



RESULTS

9M09

9 November 2009

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Service Point defended its market share and retained its customer base during 9M09, enabling it to post revenue of €162.1 million, a year-on-year drop of 7.1% (3.4% in constant currency terms). Strong business with new customers is beginning to offset the slump in demand for our services among longer-standing customer, who are seeing their own business volumes drop as the adverse economic backdrop lingers. The company has won new customers including the US Pentagon and Getronics in the Netherlands. These new customer wins will underpin growth going forward. Meanwhile, the business slowdown in the existing customer portfolio has eased of late.

Service Point's results for the first nine months of the year are underpinned by a good underlying performance, except at the French subsidiary. Year-to-date the company has implemented transformational restructuring, downsizing the workforce by 30% (17% at the Group level) and consolidating three production centres. Stripping out the French operation, the contraction in Service Point's reported EBITDA narrows from 36% to 26%.

As in earlier quarters, weakness in certain currencies such as the Norwegian crown, the pound sterling and the US dollar took a toll on earnings. Stripping this factor out leaves revenues of €168.6 million in 9M09, for a year-on-year contraction of 3.4%, underpinned by the continuity of the customer base, combined with strategic sales efforts designed to bring in new customers.

In addition, the Group continues to make progress on the cost rationalisation and productivity fronts, with excellent results to date:

- Significant reduction of the cost base. The full-year cost cutting targets had already been surpassed by 3Q09 (estimated annualised savings of €22 million in 2010, equivalent to a 17% reduction on 2008)
- Headcount downsizing of 17%, virtually complete
- Reinforcement of the business model (stepped up sales effort; sales stimulus measures)
- Growth in new customers which does not "yet" offset declining volumes with existing customers

All these measures are beginning to produce the desired effects:

- Adjusted EBITDA (stripping out restructuring expenses and currency effects) on the rise
- Defence of gross margin
- Positive cash flow in all markets except France
- Stronger balance sheet (enhanced working capital management and reduced debt)

The actions taken leave the company better placed to leverage the opportunity that will be as the global economy emerges from recession in 2010. In most countries the business is showing signs of bottoming out or even staging a timid recovery in business volumes. The scope for economies of scale, enhanced following the cost cutting, pave the way for a significant jump in profits when the economic cycle turns, followed by a return to growth driven by increased business activity across our customer base combined with acquisition-led growth.

2. Group performance 9M09

2.1 Key indicators

Table 1.1 below depicts the key financial highlights for Service Point for 9M08 and 9M09. The reported results are distorted by a series of factors which impede a like-for-like reading. These factors include non-recurring restructuring expenses and currency effects.

Table 1.1 *Reported income statement metrics*

€, million	9M08	9M09	Chg.
Revenue	174.42	162.08	-7.08%
Gross profit	123.94	110.11	-11.15%
EBITDA	17.64	11.27	-36.13%
EBIT	6.01	0.93	-84.51%
Net profit	2.62	-1.97	-174.91%
Gross margin	71.06%	67.94%	
EBITDA	10.11%	6.95%	
EBIT	3.45%	0.57%	

Exchange rates	2008	2009	Chg.
USD	1.52	1.36	10.53%
GBP	0.78	0.89	-14.10%
NOK	7.99	8.84	-10.64%

During the first nine-months of 2009, Service Point's revenue shrank 7.1% year-on-year to €162.1 million. This contraction narrows to 3.4% on a constant currency basis. As concluded in the introduction to this report, Service Point has performed well throughout the economic crisis, generating positive net cash despite absorbing €3.2 million of restructuring expenses to date.

Thanks to the investments made through mid-2008, the company has been able to scale back capex by 70.2% year-on-year without jeopardising capacity or its ability to innovate on services. This has also helped lower depreciation charges.

The trend in the dollar, pound sterling and Norwegian crown eroded revenue by an aggregate of €6.5 million in 9M09.

The restructuring expenses incurred during the first half of the year and the subsequent expansion of the cost savings program put total expenditure slated for FY09 at an estimated €4 million. Approximately 80% of this outlay had already been incurred at the reporting date.

Highlights:

- Operating revenue, at constant exchange rates, narrowed 3.4%.
- EBITDA net of non-recurring expenses and at constant currency fell 14.2% year-on-year, leaving an EBITDA margin of 9.0%.
- EBITDA – capex amounted to €7.9 million, €11.7 million excluding exchange rate effects and restructuring costs.
- Net profit excluding restructuring expenses totalled €1.6 million.

The table below depicts the company's financial performance during the first nine months of the year adjusted for restructuring expenses and exchange rates.

Table 1.2 *Income statement metrics adjusted for restructuring charges and exchange rate effects*

€, million	9M08	9M09	Chg.
Revenue	174.42	168.57	-3.36%
Gross profit	123.94	114.77	-7.40%
EBITDA	17.64	15.13	-14.21%
EBIT	6.01	4.60	-23.45%
Net profit	2.62	1.64	-37.40%
Gross profit	71.06%	68.08%	
EBITDA	10.11%	8.98%	
EBIT	3.45%	2.73%	

As depicted in table 1.2 above, Service Point's key indicators adjusted for non-recurring charges and currency effects held steady year-on-year despite the lingering challenging economic environment. This was possible thanks to Service Point's reinforced competitive positioning in its core markets, coupled with the retention of existing customers and new customer wins under the umbrella of the sales plan rolled out.

From a sales perspective, 2009 is proving a pivotal year in terms of new customer wins.

2.2 Restructuring

Looking to the last quarter, the company plans to continue to rationalise its cost base and raise productivity.

The cost cutting executed to date already exceeds initial targets. Annualised cost savings in 2010 are estimated at around €22 million, which spells a 17% slimmer cost base relative to 2008 levels. The workforce reductions – to take in 17% of the headcount – are virtually complete, barring the remnant fine-tuning at certain centres.

The significant chunk taken out of the Group’s cost structure translates into a substantial increase in operational gearing, which will result in major economies of scale once our customers begin to see their businesses pick up in 2010, i.e. renewed topline expansion will result in exponential earnings growth. This earnings momentum combined with an improved financial position will enable the company to renew the acquisition-led growth of recent years.

Meanwhile, enhancement of the business model following the reorientation and restructuring of the sales function is driving new customer wins which, combined with stabilisation in volumes with existing customers, position the company for high organic growth going forward.

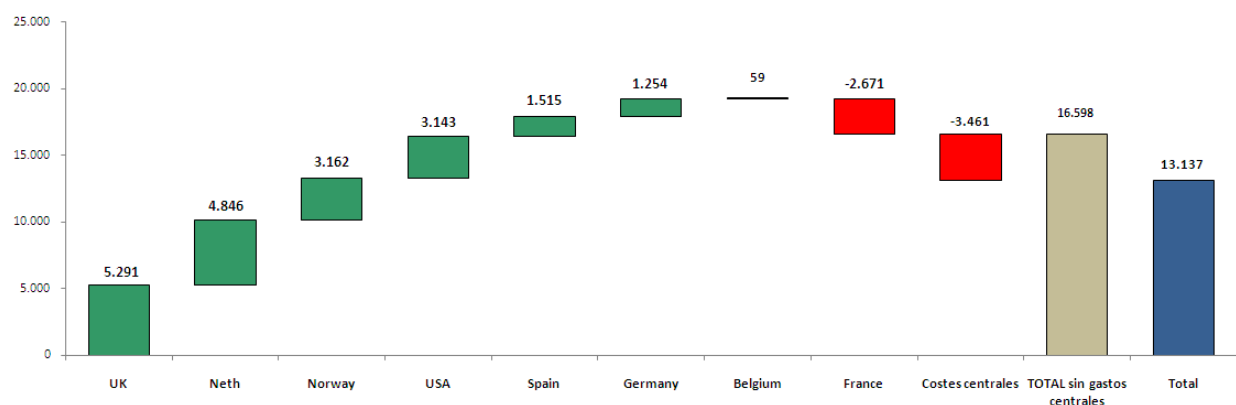
3. Outlook

3.1 2009 performance

All the measures outlined are beginning to produce the desired effects targeted by the management team, namely growth in adjusted EBITDA (stripping out restructuring charges and currency effects) and the defence, and even expansion in some cases, of gross margins.

In addition, as depicted graphically in the table 1.3 below, net cash flow is positive in all markets with the exception of France, demonstrating the company’s ability to continue to generate cash despite the challenging economic backdrop.

Table 1.3 Cash flow by country and at Group level



Another point worth highlighting is the strength of the balance sheet, reinforced by enhanced working capital management and lower debt. Specifically, the Group’s net debt was €1 million lower at the close than at 30 September 2008 notwithstanding a €2 million outlay for an extraordinary dividend and non-recurring expenses of over €3 million.

3.2 Outlook

All the initiatives taken year-to-date enhance the company's ability to leverage the opportunity that will open up as the global economy shakes off recession. In most countries the business is showing signs of bottoming out or even staging a timid recovery in business volumes. The scope for economies of scale, enhanced in the wake of significant cost cutting, pave the way for a significant jump in profits when the economic cycle turns, followed by a return to acquisition-led growth.

Looking to the last quarter of 2009, the operating environment is expected to improve marginally with respect to the first three quarters. By extension the company's results are expected to largely mirror the performance reflected in this report. The priorities remain margin maximisation and cash flow generation. The next step, once our earnings power is established and enhanced, will be to forge ahead with the strategic business plan which calls for a mix of organic and acquisition-led growth. This, coupled with the cost cutting already implemented, should translate into important growth in EBITDA in 2010, as demand comes back.

4. Shareholder remuneration policy

Share cancellation and bonus share issue

On 23 October the company cancelled 2,997,664 shares, representing 2.7% of equity, as approved by its shareholders in general meeting on 30 June 2009.

The two-week long trading period for the subscription rights to the bonus issue that will bring 21,635,535 new shares into circulation is slated to begin on 17 November. Following this issue, also approved at the AGM on 30 June 2009, the total outstanding will rise to 129,813,212. The bonus share issue, which will be charged against the share premium reserve, comprises the issuance of one new share for every five outstanding, carrying the same rights as those already in circulation. This is the first of three 1x5 bonus share issues, to be executed in as many years.