



## Roto Smeets Group

### PRESS RELEASE

#### **BUSINESS UPDATE THIRD QUARTER 2009**

- Supplementary reorganisation: approximately 100 jobs more to go
- Provision for reorganisation increased to EUR 21.3 million
- Volume decline appears to be stabilising at Roto Smeets
- Margin pressure increases
- MediaPartners Group: divestment inquiry halted

#### **General**

Continuing pressure on margins due to yet further growth in overcapacity, itself mainly the result of a decline in volumes, has accelerated the pace at which extra measures have to be taken. Approximately 100 extra jobs will have to go, spread over the entire organisation.

#### **Current reorganisation status**

The reorganisation announced last May is on schedule and is expected to be complete in mid-2010.

At Roto Smeets Utrecht around 20% of the employees have already found alternative work, with or without the support of their local mobility centre. Jobs have been found both within and outside the graphic industry. At Roto Smeets Etten, too, the formal dismissal process has been completed for those of our colleagues who will be departing and now everything is being done to reposition them in the job market.

In relation to the difficult market conditions and redundancy costs, the Management Board decided in July to place before those employees who remain unaffected by the reorganisation a request to delay the 2.75% wage rise agreed in the Grafimedia Collective Labour Agreement. Nearly all employees affected, assented to the request. The postponed wage rise will be paid out over two years: 1.00% increase on 1 August 2010, with 1.75% + 0.25% bonus on 1 August 2011.

Simultaneously, the top managements' salaries have been frozen as of 1 January 2009 and it has been decided that the incentive bonus fixed in their pay and conditions shall not be paid for the year 2009. It has also been decided that all agreed/fixed bonuses for all other employees for the year 2009 shall not be paid out.

#### **Financial position**

The restructuring programme announced in May and the extra measures announced above have exerted a great influence on the group's financial result of 2009. The redundancy of a further 100 employees (approximately) means that the earlier announced provision for reorganisation of EUR 16.6 million will have to increase to EUR 21.3 million.

We envision that the restructuring will bring with it a permanent lowering of costs of at least EUR 30 million from 2011 on, leading to a considerable recovery in our results.

Our financial position has remained practically unchanged since the half-year figures were published. The group's liquidity is managed very closely by focusing on the maintenance of a healthy balance sheet and the operational cash flow. Additional measures will be taken if necessary.

### **Print Productions**

The operating units in the Print Productions business line concentrate on three main areas: magazines, catalogues and door-to-door print. The door-to-door market remains relatively stable. At the European level the magazine market is in steep decline. There has been a sharp drop in the number of advertising pages, with a corresponding cut in editorial content. The publishers are being hard hit by the loss of advertising revenues. We are also seeing a volume cut in the catalogue market.

Volumes in our market in Western Europe have dropped by 20% this year alone. It is generally stated that this must be the graphic industry's new nadir. Paper volumes are nearly back to the same level as they were in the early years of the century. All the growth we had experienced since then has utterly evaporated. Overcapacity in the industry, which lay at 15% in previous years, can now confidently be put at 25% or even more.

In 2009 Roto Smeets saw a 6% drop in volume with a 10% cut in margin. In absolute terms we are outperforming the market, but the price erosion that accompanies such volumes is immense. What we can state is that, right now, we at Roto Smeets seem to be seeing a stabilisation in the dropping volumes. This has in part to do with the strength and good reputation of the Roto Smeets brand in Western Europe. Roto Smeets is viewed as a stayer in this market.

### **Marketing Communications**

We announced earlier that we had initiated inquiries into the possible divestment of our subsidiary MediaPartners Group. The inquiry was set in train in light of the Group's strategy to concentrate on West-European consolidation of the Group's graphic activities, which would bring MediaPartners into an environment that would not hold sufficient development potential for them.

Despite the current financial and economic climate, the MediaPartners Group is developing well; so well in fact that we have decided to keep the business, which is why we have halted the inquiry into possible divestment.

Roto Smeets Group will further extend the potential of the MediaPartners brand and improve the business's position as market leader.

### **Prospects**

Our vision in relation to consolidation remains unchanged. The changes in the financial markets, coupled with the economic recession, have made it all much more difficult, but by the same token, all the more necessary.

Consolidation will happen, come what may. The graphic industry in Europe is extremely fragmented, however, and may well not be in a position to implement consolidation right across the board, which is what is needed. Moreover, governments have indicated that we cannot count on their support, so the industry will have to resolve its own problems

under its own steam. One result of this may be that the poor results being seen now throughout Europe will leave the industry too cash poor to do so in any socially responsible manner.

The Roto Smeets Group does not expect any real change in the market in the last quarter of 2009 and therefore holds to its earlier statements that the net result for 2009 will be sharply negative.

In the future we shall concentrate on executing our restructuring, our business operations, and our continuing aspiration to consolidate.

Now that both the Supervisory Board and the Management Board are up to strength once again we are confident we shall survive this stormy period.

**Financial calendar 2010:**

Annual figures published:	18 March 2010
Annual Report 2009 published:	29 March 2010
General Shareholders' Meeting:	28 April 2010
Business update 1st quarter:	12 May 2010
Half year figures published:	26 August 2010
Business update 3rd quarter:	10 November 2010

Roto Smeets Group NV  
Management Board

Deventer, 12 November 2009

For further information:  
J.P. Caris, CEO  
Ir B.J.W. van der Heijden, COO

Tel. +31 570- 69 49 05

*This is an intermediate bulletin in the sense of section 5:25e, Financial Supervision Act [Wet op het Financieel Toezicht].*

**Profile**

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

*In the event of any difference of interpretation, the Dutch original of this English translation shall apply throughout this business update of Roto Smeets Group NV*