AGFA-GEVAERT N V

Moderator: Viviane Dictus
February 6, 2013
8:00 am CT

Coordinator: Good morning and good afternoon and thank you for standing by. At this time all participants are in a listen only mode. After the presentation we will conduct a question and answer session. To ask a question please press star 1. Today's conference is being recorded. If you have any objections you may disconnect at this time.

Now I will turn the meeting over to Mr. Kris Hoornaert. Mr. Hoornaert please proceed, thank you.

Kris Hoornaert: Thank you very much. Good morning and welcome to this conference call. Following the amended accounting rules of IAS 19 in relation to employee benefits, we will provide you with a rather technical update on the impact on our 2013 reporting.

This information is already in the market for a long time but today's objective is to clarify what has been explained last year in the disclosure note of our annual report in Section 4 on Page 83 and in Section 20 as from Page 119.

The related presentation is available on our website in the section Investor Relations and a transcript of this call will be available afterwards as well.

I also want to mention that our full year 2012 results publication will take place as planned on March 6, 2013. Therefore we will not take any questions related to the performance of Agfa in quarter four 2012.

I'm here together with Viviane Dictus, Investor Relations Officer and I will take you through the presentation and will be happy to answer your questions afterwards.

First I want to highlight the reporting change itself on Slide 3 of the presentation. The amended employee benefits standard IAS 19 will be applicable as from 2013 and it concerns following accounting changes for our company.

Firstly, the corridor method which allows the deferral of recognition of actuarial gains and losses over multiple accounting periods is no longer to be used. This means that all previously deferred actuarial gains and losses related to post-employment benefits will have to be recognized immediately in equity as a one off. Future actuarial gains and losses will have to be recognized periodically in equity as well. Later in the presentation I will comment on what this means for the Agfa Group.

Secondly there is a change in the recognition and measurement of pension expenses and their presentation in the income statements. Also here the impact for Agfa will be explained later on.

Having mentioned these main accounting changes it is important to mention that these changes will have no impact on the pension cash outflows nor on the business flows nor on the existing bank covenants.

Let me know move to the slides with the numbers. It is important to mention that all these numbers are related to the material countries which are for us the U.S., the UK, Germany and Belgium. And we speak here about defined benefits plans.

So let's move to Slide 4. Slide 4 should clarify the impact of the fact that the use of the corridor method will no longer be used in our financial statements as from 2013.

The full year 2012 financial statements will still be presented in the same way as in the past. I will walk you through the data on the table on Slide 4.

The first Row of the table highlights to evolution of the funded status of pension deficit. As you can see the deficit evolved at the end of 2011 from €1091 million to an estimated of €1169 million at the end of 2012 -- meaning an increase up to €78 million.

This is mainly due to the use of lower discount rates in the actuarial pension calculation, partly offset by an increase in the value of the plan assets. Historically we are at very low discount rate levels so the liability has never been so high.

Given these historically low levels of discount rates there should be more downward than upward potential for the liabilities.

The Second and Third Row in the table show the split of the funded status in two parts -- the net liability on the one hand which is the ‘on balance sheet’ part and the unrecognized gains and losses on the other hand which is the ‘off balance sheet part’. And the last row shows the equity on our balance sheets.

I would like now to move to the view by Column. At the end of 2011 -- Column 1 -- the Funded Status or Pension Deficit -- was €1,091 million of which €404 million was shown on the balance sheet and €687 million was not on the balance sheet because of the corridor method.

The second Column in the Table represents a best estimate of some of our accounts as per end 2012 but excluding the business results of quarter four. The presentation for the 2012 results is still as has been set according to the old IAS 19 rules.

As explained a minute ago the funded status went up to €1.169 billion and the net liability on the balance sheet is more or less the same, €402 million, but the entire increase is in the unrecognized part which is the off balance sheet part. And this part went up from €687 million to €767 million.

Then the last Column -- as from 2013 due to IAS 19 revised -- this off balance sheet part will have to be added onto the balance sheet due to the fact that the corridor approach is no longer to be used.

And this Third Column reflects kind of a pro forma presentation of 2012 results and it is a best estimate according to the new rules of IAS 19 revised which are applicable in 2013. And as you can see the equity on the Fourth Row and that is the status -- let's say at the end of Q3 2012 -- has been reduced with the unrecognized part of €767 million.

Let me repeat that the 2012 numbers are estimated numbers. Also the 2012 equity number is an estimate and the exact equity number will only be published during our full year results publications on the 6th of March.

Moving to Slide 5. On Slide 5 we compare the pension cost and the cash outflow for 2012 versus 2013. Starting with the pension costs -- this slide compares the estimated 2012 numbers under IAS 19 -- which is the First Column -- with the estimated 2013 numbers under IAS 19 revised -- which is the second column.

The pension expenses in the income statement are estimated to be around €60 million for the year 2013 versus €92 million in 2012. This estimated decrease of €32 million due to IAS 19 revised is mainly driven by the removal of amortization of actuarial gains and losses. And out of the €60 million in the P&L for 2013 €19 million are included in our REBIT. The remainder is booked as an interest expense under non-operational results.

For the cash flow -- which is the last line -- the estimate for 2013 is at €93 million the same as the year before in 2012. It illustrates that cash flow movements are driven by other elements than the pension cost movements. And about €75 million out of the €93 million are for the inactives or are related, let's say, to our legacy.

As we have here the pension costs as well as the pension cash flow outflow mentioned on the same slide -- I want to take the opportunity to explain the difference in drivers of these numbers.

As already explained, the pension cost results from the annual actuarial pension calculations. The Agfa cash outflows however are driven by other rules and hence they are not impacted by IAS 19 revised.

I would like to give a small overview of our main countries. First of all, in the U.S. and UK Agfa has pension funds that have been fully closed earlier. The repayments of the existing deficit by Agfa to the pension funds within a certain period of time is done according to the strict rules of the local regulators.

In Germany there is no pension fund but a book reserve plan. The Agfa cash outflows in Germany are the payments that are made directly by the company to the retired people while - because most companies do not have a pension fund in Germany and this plan -- this defined benefit plan -- has been revised onwards in 2010.

The Belgian plan is still open. But here the pension plan is sufficiently funded. This means that there is no pension deficit and there are almost no Agfa cash outflows to the pension fund other than the normal cash contributions to accrue for the additional year of service of the active people.

So overall as we mentioned several times during our investor presentations the cash outflow of the Agfa Group of about €90 million is split in approximately €75 million for the inactive people -- which is our legacy -- and €15 for the active people in Belgium.

The €75 million for inactive people can be split in €35 minus million in the US and the UK and €40 plus million for Germany -- for Belgium there is nothing related to the inactives.

The next slide -- Slide 6 -- gives an overview from 2009 until now of our pension cash outflows, the funded status and the discount rates. Again, and most importantly, the cash outflows have shown a stable picture. As you can see on the Second and Third Row on the table the evolution of the funded status is very much linked to the evolution of the discount rates.

On the last slide -- Slide 7 -- I have summarized the impact of IAS 19 revised for Agfa.

- First of all, regarding the accounting impact of IAS 19 revised mentioned in the table what concerns the balance sheet:

    - There is a negative impact due to an immediate recognition of all previously deferred actuarial gains and losses in the equity.
    - There is a positive or negative impact in equity due to periodic recognition of future actuarial gains and losses as from 2013 onwards.

- What concerns the income statement there is a positive effect from a decrease in pension costs mainly driven by the removal of amortization of deferred actuarial gains and losses.

And finally I'd like to stress again that the cash flow, the business flows, as well as the bank governance will not be impacted. This brings me to the end of my presentation and to the start of the Q&A sessions if there are still questions left. Thank you. Operator.

Coordinator: Yes, of course, thank you sir. We will now begin the question and answer session. If you would like to ask a question please press star one now on your touchtone telephone -- please unmute your phone and record your name clearly when prompted. Your name is required to introduce your question -- to withdraw your request please press star 2.

One moment please for the first question. And the first question comes from Guy Sips please proceed. Thank you.

Guy Sips: Yes, this is Guy Sips, KBC Securities. Is it fair to say that 1% in interest rate changes will have an impact of 200 million in the equity as from 2013 on? And can you give some color on this indication? Thank you.

Kris Hoornaert: I think this will be communicated with the full year results Guy. Then that figure will be communicated. Today I do not yet have that figure but I will get it ready soon.

As I said also, everything is here estimates and the final numbers will be disclosed early March. Then you will get that number.

Guy Sips: Okay, thank you.

Coordinator: Stefaan Genoe please proceed. Thank you.

Stefaan Genoe: Good morning, Stefaan Genoe, Petercam. Thank you Kris. Everything is clear, I think on the pensions. I've got one little question on Slide 4 -- the 211 million equity that is indicated pro forma 2012 is that based on the Q3 or is that based on your equity forecast for the end of the year?

Kris Hoornaert: Okay. If it was not understood, this is clearly based on Q3 taking into consideration the estimated funded status as the end of 2012. It has not taken into consideration the results of the quarter four.

Stefaan Genoe: Okay.

Kris Hoornaert: That must be very clear.

Stefaan Genoe: Okay, that's good. Thank you.

Coordinator: This next question comes from Nico Melsens. Nico please proceed.

Nico Melsens: Good morning everyone, Nico Melsens here with KBC Securities just got a quick question on the Germany situation because they already have a certain liability say that you don't have a pension fund but I guess there's still a local entity that takes care of the payments to the German pensioners or is it Agfa NV in Belgium directly who pays out those cash amounts? Could you be a bit more specific about this one please? Thank you.

Kris Hoornaert: This is being outsourced but technically the funds are coming from Agfa and they go via that outsourcing company to the retired people. So it's an immediate cash outflow every month for the Agfa accounts.

Nico Melsens: Okay and what exactly do you mean by it being outsourced? It means you have a local entity there?

Kris Hoornaert: We have indeed different pension entities but anyhow, it's coming really from our legal entities but somebody is taking care of the very -- let's say complex -- pension administration. Yes but it's coming from our legal entities.

Nico Melsens: Okay, thank you.

Kris Hoornaert: And as a clarification Nico because it's a book reserve plan so it is only a provision in the books so it's like a provision, let's say for the restructuring and then the cash you pay later and that's exactly the same here. So there are no assets at all but you pay as people are asking their money.

Nico Melsens: Okay. That's clear. Thank you.

Coordinator: There are no further questions at this stage sir. Hello sir, there were no further questions as this stage sir.

Kris Hoornaert: Okay. Then if there are no further questions I would like to thank everybody and we speak each other on the full year results on the 6th of March. Thank you very much.

Coordinator: Thank you for participating in today's call you may now disconnect. Thank you so much.

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