
Press Release

London, 11 January 2010

Following the indicative offer of Canon for all of Océ's shares Hermes Focus Asset Management (HFAM) has issued an open letter (as attached) to the Boards of Canon and Océ stating that HFAM:

- Welcomes the strategic direction of an intended merger between Canon and Océ;
- Is concerned that the offer terms do not represent a fair sharing of value between the shareholders of Canon and those of Océ;
- Is minded not to tender and intends to retain a holding in Océ at the current offer.

ENDS

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Notes to editors:

About Hermes Focus Asset Management Ltd. (HFAM)

HFAM (previously known as Hermes Focus Asset Management Europe or HFAME) is a specialist investment partnership within Hermes Fund Managers and is the manager of the Hermes European Focus Fund, a shareholder engagement fund. HFAM invests in a concentrated portfolio of European publicly listed equities on behalf of institutional clients including pension funds. HFAM seeks to maximize long-term value of portfolio companies through changes in strategy, capital structure, management and corporate governance. HFAM has been a shareholder in Océ since 2006 and currently holds 3.3% of the ordinary share capital.

About Hermes Fund Managers Ltd. (Hermes)

Hermes is a multi boutique asset manager comprising a series of specialist investment partnerships with a truly long-term and responsible approach to delivering investment returns. We offer our clients the best combination of specialist investment teams and products along with a robust operating platform from which to operate.

Hermes offers investment solutions which range from alternative strategies such as fund of hedge funds, commodities, private equity and our engagement focus funds to real estate, specialist equity products and fixed income. Hermes invests assets on behalf of over 180* clients across these product areas and has £21.6bn* under management. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service, which has over £40 billion* of assets under stewardship.

* As at 30 September 2009

Open Letter

London, 11 January 2010

Indicative offer Canon for Océ

To the Boards of Canon and Océ

Dear Sirs

Canon and Océ have taken a commendable strategic step with their proposed merger. While we welcome the intended direction, our view is that the terms of Canon's offer represent a concern for shareholders. Integration of Océ with Canon allows for substantial synergies to be realized while the current offer price does not represent a fair sharing of value between Canon and Océ shareholders. Having unsuccessfully exhausted ways of passing our views through to Canon via a private meeting, we deem it appropriate to convey this message publicly.

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Since our initial investment in 2006, we have encouraged Océ to address the strategic and operational issues that have depressed its profitability and share price over the past years. While the Océ group contains several market leading businesses in Production Printing, its Digital Document Systems division includes a number of sub-scale activities. In the absence of other viable solutions to address the scale issue we have encouraged Océ to participate in consolidation and to transition its sub-scale activities, in whole or in parts, to a larger and more cost efficient platform. We therefore welcome the outcome of Océ's strategic review and the subsequent step to enter into merger negotiations with Canon. We share your view that the merger can help solve Océ's challenges, and create a stronger industry player.

While the proposed merger of Océ with Canon is a step in the right direction, the takeover terms raise a major concern to us as an Océ shareholder: Does the offer price represent a fair sharing of value between Canon and Océ's shareholders? Océ and Canon have a compelling strategic fit, and the (fixed cost) nature of their activities offers tremendous scope for synergies. The combination will have an opportunity to leverage each others sales channels and product ranges, e.g. by using Canon's colour technology to sell into Océ's high-end and largely black & white installed base. Through R&D sharing the combined entity can efficiently increase its competitive advantage while driving significant cost optimisation given Océ's high burden of R&D costs. Given increased regional densities, the combined entity can markedly reduce sales, distribution and service costs in Production Printing and especially in Office and 'light production' where Océ lacks scale. There is no reason to assume that Océ should not be able to achieve a profitability level of at least as high as the industry average when integrated with a market leader such as Canon. A merger therefore represents an extraordinary opportunity to increase the value of the company.

We recognize that the 70% premium offered on Océ's shares as at the announcement of the indicative bid might appear impressive when considered in isolation. The indicative bid is however a meagre representation of the true value of Océ, when profitability potential and the depressed share

price are put into a proper perspective. Following integration with Canon, and with profitability in line with industry standards, the company's equity would indicatively be worth some 75% more than the offer price (see also attached analysis). This is based on our best knowledge and assumptions, and considering a 'mid-cycle' level of operating profitability in line with the rest of the industry of around 8.5%. If it were to achieve Canon Business Machines' level of operating profitability, which we recognize is among the highest in the industry, Océ's equity would indicatively be worth some four times as much as the offer price.

At the joint conference call with Canon on 16 November 2009 it was stated that "there are no cost synergies foreseen yet". We find this remarkable given that the purpose of the merger is also to solve Océ's lack of relative market share in some areas, and to pursue scale benefits in many. The observation that cost synergies have not been taken into account is testament that there is more value in Océ than is currently being considered.

The offer for Océ raises another question: To what extent has Océ seriously considered and explored a strategy of separately finding better owners for some of its business entities over time? Such a strategy represents a realistic and attractive alternative. Océ's subscale or lower quality businesses do have a good value for consolidators, as witnessed by recent M&A transactions (like Danka and Ikon), due to the cash flow of their installed base. The Wide Format Printing Systems division, the Continuous Feed activities, Océ Business Services and other parts with good prospects and healthy mid-cycle margins should achieve higher valuations, especially when consolidated by businesses that have the best fit with that particular activity. Also analysts have identified that such a strategy could result in a markedly higher value per share than the current offer.

One other element of the offer gives rise to questions. At the joint analyst conference, it was announced that the offer enterprise value is EUR 1.5bn. It was mentioned that this amount included Océ's "net interest bearing debt of EUR 700mn". In our view this is Océ's gross interest bearing debt. The press release announcing the offer also made only reference to the assumed total amount of short and long term debt. Both observations suggest that the offer does not take into account the cash balances of Océ at the end of August 2009 of some EUR 176m or EUR 2.08/share, nor its cash flow over the fourth quarter. Suffice to say that including these amounts, and given an offered EUR 1.5bn enterprise value, the offer for Océ's equity would be markedly higher.

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As we are mandated to always act in the best interests of our clients, and for the reasons given above, we are currently minded not to tender and intend to retain a holding in Océ at the current offer. We take this position with some reluctance given that, should others accept your offer, we have little desire to create governance complexity by owning a stake in a company controlled by a strategic owner, but cannot see how the price offered represents adequate value for the assets acquired. We note that other investors like the Dutch retail investment association VEB and Orbis, Océ's largest shareholder (following Orbis' recent press release and before Canon's stock purchases), together representing a significant portion of Océ's equity, have voiced similar concerns and objections.

You have together taken a great step towards creating a strong and market leading industry player. We would therefore welcome if Canon and Océ reconsidered the offer terms in the light of a fairer sharing of Océ's value and if an agreeable outcome for all parties were to be reached. As always, we remain open to elaborate on the views expressed in this letter with the appropriate representatives of Canon and Océ.

With kind regards

Hermes Focus Asset Management

The potential value of Océ justifies a higher offer price

Valuations based on various methods indicate that Océ will be worth significantly more to Canon than its offer

Stand alone 'status quo': Although Canon offers a premium to the 'status quo' value of Océ, such a value assumes that Océ would continue its failed strategy focused on independence at a cost of value creation

Historical P/B: Price if Océ were to be purchased at the historical ratio of the share price to its book value

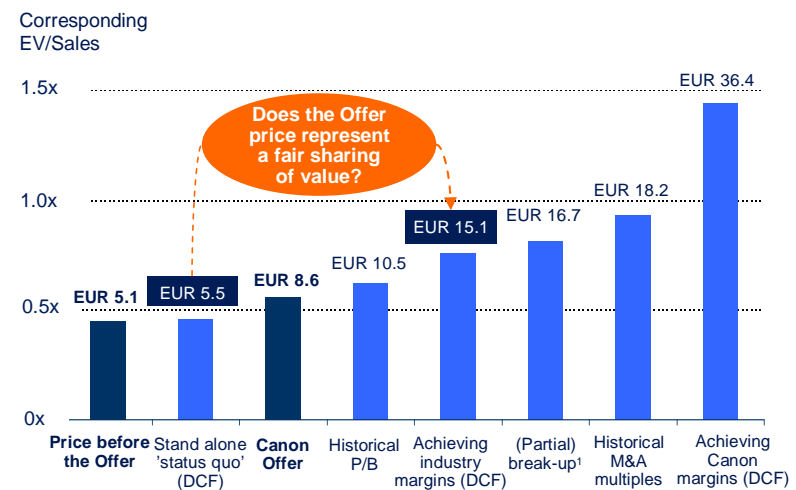
Achieving industry margins: Assume that Océ's activities can achieve industry average margins under the wings of one of the industry leaders

A (partial) break-up: Finding a 'best owner' for some or all of each separate business entity over time exhibits the hidden value in Océ

Historical M&A multiples

Achieving Canon margins: Were Océ to achieve Canon Business Machines' level of operating profitability, which we recognize is among the highest in the industry, Océ's equity would indicatively be worth some four times as much as the offer price.

Indicative value per share and corresponding EV/Sales using different scenarios and assumptions



Source: HFAM analysis and estimates
 1 Independent Minds, 16 November 2009

- Key assumptions available on request -