



# Roto Smeets Group

## Press release

### Business update Q1 2012

- Graphics market stagnant in Q1
- Marketing Communications looking to expand
- Debt position reduced further

### Market development

We have seen that the market for the Print Productions businesses has worsened in Q1 2012 compared to the situation in the second half of 2011. The relatively good second half we enjoyed in 2011 was due in part to continuity problems at a number of our major competitors. This led customers to seek out stable, healthy suppliers, like Roto Smeets Group. The volume released has now been absorbed by the suppliers in the West European graphics market. There are persistent signals that the mail order catalogues are cutting their print runs, while the numbers of catalogues published are also being cut. In the publishing market we are seeing new titles appear, including Vogue from G+J Uitgevers C.V. (which is printed by Senefelder Misset) and Sanoma Magazines' Fab (printed by Roto Smeets Weert). Against this, however, other titles are cutting their sizes, print runs and frequencies. The resulting decline in demand has once again put pressure on prices. Once again in this quarter we are seeing a continuation of the trend towards even shorter times between booking and the production of an order. The uncertain economy is leading customers to wait longer before taking a decision, meaning that it is becoming increasingly difficult to allocate available capacity.

In the near future we shall continue to focus on cutting production costs while concentrating to the utmost on the shortest possible manufacturing times. The experience that the Roto Smeets offset and rotogravure plants have with frequent changes of language or edition during a production run gives them a commercial edge.

MediaPartners Group, the most important brand in the Marketing Communications business line, is also noting a certain hesitancy among their clients. Many firms are cutting costs and this includes reducing their communications budgets. At MediaPartners Group this is leading to the postponement of projects or even their abandonment. The good news is that the market is a fast-moving one, so there are many new business opportunities. MediaPartners Group is therefore searching continuously for opportunities to expand its range of services so as to secure greater market share in what we expect will be a temporarily shrinking market, so that the growth seen in previous years can be continued once again.

### Financial position

Roto Smeets Group's financial position remains unchanged compared to the situation described in the 2011 annual report. The debt position has been cut further compared to 31 December 2011. Turnover and added value in Q1 2012 remained below expectation. This was partly compensated by lower labour costs, both from our own personnel and temporary employees.

A significant amount of the deficit was caused by volumes that were lower than forecast, which is in line with market developments. Published figures for paper sales in Western Europe show that approximately 6–7% less paper was sold (and printed) in Q1 than in the corresponding period in 2011.

### **Significant events in Q1 2012**

At the end of January, Mr. R.A.J. Huyzer decided to withdraw from the Supervisory Board after he had completed his task as interim CEO. His work was immediately taken over by Mr. J.A. de Haas as management chairman.

After a career lasting 39 years (partly as an agent), the managing director of Roto Smeets Germany, Klaus Hageresch, has passed his work on to his colleague Stephan Segbert.

In March, Senefelder Misset held their 14<sup>th</sup> seminar for customers and business contacts, this time devoted to new earnings models. The afternoon was attended by five media specialists who dealt with the theme 'Reach, fascinate and tie in your target groups by innovations in content, social media and media channels'. Since March 2011, Senefelder Misset has been offering publishers the possibility to transform print-ready PDF files simply and quickly into an enhanced digital magazine on the web and/or the iPad. During the seminar, Senefelder Misset announced that they have expanded their Digital Magazine Platform with the Android operating system, so that magazines can now be published on tablets like the Samsung Galaxy Tab, Motorola Xoom and the Amazon Kindle Fire. It was also announced that Senefelder Misset is to work with Layar in the Augmented Reality area. Layar's technology can make magazines / printed media interactive, thus connecting the dynamic, digital world to the classical world of print.

Roto Smeets Grafiservices Utrecht has replaced two printing presses (one eight-colour and one five-colour) with a single eight-colour machine, a Heidelberg XL105-8P. This machine has eight printing units and work-and-turn equipment, so that two sides of the sheet can be printed in four colours in one pass through the press, in 75 x 105 cm format. The new press is now in use and is working full time. The Utrecht plant now has only type XL105 machinery in use, which contributes to the plant's flexibility. The investment also makes a positive contribution to Grafiservices' CSR policy with its lower environmental burden and reduced emissions.

Roto Smeets Group has selected Technique for the implementation of a new Management Information system (MIS). The project will include the installation of Technique MIS in the Print Productions companies. The system also provides the JDF (CIP4) integration to the Kodak prepress workflow systems.

Technique will replace 3 core systems for MIS, DMI and Logistics and remove the need for interfaces between these areas. This will not only reduce the complexity of the systems but it will also improve the stability and reduce the cost of maintenance dramatically. Through an App the employees will have access to core information instantly, any time and any place.

By using the technique of JDF certified applications the prepress workflow and customer service will improve considerably since it will be possible to provide real-time data about the status of pages, proofs and printing. It is expected that the system will be operational early 2013.

### **Prospects**

The prospects for the Roto Smeets Group graphics businesses are that the total west European print market will continue to shrink and the share of rotogravure in that market will drop. The point at which web offset offers an alternative to rotogravure is increasing steadily, while print runs are shrinking. This means that orders are increasingly shifting from rotogravure to web offset. Roto Smeets will have to continue to adapt its capacity and technology to market conditions.

The ever-increasing shift from print to digital storage and web-based media offers opportunities for the media businesses like MediaPartners Group. If growth is to continue undiminished in the near future, MediaPartners Group will have to seek opportunities for expansion. This same shift also offers opportunities to Senefelder Misset, which produces a wider range of relatively small orders for a specific target group, in contrast to the large volumes produced by Roto Smeets.

Work is currently being done to develop new strategies per cluster of operating units. The accent will lie on expanding services, improving the core processes, increasing control and performance, and re-evaluating our cost-price calculations. As a result, Roto Smeets Group business units will remain competitive in their own market segments in terms of cost, quality and speed. It is expected that the first fruits of this exercise will be apparent when the half-year figures are published.

In view of the many uncertainties in the market in general and the graphics market in particular, we do not believe it would be responsible to make any statements about expected results in the current year.

**Important financial dates 2012**

Half-year figures	23 August 2012
Business update Q3	8 November 2012

Deventer, 9 May 2012

Roto Smeets Group NV  
Management Board

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*This is an interim communication within the meaning of article 5:25e of the Financial Supervision Act [Wet op het Financieel Toezicht].*

**Profile**

Roto Smeets Group NV shares are traded on the NYSE Euronext exchange. Roto Smeets Group is one of the leading graphics businesses in western Europe and is organised in two business lines: *Print Productions, concerned with the efficient production of full service graphics and related services; and Marketing Communications, providing content-rich media and means, using an effective communications strategy.*

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