



Océ

Quarterly
report 2007/2

Results second quarter 2007



Océ N.V.

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**Printing for
Professionals**

Strong growth of printing systems sales

Results second quarter 2007^{1]}

Salient figures <i>In million €</i>	Second quarter			First half year		
	2007	2006 ^{2]}	Δ	2007	2006 ^{2]}	Δ
Total revenues	777.1	783.6	-0.8%	1,506.3	1,537.7	-2.0%
EBITDA	79.6	66.4	20.0%	151.2	142.0	6.5%
EBITA	38.9	26.5	47.0%	70.0	59.4	18.0%
Operating income [EBIT]	28.9	18.0	60.0%	50.2	41.7	20.2%
Net income	18.3	12.2	50.1%	30.5	24.1	26.7%
<i>In € per share</i>						
EBITDA	0.95	0.79	19.4%	1.80	1.69	6.2%
Earnings per ordinary share for net income attributable to shareholders	0.21	0.13	52.6%	0.34	0.28	22.0%

1] The figures in this report are unaudited.

2] For 2006 reporting of the gross margin and operating expenses of Océ Imagistics was brought into line with the accounting standards used within the Océ Group [see press release dated January 15, 2007, page 11].

Highlights:

- Organic revenues growth of 2.1%
- Sales of printing systems [non-recurring revenues] 9.2% higher on organic basis
- Recurring revenues excluding fax increased 0.6% on organic basis
- Gross margin up from 40.0% to 41.3%
- Operating income increased by 60%
- Excellent financial results for WFPS
- Further improvement DDS results expected

Comments by Rokus van Iperen, chairman of the Board of Executive Directors:

"In the second quarter our sales of printing systems were significantly higher than last year, both in DDS and in WFPS. This results from our focus on growing the business by investing in distribution and product development. We have also booked the first successes with sales of OEM products in Europe. We expect that in the second half of the year we will also have higher sales than last year. The recurring revenues were amongst others impacted by the anticipated decline of the fax business. The increased sales of printing systems will give a positive impulse to recurring revenues. The implementation of our Strategic Plan 2007-2010 started well."

Second quarter: strong growth in sales of printing systems

Total revenues in the second quarter were € 777.1 million and increased organically by 2.1% as compared to the second quarter of 2006 [including exchange rate effects -0.8%].

Since January both DDS and WFPS have introduced new printing systems. Also our distribution power has been strengthened. These are important steps in implementing the strategy 2007-2010. As a result Océ's *non-recurring revenues* in the second quarter increased organically by 9.2% [including exchange rate effects by 6.5%], the highest increase in the past nine quarters. This has increased the number of printing systems installed in the market, which improved the utilisation degree of the service organization.

Recurring revenues decreased on an organic basis by 0.8% compared to the second quarter of 2006 [including exchange rate effects: -3.7%]. This decrease was mainly attributable to the decline in Imagistics' legacy fax business. Excluding fax, recurring revenues increased organically by 0.6%.

The *gross margin* increased by 1.3% to 41.3% of revenues. This increase was realized thanks to an improved product mix – and specifically the strong product portfolio – in both Strategic Business Units.

Operating expenses remained stable at 37.6% of revenues [2006: 37.7%].

Because of the improved gross margin and the control of operating expenses Océ increased its *operating income* by 60% to € 28.9 million [2006: € 18.0 million].

<i>In million €</i>	Second quarter	
	2007	2006
Operating income	28.9	18.0
Release pension provision	-	-2.1
Reorganization costs	0.7	7.6
Normalized operating income*	29.6	23.5
Capitalized R&D costs	6.1	3.1

* adjusted for exceptional items.

Financial expenses [net] amounted to € 8.7 million [2006: € 6.5 million]. The increase was caused by interest rate developments and a difference in the results of interest rate swaps.

Taxation amounted to € 2.1 million [2006: a positive contribution of € 0.6 million to net income].

Thanks to the higher operating result, *net income* increased by 50.1% to € 18.3 million [2006: € 12.2 million] despite higher financial expenses and taxation charges.

Earnings per ordinary share for net income attributable to shareholders rose to € 0.21 per share [2006: € 0.13].

Strategic Business Unit Digital Document Systems

In the *Strategic Business Unit Digital Document Systems* [DDS] the first positive results of the strategy were achieved.

Total revenues in DDS increased organically by 1.8% compared to the second quarter of 2006 and amounted to € 551.3 million. As expected, the fax business continued to decline organically, falling by 38% in the second quarter. The revenues of DDS, excluding fax, increased by 3.4%.

Non-recurring revenues increased organically by 9.1%. This increase was achieved through solid growth of the Océ Imagistics business, a strong start

of the OEM business in Europe and increasing sales of the high volume black and white printing systems in the Océ VarioPrint 6000 series which produce up to 250 duplex prints per minute in one single pass. Thanks to the strong sales of printing systems DDS substantially strengthened its order backlog at the end of the second quarter of 2007 as compared to the end of the second quarter of 2006 and the first quarter of 2007.

In the second quarter DDS was successful with international tenders, for example for the European Commission and for SUEZ, a major publicly listed utilities group. The printing systems, including service and consumables, that Océ supplies to these customers will produce hundreds of millions of prints each year.

Several products received major industry awards. These achievements underline the stronger distribution power of DDS and the increased competitive strength of its product portfolio.

Recurring revenues, excluding the fax business, increased organically by 1.0% [including fax -0.9%]. Océ Business Services grew its revenues by more than 8%. In part this growth was achieved organically, whilst another part stemmed from business synergies with Océ Imagistics.

A higher margin was achieved as a result of an improved product mix and greater efficiency in the service organization.

The higher level of new market placements by Océ Imagistics, the OEM printing systems and the Océ VarioPrint 6000 printing systems will have a positive impact on recurring revenues.

The operating income of DDS amounted to € 4.2 million [2006: - € 3.2 million]. The increase was realized as a result of an improvement in the gross margin and lower operating expenses.

The results of DDS are still not at the desired level, but the improvements that have meanwhile been achieved are fully in line with the initiated strategy.

Strategic Business Unit Wide Format Printing Systems

The *Strategic Business Unit Wide Format Printing Systems* [WFPS] once more realized excellent financial results.

Total revenues in WFPS grew organically by 2.7% to € 225.8 million. Non-recurring revenues showed organic growth of 9.3%. Technical Document Systems booked excellent sales in both black and white and color printing systems. The innovative power of Technical Document Systems received further recognition in the form of four industry awards.

Within Display Graphics Systems production of the Océ Arizona 250 GT has been ramped up further. This system, which was developed by Océ, can print images of photographic quality for indoor and outdoor use and its sales – by both Océ and its strategic partner Fujifilm – are excellent. As a result, the order backlog of Display Graphics Systems has increased. The Océ Arizona 250 GT still had a limited influence on revenues in the second quarter but this will grow over the forthcoming quarters.

Recurring revenues of WFPS decreased by 0.5% on an organic basis. Both Technical Document Systems and Display Graphics Systems increased their recurring revenues due to growing sales of inks. The decrease in the recurring revenues of WFPS was due to Imaging Supplies' stronger focus on high margin products. This related to the A4-tender business.

The operating income of WFPS amounted to € 24.7 million [2006: € 21.2 million]. This operating income of 10.9% of revenues was achieved due to an organic increase in revenues and an improvement in the relative gross margin.

The developments in WFPS are fully in line with the initiated strategy.

Balance sheet and cash flow

The *balance sheet total* amounted to € 2,611 million and was in line with the end of the 2006 financial

year [€ 2,605 million]. A decrease of € 43 million was realized as compared to the end of the second quarter of 2006 [€ 2,654 million], mainly due to lower taxes assets and finance lease debtors.

The decrease in the balance sheet total meant that *Net Capital Employed* decreased by € 72 million to € 1,394 million compared to the end of the second quarter of 2006 [€ 1,466 million]. Because of the improved results and the balance sheet position the Return on Capital Employed rose to 6.3% [2006 full year: 5.6%].

Cash flow from operating activities during the first half year was € 19 million. The *free cash flow* over the first six months was – € 41 million [2006: – € 30 million]. This was due in particular to lower proceeds from sales of the finance lease portfolio.

Operational excellence projects

Part of the strategic plan 2007 - 2010 are four “operational excellence” projects. As regards the improvement in logistics processes and the improvement in the purchasing conditions for non-product-related goods and services the first savings have been realized already. On an annual basis these savings amount to € 8 million and € 12 million respectively. In addition the business case for the optimisation and harmonisation of business processes and of the underlying ICT has been completed. The estimated saving potential as from 2010 in the business case is € 45 million. The fourth project relates to the structural reduction of working capital.

Termination of NASDAQ listing

Océ is voluntarily terminating the listing of its American Depositary Receipts [ADRs] on NASDAQ.

Ordinary shares in Océ will continue to be listed on the Amsterdam stock exchange [Euronext], whilst the ADRs can still be traded in the United States via the over-the-counter bulletin board.

Océ will continue, as before, to organize meetings for investors and analysts as well as roadshows, including those in the United States.

Corporate Sustainability Report published

In June Océ published its third Corporate Sustainability Report. The report describes Océ's approach to sustainable business practices in 2006. This year the report was subjected to external verification for the first time. Océ makes products that are environmentally friendly thanks to their lengthy useful lifetime and Océ seeks to combine innovation and sustainability.

Outlook 2007

We expect a further improvement in the results of DDS on the basis of our increased distribution power, the increased competitive strength of our product portfolio, as well as the growth in Business Services.

WFPS is expected to maintain the high level of results on the basis the competitive strength of our product portfolio and the anticipated Display Graphics Systems growth.

Board of Executive Directors Océ N.V.

July 3, 2007

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Keys to terminology:

Non-recurring revenues: revenues from the sale of machines, software and professional services.

Recurring revenues: revenues from maintenance, media, toner/ink, rental, interest and business services.

Organic growth: the development of results after adjustment for exchange rate effects and major acquisitions.

Cutsheet printing: printing on separate sheets of paper.

Continuous feed printing: printing on rolls of paper or on pinfeed forms.

OEM Original Equipment Manufacturer: refers to the producer of a machine that is used in the sales process of another producer or distributor.

Wide Format printing: printing on formats bigger than A3.

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Consolidated Income Statement

Period December 1, 2006 to May 31, 2007

In million €

	Second quarter		Six months	
	2007	2006 ¹⁾	2007	2006 ¹⁾
Total revenues	777.1	783.6	1,506.3	1,537.7
Cost of sales	-456.1	-470.0	-881.7	-910.7
Gross margin	321.0	313.6	624.6	627.0
Selling and marketing expenses	-185.8	-194.3	-364.2	-375.2
Research and development expenses	-58.4	-58.1	-114.3	-118.7
General and administrative expenses	-47.9	-43.2	-95.9	-91.4
Operating expenses	-292.1	-295.6	-574.4	-585.3
Operating income	28.9	18.0	50.2	41.7
Financial income	6.0	5.6	9.6	8.2
Financial expenses	-14.7	-12.1	-28.3	-27.3
Share in income of associates	0.2	0.1	0.2	0.2
Income before income taxes	20.4	11.6	31.7	22.8
Income taxes	-2.1	0.6	-1.2	1.3
Net income	18.3	12.2	30.5	24.1
Net income attributable to				
Shareholders	17.9	11.6	29.6	23.5
Minority interest	0.4	0.6	0.9	0.6
	18.3	12.2	30.5	24.1
Free cash flow	12.7	33.2	-40.5	-30.4
Average number of ordinary shares outstanding [x 1,000]	84,098	83,925	84,055	83,834
Earnings per ordinary share for net income attributable to shareholders in €				
Basic	0.21	0.13	0.34	0.28

¹⁾ Based on the accounting principles used in the annual report for 2006 and described in the press release of January 15, 2007 [page 11].

Consolidated Balance Sheet

In million €

Before net income appropriation

Non-current assets

Assets

Intangible assets
Property, plant and equipment
Rental equipment
Investments in associates
Deferred income tax assets
Available-for-sale financial assets
Derivative financial instruments
Trade and other receivables

Current assets

Inventories
Derivative financial instruments
Trade and other receivables
Current income tax receivables
Cash and cash equivalents

Total

Equity and Liabilities

Equity

Share capital
Share premium
Other reserves
Retained earnings
Net income attributable to shareholders
Equity attributable to shareholders
Minority interest

Non-current liabilities

Borrowings
Derivative financial instruments
Retirement benefit obligations
Trade and other liabilities
Deferred income tax liabilities
Provisions for other liabilities and charges

Current liabilities

Borrowings
Derivative financial instruments
Current income tax liabilities
Trade and other liabilities
Provisions for other liabilities and charges

Total

End of second quarter 2007	End of financial year 2006
542	547
418	428
111	112
2	2
83	84
9	9
11	7
206	209
1,382	1,398
385	341
10	10
706	729
31	33
91	85
1,223	1,198
6	9
2,611	2,605
54	54
512	511
-158	-164
235	228
30	55
673	684
34	37
707	721
586	533
3	5
419	421
14	15
35	51
52	54
1,109	1,079
207	180
3	4
18	2
550	590
17	29
795	805
2,611	2,605

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Changes in Equity attributable to shareholders

In million €

	First six months 2007	Financial year 2006
Balance at November 30, 2005		711
Transition to IAS 32 and IAS 39		-63
Balance at December 1, 2006 / 2005	684	648
Net income	30	55
Dividend	-38	-51
Share-based compensation	4	6
Purchase of treasury shares	-	-
Reclassification of financing preference shares	-	59
Cash flow hedges	-1	10
Currency translation differences	-6	-43
Amount at May 31, 2007 / November 30, 2006	673	684

Organic growth in revenues

As percentage

	Second quarter 2007	First six months 2007
Non-recurring revenues		
Digital Document Systems	9.1	2.2
Wide Format Printing Systems	9.3	10.0
Total	9.2	4.7
Recurring revenues		
Digital Document Systems	-0.9	0.0
Wide Format Printing Systems	-0.5	0.8
Total	-0.8	0.2
Revenues growth		
Digital Document Systems	1.8	0.6
Wide Format Printing Systems	2.7	3.7
Total	2.1	1.4

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Consolidated Statement of Cash Flow

Period December 1, 2006 to May 31, 2007
In million €

	First six months 2007	First six months 2006
Income before income taxes	32	23
<i>Adjustments for:</i>		
Depreciation and amortisation	101	100
Impairment	–	–
Share-based compensation	4	1
Share in income of associates	–	–
Other	–5	–4
<i>Changes in provisions, rental equipment and working capital:</i>		
Retirement benefit obligations	–1	–12
Provision for other liabilities and charges	–14	–13
Other provisions [for inventories, finance lease and trade receivables]	12	13
Rental equipment	–35	–31
Inventories	–54	–33
Finance lease receivables	10	9
Trade and other receivables [excluding finance lease receivables]	9	1
Trade and other liabilities	–42	–52
Income taxes	2	21
Cash flow from operating activities	19	23
Expenditure in intangible assets	–22	–31
Expenditure in property, plant and equipment	–42	–43
Divestment of intangible assets	–	1
Divestment of property, plant and equipment	5	4
Change in other non-current assets	–4	–
Change in investments in associates	–	–
Sale finance lease portfolio	3	16
Sale/acquisitions [net of cash]	–	–
Cash flow from investing activities	–60	–53
Free cash flow	–41	–30
Proceeds from borrowings	113	516
Repayments of borrowings	–27	–552
Dividend	–38	–36
Change in equity related to shares	2	3
Change in minority interest	–3	–3
Cash flow from financing activities	47	–72
Translation differences	–	7
Changes in cash and cash equivalents	6	–95

Profile

Océ: innovative by nature Océ is one of the world's leading suppliers of professional printing and document management systems. A business that is innovative by nature, both commercially and technologically.

Océ develops and manufactures systems for the production, distribution and management of documents, in color and black and white, in small format and in wide format for offices, educational institutions, industry and the graphics market. Its products offerings comprise printers, scanners, peripheral equipment and printing media but also document management software and innovative products in the areas of system integration, outsourcing of document management activities and leasing of printing systems. Océ's core product range, developed and manufactured by the company itself, is focused on small format and wide format and, as far as small format is concerned, on the [highly] productive segments. To supplement this, Océ offers its customers selected machines made by Original Equipment Manufacturers [OEMs], mostly as part of total solutions.

Océ's reputation is founded on productivity and reliability, ease of use and a favorable 'total cost of ownership'.

Océ is commercially active in over 90 countries and has its own sales and services organization in more than 30 of these countries. It also operates research and manufacturing facilities in Europe, the United States and Canada. In 2006 Océ, which has almost 24,000 employees, achieved revenues of € 3.1 billion and a net income of € 57.1 million.

Business model Océ is one of the few suppliers that is active in the entire chain of printing systems; from development via manufacturing, sales and financing to service. Because of constant feedback within the chain Océ is able at all times to anticipate and respond alertly to changing market requirements and new market opportunities.

Océ's policy in the various sub-markets is steered by two Strategic Business Units, Digital Document Systems [DDS] for small format and Wide Format Printing Systems [WFPS] for wide format in close

cooperation with Research & Development on the one hand, and Marketing & Sales on the other. Digital Document Systems serves the market via the business groups Corporate Printing Systems, Commercial Printing Systems and Océ Business Services. Wide Format Printing Systems serves the market via the business groups Technical Document Systems, Display Graphics Systems and Imaging Supplies.

A separate activity, Software & Professional Services, focuses on the development and implementation of software in printing systems and therefore supports all business groups.

In a number of countries in which Océ itself is not represented the business makes part of the product range available via specialised distributors.

Through its own Research & Development Océ develops its basic technologies and majority of its products concepts. The direct feedback of customer experiences serves here as an important source of solutions for concrete, current and future needs. Océ also broadens and strengthens its innovative capacity through alliances with strategic partners and cooperation with co-developers and with OEMs for printing systems in the high, medium and low volume segment markets.

The publicly listed holding company of the Group is Océ N.V. The issued share capital amounts to about € 53.6 million divided into € 43.6 million ordinary shares, € 10 million financing preference shares and € 1,500.- priority shares. The ordinary and financing preference shares have a nominal value of € 0.50. Ordinary shares in Océ are listed on the stock exchanges in Amsterdam [Euronext], Düsseldorf, Frankfurt/Main and on the electronic stock exchange [EBS] in Switzerland. Options to Océ shares are traded on the Euronext Options Exchange.

Forward-looking statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements refer to future events and may be expressed in a variety of ways, including the use of future or present tense language such as 'expects', 'projects', 'anticipates', 'intends' or other similar words.

Océ has based these forward-looking statements on its current expectations and projections about future events.

Océ's expectations and projections may change and Océ's actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements based on various important factors, risks and uncertainties which are neither manageable nor foreseeable by Océ and some of which are beyond Océ's control.

When considering these forward-looking statements, one should keep in mind these risks, uncertainties and other cautionary statements made in this report or in Océ's other annual or periodic filings made with the United States Securities and Exchange Commission.

These factors, risks and uncertainties include, but are not limited to changes in economic and business conditions, customer demand in competitive markets, the successful introduction of new products and services into markets, developments in technology, adequate pricing of products and services, competitive pricing pressures within Océ's markets, the financing of Océ's business activities, efficient and cost-effective operations, changes in foreign currency exchange rates, fluctuations in interest rates, political uncertainties, changes in governmental regulations and laws, tax rates, successful acquisitions, joint ventures and disposals and the effects of recent or further terrorist attacks and the war on terrorism.

For a more detailed discussion of the factors, risks and uncertainties that may affect Océ's actual results, performance or achievements, reference is made to pages 62 to 71 of the annual report part 2 for 2006, Océ's Annual Report on Form 20-F and any other filings made by Océ with the United States Securities and Exchange Commission.

Océ's forward-looking statements speak only as of the date on which the statements are made, and Océ is under no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Océ enables its customers to manage their documents efficiently and effectively by offering innovative print and document management products and services for professional environments.