



**Océ**

Quarterly  
report 2009/1

# Results first quarter 2009



**Océ N.V.**

December 2008 – February 2009

Océ N.V.

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**Printing for  
Professionals**

### Océ improved normalized operating income despite lower revenues

#### Highlights first quarter:

- Total revenues declined 6.3% to € 658 million
- Normalized operating income € 22.8 million
- Net income € 15.3 million
- Free cash flow improved by € 45 million to -€ 64 million
- Competitive position strengthened in key markets
- Current action program ahead of schedule
- Additional cost reduction measures announced

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

*'Our first quarter performance has been encouraging, especially given today's economic turbulence. We have been able to mitigate the impact of the economic downturn and the declining markets due to our business model, timely launched cost reduction programs and balance sheet improvements.'*

*Océ has strengthened its competitive position in key segments of business services, display graphics, color continuous feed printing and cutsheet production printing. Color revenues, generating better margins, grew to 27% of total revenues.*

*We persisted with our strategy of continuously introducing innovative printing systems such as the Océ Arizona 350 XT and the Océ JetStream 2800, positioning our customers for profitable growth.*

*Despite these positive developments, we anticipate market conditions in 2009 will be even more challenging than in 2008. An additional round of cost cutting measures in supply centers and operating companies is therefore inevitable, supporting our profitability during ongoing turbulent economic conditions.'*

## Summary first quarter 2009\*

### Key figures

*In million € / as %*

Total revenues

**Normalized operating income\*\***

One-off items

Operating income (EBIT)

Net income

Free cash flow

| First quarter |             |               |
|---------------|-------------|---------------|
| 2009          | 2008        | Δ             |
| 658.0         | 702.2       | -6.3%         |
| <b>22.8</b>   | <b>17.5</b> | <b>+30.8%</b> |
| +6.8          | +14.6       | -             |
| 29.6          | 32.1        | -7.7%         |
| 15.3          | 21.3        | -27.9%        |
| -64           | -109        | +59.0%        |

\* The figures in this report are unaudited.

\*\* Adjusted for one-off items, representing continuing business.

## Printing industry

The economy deteriorated further in the first quarter of 2009. This resulted in a strong decline in a broad range of market sectors except for the relatively resilient sectors Government, Health Care, Education and Utilities.

As in the fourth quarter of 2008 the continued decline of key market sectors affected the digital printing industry. Decisions to replace existing equipment were often postponed. Investments in new applications, which transfer print volume from analog presses to digital printers, were reduced in pace. Print volumes were under pressure in all segments except for the new applications. The outsourcing of document management services continued to grow.

Océ mitigated the impact of the declining market sectors in several ways. First, Océ's business model reduced the impact of the deteriorating market sectors, through our recurring revenue stream and in addition through our broad customer base covering various markets and geographies. Second, by Océ's strong distribution power and competitive products. Océ improved its competitive position in new segments such as graphic arts and display graphics through consistent application of its strategy. The execution of the action program to reduce costs is ahead of schedule.

## Océ Group results first quarter 2009

### Revenues

*Total revenues* in the first quarter amounted to € 658.0 million, a decrease of 6.3%. The organic decrease was 8.2% compared to the first quarter of 2008.

Our share of color continues to grow and now accounts for 27% of revenues, up from 22% in the same period last year. Océ expects that color will continue to grow at a rapid pace and will become an increasingly significant part of the revenue stream, generating better margins.

*Non-recurring revenues* amounted to € 169.1 million, a decrease of 14.8%. The organic decline was 15.9%.

*Recurring revenues* amounted to € 488.9 million, a decrease of 3.0%. The organic decrease was 5.2% mainly due to a 26% decline in Imaging Supplies sales. The recurring revenues from maintenance services and toner/ink which relate to the machine population decreased organically by 5.5% due to a lower print volume demand in the markets.

Océ Business Services grew its revenues organically by 6.4%.

### Operational Excellence

One of the three pillars in Océ's strategy is a continuous improvement of business processes under the Operational Excellence program.

The Operational Excellence program enables Océ to reduce its cost base in order to support profitability. The 2009 action program will reduce costs by € 80 million in addition to the € 80 million savings realized in 2008. In the first quarter of 2009, a total of € 34 million in savings were realized.

The execution of our restructuring effort went according to plan.

In the first quarter, headcount was reduced by 413 FTEs. At the end of the first quarter we had reduced our headcount by 1253 FTEs in the 2008/2009 program (target was 1200 FTEs).

Additional actions executed are worldwide salary and hire freezes, stringent control on out of pocket expenses, delayed investments in IT as well as property, plant and equipment, temporary shut down of some manufacturing lines and continued short time working in Venlo and Poing.

The Operational Excellence program also includes € 100 million cash to be generated by balance sheet reductions in the area of real estate, inventories, finance lease receivables and trade receivables. In the first quarter of 2009 a total of € 40 million in balance sheet reductions was realized mainly due to lower business activity levels.

To mitigate further market deterioration, additional costs savings have been defined. These contain further phased restructuring in Poing, including an additional 250 FTE reduction. Additionally we prepare cost reduction plans for the operating companies and supply centers.

All cost savings will be implemented in a careful and structured manner and cover all countries and disciplines.

All savings referred to above are exclusive of volume effects, inflation and restructuring costs.

### Overview one-off items

| <i>In million €</i>                 | First quarter |        |
|-------------------------------------|---------------|--------|
|                                     | 2009          | 2008   |
| Operating income                    | 29.6          | 32.1   |
| Divestments                         | - 1.7         | - 19.8 |
| Restructuring costs                 | 5.0           | 5.2    |
| Benefits DR program                 | - 4.4         | 0      |
| Capitalized R&D                     | - 5.7         | 0      |
| Normalized operating income         | 22.8          | 17.5   |
| Total capitalized R&D costs (net)   | 9.8           | 6.8    |
| Charge for share-based compensation | 0.3           | 1.3    |

In the first quarter Océ realized a one-off gain of € 1.7 million related to the divestment of Arkwright. In the same period last year Océ realized a one-off gain of € 19.8 million related to the divestment of Océ Document Technologies (ODT).

As part of the aforementioned Operational Excellence program Océ incurred some € 5.0 million in restructuring costs in the first quarter.

Another element in the Operational Excellence program is the improvement of the logistical processes amongst others via Direct Replenishment of spare parts. This enables Océ to centralize stocks related to spare parts. The centralized inventory requires less provision for obsolescence and as a result part of the provision was released, resulting in a one-off gain of € 4.4 million.

Océ allocates significant resources in R&D to further improve the competitiveness of its product portfolio. The research and development process consists of well defined phases. As of 2009, the start of capitalization is matched with the start of investments in product industrialization, which is earlier in the R&D process than before. This resulted in less costs of € 5.7 million in the quarter.

In total, one-off items amounted to net € 6.8 million gains of which € 1.7 million impacted gross

margin and € 5.1 million impacted operating expenses.

### Gross margin and operating income

In the first quarter of 2009 normalized *gross margin*, excluding one-off items, was 38.9% (2008: 39.2%). The slight decline was the result of changes in foreign currency exchange rates and hedge results. The strengthened competitive position as well as the benefits from the ongoing Operational Excellence program are important elements in maintaining the relative gross margin. The gross margin recovered from the low level (35.6%) in the fourth quarter of 2008.

Normalized *operating expenses* amounted to 35.4% (2008: 36.7%). This decrease was realized by execution of the Operational Excellence program.

On balance, normalized *operating income* amounted to € 22.8 million (2008: € 17.5 million). The changes in foreign currency exchange rates caused a negative impact of – € 0.9 million. Operating income amounted to € 29.6 million (2008: € 32.1 million).

### Financial expenses and net income

*Financial expenses (net)* amounted to € 12.6 million (2008: € 8.6 million).

On balance, *net income* was € 15.3 million (2008: € 21.3 million).

Earnings per ordinary share for net income attributable to shareholders was € 0.17 (2008: € 0.24).

### Balance sheet, RoCE and cash flow

The balance sheet total was € 2,568 million, compared to € 2,368 million at the end of the first quarter of 2008. The year-on-year increase was mainly attributable to foreign currency exchange rate effects.

The retirement benefit obligations in the balance sheet amounted to € 389 million (2008 first quarter: € 398 million). The estimated coverage ratio of the Océ Netherlands Pension Fund

amounted to 79.5%, based on local pension accounting, at year-end 2008. Effective January 1, 2009, the related pensions will not be index-linked and the pension premium was raised. For financial year 2009, Océ is not required to make any additional contributions to the Océ Netherlands Pension Fund. More information will be provided following endorsement and approval of the recovery plan by the Dutch Central Bank.

*Net Capital Employed* was € 1,340 million, compared to € 1,256 million at the end of the first quarter of 2008. In relation to normalized operating income, RoCE amounted to 5.5% (2008: 7.2%).

*Free cash flow* in the first quarter was – € 64 million (2008: – € 109 million). The improvement of € 45 million compared to 2008 was mainly due to improvement in working capital.

Cash flow from operating activities, was – € 38 million (2008: – € 85 million).

The cash flow from investing activities was – € 26 million. Excluding the aforementioned one-off gain of € 5.7 million relating to R&D, the cash flow from investing activities decreased to – € 20 million (2008: – € 24 million) due to lower capital expenditures.

The net debt/EBITDA ratio<sup>1</sup> amounted to 2.96 (loan covenants maximum of 3.0). The EBITDA/Interest (net) ratio amounted to 5.3 (loan covenants minimum of 4.0).

Various drivers will help Océ to continue to operate within the covenants. First, the cash flow of Océ traditionally is weak in the first quarter and positive in the second quarter. Second, the free cash flow improved by € 45 million compared to the first

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<sup>1</sup> According to loan covenant definition. Net Debt is borrowings less cash & cash equivalents less derivative financial assets & liabilities plus corrections and amounted to € 671 million. EBITDA is reported EBITDA less corrections and amounted to € 226 million. Net interest is financial expenses plus interest income plus corrections and amounted to € 43 million. EBITDA and Interest (net) are calculated on a last twelve months basis.

quarter of 2008. Further actions will be taken in the remainder of 2009. Third, EBITDA amounted to € 76.3 million which is in line with the first quarter of 2008 and an improvement versus the last three quarters of 2008, mainly due to strengthened competitive position and the benefits of the Operational Excellence program.

## Key figures per Strategic Business Unit first quarter 2009

| <i>In million € / as %</i>                           | <b>DDS</b>  | <b>WFPS</b> | <b>OBS</b> | <b>Total</b> |
|--|-------------|-------------|------------|--------------|
| Revenues   | 368.8       | 174.8       | 114.4      | 658.0        |
| <i>Organic development in revenues</i>               | -8.6%       | -14.9%      | 6.4%       | -8.2%        |
| Non-recurring revenues                               | 108.9       | 60.2        | -          | 169.1        |
| <i>Organic development in non-recurring revenues</i> | -14.9%      | -17.6%      | -          | -15.9%       |
| Recurring revenues                                   | 259.9       | 114.6       | 114.4      | 488.9        |
| <i>Organic development in recurring revenues</i>     | -5.7%       | -13.4%      | 6.4%       | -5.2%        |
| <b>Normalized operating income*</b>                  | <b>10.0</b> | <b>9.8</b>  | <b>3.0</b> | <b>22.8</b>  |
| One-off items  | 4.5         | 2.5         | -0.2       | 6.8          |
| Operating income                                     | 14.5        | 12.3        | 2.8        | 29.6         |

\* Adjusted for one-off items, representing continuing business. One-off items comprise divestments, restructuring costs, Direct Replenishment benefits and R&D capitalization.

## SBU's results first quarter

### Digital Document Systems (DDS)

Revenues in DDS amounted to € 368.8 million. Organically, revenues declined by 8.6%. The share of color increased to 22% of revenues (2008: 18%).

Non-recurring revenues amounted to € 108.9 million. Organically, revenues declined by 14.9%. As a result of the decline in multiple market sectors equipment sales in Office, Printroom as well as black & white continuous feed systems decreased strongly compared to the first quarter of 2008. DDS continued its successful entrance in TransPromo and graphic arts by selling multiple Océ

JetStream and Océ ColorStream continuous feed color printers. In the fourth quarter of 2008 this resulted already in a third market position in placements shares.

In the first quarter, DDS introduced the Océ JetStream 500 and 1000 which will enable a wider range of customers to make the transition from offset to high speed digital printing. DDS also introduced the Océ JetStream 2800, offering the broadest print width currently available and running at 130 meters/minute. The Océ JetStream 2800 is the fastest wide format digital color continuous feed system in the industry.

*Recurring revenues* amounted to € 259.9 million. Organically, revenues declined by 5.7%. The market deterioration resulted in lower print volumes except for TransPromo and graphic arts.

Normalized *operating income* amounted to € 10.0 million (2008: – € 0.6 million). The improvement was realized through our partnerships and cost reduction actions.

### **Wide Format Printing Systems (WFPS)**

*Revenues* in WFPS amounted to € 174.8 million. Organically, revenues declined by 14.9%. The share of color increased to 41% (2008: 31%).

*Non-recurring revenues* amounted to € 60.2 million. Organically, revenues declined by 17.6%. This decline was caused by significantly lower equipment sales in Technical Document Systems following the slowdown in the Construction as well as the Manufacturing sector. Sales of the Océ ColorWave 600 and Very Low Volume color equipment increased.

The deteriorating Advertising market caused a slowdown of equipment sales in the Display Graphics market.

In the first quarter, WFPS introduced the Océ Arizona 350 XT. This new model is twice as large as the successful Océ Arizona 350 GT introduced in the previous quarter, and will enable customers to address a larger part of the Display Graphics market currently printing on analog presses.

*Recurring revenues* amounted to € 114.6 million. Organically, recurring revenues declined by 13.4%. Population related revenues, being maintenance services and toner/ink related to the machine in field basis, declined organically by 3.9%. While the population related revenues in Technical Document Systems declined, Display Graphics grew its population related revenues.

The main driver in the decline of recurring revenues was Imaging Supplies, whose revenues declined by 26% due to the divestment of Arkwright as well as lower customer print volumes.

Normalized *operating income* was € 9.8 million (2008: € 14.7 million) and was impacted by the strong decline in market demand for Technical Document Systems equipment, reduced black & white print volumes and lower imaging supplies demand. The Operational Excellence program partly mitigated these effects.

### **Océ Business Services (OBS)**

*Revenues* in OBS amounted to € 114.4 million. Organically, revenues increased by 6.4%. OBS shows consistent growth as the trend to outsource document management activities continues. Revenue growth in Europe was strong, despite the economic slowdown, and the number of sales cycles increased. Revenues in the United States are picking up and expected to grow in the remainder of the year.

Normalized *operating income* amounted to € 3.0 million (2008: € 3.4 million). Operating income was impacted by lower relative gross margin due to lower (print) volumes mitigated by the Operational Excellence program.

### **Strategic actions**

In 2009 the Strategic Business Units will again be taking further major steps in two main pillars of Océ's strategy: distribution power and competitive products.

To further strengthen distribution power, the Strategic Business Units will focus the sales force on relatively resilient market sectors and applications, expand sales via current strategic partners and continue to explore new partnerships in continuous feed as well as wide format.

WFPS will increase sales of the Océ Arizona 350 XT and will launch a new single footprint system. DDS has expanded the Océ JetStream family and is ramping up sales of the new continuous feed color systems.

### **April 23, 2009: General Meeting of Shareholders**

The annual general meeting of shareholders will be held on April 23, 2009 in Venlo. The registration

date for this meeting is April 2, 2009. The agenda and the registration procedure have been posted on our website [www.investor.oce.com](http://www.investor.oce.com).

### Outlook

Océ mitigated the impact of the declining market sectors in several ways. First, via the Océ business model with recurring revenues and broad customer base. Second, by Océ's strong distribution power and competitive products. Third, through Océ's action plan to reduce costs and generate cash by balance sheet reductions.

Océ anticipates a further deterioration of the market sectors in 2009 and has therefore taken additional actions. Océ continues to strengthen its distribution power and product competitiveness. In addition, Océ expands the Operational Excellence program to further reduce costs and to improve cost flexibility of manufacturing as well as to improve cash flow through balance sheet reductions.

Board of Executive Directors Océ N.V.  
April 2, 2009

### Keys to terminology:

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

*Organic growth:* the development of the results after adjustment for exchange rate effects and the impact of substantial acquisitions or disposals.

*Recurring revenues:* revenues from services, inks, toners, media, rentals, interest and business services.

*RoCE: Return on Capital Employed:* operating income on an annual basis after normalized taxes (20%) as a percentage of average Net Capital Employed (total assets excluding cash and cash equivalents, less non-interest bearing liabilities adjusted for derivatives.)

*Wide Format printing:* wide format printing (bigger than A3).

### Printed press release

As of the second quarter of 2009 a printed version of the quarterly press release will no longer be available. Quarterly reports can be obtained via one of the following three options.

Océ continues to publish the quarterly reports on its website <http://investor.oce.com>.

In order to receive the press release by email please subscribe to Océ Newsletters via

<http://investor.oce.com/news/subscriptions>.

Furthermore it is possible to subscribe to RSS feeds of Océ via <http://global.oce.com/news/rss.aspx>.

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## Quarterly report 2009/1

### *Consolidated Income Statement*

|   | First quarter 2009 | First quarter 2008 |
|---|--------------------|--------------------|
| <i>In million €</i>   |                    |                    |
| <b>Total revenues</b>   | <b>658.0</b>       | <b>702.2</b>       |
| Cost of sales   | -400.5             | -427.6             |
| <b>Gross margin</b>   | <b>257.5</b>       | <b>274.6</b>       |
| Selling and marketing expenses  | -148.1             | -157.7             |
| Research and development expenses   | -44.1              | -54.4              |
| General and administrative expenses   | -37.4              | -50.2              |
| Other income (net)  | 1.7                | 19.8               |
| Operating expenses  | -227.9             | -242.5             |
| <b>Operating income</b>   | <b>29.6</b>        | <b>32.1</b>        |
| Financial expenses  | -14.6              | -12.4              |
| Financial income  | 2.0                | 3.8                |
| Share in income of associates   | 1.9                | 0.1                |
| <b>Income before income taxes</b>   | <b>18.9</b>        | <b>23.6</b>        |
| Income taxes  | -3.6               | -2.3               |
| <b>Net income</b>   | <b>15.3</b>        | <b>21.3</b>        |
| <b>Net income attributable to</b>   |                    |                    |
| Shareholders  | 14.9               | 20.8               |
| Minority interest   | 0.4                | 0.5                |
|   | <b>15.3</b>        | <b>21.3</b>        |
| <b>Free cash flow</b>   | <b>-64.1</b>       | <b>-108.7</b>      |
| Average number of ordinary shares outstanding (x 1,000)                             | 84,822             | 84,743             |
| <b>Earnings per ordinary share for net income attributable to shareholders in €</b> |                    |                    |
| Basic   | 0.17               | 0.24               |

## Consolidated Balance Sheet

In million €

|                                |  | End of first<br>quarter 2009 | End of financial<br>year 2008 |
|--------------------------------|--|------------------------------|-------------------------------|
|                                | <b>Assets</b>                                |                              |                               |
| <b>Non-current assets</b>      | Intangible assets                            | 604                          | 593                           |
|                                | Property, plant and equipment                | 347                          | 354                           |
|                                | Rental equipment                             | 110                          | 110                           |
|                                | Associates                                   | 4                            | 2                             |
|                                | Derivative financial instruments             | –                            | 1                             |
|                                | Trade and other receivables                  | 219                          | 217                           |
|                                | Deferred income tax assets                   | 98                           | 106                           |
|                                | Available-for-sale financial assets          | 9                            | 9                             |
|                                |  | <b>1,391</b>                 | <b>1,392</b>                  |
| <b>Current assets</b>          | Inventories                                  | 349                          | 353                           |
|                                | Derivative financial instruments             | 16                           | 22                            |
|                                | Trade and other receivables                  | 644                          | 681                           |
|                                | Current income tax receivables               | 9                            | 19                            |
|                                | Cash and cash equivalents                    | 155                          | 79                            |
|                                |  | <b>1,173</b>                 | <b>1,154</b>                  |
|                                | Non-current assets held for sale             | 4                            | 3                             |
| <b>Total</b>                   |  | <b>2,568</b>                 | <b>2,549</b>                  |
|                                | <b>Equity and Liabilities</b>                |                              |                               |
| <b>Equity</b>                  | Share capital                                | 54                           | 54                            |
|                                | Share premium                                | 512                          | 512                           |
|                                | Other reserves                               | –88                          | –92                           |
|                                | Retained earnings                            | 161                          | 170                           |
|                                | Net income attributable to shareholders      | 15                           | 2                             |
|                                | Equity attributable to shareholders          | 654                          | 646                           |
|                                | Minority interest                            | 34                           | 35                            |
|                                |  | <b>688</b>                   | <b>681</b>                    |
| <b>Non-current liabilities</b> | Borrowings                                   | 736                          | 574                           |
|                                | Derivative financial instruments             | 38                           | 28                            |
|                                | Retirement benefit obligations               | 389                          | 389                           |
|                                | Trade and other liabilities                  | 2                            | 5                             |
|                                | Deferred income tax liabilities              | 16                           | 25                            |
|                                | Provisions for other liabilities and charges | 38                           | 42                            |
|                                |  | <b>1,219</b>                 | <b>1,063</b>                  |
| <b>Current liabilities</b>     | Borrowings                                   | 26                           | 37                            |
|                                | Derivative financial instruments             | 23                           | 25                            |
|                                | Trade and other liabilities                  | 573                          | 696                           |
|                                | Current income tax liabilities               | 18                           | 25                            |
|                                | Provisions for other liabilities and charges | 21                           | 22                            |
|                                |  | <b>661</b>                   | <b>805</b>                    |
| <b>Total</b>                   |  | <b>2,568</b>                 | <b>2,549</b>                  |

## *Changes in Equity attributable to shareholders*

*In million €*

|   | First quarter 2009 | Financial year 2008 |
|---|--------------------|---------------------|
| <b>Balance at December 1, 2008 / 2007</b>               | <b>646</b>         | <b>677</b>          |
| Net income  | 15                 | 2                   |
| Dividend  | -1                 | -57                 |
| Share-based compensation                                | -                  | 2                   |
| Purchase of treasury shares                             | -                  | -                   |
| Cash flow hedges  | -5                 | -15                 |
| Currency translation differences                        | -1                 | 37                  |
| <b>Balance at February 28, 2009 / November 30, 2008</b> | <b>654</b>         | <b>646</b>          |

## *Organic growth in revenues*

*As %*

|                               | First quarter 2009 |
|-------------------------------|--------------------|
| <b>Non-recurring revenues</b> |                    |
| Digital Document Systems      | -14.9%             |
| Wide Format Printing Systems  | -17.6%             |
| Océ Business Services         | -                  |
| <b>Total</b>                  | <b>-15.9%</b>      |
| <b>Recurring revenues</b>     |                    |
| Digital Document Systems      | -5.7%              |
| Wide Format Printing Systems  | -13.4%             |
| Océ Business Services         | 6.4%               |
| <b>Total</b>                  | <b>-5.2%</b>       |
| <b>Total revenues</b>         |                    |
| Digital Document Systems      | -8.6%              |
| Wide Format Printing Systems  | -14.9%             |
| Océ Business Services         | 6.4%               |
| <b>Total</b>                  | <b>-8.2%</b>       |

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### *Consolidated Cash Flow Statement*

| <i>In million €</i>   | First quarter 2009 | First quarter 2008 |
|---|--------------------|--------------------|
| <b>Operating income</b>                                     | <b>30</b>          | <b>32</b>          |
| <i>Adjustments for:</i>                                     |                    |                    |
| Depreciation, amortization and impairment                   | 47                 | 46                 |
| Share-based compensation                                    | –                  | 1                  |
| Result on divestments, disposals                            | –2                 | –20                |
| Unrealized gains/losses on financial instruments            | –                  | –                  |
| <i>Changes in:</i>  |                    |                    |
| Retirement benefit obligations                              | 1                  | –1                 |
| Provisions for other liabilities and charges                | –5                 | –7                 |
| Rental equipment  | –16                | –14                |
| Inventories   | 1                  | –30                |
| Trade and other receivables                                 | 35                 | –3                 |
| Trade and other liabilities                                 | –126               | –86                |
| <i>Operating cash flows:</i>                                |                    |                    |
| Interest received   | 2                  | 5                  |
| Interest paid   | –5                 | –8                 |
| Income taxes  | –                  | –                  |
| <b>Cash flow from operating activities</b>                  | <b>–38</b>         | <b>–85</b>         |
| Investment in intangible assets                             | –16                | –15                |
| Investment in property, plant and equipment                 | –14                | –18                |
| Divestment of intangible assets                             | –                  | –                  |
| Divestment of property, plant and equipment                 | 1                  | 4                  |
| Payments/receipts regarding other non-current assets        | –1                 | –                  |
| Capital increase/decrease in associates                     | –                  | –                  |
| Dividend from associates                                    | –                  | –                  |
| Sale of finance lease portfolio                             | –                  | 1                  |
| Sale of subsidiaries (net of cash)                          | 4                  | 7                  |
| Acquisitions (net of cash)                                  | –                  | –3                 |
| <b>Cash flow from investing activities</b>                  | <b>–26</b>         | <b>–24</b>         |
| <b>Free cash flow</b>                                       | <b>–64</b>         | <b>–109</b>        |
| Proceeds from borrowings                                    | 158                | 17                 |
| Repayments of borrowings                                    | –13                | –21                |
| Dividend paid to shareholders                               | –                  | –                  |
| Repurchase of/proceeds from treasury shares                 | 1                  | –                  |
| Capital decrease/dividend paid to minority interest         | –2                 | –2                 |
| <b>Cash flow from financing activities</b>                  | <b>144</b>         | <b>–6</b>          |
| Currency translation differences                            | –4                 | –4                 |
| <b>Changes in cash and cash equivalents</b>                 | <b>76</b>          | <b>–119</b>        |
| <b>Cash and cash equivalents at start of financial year</b> | <b>79</b>          | <b>167</b>         |
| <b>Cash and cash equivalents at end of reporting period</b> | <b>155</b>         | <b>48</b>          |

### *Profile*

**Océ innovative by nature** Océ develops and supplies digital printing systems, software and services for the production, reproduction, distribution and management of documents, in color and black & white, in small format and in wide format, for professional users in offices, educational institutions, industry, construction, architectural firms, advertising and the graphic arts market. Océ is the only European producer of printing systems and a leading supplier of these systems worldwide.

The product offerings comprise printers, copiers, scanners, software, services, imaging supplies, services for systems integration and outsourcing of document management activities and leasing of printing systems. The broad and very complete product portfolio consists of products developed by the company itself for wide format and for the (very) high volume segments of small format, supplemented by selected machines from Original Equipment Manufacturers (OEMs). Océ supplies its equipment as part of total solutions, ranging from the provision of initial advice through to the maintenance of the systems.

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 100 countries; in more than 30 of these it has its own sales and service organization. In Europe, the United States, Canada and Singapore Océ has research and manufacturing facilities.

In 2008 Océ, which had over 23,000 employees, achieved revenues of € 2.9 billion.

#### **Business model**

Océ is active in the entire value chain of printing systems: from development via manufacturing, sales, services and maintenance to the provision of business services and financing.

The commercial organization is coordinated by three Strategic Business Units: Digital Documents Systems (small format), Wide Format Printing Systems (wide format) and Océ Business Services.

In a number of countries and market segments in which Océ itself does not have a sufficiently large market presence, part of the product range

is made available via specialized distributors.

Through its own Research & Development (R&D) Océ itself develops its basic technologies and the majority of its product concepts. The direct feedback of customer experiences serves as an important source of inspiration for new products.

In the Océ business model cooperation with partners plays a major role in all sorts of fields. These partnerships cover such areas as R&D, manufacturing, sales (OEM), distribution and financing.

Sustainability is a constantly present factor in the conduct of the Océ business.

The publicly listed holding company of the Group is Océ N.V. The issued share capital amounts to around € 53.7 million, divided into € 43.7 million ordinary shares and € 10 million financing preference shares with a nominal value of € 0.50 each.

The ordinary shares of Océ are listed on the stock exchange in Amsterdam (NYSE Euronext). Options to Océ shares are traded on the Euronext Options Exchange.

### Forward-looking statements

This report contains information as referred in article 5:59 jo. 5:53 of the Dutch Financial Supervision Act” (Wet op het financieel toezicht).

Forward-looking statements, which can form a part of this report refer to future events and may be expressed in a variety of ways, such as 'expects', 'projects', 'anticipates', 'intends' or other similar words (“Forward-looking statements”).

Océ N.V. (“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 differ significantly from the results expressed in or implied by these forward-looking statements due to possible risks and uncertainties and other important factors which are neither manageable nor foreseeable by Océ and some of which are beyond Océ’s control.

When considering these forward-looking statements, you should bear in mind these risks, uncertainties and other important factors describe in this report or in Océ’s other annual or periodic filings.

For a non-limitative discussion of the risks, uncertainties and other factors that may affect Océ’s actual results, performance or achievements, we refer you to the annual report and any other publications issued by Océ.

In view of these uncertainties no certainty can be given about Océ’s future results or financial position. We advise you to treat Océ’s forward-looking statements with caution, as they speak only as of the date on which the statements are made. 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, except as may be required under applicable (securities) legislation.

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