



Océ
Quarterly
report 2010/4

Results fourth quarter 2010



Océ N.V.

September 2010 – December 2010

Océ N.V.

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For more information on Océ, visit the company's website: www.investor.oce.com



**Printing for
Professionals**

Océ reports improved results

Highlights fourth quarter (ended November 30, 2010):

- Total revenues + 5% to € 715 million (2009: € 683 million)
- Organically, non-recurring revenues + 1%; recurring revenues – 2%
- Normalized operating income doubled to € 29 million (2009: € 14 million)
- One-off items of € 36 million impacted net income
- Phase in of Canon product portfolio completed
- Change of fiscal year, effective January 1, 2011

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

'It is encouraging that we have improved our normalized operating income for the third consecutive quarter. Our bottom line was impacted by substantial customary one-off items.'

'Profitability improved, due to better utilization of our plants and the results of our cost savings program. Customers continued to be cost conscious amidst ongoing economic uncertainty, but revenue development improved versus the trend of previous years.'

'Certain markets showed clear signs of recovery. Revenues in continuous feed improved, benefiting from printer sales, particularly of the Océ JetStream series. Wide format revenues showed recovery, mainly driven by printer sales in the display graphics markets. Revenues in business services increased marginally, mainly due to growth in North America.'

'As of the third quarter 2010, we started selling Canon office printers, first in the US, followed shortly thereafter in Europe. Now, we offer Canon products to our customers worldwide.'

'In the quarter, we successfully participated in the prominent Canon Expo held in New York, Paris and Tokyo. At the Expo in Tokyo, we launched an innovative digital color continuous feed system, the Océ ColorStream 3500. This very high volume inkjet printer was developed at our German technology plant and enables Canon and Océ to serve commercial printing companies wishing to offer both analogue and digital color printing systems. This year too, we will participate in the Canon Expo to be held in Shanghai in May 2011.'

Summary fourth quarter 2010*

Key figures <i>In million €</i>	Fourth quarter **			Twelve months		
	2010	2009	Δ	2010	2009	Δ
Total revenues	715	683	32	2,674	2,648	26
Normalized operating income***	29	14	15	72	37	35
Normalization items	-58	-21	-37	-104	-52	-52
Operating income (EBIT)	-29	-7	-22	-32	-15	-17
Net income	-27	-23	-4	-122	-47	-75
Normalized free cash flow	48	111	-63	-37	82	-119

* The 2010 figures in this report are unaudited.

** These fourth quarter figures cover the period September - November for both years.

*** Normalization excludes Canon-related one-off items and restructuring costs.

Change of fiscal year

As announced previously, Océ has aligned its financial reporting with Canon's, consequently starting the new fiscal year on January 1, 2011. To facilitate transparency and comparison, the figures presented in this press release relate to the period September-November 2010 and the corresponding prior year period.

Additionally, by exception, this press release provides data over December 2010, as this is the fourth month in Océ's reported Q4 2010 (see page 4).

One-off items

Following the completion of the Canon offer, Océ anticipated and announced substantial one-off items, of which a large portion was reported in the Q2 2010 results. As these one-off items strongly impacted net income, a detailed explanation is provided in an overview of one-off items in the reported Q4 2010 (September-December; see page 6).

Group results fourth quarter 2010

Revenues

Total revenues increased 5% to € 715 million, due to foreign exchange effects.

Organic growth was -1%.

Our share of color grew to 35% of revenues (2009: 34%).

Non-recurring revenues increased 7% to € 231 million. The organic increase was 1%. The growth came mainly from North America and the emerging markets and was strong in WFPS.

Recurring revenues increased 4% to € 484 million. The organic decline was 2%, in line with the third quarter.

Cost savings program

The increase in normalized operating income was partly the result of the cost savings program. In the fourth quarter, Océ reduced costs by € 15 million, excluding inflation and restructuring costs. Year to date, Océ reduced headcount by 984 FTEs compared to the fourth quarter of 2009 (890 FTEs up to the third quarter of 2010).

Gross margin and operating income

In the fourth quarter of 2010, normalized gross margin was 38.3% (2009: 38.4%). Compared to the fourth quarter of 2009 the changes in currency exchange rates caused a negative hedge variance of

€ -7.0 million, leading to a gross margin decrease of 1.0% point.

The gross margin increase for DDS and WFPS in total amounted to 0.7% point, mainly due to better utilization of the factories in Venlo and Poing and the aforementioned action program.

OBS gross margin increased by 0.2% point, mainly due to changes in the business mix and operational improvements.

Normalized operating expenses amounted to 34.3% of revenues (2009: 36.3%), due to the impact of the action program.

Net R&D capitalization amounted to € 7.7 million, which is € 4.4 million lower compared to the fourth quarter of 2009 (€ 12.1 million).

On balance, *normalized operating income* amounted to € 29 million (2009: € 14 million). Operating income amounted to € -29 million (2009: € -7 million), including € -58 million one-off items.

Finance expenses (net) and net income

As a result of the refinancing of Océ's debt by Canon, interest costs decreased compared to last year. *Finance expenses (net)* amounted to € -8 million (2009: € -4 million).

On balance, *net income* was € -27 million (2009: € -23 million).

Earnings per ordinary share for net income attributable to shareholders was € -0.29 (2009: € -0.28).

Océ Group provisional results 2010

Océ's financial year 2010 consists of thirteen months as Océ has aligned its financial reporting with Canon's, consequently starting its new fiscal year at January 1, 2011. However, the figures (including comments) presented in this paragraph relate to the twelve months period from December 2009 - November 2010 and the corresponding prior year period.

Total revenues increased by 1% reflecting improving non-recurring revenues. Excluding foreign currency exchange rate effects, revenues decreased organically by 2%.

Non-recurring revenues increased organically by 1%.

Recurring revenues decreased organically by 3%.

Total *normalized gross margin* was 38.2% (2009: 37.4%). The gross margin improved due to better factory utilization and the aforementioned action program.

Normalized operating expenses as a percentage of revenues amounted to 35.5% (2009: 36.0%).

Normalized operating income amounted to € 72 million (2009: € 37 million).

Normalized finance expenses (net) amounted to € -32 million (2009: € -37 million).

Taxation impacted net income by € -17 million (2009: € 3 million).

On balance, *net income* amounted to € -122 million (2009: € -47 million).

Balance sheet and RoCE

The balance sheet total was € 2,252 million (2009: € 2,207 million) at the end of the fourth quarter of 2010. Net Capital Employed was € 1,093 million (2009: € 992 million). In relation to normalized operating income, RoCE amounted to 5.2% (2009: 2.5%). The aforementioned balance sheet and Net Capital Employed were impacted by the Canon related one-off items.

Free cash flow

Free cash flow in 2010 was € -104 million (2009: € 82 million), mainly due to € -68 million Canon related one-off items and the reduction of creditors and liabilities of which € 44 million due to payments related to restructuring (not change of control related).

Océ Group results December 2010

In connection with the change of the fiscal year per January 1, 2011, Océ provides by exception separate data on December 2010.

Total revenues decreased by 0.6% due to lower non-recurring sales in most segments. Excluding foreign currency exchange rate effects, revenues decreased organically by 6.5%.

Operating income in December was € -39.9 million, including € -31.5 million normalization items.

Normalized operating income was € -8.4 million in the month.

Overview one-off items in period September - December 2010

Key figures <i>In million €</i>	Reported	One-off *	Excl. one-off
Gross margin	306	-41	347
Operating expenses	376	49	327
Operating income (EBIT)	-70	-90	20
Finance expenses	-9	0	-9
Share in income of associates	-2	-2	0
Income before income taxes	-81	-92	11
Income taxes	11	25	-14
Net income	-70	-67	-3
Free Cash Flow	-27	-18	-9

* Canon-related one-off items and restructuring costs.

Overview one-off items in period September – December 2010

In this period, Océ incurred € -90 million one-off items, largely related to change of control, impacting gross margin and operating expenses. The related consequence on net income was € -67 million. € -3 million of these € -90 million relate to restructuring items which are not change of control related.

The gross margin included € 41 million one-off costs. This was mainly related to write off of inventories (both machines and spare parts) following the changes in the product portfolio from several OEM suppliers to Canon.

The one-off items related to operating expenses amounted in total to € 49 million. These costs come mainly from impairment of purchased software, Canon related integration costs (such as training programs) and impairment of assets specifically designed for Konica Minolta.

The income tax effect of in total € 25 million results from the aforementioned items and from changes in the valuation of tax assets and liabilities.

Update cooperation with Canon

Early 2010, Océ determined three priorities for the fiscal year, related to the cooperation with Canon:

- Start cross selling products;
- Joint product development;
- Prepare for integration.

After the summer of 2010, Océ started selling Canon products, first in the US, followed thereafter by Europe. By year-end 2010, Océ offered Canon products to its customers worldwide.

In order to facilitate the Océ sales force to successfully sell Canon products, Océ created a special 'Canon Camp', a two day training and information program on Canon and its printing systems for hundreds of sales and service representatives in Europe. Previously, a similar initiative was held in the United States. Customers worldwide respond positively towards Océ selling Canon products.

Teams of Canon and Océ research and development specialists are jointly creating innovative small format and wide format printing systems, benefiting from technology and expertise available throughout

the combination. The first jointly developed Océ-Canon products will be launched in 2011.

Progress has also been achieved with regard to preparing the integration. Across regions and functions, several teams, consisting of Canon and Océ specialists, are building the design of an integrated organization. These preparations are progressing according to plan.

In the quarter, Océ successfully participated in the prominent Canon Expo, held in New York, Paris and Tokyo. At the Expo in Tokyo, Océ launched the innovative very high volume digital color continuous feed inkjet system Océ ColorStream 3500, developed at Océ's German technology plant. This new inkjet printer enables Canon and Océ to serve the commercial printing companies, wishing to offer both analogue and digital color printing systems. In 2011, Océ will also participate in the Canon Expo in Shanghai, to be held in May 2011.

Key figures per Strategic Business Unit fourth quarter 2010*

<i>In million € / as %</i>	DDS	WFPS	OBS	Total
Revenues	386	208	121	715
<i>Organic development in revenues</i>	-4%	5%	1%	-1%
Non-recurring revenues	140	91	-	231
<i>Organic development in non-recurring revenues</i>	-9%	21%	-	1%
Recurring revenues	246	117	121	484
<i>Organic development in recurring revenues</i>	-1%	-5%	1%	-2%
Normalized operating income**	7	15	7	29
Normalization items	-58	-	-	-58
Operating income	-51	15	7	-29

* These figures cover the period September - November for both years.

** Normalization is excluding Canon-related one-off items and restructuring costs.

SBU results fourth quarter

This paragraph provides an overview of developments in the Strategic Business Units for the period September - November 2010, excluding one-off items, as described in the previous paragraph.

Digital Document Systems (DDS)

Revenues in DDS amounted to € 386 million.

Organically, revenues declined by 4%. The share of color declined to 26% of revenues (2009: 29%), due to ongoing cost consciousness of customers.

A strategic alliance with manroland was announced in December. This alliance consists of cooperation in product development and go-to-market strategies.

The quarter was characterized by the phase out of Konica Minolta and the phase in of Canon office products. In the quarter, Océ trained its workforce to sell and service Canon systems. By year-end 2010, Océ offered Canon printers to customers worldwide.

Non-recurring revenues amounted to € 140 million. Organically, revenues decreased by 9%, whereby the decline came especially from the cutsheet office

segment. Recurring revenues amounted to € 246 million. Organically, revenues declined by 1%.

Normalized operating income improved to € 7 million (2009: € -1 million), thanks to a better product mix and because of cost reductions as a result of the earlier mentioned action program. Also better utilization of especially the Poing plant benefited operating income.

Wide Format Printing Systems (WFPS)

Compared to the fourth quarter of 2009 the WFPS revenues showed recovery, mainly driven by non-recurring revenue development of Display Graphic Systems. Recurring revenues were lagging behind.

Revenues in WFPS amounted to € 208 million.

Organically, revenues grew by 5%. The share of color increased to 54% (2009: 47%). WFPS introduced the Océ ColorWave 300, a new single footprint all-in-one wide format printer for copying, printing and scanning. Also, customers responded positively to the newly introduced Océ CS2400 color system for the technical documentation market. Among commercial printshops producing billboards and displays for retailers, amongst others, the new wide format

graphics printer, the Océ Arizona 550 XT received a lot of attention, specifically for the size of its flatbed and its productivity.

Non-recurring revenues amounted to € 91 million. Organically, revenues increased by 21%. Growth was mainly driven by both North America and Asia.

Recurring revenues amounted to € 117 million. Organically, recurring revenues declined by 5% mainly as a result of decreasing click volumes.

Normalized operating income increased to € 15 million (2009: € 10 million) reflecting improved business volumes.

Océ Business Services (OBS)

Revenues in OBS amounted to € 121 million. Organically, revenues increased by 1%. Revenue growth was driven by the North America region, despite lower print volumes. In Europe, OBS implemented a Pan-European organization, supporting Océ operating companies to improve their OBS practice and performance.

Normalized operating income improved to € 7 million (2009: € 5 million), due to higher gross margins, tight operational expense management and mix improvement.

Dividend proposal

In line with our dividend policy Océ will propose to shareholders that no dividend will be declared over 2010.

Outlook

Main priority for Océ in 2011 is to continue to improve the business by focusing on revenue, profit and cash. Océ will grow the business by strengthening its position in mature markets, expanding in growth markets like graphic arts and document services and boosting cross selling with Canon. Also, jointly with Canon, Océ will invest in regional growth markets like China and India. In 2011, Océ will expand its product portfolio, amongst others by introducing new printing systems, jointly developed with Canon. Finally, the company will continue to prepare for the integration with Canon.

Board of Executive Directors Océ N.V.
January 26, 2011

* The 2010 figures in this report are unaudited.

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Keys to terminology:

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

Normalization: adjustments to reported operating income of Canon-related one-off items and restructuring costs.

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).

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Consolidated Income Statement

<i>In million €</i>	Fourth quarter (four months) 2010 unaudited	Fourth quarter (three months) 2009 quarter unaudited	Thirteen months 2010 unaudited	Twelve months 2009 audited
Total revenues	901.2	683.1	2,860.0	2,647.6
Cost of sales	-595.1	-431.4	-1,823.2	-1,681.8
Gross margin	306.1	251.7	1,036.8	965.8
Selling and marketing expenses	-196.1	-152.5	-617.8	-591.8
Research and development expenses	-75.2	-48.4	-201.7	-173.5
General and administrative expenses	-104.4	-56.5	-289.7	-216.2
Other income, (net)	-	-1.6	-	0.2
Operating expenses	-375.7	-259.0	-1,109.2	-981.3
Operating income	-69.6	-7.3	-72.4	-15.5
Financial expenses	-8.6	-10.8	-77.2	-50.8
Financial income	-0.5	6.9	4.8	13.7
Share in income of associates	-2.0	0.2	-1.7	2.2
Income before income taxes	-80.7	-11.0	-146.5	-50.4
Income taxes	11.1	-11.9	-18.3	3.3
Net income	-69.6	-22.9	-164.8	-47.1
Net income attributable to				
Shareholders	-70.3	-23.4	-167.0	-48.9
Minority interest	0.7	0.5	2.2	1.8
	-69.6	-22.9	-164.8	-47.1
Free cash flow	-29.2	110.8	-164.7	81.8
Average number of ordinary shares outstanding (x 1,000)	84,891	84,871	84,889	84,858
Earnings per ordinary share for net income attributable to shareholders in €				
Basic	-0.84	-0.28	-2.00	-0.61

Consolidated Balance Sheet

In million €

		End of financial year 2010 (thirteen months) unaudited	End of financial year 2009 (twelve months) audited
Assets			
Non-current assets	Intangible assets	570	563
	Property, plant and equipment	297	316
	Rental equipment	76	82
	Associates	3	4
	Derivative financial instruments	–	5
	Trade and other receivables	181	187
	Deferred income tax assets	99	93
	Available-for-sale financial assets	8	8
		1,234	1,258
Current assets	Inventories	294	267
	Derivative financial instruments	7	16
	Trade and other receivables	542	552
	Current income tax receivables	9	12
	Cash and cash equivalents	56	102
		908	949
Total		2,142	2,207
Equity and Liabilities			
Equity	Share capital	54	54
	Share premium	512	512
	Other reserves	–14	–92
	Retained earnings	70	119
	Net income attributable to shareholders	–167	–49
	Equity attributable to shareholders	455	544
	Minority interest	33	35
		488	579
Non-current liabilities	Borrowings	7	464
	Derivative financial instruments	–	27
	Retirement benefit obligations	368	379
	Trade and other liabilities	–	6
	Deferred income tax liabilities	13	10
	Provisions for other liabilities and charges	43	38
		431	924
Current liabilities	Borrowings	658	36
	Derivative financial instruments	5	9
	Trade and other liabilities	533	611
	Current income tax liabilities	10	9
	Provisions for other liabilities and charges	17	39
		1,223	704
Total		2,142	2,207

Consolidated Statement of Changes in Equity attributable to shareholders

In million €

	Financial year 2010 (thirteen months) unaudited	Financial year 2009 (twelve months) audited
Balance at December 1, 2009 / 2008	544	646
Net income attributable to shareholders	-167	-49
Dividend	-3	-3
Share-based compensation	1	1
Purchase of treasury shares	-	-
Cash flow hedges	7	10
Currency translation differences	73	-61
Balance at December 31, 2010 / November 2009	455	544

Organic growth in revenues

As percentage

	Fourth quarter 2010 (three months) unaudited	Financial year 2010 (twelve months) unaudited
Non-recurring revenues		
Digital Document Systems	-8.6	-3.3
Océ Business Services	-	-
Wide Format Printing Systems	21.3	8.3
Total	1.2	0.6
Recurring revenues		
Digital Document Systems	-1.3	-3.0
Océ Business Services	0.7	-0.8
Wide Format Printing Systems	-4.6	-5.0
Total	-1.6	-3.0
Total revenues		
Digital Document Systems	-4.1	-3.1
Océ Business Services	0.7	-0.8
Wide Format Printing Systems	5.2	-0.4
Total	-0.7	-2.0

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Consolidated Cash Flow Statement

<i>In million €</i>	Thirteen months 2010 unaudited	Twelve months 2009 audited
Operating income	-72	-15
<i>Adjustments for:</i>		
Depreciation, amortization and impairment	245	186
Share-based compensation	-5	4
Result on divestments, disposals	-	-1
Unrealized gains/losses on financial instruments / Other	21	-15
<i>Changes in:</i>		
Retirement benefit obligations	-14	-8
Provision for other liabilities and charges	-18	13
Rental equipment	-50	-38
Inventories	-15	72
Trade and other receivables	49	97
Trade and other liabilities	-131	-51
<i>Operating cash flows:</i>		
Interest received	4	7
Interest paid	-65	-62
Income taxes	-12	-14
Cash flow from operating activities	-63	175
Investment in intangible assets	-71	-83
Investment in property, plant and equipment	-53	-52
Divestment of intangible assets	3	-
Divestment of property, plant and equipment	4	12
Payments/receipts regarding other non-current assets	-2	1
Capital increase/decrease in associates	-	-
Dividend from associates	-	-
Sale of finance lease portfolio	17	27
Sale of subsidiaries (net of cash)	-	2
Acquisitions (net of cash)	-	-
Cash flow from investing activities	-102	-93
Free cash flow	-165	82
Proceeds from borrowings	660	41
Repayments of borrowings	-543	-94
Dividend paid to shareholders	-	-2
Repurchase of/proceeds from treasury shares	-	1
Capital decrease/dividend paid to minority interest	-4	-2
Cash flow from financing activities	113	-56
Currency translation differences	6	-3
Changes in cash and cash equivalents	-46	23
Cash and cash equivalents at start of financial year	102	79
Cash and cash equivalents at end of financial year	56	102

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. 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 approximately 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.

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 Document 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 Océ business.

In 2010 Océ joined the Canon Group of Companies with headquarters in Tokyo, Japan, to create the global leader in the printing industry. This compelling combination merges a 130-year heritage of Océ customer-driven innovation with the vast technical resources of Canon to form the industry's broadest choice of hardware, software and workflow solutions. Canon develops, manufactures and markets a growing line-up of copying machines, printers, cameras, optical products and industrial equipment that meet a diverse range of customer needs. Canon is a Fortune Global 500 company and one of the world's best known brands. Canon employs 170,000 people worldwide. Global revenues in 2009 were \$35 billion. For more information visit www.canon.com.

The publicly listed holding company of the Océ 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).

Canon Inc. holds directly or via its subsidiaries approximately 90% of the ordinary shares of Océ.

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 described 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.