Business Performance: 3Q08

Service Point

Service Point Solutions (SPS) ended the third quarter of 2008 with revenues of €174.4mn, year-on-year growth of 12%, confirming the trend evidenced during the last 12 consecutive quarters.

EBITDA amounted to €17.6mn, down 12% from 9M07. There are several factors underpinning this drop:

- Extraordinary profit recognised in 2007 in connection with the Fraport contract, which generated EBITDA of €1.6mn
- The restructuring of the document management business in the Netherlands, giving rise to a €2mn charge at the EBITDA level
- The depreciation of the dollar and pound sterling in the first nine months of the year, with an impact of €1.1mn and €0.6mn respectively. If the dollar continues to strengthen as it has in recent weeks, fourth quarter profit should recover accordingly.

On the positive side, the acquisitions made year-to-date have contributed €1.3mn to profit since their consolidation into SPS, in addition to incremental EBITDA of €1.5mn from organic business growth.

The effect of these one-off factors have a similar impact on EBIT and net profit, which amounted to €6.0mn and €2.6mn, respectively in the first nine months of the year.

€ mn	**9M07**	**9M08**
Revenue	155.8	174.4
EBITDA	20.1	17.6
EBIT	10.1	6.0
Net profit	6.0	2.6
Exchange rates:		
USD / EUR	1.34	1.52
GBP / EUR	0.68	0.78
NOK / EUR	7.95	7.99

Topline growth and new customers

Revenue rose 12% to €174.4mn in the first nine months of the year.

This figure includes the four acquisitions made in 2008 from their respective acquisition dates. Had the revenue produced by these companies been included pro forma from 1 January 2008, revenue growth would have increased to 24%.

New customer wins, notably in the higher value added services segment, came from several fronts:

- The entry into the Belgian market through UCAD, a company focused on document management and content management, whose core clientele includes Dun & Bradstreet and Sanoma.

- The acquisition of a 51% stake in Reprotechnique in France, whose customer base includes names such as Air Liquide, BASF and Electrecité de France, among others.

- The entry into the printing services and content management segment in the financial sector through the acquisition of CFI, a specialist with operations in London, New York and Honk Kong and a customer base including leading financial entities such as Citibank, Calyon and Merrill Lynch. SPS plans to leverage this platform to increase its service range in the financial sector.

- An extended range of services in the large format and on-demand printing segment in the US, Spain, Norway, France, Germany, United Kingdom and the Netherlands. SPS has reinforced its leadership in this segment with the acquisition of KSB.

These acquisitions have enabled the Group to broaden its range of services and customer base, setting the foundations for future growth without the need to resort to additional investment.

Throughout the year, the Company has extended its customer base with new firms including AGCO, Jardine Lloyd Thompson and the London Business School, while maintaining very high renewal rates –in excess of 95%- with existing customers, generating recurring income. Revenue from the Group's 25 largest customers rose by 6% during the period, highlighting the repeat nature of Service Point's business.

Cost streamlining program

In order to reduce costs, Service Point launched a cost savings program during the third quarter designed to reduce annual expenses by €6mn. The full effects of this initiative will become evident in 2009.

The program extends to reducing staff cost and generating savings on fixed infrastructure, supplies and external service costs. Among the measures taken, it is worth highlighting the downward revision of planned capital expenditure which has been scaled back by €3mn relative to the budgeted figure for the year.

The goal of the program is to boost the ROCE in order to maximise the business' ability to generate cash, and is expected to have a significant impact in 2009.

Liquidity and financing

Service Point is in good financial health thanks to undrawn financing lines totalling over €50mn.

Despite the volatile financial environment, the company enjoys a comfortable financial position as it does not face significant debt maturities until 2012. In addition, the company recently obtained some €17mn in working capital financing, which has not yet been drawn down.

Year-end and forecast for 2009

Service Point has built a solid market position, increasing its revenues for 12 consecutive quarters, during which time it has consolidated its existing customer relationships and broadened its customer base.

Building on the full integration of the acquisitions made in 2008, traction on the aforementioned cost reduction plan and the high renewal rate among existing customers, SPS expects the final quarter to be the strongest quarter this year.

Management expects year-on-year revenue growth of 15% in Q408, which will bring revenues to over €240mn.

In short, and looking to its growth prospects for 2009, a year destined to be marked by global economic and financial challenges, Service Point enjoys significant competitive advantages including geographic diversification, a loyal customer base, operational gearing and exposure to currencies with significant potential for appreciation.

Shareholder remuneration

In accordance with the agreement ratified at the General Shareholders' Meeting last 26 June, Service Point plans to pay a final net dividend of €0.02 per share on 20 November 2008.

This will put the total net dividend paid out by Service Point against 2007 earnings at €0.04 per share, a dividend yield of 4% base on yesterday's close. This comes on top of the 1-for-30 bonus share issued executed in 1Q08.

The improvement in earnings forecast for the fourth quarter, underpinned by measures already implemented, together with the strategic focus on cash generation and control over capex, will set the foundations for solid improvements in expected earnings in 2009.

Appendix – Changes in the consolidation scope

During the first half of 2008 the company completed several acquisitions of document management and reprographics companies in Europe. In all, these acquisitions gave rise to the following changes in its consolidation scope vis-à-vis 30 June 2007:

1. **Koebcke GmbH.-** A German print management company with annual revenue of approximately €8mn. SPS acquired the remaining 49% of this company in January 2008, having taken an initial 51% stake in February 2006. Koebcke GmbH has been fully consolidated by Service Point Solutions, S.A. since January 2008.

2. **UCAD, N.V.-** A Belgian document management company with annual revenue of approximately €3mn. SPS acquired this company outright via its Dutch subsidiary Service Point Netherlands Holdings, B.V in February 2008. It has been fully consolidated since January 2008.

3. **Reprotechnique S.A.-** In May 2008 SPS acquired 51% of this digital reprographics company with annual revenue of approximately €21mn, with an option to acquire the remaining 49% in 2012. The second step of this acquisition can be settled in SPS shares. This company has been consolidated since June 2008.

4. **KSB Groep B.V.**– In June 2008 SPS, through its subsidiary Service Point Netherlands Holdings B.V., completed the acquisition of 100% KSB Groep B.V. and 75% of Xtreme Print B.V., providers of printing and reprographics services with annual revenues of approximately €5.5mn. These newly acquired companies have been fully consolidated since June 2008.

5. **Chris Fowler International Ltd.**– SPS, through its subsidiary Service Point UK Ltd, acquired 100% of Chris Fowler International Ltd. in July 2008. This company has been fully consolidated since August 2008.

The total cost of business combinations made in 2008 amounts to €25.4mn. The KSB Groep B.V and Chris Fowler International Ltd. purchase agreements include earn out clauses tied to these companies' future financial performance. Business combinations closed in 2008 have given rise to the recognition of goodwill amounting to approximately €19mn.