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Roto Smeets Group

**Half-Year Report
Roto Smeets Group NV
23 August 2012**

Half-year report 2012

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Corporate profile

Deventer, 23 August 2012

Introduction

As was already stated in the Q1 update, the market situation, especially that for Print Productions, is markedly different in 2012 than it was in 2011. The decline in demand continues in the most important sectors and this, combined with persistent overcapacity, is continuing to exert pressure on prices. Roto Smeets Group (RSG) has to adapt to the market faster and to that end the project 'Sneller, beter, hoger' (Faster, better, higher) has been initiated. Faster manufacturing times, improved added value and higher productivity must drive the business into improved competitiveness. The goal of the project is to cut costs substantially, to create more capacity using the present machinery, and to cut manufacturing times.

1. Financial position

1.1. Results H1 2012

Revenues in H1 2012 dropped below those in H1 2011 to € 141.0 mln (H1 2011 € 158.3 mln). Main reason is the fact that more is produced for (especially foreign) customers who have supplied paper. Added value over H1 2012 was € 3.4 mln lower than in the same period in 2011 (H1 2011: € 75.7 mln). This is largely due to a lower volume than in 2011.

The business result (EBIT) came out at € -2.7 mln compared to € 0.6 mln in H1 2011. The difference was mainly due to the release of the jubilee reserve (€ 2.1 mln) and the book profit on the sale of the De Wit Binders' premises (€ 1.5 mln) in H1 2011.

Despite the cut in the number of full-time equivalents (fte) of more than 2% and a benefit of € 0.8 mln from the pension and early-retirement provisions, total personnel costs rose by 3%. This is ascribed to a more than 17% increase in social charges, mainly due to the increase in unemployment premiums, which are specific to the industry.

The net result was € -3.2 mln (H1 2011 € -1.0 mln). Cash flow from business operations is € 11.0 mln (H1 2011 € 8.3 mln). EBITDA fell by € 4.2 mln compared to 2011 to € 7.7 mln (H1 2011: € 11.9 mln).

1.2. Key figures

x € mln	HY 2012	HY 2011
Revenue	141.0	158.3
Added value	72.3	75.7
EBITDA	7.7	11.9
Operational result (EBIT)	- 2.7	0.6
Net result	- 3.2	-1.0
Cash flow from business operations	11.0	8.3

EBITDA /Added value (%)	10.6	15.8
Return on capital employed (ROCE, %)	- 1.7	0.3
Added value /revenue (%)	51.2	47.8
EBITDA/revenue (%)	5.4	7.5

1.3. Solvency

Solvency increased to 38.9 % (31-12-2011 37.4%). Interest bearing debt fell by € 8 mln to € 68.9 mln compared to year end 2011 (31-12-2011 € 76.9 mln). In addition to the financing facility described in the 2011 Annual Report, a lease agreement has been signed to finance the new eight-colour Heidelberg press. The principal is € 1.8 mln. with repayments scheduled as an annuity for 84 months and a purchase option of € 322,500. Interest is 5.7%.

2. Significant events in H1 2012

2.1. Group developments

As stated during the General Shareholders' Meeting, the Supervisory Board was to consider whether or not to fill the vacancy on the Board created by Mr. Huyzer's departure early in 2012. It has now been decided that the vacancy will not be filled. The Supervisory Board thus now consists of the present four members. It has also been resolved to appoint Drs R. Blom chairman of the Supervisory Board, with Mr. drs J.H.M. Rijper as vice-chair.

Given RSGs present position, the CEO considers that no further protection is needed against hostile takeovers, and thereupon approved the board of the 'Foundation preference shares Roto Smeets Group' to dissolve the foundation. This is effected by 30 June 2012.

2.2. Print Productions

Roto Smeets

There was a further slight decline in demand from the Dutch market in H1 2012. The major magazine titles especially are slowly cutting their print runs. We can also see the frequencies of titles changing, with weeklies becoming monthlies, or monthlies going from 12 issues a year to six. Internationally there is a degree of unease about the continuity of a number of printing groups, which is having a positive effect on the RSG printing plants' order profile, which to a certain extent compensates for the drop in Dutch orders.

Roto Smeets is becoming increasingly specialised in the in-line personalisation of rotogravure and web offset printed products, which has led Deutsche Post recently to register Roto Smeets as a 'performance partner'.

In those sections of the market where Roto Smeets operates, we can see a trend among the publishers towards thicker, glossier magazines. This is a positive development, especially for the Roto Smeets finishing operation, De Wit Binders, which specialises in the perfect binding of such products.

As indicated earlier, the rotogravure market is coming under increasing pressure from web offset plants, which are threatening the bottom end of the market with their new presses, given suitable manufacturing formats. However, there is another development that works to rotogravure's advantage, which is the introduction of an extra tax on printed matter in countries such as Denmark. The tax rate depends on weight (rate per kg). The expectation is that this development will lead to a radical shift towards lower paper substance weights together with smaller formats. It is this latter parameter in particular that is most suited to rotogravure production. There are also stringent environmental requirements, which is one of RSG's spearhead policies.

Besides the extension of a number of contracts, as well as our securing new orders from such publishers as ANWB, Sanoma Media Netherlands and Holco Publications, it is worth highlighting especially the extension of the Time Magazine contract. The excellent professional collaboration over the last 38 years between Time Warner Publishing BV and Roto Smeets Weert was the key to the renewal of this contract. The work involves not just printing the magazine but also its finishing and pre-distribution, all in very short periods of time (< 24 hr). Roto Smeets Weert produces the magazine for distribution to subscribers and newsstands in Europe, the Middle East, North Africa and Latin America, with the exception of the UK and Ireland.

It is also worth mentioning that Swedish Post has opted to renew its contract with Roto Smeets Weert to produce 'Uppslaget'.

Senefelder Misset

During the first half year, Senefelder Misset announced that they had expanded their Digital Magazine Platform with an Android operating system, which permits magazines to be published on such tablets as the Samsung Galaxy Tab, Motorola Xoom and the Amazon Kindle Fire. It was also announced that Senefelder Misset's cross media business unit, X-media Solutions, has entered into a strategic partnership with Layar in the Augmented Reality area. Layar's technology allows magazines / printed media to be made interactive, thus linking the dynamic digital world to the tried and trusted world of print.

Roto Smeets GrafiServices

Two presses at Roto Smeets GrafiServices Utrecht (one eight and one five colour press) were replaced with one new, eight colour press, a Heidelberg XL105-8P, which went into operation early in the year. The Utrecht plant is now equipped solely with type XL105 presses, which contributes to flexibility in the print shop as well as a reduced environmental burden thanks to lower emissions.

Antok

The management at Antok in Hungary was brought up to strength in the first half of the year. The focus now is on gaining new orders. Turnover rose by 15 % in the first half, principally thanks to orders from Austria. Currently, they are working towards a considerable improvement in their internal process to deal efficiently with the increased order flow and to improve their financial management. The 17 % cut in personnel costs is a clear sign that they are on the road to improvement.

ICT

It was also announced in May that RSG has chosen to implement a new Enterprise Resource Planning (ERP) system from Technique. The project comprises the installation of a management information system in all of the Group's Print Productions plants to replace three systems dealing with management information, production control and data collection, and logistics systems. The system is expected to go operational in 2013.

2.3. Marketing Communications

MediaPartners Group

Added value at MediaPartners Group in H1 2012 remained at practically the same level as in the same period 2011, even in the face of a shrinking market due to the cuts that major clients are making. Existing clients remain loyal to MediaPartners, and new ones have been added to the portfolio, including Atradius, CRH Distribution, De Nederlandse Vereniging voor Klinische Fysica [Dutch Association for Clinical Physics], Secretary Plus and UWV. Revenue was somewhat under pressure, mainly due to increases in the wage bill.

To maintain the growth that MediaPartners has achieved in recent years, options were explored for expanding the client list and to enhance the services offered. Towards the end of H1, MediaPartners announced that they had reached agreement with IPG Nederland B.V. to take over vdbj/Communicatie Groep B.V. (vdbj_) on 1 July 2012. vdbj_, which has offices in Bloemendaal, is an established communications bureau and is among the best in the customer media sector. This represents an enhancement of RSG's Marketing Communications business line.

The vdbj_ takeover will allow MediaPartners to further consolidate their leading position in the Dutch communications market. The takeover will also bring synergy as services that were contracted out by vdbj_ can now be supplied by MediaPartners. The takeover is equity based, with MediaPartners taking over 100% of the placed and outstanding shares in vdbj_. The takeover has created a powerful group in the fields of content marketing and internal communication. As of 1 July, the new group employs some 125 people, distributed between three locations in Amstelveen, Bloemendaal and Brussels, working for about 50 clients.

In the coming months they will be looking at the best way to give form to the collaboration between the businesses, so that their individual expertise can find its best expression. This should be complete by the end of this year.

3. Strategy

The changes in market conditions and the continuing adverse results demand that the organisation must change drastically. To that end, the strategic options available for the Print Productions plants in particular will be explored together with the OC&C consultancy bureau.

In recent weeks, the CEO has used canteen meetings and other media to explain the need for these options and their consequences to all employees. The 'Faster, better, higher' project will be rolled out in the coming 18 months and will change the organisation in a number of respects. Besides a flatter structure, the project will stress improvement of the services we offer our customers, more flexibility in employee work planning, and further cuts in those costs that we can influence.

Expanding our services in both pre and post-press, as well as optimising our processes will allow us to cut manufacturing times for our customers, which will in turn allow them to deliver content that is as up to date as possible. This will be done in the pre-press process by installing media portals, while in the post-production phase we can expand such services as personalisation and alternative finishing methods.

The sales organisation has now renewed its vision of the order acceptance process, thanks to which it can see an opportunity to optimise machine occupancy in the plants. Roto Smeets only has a 5% market share in Western Europe, so it must be a realistic option to expand our turnover there.

Employees' work will no longer be organised according to a fixed shift structure. To replace that we shall use personal planning, which will operate in parallel with the workload. The individual employee will be able to influence the planning, which will provide a better balance between work and private life.

The individual employee has been promised that his/her present salary shall be maintained, provided he/she works the necessary hours. This will result in considerable savings on the employment of temporary staff.

The average irregular hours premium, which makes up part of the salary, will be corrected by bringing vacation hours into the scheduling. This correction is being discussed with the employees' organisations.

The structure of the Roto Smeets cluster will be changed. All Roto Smeets plants (Roto Smeets Sales, Roto Smeets Deventer, Roto Smeets Etten, Roto Smeets Weert, De Wit Binders and Rotopack) will answer to a single, common managing director and the local plants will be run by plant managers whose focus will be on production organisation. Besides this, about 17% of jobs are to be cut in the support areas.

Together, these measures (increasing turnover, saving on temporary employees, flexibilising and restructuring) are intended to ensure that 2013 and beyond will see a considerable improvement in results.

4. Risk profile

The graphics industry continues to be very sensitive to the wider economy, meaning that any decline in economic activity is felt very quickly. However, the structural overcapacity that afflicts the industry means that any resurrection of the wider economy will not have a speedy impact on the industry.

Below RSG describes the principal risks and uncertainties to which it is exposed, with a reservation in respect of risks that are not at present of any material influence and in respect of unforeseen risks in the reporting period.

Risk of continuing overcapacity

RSG does not expect any great change in the next six months among the present players in the Western European market, such as might lead to a cut in overcapacity. This continuing situation will continue to exert an adverse effect on margins and thus on the financial results.

Dependence on suppliers and price developments in raw materials and energy

Historically, raw materials make up more than 50% of turnover. Movements in the markets for raw materials and energy thus exert a direct effect on the industry's margins. High costs of raw materials and ancillaries mean higher operational costs, which, in this market with its unremitting pressure on prices, cannot always be passed on to the customer. Steep fluctuations may lead to higher costs and lower income, with a consequent adverse impact on RSG's financial position. Price developments in these markets are too capricious to be able to predict them with any certainty for the coming six months.

Commercial occupancy of production capacity

In the current market, RSG is confronted with increased competition in all geographical sectors in which it operates. This means that RSG is exposed to the risk that it cannot grow and cannot increase the prices of its products and services, which could cause income to fall. The improvement plans announced above will allow RSG to keep pace with technological changes in the industry, so that new products can be developed at the same rate as the competition, which can exert a material, positive effect on the Group's activities.

Other financial risks

Especially in the present financial climate, RSG is exposed to the risk that clients may default on their financial obligations to RSG. Failure to collect outstanding debts will depress RSG's income, with a consequent, adverse impact on the Group's financial position. The continued pressure on margins exposes RSG to the financial risk of failing to earn back its investments and in the materialisation of our deferred tax assets.

5. Prospects

In view of the many uncertainties in the market in general, and the graphics media market in particular, we do not regard it as responsible to make any statements on expected results in the current year.

6. Financial diary

Business update Q3 2012	8 November 2012
Press release, annual results 2012	14 March 2013
Business update Q1 2013	15 May 2013
Shareholders' Annual General Meeting	15 May 2013
Press release H1 figures 2013	22 August 2013
Business update Q3 2013	7 November 2013

7. 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, 23 August 2012

Management Board

Drs J.A. de Haas MBA, CEO

Supervisory Board

Drs. R. Blom, Chairman

H.C.A. Groenen

Drs. H.C.P. Noten

Drs. J.H.M. Rijper

Half year results 2012

Consolidated profit and loss account

(amounts x € 1,000)	HY 2012	HY 2011	index
Total revenue	141,003	158,301	89
Cost of raw materials and consumables	-51,299	-62,764	82
Cost of work contracted out and other external costs	-17,443	-19,801	88
Value-added	72,261	75,736	95
Other revenue	559	256	218
	72,820	75,992	96
Wages and salaries	-33,125	-33,041	100
Social security	-5,827	-5,070	115
Pension obligations	-2,044	-2,937	70
Other personnel costs	-5,295	-4,093	129
Depreciation tangible fixed assets	-10,422	-11,381	92
Impairments	-	-	
Other operating costs	-18,816	-18,906	100
Operating result	-2,709	564	
Financing income	14	304	
Financing costs	-1,564	-2,079	
Result before taxation	-4,259	-1,211	
Income tax	1,018	246	
Result after taxation	-3,241	-965	
Attributed to:			
Shareholders Roto Smeets Group NV	-3,241	-965	
Key Figures			
Average number of outstanding ordinary shares	3,290,275	3,290,275	
Attributed to shareholders Roto Smeets Group NV:			
Results per share (€)	-1.0	-0.3	
Value-added in % of revenue	51.2 %	47.8 %	

Consolidated review of realised and unrealised results

<i>(amounts x € 1,000)</i>	HY 2012	HY 2011
Result after tax	-3,241	-965
Unrealised results		
Value changes forward currency contracts	-942	984
Result from participations	47	47
Income tax relating to components of other comprehensive income	<u>235</u>	<u>-246</u>
Unrealised results after taxes	-659	786
Total realised and unrealised results after taxes	<u>-3,900</u>	<u>-180</u>
Attributed to:		
Shareholders Roto Smeets Group NV	-3,900	-180

Consolidated balance

(amounts x € 1,000)

30-06-2012 31-12-2011

ASSETS

Fixed assets

Tangible fixed assets	118,193	125,795
Investment properties	14,256	14,256
Associated companies / joint ventures	-	-
Deferred tax recievable	11,221	9,968
Other financial fixed assets	1,259	769
	<u>144,929</u>	<u>150,788</u>

Current assets

Stocks	5,940	6,500
Trade receivables	38,599	52,164
Other receivables / prepayments	9,242	7,360
Cash and cash equivalents	554	444
	<u>54,334</u>	<u>66,468</u>

Total assets

199,262 217,256

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
Revaluation reserve	3,708	3,708
Retained earnings	47,463	50,704
Other reserves	-2,997	-2,338
Total equity	<u>77,458</u>	<u>81,358</u>

Long-term liabilities

Provisions	3,746	4,258
Interest-bearing loans:		
Loans	-	11,000
Lease obligations	17,685	18,445
	<u>21,431</u>	<u>33,703</u>

Current liabilities

Trade and other liabilities	35,109	45,139
Finance companies	34,859	40,726
Interest bearing loans	16,374	6,771
Income tax payable	8,808	4,462
Financial derivatives	3,004	2,045
Provisions	2,220	3,052
	<u>100,373</u>	<u>102,195</u>

Total liabilities

121,804 135,898

Total equity and liabilities

199,262 217,256

Consolidated report of changes in equity

(amounts x € 1,000)	issued capital	share premium	revaluation reserve	retained earnings	other reserves	total equity
Balance as at January 1, 2012	16,451	12,833	3,708	50,704	-2,338	81,358
Result after taxes						
Unrealised results after taxes				-3,241		-3,241
Total realised and unrealised results after taxes	-	-	-	-3,241	-659	-3,900
Balance as at June 30, 2012	16,451	12,833	3,708	47,463	-2,997	77,458
(amounts x € 1,000)	issued capital	share premium	revaluation reserve	retained earnings	other reserves	total equity
Balance as at January 1, 2011	16,451	12,833	-	51,450	-1,613	79,121
Result after taxes						
Unrealised results after taxes			-	-965		-965
Total realised and unrealised results after taxes			-	-965	786	786
Balance as at June 30, 2011	16,451	12,833	-	50,485	-827	78,941

Consolidated cash flow report

(amounts x € 1,000)

	HY 2012	HY 2011
Cash flow from operating activities		
Result after taxation	-3,241	-965
Depreciation and exceptional impairments	10,422	11,381
Profit on sale of assets	-	-1,549
(Deferred) taxation	-1,253	3,549
Other non-cash items	-978	-1,875
Changes		
Stock	561	183
Trade receivables	13,565	11,496
Other receivables / prepayments	-1,882	-4,473
Trade and other payables	-5,685	-8,501
Provisions	-558	-992
	10,951	8,253
Cash flow from investing activities		
Investments in tangible fixed assets	-3,208	-3,030
Divestments in tangible fixed assets	388	1,931
Repayments on loans	2	6
	-2,818	-1,093
Cash flow from financing activities		
Withdrawal interest-bearing loans	1,828	1,040
Repayments interest-bearing loans	-3,986	-4,140
Finance companies	-5,866	-4,891
	-8,024	-7,991
Effect of changes in exchange rate	1	-1
Net cash flow	110	-832
Cash and cash equivalents at 1 January	444	1,313
Cash and cash equivalents at 30 June	554	481

Segmentation of figures

The following summary shows the segment information in the first half of 2012

(amounts x € 1,000)	Print Productions	Marketing Communications	eliminations	total
Revenue	133,922	7,082	-	141,003
Intersegment revenue	-	-	-	-
Total revenue	133,922	7,082	-	141,003
Segment net results	-3,560	319	-	-3,241
<i>Assets and liabilities</i>				
Tangible fixed assets	118,193	477	-	118,670
Other segment assets	48,894	4,223	-142	52,975
Assets classified as held for sale		-	-	14,256
Unallocated assets				13,361
Total assets				199,262
Segment liabilities	66,837	2,255	-142	68,950
Unallocated liabilities				52,854
Total liabilities				121,804
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	3,068	140		3,208
Depreciation including impairments	10,351	71		10,422

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
Investment properties				-
Unallocated assets				11,992
Total assets				212,399
Segment liabilities	66,065	2,838	-142	68,761
Unallocated liabilities				64,695
Total liabilities				133,456
<i>Other segment information</i>				
Capital expenditure tangible fixed assets	2,985	45		3,030
Depreciation including impairments	11,352	29		11,381

Notes to the consolidated half-year financial report

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 2011 consolidated annual account.

Valuation basis

The consolidated half-year figures have been drafted with the basis applied in the consolidated annual account on 31 December 2011, with the exception of new standards and interpretations as set out below.

IFRS amendments

Roto Smeets Group has introduced those new IFRS standards, amendments and interpretations which came into force as of 1 January 2012. The application of these standards, amendments and interpretations has had no significant effect on the 2012 half-year report.

Deferred tax assets

The financial fixed assets include an item for future adjustment of corporation tax in the sum of € 11.2 million. The forward loss compensation of € 46,3 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.

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Profile

Roto Smeets Group NV is listed on the NYSE Euronext Exchange, Amsterdam and is one of the leading graphics media businesses in Western Europe. Roto Smeets Group comprises two business lines: Print Productions, which provides efficient, full-service graphics and related services; and Marketing Communications, which produces content-rich media and communications based on a well-conceived communications strategy.

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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