Roto Smeets Group

Press Release
Third-quarter 2014 business update

General information
The markets in which the Roto Smeets Group (RSG) businesses operate are under structural pressure due to lower volumes, overcapacity and price pressure. The company is constantly adapting its capacity and workforce to contend with these challenging conditions. Since 2013 the workforce has decreased by around 12% and capacity has been cut by ± 20 kton.

The rate of volume erosion – particularly in the magazine segment – was approximately 10-12% in the first half of 2014. In the second half of this year the decline in market volume in most print segments – with some exceptions – appears to be returning to levels seen in previous years: a decrease of between 5 and 6%.

Joost de Haas: "In previous years we were able to maintain our volume or at least keep the decline at a slower pace than the market, thereby increasing our market share. Now, however, we are witnessing such a sharp fall in the market that we need to adjust our capacity accordingly. At the end of last year we announced a 12% reduction in our workforce, and that process has now been completed. Our cost structure has consequently been brought more closely into line with market developments, but we need to constantly pursue productivity improvements to stay competitive. Furthermore, we will continue to pay careful attention to how much capacity we maintain and how we optimally utilise that capacity. No one can afford to have overcapacity in the current market."

Financial position
RSG's financial position remains unchanged compared to the situation described on the release of the first-half figures on 21 August 2014. In the third quarter RSG was unable to make up the ground lost in the first half of the year. The resulting liquidity position means that investments will remain heavily constrained for the remainder of 2014. RSG's policy remains focused on paying down interest-bearing debt. This has decreased by over 10% compared to 31 December 2013.

Key events up to the end of the third quarter of 2014
Roto Smeets Group decided earlier this year to adopt a new structure in which the large printing businesses would be subdivided into two divisions: Publishing Services and Commercial Print. This change has clarified responsibilities and sharpened the marketing strategy. Customers of the Commercial Print division require different services than those of the Publishing Services division. A fast-changing media landscape also demands flexibility and versatility, which can be achieved more effectively with the new divisional structure.

As announced at the time of the first-half figures, a reciprocal due diligence process is currently underway with a major player in one of RSG's four divisions with a view to achieving economies of scale through a possible joint venture. We will release further information once this process has been completed.

Publishing Services

For the businesses in the Publishing Services division, 2014 has so far proved a difficult year. The magazine market on which they focus has been hit on various fronts by declining print runs, reduced frequencies and smaller numbers of pages due to lower advertising volume.

The Publishing Services division is aiming to offer its wide range of services in the division increasingly as a single, integrated package. The services will be further expanded in the years ahead. One of the objectives of Publishing Services is to handle a growing number of functions for publishers, leaving them free to concentrate on content creation and sales & marketing.

After the investments made at Senefelder Misset in the first half of the year, namely in a palletiser in the finishing section and in optimising logistics for the finished product, a QuadTech colour control system will be installed in the near future, allowing faster set-up times on the presses with minimal start-up costs. With the same objective in mind, QuadTech's 'Flight gray colour balance control system' is being installed at Roto Smeets Weert.

Commercial Print

The Commercial Print division has achieved good capacity utilisation, albeit at lower selling prices than in 2013. The reorganisation announced at the end of last year has been implemented at the same time, leading to the loss of 120 positions in this division. As a result of delays in handling the redundancy procedures at the Employment Insurance Agency (UWV), the reduction in labour costs will not be evident until the final quarter.

As announced last year, the activities of De Wit Binders in Eindhoven are being integrated into two RSG businesses. Since 70% of De Wit Binders' current capacity is used for gravure orders, two adhesive binding lines will be installed at Roto Smeets Deventer (RSD). This will complete the range of finishing services available from RSD, enabling it to offer customers an extensive range of options in the composition of printed products produced entirely at a single site. The adhesive binding activities carried out by De Wit Binders for publishers will be transferred to Senefelder Misset in Doetinchem. This is expected to be completed in the first quarter of 2015, after which De Wit Binders will be closed.

Roto Smeets GrafiServices

As in 2013, Roto Smeets GrafiServices (RSGS) witnessed a near-stagnation of demand in the third quarter. In particular a drop in orders from existing customers led to slightly lower capacity utilisation compared to the previous year. Profit, however, fell substantially compared to the same period in the previous year, particularly as a result of lower selling prices. A commercial director has been appointed as of 1 October with responsibility for the positioning and commercial management of RSGS.

MediaPartners Group

In our half-year report we stated that MediaPartners Group (MPG) was also facing a decline in its order intake from existing customers and a limited market for new business possibilities. It has now significantly expanded that market by widening its service offering to include the Leads-to-Loyals services, among others. A key addition to its range of services is the production of videos and commercials. MPG recently produced a television commercial for Kips. This commercial is part of a campaign that is also being supported by advertisements in various supermarket publications, an online commercial, banners and the campaign website. This service expansion fits in with MPG's strategy of continuing to grow from a traditional content agency into 'content-plus', working with a permanent core team of employees supplemented by a flexible outer layer of specialists. The first steps have now been taken to equip the organisation for that objective.

Outlook
For now, RSG does not expect any change in the current, highly challenging market conditions.

The group is endeavouring to consolidate its strong position in the market by pursuing further economies of scale through joint ventures or partnerships, continuing to cut costs and developing new services.

Roto Smeets Group NV
Management Board

Deventer, 6 November 2014

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This is an interim report in accordance with article 5:25e of the Financial Supervision Act.

Key financial dates in 2015:

Press release on full-year 2014 figures	17 March 2015
First-quarter 2015 business update	13 May 2015
Annual General Meeting	13 May 2015
Press release on first-half 2015 figures	21 August 2015
Third-quarter 2015 business update	5 November 2015

In the event of any difference of interpretation, the Dutch original of this English translation shall apply.

Profile
Roto Smeets Group NV is listed on Euronext Amsterdam and is one of the leading graphics media companies in Western Europe. Roto Smeets Group comprises four divisions specialising in multimedia communication. Each division specialises in part of the communication chain (from creation to distribution), allowing seamless integration of the overall service offering. For further information see www.rotosmeetsgroup.com under 'Brands and Services'.