

mid-year report
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Roto Smets Group

**Mid-Year Report
Roto Smets Group NV
20 August 2009**

Half-year report 2009

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Corporate profile

Deventer, 20 August 2009

- Extremely difficult market conditions. Roto Smeets volume –6% below 1st half 2008 with even greater pressure on margins. European market volume average approximately –20%.
- Normalised EBITDA Eur. 4.0 million. This excludes reorganisations (Eur. 16.6 million) and interim changes to the base, related to vacation days (Eur. 1.4 million).
- Operational cash flow Eur. 25.0 million, interest bearing debt down to Eur. 61 million.
- Reorganisations already announced on schedule, completion planned for mid-2010.
- Focus on maintaining a healthy balance sheet and operation cash flow.
- With regard to the feasibility into a possible divestment of the MediaPartners Group, there are no new developments to report.

Half-year report 2009

1. Major developments in first half 2009

1.1. The Market

The Print Production market in Europe is showing a drop in ktonnes of paper of around 20% below the 2008 level. Roto Smeets Group achieved a fall of 6% compared to the first half of 2008. This shows that Roto Smeets Group performs relatively good in this severely competitive market. This drop in volume has increased overcapacity yet further from 15–20% to roughly 25–30%, resulting in stiff competition to retain orders and gain new ones.

These continually difficult market conditions (including demand drop due to the credit crisis and lower magazine advertising incomes) are causing our customers to cut print runs and sizes yet further, or even to take titles off the market all together, which in turn leads to further erosion of prices and volumes. The costs of raw materials (including paper and ink), staffing and other costs have not dropped far enough to compensate for this serious price erosion.

1.2. Reorganisation status

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. Our capacity will be cut back by 30 ktonnes, representing approximately 8% of current capacity. Thirteen obsolete presses are to disappear in 2009 and 2010 (approximately 20% of total employee numbers). 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. 25 million from 2011 on. The reorganisation is on schedule, with completion planned for mid-2010.

2. Financial position

The results in the first half of 2009 have been strongly influenced by the restructuring programme announced in May. The issues set out above have been eliminated from the figures to afford a better view of the development of our results. They are set out and explained separately.

Turnover in the first half year dropped by Eur. 19.1 million to Eur. 186.2 million (Hy 2008: Eur. 205.3 million), thanks mainly to slender margins and lower volumes. Added value in the first half year was Eur. 85.4 million (Hy 2008: Eur. 95.7 million).

Total personnel costs dropped by Eur. 1.6 million compared to the first half of 2008 (Eur. 58.2 million). In comparison to the first half of 2008, own employee numbers declined by 87 full-time equivalents (fte) to a group total of 2118 fte. Furthermore, an average of 56 fewer flexible ftes were deployed. These savings on employee costs have by and large been eliminated by the CAO increase of 1 July 2008, higher energy costs and lower ESF grants, totalling Eur. 3.7 million in all.

Normalised EBITDA dropped by Eur. 10.2 million to Eur. 4.0 million (Hy 2008: Eur. 14.2 million). Normalised operating result (EBIT) is Eur. –10.2 million (Hy 2008: Eur. –0.5 million).

Cash flow from normal business operations came out at Eur. 25.0 million (Hy 2008: Eur. 15.9 million). This increase was caused mainly by control of working capital (fewer debtors, more creditors, lower stocks).

Key figures

x EUR mln	Hy 2009	Hy 2008
Total revenue	186.2	205.3
Value-added	85.4	95.7
EBITDA*	4.0	14.2
Operating result (EBIT)*	-10.2	-0.5
Net result*	-9.2	-1.4
EBITDA*/Value added (%)	4.7	14.9
Return on capital employed (ROCE, %)**	-5.9	-0.3

*) Normalised for Hy 2009/Hy 2008

***) Operating result (EBIT) divided by assets minus short-term debt.

Impact normalisation before taxation

x EUR mln	Hy 2009	Hy 2008
Restructuring programme	16.6	-
Vacation days	1.4	1.7

Reported result inclusive of normalisation and the taxation effect

x EUR mln	Hy 2009	Hy 2008
Total revenue	186.2	205.3
Value-added	85.4	95.7
EBITDA	-14.0	12.4
Operating result (EBIT)	-28.3	-2.3
Net result	-22.7	-2.7

Due to the change in the basis for the interim announcements the comparative figures have been amended in respect of the costs of and the debts incurred due to vacation days (Eur. 1.7 million gross). This has a negative impact on the first half-year results. This change in the interim announcement will have no impact on the annual accounts.

Financing update

The total interest bearing debt of Eur. 73.2 million (end 2008) has been cut to Eur. 61 million (1st half 2009). Besides existing financial leases and mortgage loans of Eur. 42.9 million, Roto Smeets Group has reached agreement on a committed facility of Eur. 50.0 million until August 2010.

During the first half of 2009 the Roto Smeets Group has remained within the agreed covenants. The debt/normalised EBITDA ratio came out at 2.2 (covenant 3.2) and normalised EBITDA/interest was 7.4 (covenant 4.75).

3. Outlook

3.1. Priorities and actions in the second half, 2009

The priorities for 2009 are:

- Commercially, ensure that we continue to supply a quality/price ratio that the market regards as 'normal' but which fits in with our desired result development;
- maintain a healthy balance sheet by closely managing the operational cash flow and not letting debts rise. Optimum service and added value propositions for our customers, capital discipline in investments and careful management of working capital are areas that need attention;
- Cost management by continuing efficiency programmes (paper, ink, energy) and further automating process management;
- Execute the stand-alone business plan, which, as announced, includes measures for permanent cost reduction, permanent productivity increase, with improved results and profitability.

3.2. Risk profile

The annual report described the five most significant risks to the Roto Smeets Group. These are:

1. Continuing pressure on prices thanks to erosion of margins due to overcapacity.
2. Market-driven need to invest in replacement equipment.
3. A commercial rate of occupancy of capital equipment is crucial.
4. Dependency on developments in the prices of raw materials.
5. Inflexible fixed cost basis.

In our opinion the potential impact of these risks remains unchanged. The following developments should also be taken into account since the annual report was published:

- The decline in volume resulting from the economic crisis in the first half of 2009 has further increased overcapacity in the industry, now estimated to be 25–30%. Radical rationalisation and/or consolidation must occur before there can be any question of a recovery in the balance between demand and supply (risks 1 and 3).
- The way the results have developed means that Roto Smeets Group stand-alone has been compelled to adapt the announced restructuring and cost level to the reduced level of activity (risks 1, 3 and 5).
- The group's liquidity position is being monitored stringently. If necessary, additional measures will be taken.

We shall continue to monitor these risks and will take action should any new risks become apparent.

3.3. Prospects

Without radical measures the graphic industry will continue to experience intense pressure on prices and volumes. The market continues to be poor. The present poor economic conditions, with continuing cuts in demand and shrinking marketing budgets, has direct consequences for our customers and for the turnover of graphic businesses in general, including the Roto Smeets Group. Thanks to our relatively inflexible fixed cost basis, we shall not be able to cut costs quickly enough to compensate for this margin erosion. The graphic industry will have to change radically and permanently if it is ever to create a healthy future for itself.

The Roto Smeets Group expects no improvement in the market in the second half of 2009 and, in view of the present market conditions, will make no statements about the anticipated results for 2009.

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, 20 August 2009

Management Board

J.P. Caris, CEO

Drs E.H.O.M. Bouwman, CFO

Supervisory Board

Drs A.P. Lugt, interim chairman

Drs R. Blom

H.C.A. Groenen

R.A.J. Huyzer

Drs H.C.P. Noten

Half-year results 2009

Consolidated profit and loss account

(amounts x € 1,000)	Hy 2009	Hy 2008	index
Total Revenue	186,197	205,251	91
Cost of raw materials and consumables	81,728	85,707	95
Cost of work contracted out and other external costs	19,028	23,891	80
Value-added	85,441	95,653	89
Personnel expenses	58,196	59,782	97
Depreciations tangible fixed assets	13,853	14,738	97
Exceptional impairments	375	-	
Other operating costs	24,663	23,436	105
Reorganisation costs	16,626	-	
Operating result	-28,272	-2,303	
Financing income	21	331	
Financing costs	-2,107	-1,803	
Result before taxation	-30,358	-3,775	
Income tax	7,666	1,051	
Result after taxation	-22,692	-2,724	
Attributed to			
Shareholders Roto Smeets Group NV	-22,618	-2,709	
Minority shares	-74	-15	
	-22,692	-2,724	
Key figures			
Average number of outstanding ordinary shares	3,290,275	3,290,275	
Attributed to: Shareholders Roto Smeets Group NV			
Average number of outstanding ordinary shares	-6.90	-0.83	
Value-added in % of Turnover	45.9	46.6	

Consolidated balance sheet

<i>(amounts x € 1,000)</i>	30/6/09	31/12/08
ASSETS		
Fixed Assets		
Tangible fixed assets	178,951	178,558
Associated companies and joint-ventures	–	–
Other financial fixed assets	6,728	1,157
	<u>185,679</u>	<u>179,715</u>
Current Assets		
Stock	7,956	12,285
Trade receivables	59,387	70,953
Other receivables / prepayments	10,883	17,507
Financial derivatives	–	87
Cash and cash equivalents	1,965	1,558
	<u>80,191</u>	<u>102,390</u>
Assets classified as held for sale	4,848	6,525
	<u>85,039</u>	<u>108,915</u>
Total assets	270,718	288,630
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	78,696	101,314
Other reserves	-557	-426
	<u>107,423</u>	<u>130,172</u>
Minority interests	191	247
Total equity	107,614	130,419
Long-term liabilities		
Deferred tax liability	–	1,726
Provisions	21,165	14,305
Interest-bearing loans:		
Loans	9,750	10,500
Lease obligations	23,605	27,239
	<u>54,520</u>	<u>53,770</u>
Current liabilities		
Trade and other liabilities	59,479	56,811
Finance companies	18,089	25,988
Interest-bearing loans	9,562	9,494
Income tax payable	8,532	4,977
Financial derivatives	488	–
Provisions	12,434	7,171
	<u>108,584</u>	<u>104,441</u>
Total liabilities	163,104	158,211
Total equity and liabilities	270,718	288,630

Consolidated cash flow statement

(amounts x € 1,000)

	Hy 2009	Hy 2008
Cash flow from operating activities		
Net result	-22,692	-2,724
Depreciations and exceptional impairments	13,853	14,738
Profit on sale of assets held for sale	-48	-
Other non-cash items	2,490	2,051
Changes in:		
Stock	4,329	1,970
Trade receivables	11,566	16,989
Other receivables / prepayments	6,711	-2,291
Trade and other payables	11,975	-10,572
Deferred taxation	-7,305	-20
Provisions	4,075	-4,260
Cash flow from operating activities	24,954	15,881
Cash flow from investing activities		
Investments in tangible fixed assets	-14,839	-11,184
Divestments in tangible fixed assets	210	735
Result on sale of assets held for sale	1,724	-
Change other financial fixed assets	382	248
	-12,523	-10,201
Cash flow from financing activities		
Withdrawn interest-bearing loans	-	4,050
Repayments interest-bearing loans	-4,315	-6,835
Finance companies	-7,899	3,162
Dividend	-	-5,785
	-12,214	-5,408
Effect of changes in exchange rate	190	-17
Net change in cash and cash equivalents	407	255
Cash and cash equivalents at 1 January	1,558	1,909
Cash and cash equivalents at 30 June	1,965	2,164

*) Sale of real estate Breda

Consolidated overview 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 2008	16,451	12,833	105,745	-89	134,940	288	135,228
Total result			-2,709	-76	-2,785	-8	-2,793
Dividend			-5,785		-5,785		-5,785
	-	-	-8,494	-76	-8,570	-8	-8,578
Equity as per 30 June 2008	16,451	12,833	97,251	-165	126,370	280	126,650
(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
Total result			-22,618	-131	-22,749	-56	-22,805
Dividend			-22,618	163	-22,749	-56	-22,805
	-	-					
Equity as per 30 June 2009	16,451	12,833	78,696	-557	107,423	191	107,614

Consolidated statement of comprehensive income

<i>(amounts x € 1,000)</i>	Hy 2009	Hy 2008
Result after taxation profit and loss account	-22,692	-2,724
Value changes forward currency contracts	-393	-79
Result from participations	180	-10
Income tax relating to components of other comprehensive income	<u>100</u>	<u>20</u>
Direct changes in income/expenses in equity	-113	-69
Total comprehensive income, net of tax	<u>-22,805</u>	<u>-2,793</u>

Segment Information

The following summary shows the segment information in 2009

<i>(amounts x € 1,000)</i>	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
<i>Assets and liabilities</i>				
Segment assets	255,024	4,846	-333	259,537
Assets classified as held for sale				4,848
Unallocated assets				<u>6,333</u>
Total assets				270,718
Segment liabilities	107,969	983	-333	108,619
Unallocated liabilities				<u>54,485</u>
Total liabilities				163,104
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	14,802	37		14,839
Depreciation tangible fixed assets (including exceptional impairments)	13,789	64		13,853

The following summary shows the segment information in 2008

<i>(amounts x € 1,000)</i>	Print Productions	Marketing Communications	eliminations	total
Revenue	196,850	8,401	-1	205,250
Intersegment revenue	<u> </u>	<u> 1</u>	<u> </u>	<u> 1</u>
Total revenue	196,850	8,402	-1	205,251
Segment net results	-3,045	321		-2,724
<i>Assets and liabilities</i>				
Segment assets	260,048	4,994	-483	264,559
Assets classified as held for sale				6,525
Unallocated assets				<u>11,752</u>
Total assets				282,836
Segment liabilities	97,076	1,062	-483	97,655
Unallocated liabilities				<u>58,981</u>
Total liabilities				156,636
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	11,038	146		11,184
Depreciation tangible fixed assets (including exceptional impairments)	14,655	83		14,738

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 2008 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 2008, with the exception of the new standards and interpretations as set out below.

Vacation days

A change in the basis for interim reporting has been applied in respect of obligations arising from vacation days. This has a negative effect on the first half-year result. This change in the interim report has no effect on the annual accounts.

IFRS amendments

Roto Smeets Group has introduced the following IFRS standards with effect from 1 January:
IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segments reporting'. IFRS 8 requires that the financial and descriptive information reported on the corporate segments must be the same as the information that is used internally for assessing the results of corporate segments and when taking decisions on the allocation of means. In its internal performance measurement Roto Smeets Group uses the same performance measures and reporting structures as in the external reporting.

Extraordinary items

Reorganisation 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. Our capacity will be cut back by 30 ktonnes, representing approximately 8% of current capacity. Thirteen obsolete presses are to disappear in 2009 and 2010. 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. 25 million from 2011 on. The reorganisation is on schedule, with completion planned for mid-2010.

Breda real estate

The real estate in Breda was sold in the first half of 2009, yielding proceeds of Eur. 1.7 million. The accounting profit on the premises was Eur. 0.05 million.

Deferred tax asset

The financial fixed assets include an item of Eur. 5.6 million for corporate taxation to be adjusted in future. The forward loss compensation of Eur. 28.6 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.

Profile

Roto Smeets Group NV is listed on the NYSE Euronext Exchange with Amsterdam as market entry. Roto Smeets Group is an organisation 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.

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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



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