 million).

Normalised operating result (EBIT) is EUR –5.3 million (HY 2009: EUR –10.2 million).
Cash flow from business operations comes to EUR –3.6 million (HY 2009 EUR 25.0 million).

Key figures

x EUR mln	HY 2010	HY 2009
Total revenue	161.8	186.2
Added value	78.2	85.4
EBITDA	7.4	4.0
Operating result (EBIT)	-5.3	-10.2
Net result	-5.3	-9.2
EBITDA /Added value (%)	9.5	4.7
Return on capital employed (ROCE, in %)	-4.0	-5.9

Pre-tax impact of normalisation

x EUR mln	HY 2010	HY 2009
Restructuring programme	0.0	16.6
Vacation days	1.2	1.4

Reported result including normalisation and fiscal effect

x EUR mln	HY 2010	HY 2009
Total revenue	161.8	186.2
Added value	78.2	85.4
EBITDA	6.2	-14.0
Operating result (EBIT)	-6.5	-28.3
Net result	-6.1	-22.7

Financing update

Compared with year-end 2009, interest bearing debt increased, partly due to the disbursement of social liabilities and payment in the second quarter for the press in Weert. The refinancing agreed with the banks has been implemented in large part.

Total interest bearing debt has increased to EUR 78.7 million (31-12-2009 EUR 65.6 million).

3. Prospects

3.1. Priorities and activities, second half of 2010

- maintain and strengthen market position;
- maintain financial condition by close management of operational cash flow, capital discipline on investments and debt control;
- control costs with ongoing efficiency programmes (paper, ink and energy etc.);
- creative search for new products and services for our customers;
- continue to search for consolidation options.

3.2. Risk profile

The most significant current risks for RSG are:

1. Severe pressure on margins due to absence of consolidation in a market dominated by overcapacity;
2. Production machine occupancy;
3. Dependence on price developments of raw materials;
4. Inflexible, fixed cost basis.

RSG will continue to monitor these risks and will take action when and if new risks arise.

The graphics industry must seek to change permanently if it is to create a healthy future for itself once again. The future of the European web printing industry is partly contingent on whether or not it consolidates.

3.3. Expectations for the future

In view of the present state of the market, Roto Smeets Group declines to make any statements about the expected 2010 annual results.

4. Statement by 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, 26 August 2010

Management Board
J.P. Caris, CEO
Ir B.J.W. van der Heijden RM, COO

Supervisory Board
R.A.J. Huyzer, chairman
Drs A.P. Lugt (till 23 July 2010)
Drs. R. Blom
H.C.A. Groenen
Drs. H.C.P. Noten

Half-year results 2010

Consolidated profit and loss account

(amounts x € 1,000)	HY 2010	HY 2009	index
Total Revenue	161,763	186,197	87
Cost of raw materials and consumables	63,489	81,728	78
Cost of work contracted out and other external costs	20,079	19,028	106
Value-added	78,195	85,441	92
Personnel expenses	51,663	58,196	89
Depreciations tangible fixed assets	12,689	13,853	92
Exceptional impairments	-	375	
Other operating costs	20,345	24,663	82
Reorganisation costs	-	16,626	
Operating result	-6,502	-28,272	23
Financing income	69	21	326
Financing costs	-1,742	-2,107	83
Result before taxation	-8,175	-30,358	27
Income tax	2,059	7,666	27
Result after taxation	-6,116	-22,692	27
Attributed to	-6,116	-22,618	27
Shareholders Roto Smeets Group NV	-	-74	
Minority shares	-6,116	-22,692	27

Key figures

Average number of outstanding ordinary shares	3,290,275	3,290,275
Attributed to: Shareholders Roto Smeets Group NV		
Results per share (€)	-1.86	-6.90
Value-added in % of Revenue	48.3	45.9

Consolidated balance sheet

(amounts x € 1,000)	**30-06-2010**	**31-12-2009**
ASSETS		
Fixed Assets		
Tangible fixed assets	164,747	166,634
Associated companies and joint-ventures	–	–
Other financial fixed assets	7,455	5,951
	172,202	172,585
Current Assets		
Stock	6,599	9,070
Trade receivables	45,501	62,362
Other receivables / prepayments	11,157	7,388
Cash and cash equivalents	738	1,220
	63,995	80,040
Assets classified as held for sale	9,243	9,243
	73,238	89,283
Total assets	245,440	261,868
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	67,881	73,997
Other reserves	-1,314	-600
Total equity	95,851	102,681
Long-term liabilities		
Provisions	11,136	12,268
Interest-bearing loans:		
Lease obligations	20,373	23,471
	31,509	35,739
Current liabilities		
Trade and other liabilities	44,059	59,562
Finance companies	40,857	22,934
Interest-bearing loans	17,453	19,171
Income tax payable	6,550	2,980
Financial derivatives	1,575	587
Provisions	7,586	18,214
	118,080	123,448
Liabilities for assets classified as held for sale	–	–
Total liabilities	149,589	159,187
Total equity and liabilities	245,440	261,868

Consolidated cash flow statement

(amounts x € 1,000)	HY 2010	HY 2009
Net result	-6,116	-22,692
Depreciations and exceptional impairments	12,689	13,853
Profit on sale of assets held for sale		-48
Other non-cash items	-551	2,490
Changes		
Stock	2,471	4,329
Trade receivables	16,861	11,566
Other receivables / prepayments	-3,769	6,711
Trade and other payables	-10,895	11,975
Deferred taxation	-2,304	-7,305
Provisions	-11,999	4,075
Cash flow from operating activities	**-3,613**	**24,954**
Investments in tangible fixed assets	-11,675	-14,839
Divestments in tangible fixed assets	872	210
Result on sale of assets held for sale	-	1,724
Change other financial fixed assets	801	382
Cash flow from investing activities	**-10,002**	**-12,523**
Repayments interest-bearing loans	-4,816	-4,315
Finance companies	17,923	-7,899
Cash flow from financing activities	**13,107**	**-12,214**
Net cash flow	**-508**	**217**
Effect of changes in exchange rate	26	190
Cash and cash equivalents at 1 January	1,220	1,558
Cash and cash equivalents at 30 June	**738**	**1,965**

Consolidated statement of changes in equity

(x € 1,000)	issued capital	share premium	retained earnings	other reserves	total	minority interests	total equity
Equity as per 1 January 2010	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
Equity as per 30 June 2010	16,451	12,833	67,881	-1,314	95,851	-	95,851

(amounts x € 1,000)	issued capital	share premium	retained earnings	other reserves	total	minority interests	total equity
Equity as per 1 January 2009	16,451	12,833	101,314	-426	130,172	247	130,419
Result after taxes			-22,618		-22,618	-74	-22,692
Unrealised results after taxes				-131	-131	18	-113
Total realised and unrealised results after taxes			-22,618	-131	-22,749	-56	-22,805
Equity as per 30 June 2009	16,451	12,833	78,696	-557	107,423	191	107,614

Consolidated overview of realised and unrealised results

(amounts x € 1,000)	**HY 2010**	**HY 2009**
Result after tax	-6,116	-22,692
Value changes forward currency contracts	-994	-393
Result from participations	26	180
Other		
Income tax relating to components of other comprehensive income	254	100
Unrealised results after taxes	-714	-113
Total realised and unrealised results after taxes	-6,830	-22,805

Segment Information

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

(amounts x € 1,000)	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
Assets and liabilities				
Segment assets	221,997	4,717	-243	226,471
Assets classified as held for sale				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
Other segment information				
Capital expenditure tangible fixed assets	11,635	40		11,675
Depreciation tangible fixed assets (including exceptional impairments)	12,647	42		12,689

The following summary shows the segment information in the first half of 2009

(amounts x € 1,000)	Print Productions	Marketing Communications	eliminations	total
Revenue	178,944	7,253		186,197
Intersegment revenue	-	-		-
Total revenue	178,944	7,253		186,197
Segment net results	-23,011	319		-22,692
Assets and liabilities				
Segment assets	255,024	4,846	-333	259,537
Assets classified as held for sale				4,848
Unallocated assets				6,333
Total assets				270,718
Segment liabilities	107,969	983	-333	108,619
Unallocated liabilities				54,485
Total liabilities				163,104
Other segment information				
Capital expenditure tangible fixed assets	14,802	37		14,839
Depreciation tangible fixed assets (including exceptional impairments)	13,789	64		13,853

Explanatory notes to the consolidated half-year figures

Basis

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 2009 consolidated annual account.

Valuation basis
The consolidated half-year figures have been drafted in accordance with the basis applied in the consolidated annual account of 31 December 2009, with the exception of the new standards and interpretations as set out below.

IFRS amendments
RSG has introduced the following new IFRS standards, amendments and interpretations, all of which went into effect on 1 January 2010. The application of these standards, amendments and interpretations has had no significant influence on the 2010 half-year statement.

- Improvements to IFRSs (issued May 2008)
- IFRS 3 - Business combinations
- IAS 27 Amendment - Consolidated and Separate Financial Statements
- IAS 39 Amendment - Eligible Hedged Items
- IFRIC 17 - Distributions of Non-Cash Assets to Owners
- IFRIC 18 - Transfer of Assets from Customers

In this half-year statement RSG has not made use of the option accepted by the European Union for the early application of new or amended standards and interpretations. The following standards and interpretations are involved:

- Improvements to IFRSs (issued April 2009)
- Amendments to IFRS 2 - Group Cash-settled Share-based Payment Transactions
- IAS 32 Amendment - Classification of Rights Issues
- Amendments to IFRS 1 - Limited Exemption from comparative IFRS 7 Disclosures

Early application of these new standards and interpretations would have had no significant consequences for the present half-year statement.

Extraordinary items

Reorganization provision
In May 2009 Roto Smeets Group announced a restructuring programme, partly to compensate in the short term for the effects of overcapacity, worsened by the economic crisis, and partly to support an improvement in profitability over the longer term. In the group as a whole, approximately 450 jobs will disappear in 2009 and 2010. The anticipated annual cost savings will amount to at least Eur. 30 million from 2011 on. The reorganization is on schedule, and is completed mid-2010.

Deferred tax asset
The financial fixed assets include an item of Eur 7,2 million for corporate taxation to be adjusted in future. The forward loss compensation of Eur. 46,1 million has been adjusted for temporary differences stemming from the valuation of fixed assets, stocks and differences related fiscal valuation of provisions, particularly for the early retirement scheme.
The forward loss compensation can be set off against future fiscal profits until 2019 at the latest.

These figures are unaudited.

For further information:

Roto Smeets Group NV – Management Board
Tel. +31 570 694 905
Hunneperkade 4
7418 BT Deventer
The Netherlands
info@rotosmeetsgroup.com – www.rotosmeetsgroup.nl

Profile

Roto Smeets Group NV is listed on the NYSE Euronext Exchange, Amsterdam. Roto Smeets Group is an organization of service supply companies, transforming the clients' communications – with added value – into printed and multimedia products.
The companies are clustered into two business lines: Print Productions, providing efficient, full-service, web-based printing; and Marketing Communications, ensuring the optimum facilitation of the client's own communications channels by means of 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

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
www.rotosmeetsgroup.nl