



Half-year report 2011

Apeldoorn, the Netherlands, 27 July 2011

Executive Board
Koninklijke Wegener NV

Consolidated balance sheet

Before proposed appropriation of profit (in thousands of euros)

	30 June 2011	31 December 2010	30 June 2010
ASSETS			
Non-current assets			
Intangible assets	502,873	505,161	519,835
Property, plant and equipment	79,424	83,001	85,971
Investments in associates	3,927	5,134	4,372
Deferred tax assets	10,093	15,489	5,810
Other financial assets	195	211	292
	596,512	608,996	616,280
Current assets			
Inventories	2,214	1,945	1,685
Amounts owed by group companies	198	1,134	2,195
Trade and other receivables	41,854	44,177	46,885
Cash and cash equivalents	1,116	2,129	3,555
	45,382	49,385	54,320
	641,894	658,381	670,600
EQUITY AND LIABILITIES			
Total equity			
Equity attributable to equity holders of Koninklijke Wegener NV	293,531	278,327	305,620
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Non-current liabilities			
Pensions	25,732	27,994	30,341
Provisions	51,499	59,190	25,072
Interest-bearing loans	69,566	75,586	103,694
Interest rate swaps	307	850	1,360
	147,104	163,620	160,467
Current liabilities			
Pensions	5,505	5,899	6,183
Provisions	19,821	22,256	15,621
Interest-bearing loans	8,357	14,887	10,844
Interest rate swaps	613	919	1,449
Debts to group companies	220	1,973	1,367
Trade payables	17,524	19,674	18,164
Prepaid subscriptions	49,127	54,435	48,430
Other current liabilities	100,092	96,391	102,455
	201,259	216,434	204,513
	641,894	658,381	670,600

Consolidated income statement

(in thousands of euros)

	first half 2011	first half 2010	full year 2010
Revenue	259,854	269,832	531,442
Other income	-	-	-
Revenue and other income	259,854	269,832	531,442
Raw materials and stores	23,967	19,188	36,968
Work subcontracted and other external charges	59,281	69,412	135,895
Staff costs	101,254	99,845	197,135
Amortisation of intangible assets	2,389	4,239	7,372
Depreciation of property, plant and equipment	5,572	5,916	11,284
Impairment of publishing rights	-	-	14,694
Other operating expense	41,723	65,435	155,870
Operating expense	234,186	264,035	559,218
Operating result	25,668	5,797	(27,776)
Share of profit of associates	1,018	433	1,196
Finance income	10	472	489
Finance expense	(5,407)	(6,131)	(11,365)
Financial income and expense	(4,379)	(5,226)	(9,680)
Profit / loss before tax	21,289	571	(37,456)
Taxes	(5,173)	(5,035)	4,900
Profit / loss for the year	16,116	(4,464)	(32,556)
Attributable to:			
- equity holders of Koninklijke Wegener NV	16,116	(4,464)	(32,556)
Earnings per share (in euros)			
- basic, for profit for the period attributable to holders of ordinary shares Koninklijke Wegener NV	0.34	(0.12)	(0.76)

Consolidated comprehensive income statement

(in thousands of euros)

	first half 2011	first half 2010	full year 2010
Result for the period	16,116	(4,464)	(32,556)
Value changes in effective hedging interest rate swaps	876	(71)	1,001
Tax	(219)	18	(255)
	<u>657</u>	<u>(53)</u>	<u>746</u>
Comprehensive income	<u>16,773</u>	<u>(4,517)</u>	<u>(31,810)</u>
Attributable to:			
- equity holders of Koninklijke Wegener NV	16,773	(4,517)	(31,810)
	<u>16,773</u>	<u>(4,517)</u>	<u>(31,810)</u>

Consolidated statement of changes in equity

before proposed appropriation of profit (in thousands of euros)

	Equity attributable to equity holders of Koninklijke Wegener NV					
	Issued share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the year	Total equity
2011						
At 1 January 2011	14,763	167,458	(1,343)	130,005	(32,556)	278,327
Comprehensive income	-	-	656	-	16,116	16,772
Appropriation of profit for previous year	-	-	-	(32,556)	32,556	-
Dividend paid on cumulative financing preference shares for 2010	-	-	-	(1,567)	-	(1,567)
At 30 June 2011	<u>14,763</u>	<u>167,458</u>	<u>(687)</u>	<u>95,882</u>	<u>16,116</u>	<u>293,532</u>
This relates to:						
- ordinary shares	13,503	139,317	(687)	95,882	15,303	263,318
- cumulative financing preference shares	<u>1,260</u>	<u>28,141</u>	-	-	813	<u>30,214</u>
At 30 June 2011	<u>14,763</u>	<u>167,458</u>	<u>(687)</u>	<u>95,882</u>	<u>16,116</u>	<u>293,532</u>

Equity attributable to equity holders of Koninklijke Wegener NV						
	Issued share capital	Share premium	Cash flow hedge reserve	Retained earnings	Profit for the year	Total equity
2010						
At 1 January 2010	14,763	167,458	(2,089)	123,719	7,853	311,704
Comprehensive income	-	-	(53)	-	(4,464)	(4,517)
Appropriation of profit for previous year	-	-	-	7,853	(7,853)	-
Dividend paid on cumulative financing preference shares for 2009	-	-	-	(1,567)	-	(1,567)
At 30 June 2010	<u>14,763</u>	<u>167,458</u>	<u>(2,142)</u>	<u>130,005</u>	<u>(4,464)</u>	<u>305,620</u>
This relates to:						
- ordinary shares	13,503	139,317	(2,142)	130,005	(5,247)	275,436
- cumulative financing preference shares	<u>1,260</u>	<u>28,141</u>	<u>-</u>	<u>-</u>	<u>783</u>	<u>30,184</u>
At 30 June 2010	<u>14,763</u>	<u>167,458</u>	<u>(2,142)</u>	<u>130,005</u>	<u>(4,464)</u>	<u>305,620</u>

Consolidated cash flow statement

(in thousands of euros)

	first half 2011	first half 2010	full year 2010
Cash flows from operating activities			
Revenue and other income	259,854	269,832	531,442
Total expense	234,186	264,035	559,218
Operating result	25,668	5,797	(27,776)
Adjustments for:			
- amortisation of intangible assets	2,389	4,239	7,372
- depreciation of property, plant and equipment	5,572	5,916	11,284
- impairment of publishing rights	-	-	14,694
- changes in working capital	(3,678)	(5,475)	2,555
- liability NMa fine regarding Zeeuws-Vlaanderen	-	19,100	19,100
- taken to the income statement regarding provisions	2,050	3,094	55,457
Withdrawals from provisions	(17,279)	(24,290)	(40,034)
Cash flows from operations	14,722	8,381	42,652
Dividend received from associates	2,472	914	914
Finance income received	10	472	38
Finance expense paid	(1,678)	(2,647)	(8,034)
Tax received / paid	4	-	(7)
Cash flows from operating activities	15,530	7,120	35,563
Cash flows from / used in investing activities			
Received redemption loan AD NieuwsMedia BV	-	15,374	15,374
Capital contribution to associates	(247)	(292)	(291)
Purchase of intangible assets	(102)	(10,190)	(13,339)
Purchase of property, plant and equipment	(2,027)	(4,463)	(7,155)
Sale of property, plant and equipment	31	52	88
Cash flows from / used in investing activities	(2,345)	481	(5,323)
Cash flows used in financing activities			
Repayment of interest-bearing loans	(12,631)	(5,979)	(30,044)
Dividends paid to holders of cumulative financing preference shares of Koninklijke Wegener NV	(1,567)	(1,567)	(1,567)
Cash flows used in financing activities	(14,198)	(7,546)	(31,611)
Net cash flows	(1,013)	55	(1,371)
At 1 January	2,129	3,500	3,500
At 30 June, 31 December respectively	1,116	3,555	2,129

Explanatory notes

General

The 2011 Koninklijke Wegener NV half-yearly report was discussed at the Supervisory Board meeting on 25 July 2011. On 27 July 2011, a press release on the 2011 half-yearly figures was issued before the stock exchange opened.

Koninklijke Wegener NV is based in Apeldoorn, the Netherlands; the depositary receipts for ordinary shares are listed on the Amsterdam stock exchange (Euronext).

The activities of Koninklijke Wegener NV and its group companies involve publishing regional daily newspapers and free local newspapers, developing and commercialising internet products and providing graphic products and services. These activities are undertaken in the Netherlands.

In late October 2007, Mecom Group plc of London became majority shareholder of Wegener via its subsidiary Mecom Media Holland Holding BV. Mecom acquired 86.44% of the (depositary receipts for) ordinary shares. In addition, Mecom acquired 100% of the (depositary receipts for) cumulative financing preference shares (in so far as not held by Wegener).

2010 Annual Report

The 2010 Annual Report, including the 2010 annual accounts, was adopted without changes at the General Shareholders' Meeting held on 18 May 2011. The appropriation of profits proposed in the 2010 Annual Report was also adopted without changes at the General Shareholders' Meeting of 18 May 2011. Dividend on cumulative financing preference shares was paid out on 15 June 2011.

Principles

The half-yearly report was drawn up in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, including IAS 34. The principles employed for valuation and determining the result are the same as those used for the 2010 annual accounts. This consolidated half-yearly report is unaudited.

The new standards that have been in effect as of 1 January 2011, including IFRS 3 Business combinations, IFRS 7 Financial Instruments: disclosures, IAS 1 Presentation of financial statements, IAS 27 Consolidated and separate financial statements, and IFRIC 13 Customer loyalty programmes, have not impacted Wegener's financial position.

Wegener's 2011 half-yearly report was drawn up in accordance with the changes recently introduced in IAS 34 Interim financial reporting, which also went into effect on 1 January 2011.

Risks

During the first half of 2011, market conditions remained unfavourable. The main risk for the remaining months of the 2011 financial year, therefore, concerns the economic recovery and the related recovery of the advertising market. The effect that the falling a market has on Wegener's operating result is mitigated by reorganisations and cost-saving measures implemented in 2009 and 2010.

Wegener's strategic policy is aimed at a transition to a successful cross-media organisation to be able to rise to the risk of a decline in revenue and result. Wegener may not be able to make this transition on time. In the first half of 2011, a plan was devised for transforming a predominantly print-oriented company into a cross-media content publisher. This plan will be put into effect in the second half of 2011.

By reducing the number of print locations, the capacity use of the remaining printing presses has increased and the capacity costs decreased, increasing the risk of loss and damage caused by a disaster at a print location or disruption of the printing process. The impact this

could have on the result and/or equity depends on the nature and magnitude of the disruption and is, therefore, hard to quantify. Various measures have been taken to reduce the risk of any actual disruption occurring.

Wegener's business processes rely in large part on automated systems and an infrastructure designed to allow communication between the various systems. These systems and networks play a key role in virtually all facets of the business operations. Disruptions to these systems and networks can cause considerable damage to the business processes and hence the business result. In the second half of 2011, a start will be made on switching to a new IT services supplier. During that period, the risk of disruption will be greater than normal. Contingency plans, security measures and mirror networks will reduce this risk.

For the sake of completeness, reference is made to the 'Events after the balance sheet date', which provides information on the NMA's decision not to allow exemption from the conditions with regard to Zeeuws-Vlaanderen.

For further information on the risks mentioned and other risks, see the risk management chapter in the 2010 Annual Report.

Seasonal influences

Advertising revenue is somewhat sensitive to seasonal influences. In the second and fourth quarters, it is somewhat higher than in the first and third quarters. This seasonal influence affects the entire sector and is caused by one and the same effect in consumer expenditure. Advertisers respond by advertising their products and services more in periods of high consumer expenditure.

The printed daily newspapers are also impacted by the number of publication days and the number of Saturdays, although this impact is smaller when measured over a six-month time span. The number of publication days may differ in each six-month period under the influence of the calendar (when the weekends are) and on what days the various public holidays fall. The number of Saturdays is important because the Saturday editions of printed daily newspapers contain more advertisements, including job advertisements, than the weekday editions. Most free local newspapers appear on Wednesdays. The number of Wednesdays in an accounting period can, therefore, also have some effect. In H1 2011, the situation compared to the first six months of 2010 was as follows:

	H1 2011	H1 2010
Number of publication days	151	150
Number of Saturdays	25	26
Number of Wednesdays	26	25

Influence of consolidation and deconsolidation

The group companies in which Koninklijke Wegener NV has a direct or indirect controlling interest are consolidated. The assets and liabilities and revenue and expenditure are recognised up to 100%. The share that third parties have in the equity and in the result is stated separately. The group companies' annual accounts are drawn up for the same financial year and the accounting principles are the same as Koninklijke Wegener NV's. Joint ventures are consolidated proportionally, applying the same valuation and result determination principles as Koninklijke Wegener NV does. An undertaking is called a joint venture if the participants have signed a collaboration agreement under which they exercise joint control over the activities.

All balances, transactions, income and expenditure within the group and all profits and losses on transactions within the group are fully eliminated.

In 2010 and the first half of 2011, there were no significant changes in the consolidation circle.

Information on segments

Applying IFRS 8 does not result in separate information on segments, because the various activities within Wegener have a similar risk and are interconnected to such an extent that operational and strategic decisions on the allocation of resources are solely considered at the overall level.

Specification of revenue

	first half 2011	first half 2010	change in %	full year 2010
Publishing activities:				
- advertisements in newspapers	52,348	60,340	(13.2)	116,388
- advertisements in free door-to-door newspapers	71,121	76,222	(6.7)	145,466
- subscriptions to Wegener daily newspapers	103,465	102,878	0.6	207,166
- graphic products	9,644	10,054	(4.1)	20,183
- internet products	12,349	11,121	11.0	22,521
- other revenue from newspaper activities	10,927	9,217	18.6	19,718
Revenue Wegener	<u>259,854</u>	<u>269,832</u>	(3.7)	<u>531,442</u>

Taxes

The tax charge before exceptional items for H1 2011 is 24.4% (same period in 2010: 26.2%). The difference in tax charge in relation to the nominal tax rate (25.0% in 2011, 25.5% in 2010) is caused in part by the result of the associated companies that are not part of the Wegener tax entity.

The NMa fine regarding Zeeuws-Vlaanderen is not deductible for corporation tax.

Exceptional items on the consolidated income statement

(in thousands of euros)

	Reported first half 2011	Excluding exceptional items		Reported first half 2010
		first half 2011	first half 2010	
Staff costs	101,254	98,204	96,645	99,845
Other operating expense	41,723	41,982	44,135	65,435
Operating result	25,668	28,458	30,297	5,797
Taxes	(5,173)	(5,870)	(6,396)	(5,035)
Profit / loss	16,116	18,209	18,675	(4,464)
Cash earnings		17,396	17,892	
Average number of issued shares (in thousands)		45,009	45,009	
Cash earnings per share attributable to holders of ordinary shares Koninklijke Wegener NV (in euros)		0.39	0.40	

The exceptional items in the first six months of 2011 relate to the costs of organisational adjustments and the costs associated with starting up joint distribution with the Telegraaf Media Groep. A part of the office building in Houten has been sublet, as a result of which the vacancy provision could be reversed.

The exceptional items in H1 2010 pertained to accounting for the disputed NMa fine relating to Zeeuws-Vlaanderen, an addition to the reorganisation provision and the provision for vacant accommodation, and a release of the reorganisation provision and the pension provision by recalculating the basic assumptions.

Balance sheet

The decrease in accounts receivable is explained by the declining turnover and a strict accounts receivable policy.

The decrease in the provisions (both long-term and short-term) compared to 31 December 2010 is related to the completion of reorganisation processes, the release resulting from lower vacancy levels and the release relating to the loss-making contract with Dagblad De Pers.

The interest-bearing loans are decreasing as a result of regular repayments.

For its financing, Wegener uses an arrangement that Mecom has made with a syndicate of banks. This financing arrangement has not changed in comparison with the situation at the end of 2010, which was already explained in the 2010 annual accounts.

Transactions with related parties

As the holder of 86.44% of the (depository receipts for) ordinary shares in Koninklijke Wegener NV, Mecom Group plc has a controlling interest in Wegener and, accordingly, it is deemed a related party. In 2011, various transactions were conducted with Mecom, including the passing on of holding costs by Mecom and the passing on of costs by Wegener in relation to work for the group. In addition, Limburg Media Groep (LMG), which is also part of the Mecom group, also uses some Wegener services, chiefly in the area of ICT. Wegener, in turn, uses LMG printing services. The scope of the transactions is limited and comparable to 2010. The mutual accounts receivable and payable as of the balance sheet date are likewise limited.

In addition to having an equity interest in them, Wegener also has a business relationship with some of its associated companies. The scope and number of these transactions is highly limited.

Events after the balance sheet date

On 6 July 2011, Mecom Group plc signed a contract with an external ICT supplier for the provision of ICT products and services for the entire group. The contract was signed subject to a positive recommendation by the Central Works Councils of the Dutch Mecom companies, including Wegener. Now, this has happened. The contract means that, starting in mid-2012, Wegener will be able to make substantial cost savings on ICT services over time, but will also face a considerable risk of disruptions in the transition period, which will start in the second half of 2011.

On 7 July 2011, the Netherlands Competition Authority ruled on Wegener's request for exemption from the conditions that the NMa had imposed when allowing the purchase of VNU Dagbladen in 2000. The NMa decided not to grant this request, which means that Wegener is obliged to set up the organisation of the editions of the relevant daily newspapers in Zeeuws-Vlaanderen in such a way as to match the NMa's interpretation of the regulation in question.

On 26 July 2011 Koninklijke Wegener NV and Mr W. Cornelisse announced their mutually agreed decision that Mr Cornelisse resigned his duties in his capacity as COO and as member of the Executive Board as of 26 July 2011, and that he will leave the company as of 1 January 2012.

Executive Board statement

The Executive Board declares, to the best of its knowledge, that:

1. the 2011 half-yearly accounts give a fair representation of the assets, liabilities, financial position and profit of the company and of the companies combined in the consolidation; and
2. the half-yearly report gives a fair representation of the situation as of the balance sheet date, the state of affairs during the first half of the financial year of the company and of its affiliated companies whose details have been included in the half-yearly accounts, and that the essential risks that the company faces have been described in the half-yearly report.

Apeldoorn, 27 July 2011

T. Velgaard
Chairman of the Executive Board (CEO)

F. van den Brink
Member of the Executive Board (CAO)