

Sticking close to the fence
and not taking any chances,
without losing sight of the
future prospects though.



1 INTRODUCTION BY THE CEO

Ronald Kasteel CEO Ordina

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2008: A two-sided year

2008 was a year of opposites for Ordina. On the one hand, our expectations for the Business Process Outsourcing division did not materialise. Investments necessary proved much higher than planned, the exit of a key client, which left us with insufficient scale and a dramatically weakening market prompted our decision to discontinue the BPO activities. We announced on 27 February 2009 that the BPO activities would be sold to Centric at 1 April 2009. A major impairment loss on expenditures on the BPO initiative and a transaction loss on the sale to Centric have caused Ordina to suffer a considerable loss for 2008.

At the same time, however, we experienced growth in our target markets once again, both in the Netherlands and Belgium. The start of the reporting period was particularly successful, as we managed to win some large, prestigious projects. During the course of the second quarter, margins for a number of large new projects came under pressure. This caused the operating margin for the first half of the year to lag behind our earlier expressed expectations. Ordina announced a margin improvement programme and reorganisation in the second half of 2008. These measures should help us to achieve structural cost cuts and lead to higher profitability.

Once all shares in Ordina BPO B.V. are sold on 1 April 2009, we will be able to focus fully on building a sound and profitable future for our Consulting, IT and Application Outsourcing services. Thanks to the successful implementation of the margin improvement programme and the reorganisation as well as our proven strategic market position, Ordina is well-equipped to deal with the challenges facing our market at present.

Revenue totalled EUR 696.5 million, which is an improvement of 5% on 2007 (2007: EUR 665.4 million). Multi-year contracts accounted for 22% of total revenue (2007: 18%).

Our original targets for 2008 were more ambitious, however. Recurring EBITA (operating profit adjusted for non-recurring expense items and impairment) on Consulting, IT and Application Outsourcing services fell to 7.4% in 2008 (2007: 10.6%).

DISCONTINUATION OF BPO ACTIVITIES

Our expectations of BPO as growth driver of our portfolio did not materialise. Investments in the future BPO target platforms were more time-consuming and more expensive than originally planned. This was due to the complexity and diversity of some aspects of the service. After losing the contract with Robeco Direct, we gave the highest possible priority to finding a structural and quick solution to BPO's loss-making situation. In view of the poor market outlook for financial services providers, at which our BPO proposition was targeted, we decided not to continue these activities under the Ordina umbrella on a permanent basis. We announced on 27 February 2009 that we would sell all shares in Ordina BPO B.V. to Centric at 1 April 2009. Most of the transaction loss of EUR 34 million in total will be recognised in the Income Statement for 2008. Ordina suffered a considerable loss for 2008 as result of these non-recurring items.

EFFICIENCY PROGRAMME

Given our achieved scale and position, the described developments and the financial situation, we have launched a programme to bring about sustainable improvement for the profitability of our core business activities (Consulting, IT and Application Outsourcing).

The programme, named Great Return, has three corner stones: improving our service quality, realising economies of scale after years of growth, both organic and via acquisitions, and streamlining processes to achieve efficiency and effectiveness improvements. This efficiency programme will affect our cost structure and the organisation's management model positively in 2009.

Besides the steps taken within the scope of the Great Return programme, based on which more than 100 management and support jobs will be cut over the course of 2009, we will take additional measures that will affect job opportunities at Ordina. We will have to force about 200 professionals into redundancy in 2009 due to waver- ing demand in the market. Our first goal is to replace external resources with our own staff where possible. The costs incurred for the Great Return programme and the staff redundancies amounted to EUR 19,3 million, most of which are accounted for in the Income Statement for 2008.

With the planned efficiencies and the related downsizing we wish to realise structural cost cuts that lead to higher profitability margins. The effects of the efficiency pro- gramme will already be visible in 2009 as we expect to improve our margins by approximately EUR 15 million. From 2010 onwards, our margins are expected to increase by approximately EUR 25 million every year.

PROFITABILITY OVER GROWTH

As indicated, we have now, after years of successful growth, focused our efforts primarily on the profitability of our business as a visible reflection of the success that we are managing to achieve. Now that our scale and market position have made us an undisputed top player in our industry, in both the Netherlands and Belgium, the quality of our services is the key value-added proposition for our clients. We concentrate fully on our robust and profitable Consulting, IT and Application Outsourcing services. The decision to ultimately not go ahead with the acquisition of Business Application Solutions from Getronics mid-2008 should also be seen in that light. Despite the fact that this acquisition would automatically have turned us into the largest specialist IT service provider in the Netherlands, we considered its funding as too high a risk. We also believed that the added value of the acquisition was too limited relative to the purchase price.

AMBITIONS

Plotting a consistent course is absolutely vital in these turbulent times. After the sale of our BPO activities, we are now ready to fully concentrate on our profitable core

activities in Consulting, IT and Application Outsourcing, holding firmly on to our ambitions and targets. Ordina wants to capitalise on its local presence as a key player in its home markets. We aim to serve large clients in the Public sector and in Financial Services. We are also working on developing a position in the Healthcare sector. Business processes, IT and IT support are extremely complex in all these information-intensive sectors and knowledge of local legislation and regulations is key. We offer added value to clients in these sectors by developing knowledge and creating solutions that touch upon the very core of their service provision. Our specialist and auton- omous profile has led to our unique positioning, allowing us to offer our clients the best solutions. Our goal is to forge long-term alliance with our clients. We plan to standard- ise our working methods more, so that we can offer the quality and predictability of services that our clients expect from us.

PERFORMANCE-DRIVEN MENTALITY

Our sharp focus on the quality of service also implies that, when recruiting new employees, a performance-driven mentality is becoming an increasingly important selection criterion. We await a new economic upturn, armed with a team of highly qualified and motivated professionals who can add value to the solutions that we offer our clients. Ordina had 5,336 employees at year-end 2008.

POSITIONING OFFERS OPPORTUNITIES

How the demand will develop in 2009 is difficult to pre- dict. The current market developments have a downward effect on capacity usage and pricing. We focus our full attention on the market and on clients now more than ever. After all, even in difficult times there are opportunities to be grasped. What is important to note, is that Ordina is invited to tender for virtually every large project. Demand for large projects and multi-year outsourcing contracts, anchored in clear business propositions and character- ised by relatively short pay-back periods, is still healthy in 2009. We do expect decision-making processes to become more time-consuming, however.

Even in these turbulent times, Ordina continues to be well- positioned to turn market opportunities into contracts. This is illustrated by the recently signed multi-year contracts with KPN, Postkantoren B.V. (the Dutch Post Offices) and the Erasmus Medical Centre. We are noticing a tendency towards project and blanket agreements with longer terms to maturity, especially where large projects in the Public sector are concerned. The predictability of our business stands to benefit from this development.

FORWARD-LOOKING STRATEGY

It may sound contradictory, but Ordina's outlook is good despite the losses suffered for 2008. We have our choices to thank for that. By enduring most of the pain in 2008 and thanks to the sale of our loss-making BPO activities at 1 April 2009, we now have the opportunity to start the New Year afresh with profitable operations only. We are an established name in the market and our position is strong in our chosen segments and areas of expertise. Of course we will continue to invest in specialist, forward-looking activities. In order to retain our position as our clients' preferred supplier, both now and in the future. We will keep on the look-out for growth opportunities in Belgium and Luxembourg, where we are performing exceptionally well.

We always start from the premise that knowledge is a catalyst for success. We use that knowledge to build solutions that offer our clients proven success and help them to achieve true progress. In these turbulent times, we keep our calm and work steadily on fine-tuning our propositions and reducing our cost base sharply. Undoubtedly, 2009 will be a difficult year. But, as soon as the storm has passed and the market starts to show improvement, we will be among the first to reap the benefits, for our clients, employees and shareholders.

Ronald Kasteel
CEO