



Océ
Quarterly
report 2008/1

Results first quarter 2008



Océ N.V.

December 2007 – February 2008

Océ N.V.

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**Printing for
Professionals**

Océ sells more printers despite lower than expected demand in some sub-markets

Results first quarter 2008*

Key figures	First quarter		
	2008	2007	Δ
<i>In million € / as %</i>			
Total revenues	702.2	729.2	-3.7%
EBITDA	77.8	71.6	8.7%
Operating income [EBIT]	32.1	21.3	50.6%
Net income	21.3	12.2	74.7%
<i>In € per share</i>			
EBITDA	0.92	0.85	7.7%
Net income attributable to holders of ordinary shares	0.24	0.13	80.4%

* The figures in this report are unaudited.

Highlights:

- First quarter revenues grow organically by 1.3%; excluding fax by 1.8%
- Revenues from sales of printers up organically by 5.9%, partly thanks to partnerships
- Recurring revenues lag behind because of economic situation in US
- Gross margin decreases to 38.5% [2007: 39.4%]
- Operating income is € 32.1 million, excluding one-off items € 17.5 million
- Extra cost reduction of € 50 million to € 80 million in 2008

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

In the first quarter two significant developments occurred:

Firstly, revenues from the sale of printers increased organically by 6%, partly due to our successful partnerships. On the back of this good sales performance, Océ has gained market share in the wide format, color and high volume cutsheet printing. Especially in Asia we achieved excellent growth, whilst sales also increased in Europe.

Secondly, we felt the effects of recent economic developments. Especially in the financial sector the purchase of new very high volume printers was postponed. Océ traditionally holds a strong position in this sector. There was also a decrease in printing volume at banks and in the construction sector, particularly in the United States, which meant that revenues from maintenance, toner and media lagged behind those of the previous year.

In 2007 Océ successfully started the implementation of the Strategic Plan 2007-2010. We are continuing to invest in expanding our distribution power and developing competitive products. In addition we are intensifying the co-operation with our partners both in distribution and in product development. Due to the economic uncertainty additional measures are taken to reduce costs further. The aim for total 2008 is to realize an extra cost reduction of € 30 million to a total of € 80 million.'

Key figures per Strategic Business Unit

<i>In million € / as %</i>	DDS	OBS	WFPS	Total
Revenues	393.2	105.1	203.9	702.2
<i>Organic growth in revenues</i>	-1.0%	6.1%	3.4%	1.3%
<i>Organic growth in non-recurring revenues</i>	3.8%	n/a	9.9%	5.9%
<i>Organic growth in recurring revenues, excluding fax</i>	-1.7%	6.1%	0.1%	0.3%
Operating income	16.0	2.7	13.4	32.1
Normalized operating income*	-0.6	3.4	14.7	17.5

* adjusted for one-off items

Summary of first quarter 2008

Océ's *revenues* grew organically in the first quarter by 1.3% [excluding fax: 1.8%]. There was a difference between the 5.9% growth in sales of printing systems [*non-recurring revenues*] and the stable revenues from services, toner and media [*recurring revenues*], excluding the fax activities.

The organic growth in revenues was not evenly spread between the Strategic Business Units [SBUs]. The revenues of OBS [6.1%] and WFPS [3.4%] increased. The revenues of DDS were down by 1.0%. Excluding the sale of Océ Document Technologies [ODT], which took place in January 2008, the revenues of DDS were stable. Economic developments in the United States slowed down the growth in revenues.

Operating income increased to € 32.1 million, including a contribution of € 14.6 million from one-off items [balance of reorganization costs and the sale of ODT]. The same items also had a positive effect on net income, which increased to € 21.3 million.

The euro increased against the US dollar [11%] and against the pound sterling [10%] by comparison with the first quarter of 2007. This had a negative impact on operating income but a positive effect on Capital Employed. The Return on Capital

Employed RoCE], excluding one-off items, increased to 7.2% [2007: 5.5%].

Results Océ Group

Océ revenues grow organically by 1.3%

Total revenues in the first quarter amounted to € 702.2 million. On an organic basis the growth was 1.3% [-3.7% including exchange rate effects]. The share of color increased to 22% of total revenues [2007: 16%].

Non-recurring revenues grew organically by 5.9% [including exchange rate effects by 1.6%].

Recurring revenues, excluding fax, remained organically virtually the same [0.3%; including fax -0.5%]. If the decrease in the fax activities and exchange rate effects are included, recurring revenues were down by 5.6%.

The *gross margin* amounted to 38.5% [2007: 39.4%]^{1]}. In the first quarter of 2008 the relative gross margin was depressed by the sale of ODT, the product mix and exchange rate effects.

Operating expenses decreased by 2.5 percentage points to 34.0% of revenues, partly because of a

1] In the 2008 and 2007 figures the logistics costs from distribution center to customer are fully included in the gross margin [see press release dated January 14, 2008, page 11].

one-off net income item [balance of reorganization costs, mainly in the United States, and the proceeds from the sale of ODT]. Excluding this net income item, operating expenses decreased to 36.1% of revenues [2007: 36.5%].

On balance, *operating income* increased to € 32.1 million [2007: € 21.3 million]. Normalized operating income was € 17.5 million.

In million €	First quarter	
	2008	2007
Operating income	32.1	21.3
Reorganization costs	5.2	-
Sale of ODT	-19.8	-
Normalized operating income *	17.5	21.3
Capitalized R&D costs [net]	6.8	5.5
Costs of share-based compensation	-1.3	-0.7

* adjusted for one-off items

Financial expenses [net] amounted to € 8.6 million [2007: € 10.0 million]. The decrease was due to a lower net debt position, partly as a result of exchange rate effects.

Taxation amounted to € 2.3 million [2007: -€ 0.8 million].

On balance, *net income* increased to € 21.3 million [2007: € 12.2 million].

Earnings per ordinary share for net income attributable to shareholders increased to € 0.24 per share [2007: € 0.13].

Balance sheet total decreases

By comparison with the first quarter of 2007, the *balance sheet total* at the end of the first quarter of 2008 decreased to € 2,368 million [2007: € 2,567 million] as a result of exchange rate effects, an organic reduction in trade accounts receivable and the sale of fixed assets.

The net debt/EBITDA ratio amounted to 1.7 [2007: 2.3] and is therefore much better than the sought-after bandwidth of 2-2.5. *Net Capital Employed* at the end of the first quarter was € 1,258 million [2007: € 1,405 million].

RoCE increases to 8.0%

Thanks to the increase in operating income and the decrease in Net Capital Employed, the RoCE increased to 8.0% [2007: 5.5%]. In relation to normalized operating income, the RoCE amounted to 7.2%.

Cash flow influenced by seasonally related payments

Free cash flow in the first quarter amounted to -€ 109 million [2007: -€ 53 million]. Cash flow from operating activities in the first quarter amounted to -€ 65 million [2007: -€ 19 million]. The difference compared to 2007 is the consequence of an increase in lease receivables, a one-off taxation inflow in 2007 and the decrease in trade receivables and other liabilities. The cash flow is also influenced by substantial, seasonally related payments that take place in the first quarter. Cash flow from investing activities was € 44 million negative [2007: -€ 34 million]. Free cash flow for 2008 as a whole is expected to be positive again.

Results of SBUs

DDS revenues decline

Revenues in Digital Document Systems [DDS] amounted to € 393.2 million. This is exclusive of the revenues of OBS, which was converted into a separate SBU with effect from December 1, 2007. On an organic basis revenues decreased by 1.0%. Excluding the sale of ODT and fax, revenues increased by 0.8%. The share of color increased to 18% of revenues [2007: 14%].

Non-recurring revenues rose organically by 3.8%. DDS achieved this increase mainly through growth in the office environment in both Europe and the United States and higher sales of the Océ VarioPrint 6000 series and the color printers. As a result of recent developments in the financial sector

sales of very high volume printers in particular showed a sharp decline in this market segment.

In the first quarter the *recurring revenues*, excluding fax, decreased organically by 1.7% compared to the first quarter of 2007 [including fax -3.1%]. The decrease was mainly attributable to the sale of ODT and declining revenues from very high volume printing in the financial sector.

The share in recurring revenues of black-and-white cutsheet printers, specifically the Océ VarioPrint 6000 series, and of the color printers increased further. This will have a growing influence on total recurring revenues in the forthcoming quarters.

Operating income amounted to € 16.0 million [2007: -€ 1.0 million] due in part to a one-off income item [balance of reorganization costs and the sale of ODT]. Excluding this one-off income item the operating income amounted to -€ 0.6 million.

OBS revenues grow organically by 6.1%

Revenues in Océ Business Services [OBS] amounted to € 105.1 million. On an organic basis the growth was 6.1%. This growth was achieved because OBS acquired, mainly in Europe, a number of major new customers. For example OBS has taken over the central printing department from an important company in the financial sector. In addition OBS started providing document related services such as scanning, printing and print management in a number of leading hospitals.

Operating income amounted to € 2.7 million [2007: € 4.2 million]. The decrease was attributable in part to reorganization costs.

WFPS revenues grow organically by 3.4%

Revenues in the Strategic Business Unit Wide Format Printing Systems [WFPS] amounted to € 203.9 million. The growth on an organic basis was 3.4%. The share of color increased to 31% of revenues [2007: 25%].

Non-recurring revenues increased organically by 9.9% thanks to excellent sales in the display graphics market, both in Europe and in the United States.

Sales in the technical documentation market were good, also in the United States. This good sales performance is due in part to the fact that our customers are switching over from black-and-white machines to our successful color printers.

Recurring revenues were stable. That was mainly the result of lower printing volumes in the American technical documentation market and fewer deliveries by Imaging Supplies. Against this, there was an increase in recurring revenues generated by the population of Océ Arizona 250 GT machines.

Operating income amounted to € 13.4 million [2007: € 18.1 million]. The decrease was due to reorganization costs, higher expenditure on R&D and the costs of the production ramp up of printing systems with the new color technology.

Strategy

The Océ strategy is focused on three key thrusts: expanding the distribution power, offering competitive products and improving the business processes.

Digital Document Systems

In DDS, distribution strength is being enhanced through the partnership with Konica Minolta. The additional sales of the Océ VarioPrint 6000 series are progressing according to plan in this start-up phase. During the course of 2008 deliveries via this partner are expected to expand further.

The competitive strength of the DDS product portfolio is based on a balanced mix of the company's own printers and third-party products, such as the complete range of Konica Minolta which is offered by Océ world-wide.

In December 2007 Océ introduced various new very high volume printing systems. They include the Océ VarioStream 8000 series, aimed at transaction and book printing, and the Océ JetStream 1100/2200, for applications in direct marketing activities. The first of these machines were sold in the first quarter. The new printers will also be on show in May 2008 at the Drupa, the

world's biggest trade fair for the printing industry sector, which takes place every four years.

Océ Business Services

By operating as a separate Strategic Business Unit, OBS will be in a position to serve the market for document management services with greater focus and energy. The distribution power will be further boosted via a further internationalization of the services and by increasing the number of OBS sales staff. The OBS portfolio will be expanded by adding new services.

Wide Format Printing Systems

WFPS has enhanced its distributive strength through the partnership with Fuji Xerox in Asia. At the moment 20% of Océ's revenues from wide format printers for technical documentation offices is generated in Asia and other countries outside Europe and the US. Because of the strong growth of the Asian economies and the successful sales of the Océ TCS color systems via Fuji Xerox, this share is expected to grow further.

Océ is growing strongly in display graphics, also thanks to sales of the Océ Arizona 250 GT via the Fujifilm partnership. This growth is expected to continue.

Improvement of business processes

Océ is improving its business processes via a number of centrally co-ordinated projects. In the first quarter of 2008 Océ realized cost savings of € 10 million compared to 2007.

This program is aimed at achieving a saving of € 50 million in 2008. We have also identified additional improvement possibilities via increased efficiency throughout the company and the reduction of out of pocket expenses. This is why Océ has meanwhile initiated measures which, excluding restructuring costs, will yield an additional saving of € 30 million in 2008. The total amount of cost savings for 2008 is expected to be € 80 million. These cost savings are exclusive of volume effects and inflation.

April 23, 2008: General Meeting of Shareholders

The annual meeting of shareholders will be held on April 23, 2008 in Venlo. The registration date for this meeting is April 16, 2008. The agenda and the

registration procedure have been posted on-line on our website www.investor.oce.com.

Outlook

The Strategic Plan 2007-2010 is being executed further. This implies that, together with partners, we will further increase the strength of our sales organization and product portfolio. Because of the uncertain development of the world economy, extra actions are taken aimed at additional cost reduction to realize total savings of € 80 million in 2008.

Board of Executive Directors Océ N.V.

April 3, 2008

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Keys to terminology:

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

RoCE Return on Capital Employed: operating income for the year, after normalized taxes [20%] as % of Net Capital Employed [total assets excluding cash and cash equivalents, minus non-interest bearing liabilities corrected for derivatives].

Wide Format printing: wide format printing [larger than A3].

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Consolidated Income Statement

<i>In million €</i>	First quarter 2008	First quarter 2007
Total revenues	702.2	729.2
Cost of sales	-431.6	-441.9
Gross margin	270.6	287.3
Selling and marketing expenses	-153.7	-162.1
Research and development expenses	-54.4	-55.9
General and administrative expenses	-50.2	-48.0
Other income	19.8	-
Operating expenses	-238.5	-266.0
Operating income	32.1	21.3
Financial income	3.8	3.6
Financial expenses	-12.4	-13.6
Share in income of associates	0.1	0.1
Income before income taxes	23.6	11.4
Income taxes	-2.3	0.8
Net income	21.3	12.2
Net income attributable to:		
Shareholders	20.8	11.7
Minority interest	0.5	0.5
	21.3	12.2
Free cash flow	-108.7	-53.2
Average number of ordinary shares outstanding (x 1,000)	84,743	84,011
Earnings per ordinary share for net income attributable to shareholders in €		
Basic	0.24	0.13

Consolidated Balance Sheet

In million €

		February 29, 2008	November 30, 2007
Assets			
Non-current assets	Intangible assets	509	512
	Property, plant and equipment	364	374
	Rental equipment	104	108
	Investments in associates	2	2
	Deferred income tax assets	84	87
	Available-for-sale financial assets	9	9
	Derivative financial instruments	3	5
	Trade and other receivables	184	184
		1,259	1,281
Current assets	Inventories	354	328
	Derivative financial instruments	14	12
	Trade and other receivables	671	684
	Current income tax receivables	7	8
	Cash and cash equivalents	48	167
		1,094	1,199
	Non-current assets held for sale	15	11
Total		2,368	2,491
Equity and Liabilities			
Equity	Share capital	54	54
	Share premium	512	512
	Other reserves	-182	-176
	Retained earnings	279	210
	Net income attributable to shareholders	21	77
	Equity attributable to shareholders	684	677
	Minority interest	34	36
		718	713
Non-current liabilities	Borrowings	522	536
	Derivative financial instruments	19	15
	Retirement benefit obligations	398	414
	Trade and other liabilities	11	12
	Deferred income tax liabilities	18	15
	Provisions for other liabilities and charges	46	49
		1,014	1,041
Current liabilities	Borrowings	62	64
	Derivative financial instruments	2	1
	Current income tax liabilities	22	24
	Trade and other liabilities	539	632
	Provisions for other liabilities and charges	11	16
		636	737
Total		2,368	2,491

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Changes in Equity attributable to shareholders

In million €

	First quarter	Financial year
	2008	2007
Balance at December 1, 2007 / 2006	677	684
Net income attributable to shareholders	21	77
Dividend	-	-52
Share-based compensation	-	13
Purchase of treasury shares	-	-
Cash flow hedges	-	-3
Currency translation differences	-14	-42
Amount at February 29, 2008 / November 30, 2007	684	677

Organic growth in revenues

As percentage

	First quarter 2008	
	excluding fax	including fax
Non-recurring revenues		
Digital Document Systems	3.8	3.8
Océ Business Services	-	-
Wide Format Printing Systems	9.9	9.9
Total	5.9	5.9
Recurring revenues		
Digital Document Systems	-1.7	-3.1
Océ Business Services	6.1	6.1
Wide Format Printing Systems	0.1	0.1
Total	0.3	-0.5
Total revenues		
Digital Document Systems	-0.1	-1.0
Océ Business Services	6.1	6.1
Wide Format Printing Systems	3.4	3.4
Total	1.8	1.3

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Consolidated Cash Flow Statement

<i>In million €</i>	First quarter 2008	First quarter 2007
Income before income taxes	24	11
<i>Adjustments for:</i>		
Depreciation and amortization	45	50
Impairment	-	-
Share-based compensation	1	1
Share in income of associates	-	-
Other	-	-1
<i>Changes in provisions, rental equipment and working capital:</i>		
Retirement benefit obligations	-1	-1
Provision for other liabilities and charges	-7	-8
Other provisions [for inventories, finance lease and trade receivables]	6	6
Rental equipment	-14	-18
Inventories	-33	-33
Finance lease receivables	-7	17
Trade and other receivables [excluding finance lease receivables]	2	2
Trade and other liabilities	-81	-61
Income taxes	-	16
Cash flow from operating activities	-65	-19
Investment in intangible assets	-15	-10
Investment in property, plant and equipment	-19	-20
Divestment in intangible assets	-	-
Divestment in property, plant and equipment	5	1
Change in other non-current assets	-	-5
Change in investments in associates	-	-
Sale finance lease portfolio	1	-
Sale/acquisitions [net of cash]	-16	-
Cash flow from investing activities	-44	-34
Free cash flow	-109	-53
Proceeds from borrowings	17	43
Repayments of borrowings	-21	-24
Dividend	-	-
Change in equity related to shares	-	1
Change in minority interest	-2	-3
Cash flow from financing activities	-6	17
Currency translation differences	-4	-
Changes in cash and cash equivalents	-119	-36

Profile

Océ innovative by nature Océ is a leading worldwide supplier 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 users in offices, education, industry and the graphic arts market. The product offerings comprise printers, scanners, peripheral equipment and printing media but also document management software and innovative products in the areas of system integration, the outsourcing of document management activities and the leasing of printing systems. Océ's core product range, developed and manufactured by the company itself, focuses on the small format and wide format and, within the small format, on the [very] high volume segments. To supplement this, Océ offers its customers selected machines sourced from Original Equipment Manufacturers [OEMs], often 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; in more than 30 of these it has its own sales and service organization. In Europe, the United States and Canada Océ also has a number of its own research and manufacturing facilities. In 2007 Océ, which has nearly 24,000 employees, achieved revenues of € 3.1 billion and a net income of € 78.9 million.

Business model Océ is one of the few suppliers that is active in the entire value chain of printing systems: from development via manufacturing, sales and financing to service. Thanks to constant feedback within the chain Océ is able to anticipate and respond alertly to changing market requirements and new market opportunities. Océ's policy is steered in the various sub-markets by three Strategic Business Units: Digital Document Systems [DDS] for the small format, Océ Business Services [OBS] for document-related services and Wide Format Printing Systems [WFPS] for the wide format, in close co-operation with Research & Development on the one hand, and Marketing & Sales on the other.

DDS serves the market via the Document Printing and Production Printing. OBS serves the market geographically in Europe and the United States. WFPS via the Technical Document Systems, Display Graphics Systems and Imaging Supplies business groups.

A separate activity, Software & Professional Services, concentrates on 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 offers part of the product range via specialized distributors.

Via its own Research & Development Océ itself develops its basic technologies and the majority of its product concepts. The direct feedback of customer experiences serves here as an important source of inspiration for concrete, current and future solutions. Océ also broadens and strengthens its innovative capacity via alliances with strategic partners and co-operation with co-developers and with OEMs for printing systems in the high, medium and low volume segments.

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, € 10 million financing preference shares and € 1,500 priority shares. The ordinary shares and the financing preference shares have a nominal value of € 0.50.

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 meant in article 5:59 jo. 5:53 of the Dutch “Law on financial supervision” [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.

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 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.

For a more detailed discussion of these not limited factors, risks and uncertainties that may affect Océ’s actual results, performance or achievements, reference is made to the annual report and any other publications made by Océ.

Given these uncertainties no certainty can be given about Océ’s future results or financial position. We advise you to be careful with Océ’s forward-looking statements, which 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 laws.

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