# Agfa-Gevaert

## Annual Report **2009**

AGFA Agfa

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*Words in italic* are explained in the Glossary (p.114)

# KEY FIGURES

| MILLION EURO | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Revenue** | **2,755** | **3,032** | **3,283** | **3,401** | **3,308** |
| Change vs. previous year | (9.1) % | (7.6) % | (3.5) % | 2.8 % | (12.1) % |
| **Graphics** | 1,341 | 1,522 | 1,617 | 1,712 | 1,733 |
| Share of Group sales | 48.7 % | 50.2 % | 49.3 % | 50.3 % | 52.4 % |
| **HealthCare** | 1,178 | 1,223 | 1,392 | 1,452 | 1,405 |
| Share of Group sales | 42.7 % | 40.3 % | 42.4 % | 42.7 % | 42.5 % |
| **Specialty Products** | 236 | 287 | 274 | 237 | 170 |
| Share of Group sales | 8.6 % | 9.5 % | 8.3 % | 7.0 % | 5.1 % |
| Gross profit [(1) (6)] | 886 | 961 | 1,158 | 1,299 | 1,212 |
| Recurring EBIT [(1) (6)] | 182 | 135 | 197 | 256 | 219 |
| Restructuring/non-recurring expenses | (12) | (158) | (72) | (191) | (87) [(2)] |
| Results from operating activities | 170 | (23) [(6)] | 125 | 65 | 132 |
| Net finance costs | (114) | (83) [(6)] | (63) | (64) | (25) |
| Income tax expense | (49) | (60) | (19) | 15 | (125) [(3)] |
| **Profit for the period** | **7** | **(166)** | **43** | **16** | **(18)** |
| **Profit attributable to** | | | | | |
| the owners of the Company | 6 | (167) | 42 | 15 | (19) |
| non-controlling interest | 1 | 1 | 1 | 1 | 1 |
| **Cash flow** | | | | | |
| Net cash from / (used in) operating activities | 266 | 77 [(7)] | 108 | 107 | 82 |
| Capital expenditures [(4)] | (41) | (63) | (100) | (105) | (106) |
| **Balance sheet - Dec. 31** | | | | | |
| Equity | 724 | 704 | 891 | 933 | 1,032 |
| Net financial debt | 445 | 673 | 721 | 704 | 679 |
| Net working capital [(5)] | 751 | 949 | 871 | 554 | 684 |
| Total assets | 2,852 | 3,160 | 3,559 | 3,832 | 3,982 |
| **Share information (Euro)** | | | | | |
| Earnings per share (EPS) | 0.05 | (1.34) | 0.34 | 0.12 | (0.15) |
| Net operating cash flow per share | 2.13 | 0.62 [(8)] | 0.87 | 0.86 | 0.65 |
| Gross dividend | 0 | 0 | 0 | 0.50 | 0.50 |
| Book value per share | 5.80 | 5.64 | 7.14 | 7.48 | 8.27 |
| Number of ordinary shares outstanding at year-end | 124,788,430 | 124,788,430 | 124,788,430 | 124,785,530 | 124,780,270 |
| Weighted average number of ordinary shares | 124,788,430 | 124,788,430 | 124,788,263 | 124,781,170 | 125,603,444 |
| **Employees (at year end)** | | | | | |
| Full time equivalent permanent | 11,169 | 12,152 | 13,124 | 14,015 | 14,442 |

(1) Before restructuring/non-recurring items and gains/losses on divestitures and excluding the one-off income of 25 million Euro related to changes in the retiree medical plan in the Group's US affiliate booked in the fourth quarter of 2005.
(2) Including a provision of 55 million Euro related to the liquidation of AgfaPhoto.
(3) Including the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture.
(4) For intangible assets and property, plant and equipment.
(5) Current assets minus current liabilities.
(6) During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to 33 million Euro have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to 3 million Euro has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.
(7) As reported 2008, restated. In 2009 the 'Prefinancing by (of) AgfaPhoto related to the previous CI divestiture' is no longer presented on a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of 4 million euro was reclassified to 'Other working capital'.
(8) As reported 2008, restated.

# Company Profile

The Agfa-Gevaert Group develops, produces and distributes an extensive range of analog and digital imaging systems and IT solutions, mainly for the printing industry and the healthcare sector, as well as for specific industrial applications.

## GLOBAL PRODUCTION AND SALES NETWORK

Agfa's headquarters and parent company are located in Mortsel, Belgium. The Group's operational activities are divided in three independent business groups, Agfa Graphics, Agfa HealthCare and Agfa Specialty Products. All business groups have strong market positions, well-defined strategies and full responsibilities, authority and accountability. The company has production facilities around the world, with the largest production and research centers in Belgium, the United States, Canada, Germany, France, Italy and China. Agfa is commercially active worldwide through wholly owned sales organizations in more than 40 countries. In countries where Agfa does not have its own sales organization, the market is served by a network of agents and representatives.

## BUSINESSES

### AGFA GRAPHICS

Agfa Graphics offers integrated prepress solutions to the printing industry. These solutions comprise consumables, hardware, software and services for production workflow, project and color management. Agfa Graphics is a worldwide leader with its computer-to-film, computer-to-plate and digital proofing systems for commercial and packaging printing and the newspaper publishing markets.
Agfa Graphics is rapidly developing its position in the new segments of industrial inkjet with comprehensive solutions for various applications such as documents, posters, banners, signage, displays, labels and packaging materials. Its experience in both imaging and emulsion technology has provided the expertise required for developing a complete assortment of high-quality inks.

### AGFA HEALTHCARE

Agfa HealthCare is a leading provider of diagnostic imaging and healthcare IT solutions for hospitals and care centers around the world. The business group is a major player on the diagnostic imaging market, providing analog, digital and IT technologies to meet the needs of specialized clinicians worldwide. The group is also a key player on the healthcare enterprise IT market, integrating administrative, financial and clinical workflows for entire, and even multiple, hospitals. Today, Agfa HealthCare offers over 100 markets access to its leading technologies and solutions, which range from Clinical Information Systems (CIS) and Hospital Information Systems (HIS), radiology information systems (RIS), Picture Archiving and Communication Systems (PACS), Data Centers, as well as advanced systems for reporting, cardiology, decision support, advanced clinical applications and data storage, systems for Direct Radiography (DR) and Computed Radiography (CR), classic X-ray film solutions and contrast media.

### AGFA SPECIALTY PRODUCTS

Agfa Specialty Products supplies a wide variety of film-based products and high-tech solutions to large business-to-business customers outside the graphic and healthcare markets. Its main products are motion picture film, microfilm, film for non-destructive testing as well as film for the production of printed circuit boards (PCB's).
Agfa Specialty Products is active in growth areas with products based on its core competences: materials for identification cards, conductive polymers and related products, synthetic paper and membranes for gas separation and water filtration.

## AGFA'S MOST IMPORTANT PRODUCTION AND R&D CENTERS

**1** Mortsel, Belgium
**2** Ghent, Belgium
**3** Wiesbaden, Germany
**4** Munich, Germany
**5** Bonn, Germany
**6** Leeds, United Kingdom
**7** Pont-à-Marcq, France
**8** Bordeaux, France
**9** Manerbio, Italy
**10** Macerata, Italy
**11** Yokneam Elit, Israel
**12** Wuxi, China
**13** Banwol, South Korea
**14** Bushy Park, SC, USA
**15** Branchburg, NJ, USA
**16** Westerly, RI, USA
**17** Thousand Oaks, CA, USA
**18** Waterloo, Canada
**19** Mississauga, Canada
**20** Suzano, Brazil
**21** Varela, Argentina

## MILESTONES

**1867** Founding of the Aktiengesellschaft für Anilinfabrikation (Agfa), Berlin, specialized in color dyes
**1894** Founding of L. Gevaert en Cie., Antwerp, specialized in photographic paper
**1953** Agfa 100% owned by Bayer
**1964** Merger of Agfa and Gevaert
**1981** Agfa-Gevaert 100% owned by Bayer
**1996** Acquisition of Hoechst's printing plate division (Germany)
**1998** Acquisition of DuPont's graphic film and offset plate activities (USA)
**1999** IPO – listed on stock market in Brussels and Frankfurt
**2002** Bayer sells its remaining 30% stake in Agfa-Gevaert
**2004** Acquisition of Dotrix (Belgium), developer of digital color print systems for industrial applications and of Symphonie On Line (France), developer of hospital information systems
Divestment of Consumer Imaging
**2005** Acquisition of GWI (Germany), developer of hospital information systems, and Heartlab (USA), developer of digital image and information networks for cardiology
**2009** Acquisition of Insight Agents (Germany), a European developer and producer of contrast media
**2010** Acquisition of Gandi Innovations (Canada), a global leader in large format inkjet systems

# Letter to the **Shareholders**

## DEAR SHAREHOLDERS,

At the start of 2009, we were faced with a lot of uncertainty about the depth and the length of the economic crisis. Confidence in the recovery hit a low point in the month of March when financial markets were at the lowest level of the year and our own share price hit an all-time low.

Faced with a significant decrease in demand, a variety of special actions such as the reduction of working time and salary cost have been implemented. Furthermore our efforts to reduce selling and administration costs were accelerated. All those efforts resulted in a further cost reduction of more than 100 million Euro.

Agfa Graphics was particularly hit in the beginning of the year, with a market decline of about 20% for printing plates and of about 50% for equipment. Fortunately, as from the third quarter, we have seen a slight recovery of the graphic markets. As a result, the revenue decline for the entire year amounted to only 12%. Due to the many actions of Agfa Graphics, the 2009 EBIT result is close to the 2008 result.

In Agfa HealthCare, the effect of the crisis was much less pronounced. Market trends continued with a revenue decline for some of our traditional imaging products and growth in our IT business. The overall profitability – which constituted the main challenge for 2009 – improved significantly resulting in an EBIT margin of nearly 10% for the year. Underlying reasons were the reduction of fixed costs and efficiency improvement in services.

Agfa Specialty Products faced the double challenge of continued decline of some traditional film markets and the effects of the economic crisis on demand from other industries. Again, cost reduction measures have permitted us to continue to be profitable.

Overall, the Agfa-Gevaert Group finished this year of economic crisis with a revenue decline of about 10%, but with a significantly improved EBIT and a positive net result.

As we already indicated last year, reducing our debt is another important challenge. During 2009, we reduced our net debt by more than 200 million Euro to about 450 million Euro. This is mainly the result of the continued focus on the reduction of working capital.

Even if 2009 was a very challenging year from an operational point of view, we also paid a lot of attention to preparing the growth of our businesses.

While it is interesting to note that already in 2009 about one third of Agfa's revenue came from growth markets in Asia, Latin America and Africa, our present strategy is aiming at further reinforcing our presence in these markets.

At the same time, we are making all necessary efforts to maintain our technological leadership.

These two main thrusts were exemplified by the announcement of some acquisitions and partnerships.

Agfa Graphics reinforced its position in the field of inkjet printing by the acquisition of most of the assets of the Canadian company Gandi Innovations. The product portfolio of this company is very complementary to the one of Agfa and therefore this acquisition will allow us to accelerate our growth plans in inkjet.

More recently Agfa Graphics signed a joint venture agreement with the Chinese company Shenzhen Brothers, creating Agfa Graphics Asia, which will serve the customers in China and the ASEAN countries. The combination of Agfa Graphics' technology and Shenzhen Brothers' distribution strength will allow the joint venture to be very competitive in the growing Asian markets.

Following the introduction of the Digital Radiography (DR) systems last year, Agfa HealthCare broadened its catalogue of radiology consumables by the acquisition of Insight Agents, a German company specializing in contrast agents. This fits with our strategy of being a broad supplier to the radiology market.

Our own R&D efforts have allowed us to continue to deliver improved and advanced products, intended to significantly improve the efficiency of our customers' operations. Agfa Graphics has introduced the :M-Press Tiger and a number of new large format inkjet printers. In 2009, we have delivered new releases of our ORBIS and IMPAX products for HealthCare IT and new Computed Radiography imaging systems. Agfa Specialty Products has broadened its offer of new consumables and industrial products based on our expertise in film manufacturing and advanced coating.

We sincerely thank our customers and our dealers for their confidence in our company and we are committed to continue to serve all of them with advanced high-quality and reliable products and services.

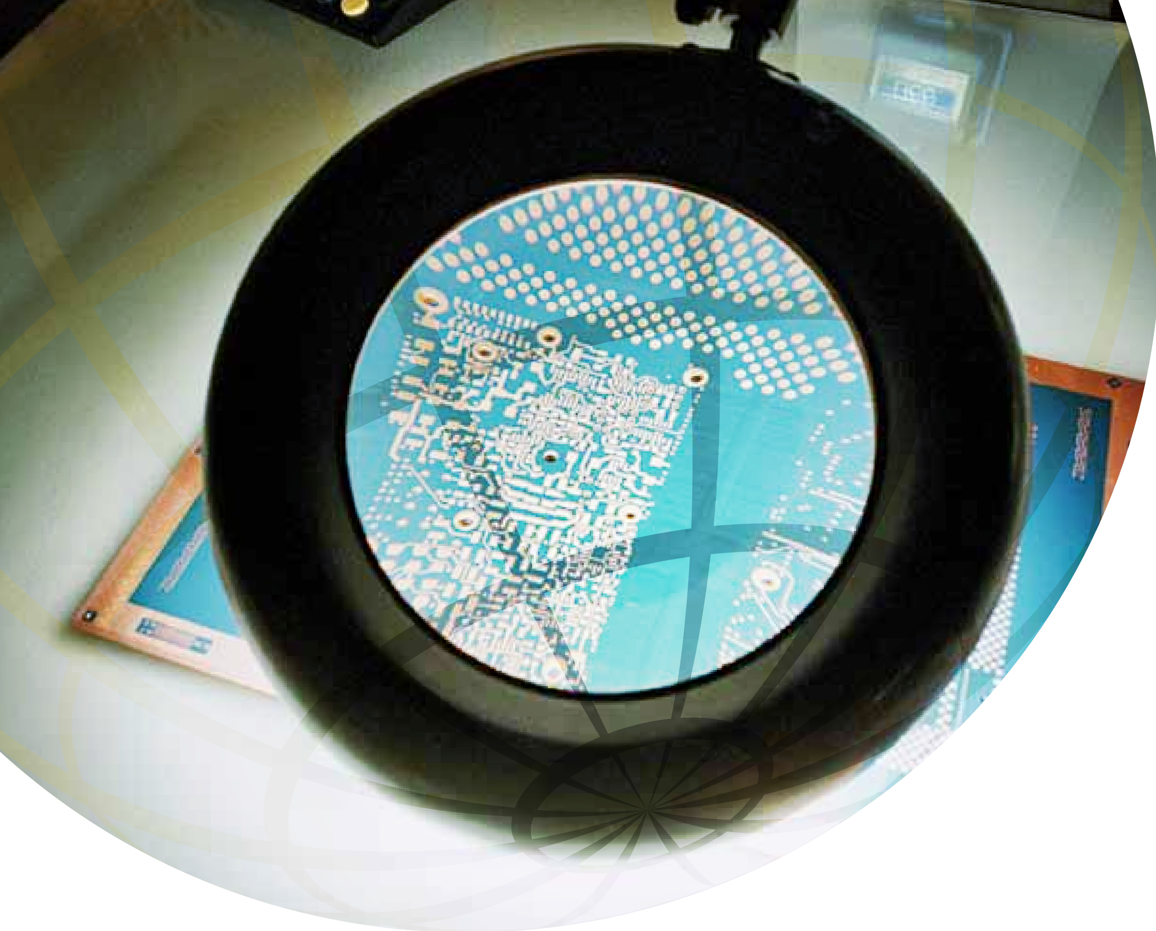
We would also like to thank our employees for their major contribution to the company and for their special efforts in this trying year.

We are also grateful to our shareholders for their confidence and support which must have been very challenging given the deep crisis. We are confident that our share price will now continue to reflect the improved performance of our business.

The Board of Directors has approved the strategy which is focused on the future growth of our businesses. This will necessitate the use of all existing financial resources. Therefore the Board of Directors will propose to the Annual General Assembly of Shareholders not to pay a dividend.

Jo Cornu
*President and Chief Executive Officer*

Julien De Wilde
*Chairman of the Board of Directors*



# Management Report

## REVENUE

In 2009, the Agfa-Gevaert Group's revenue decreased 9.1% to 2,755 million Euro (3,032 million Euro in 2008). The economic crisis affected businesses in the first half of the year. In the second half of the year, the crisis-driven decline in Agfa-Gevaert's markets started to bottom out.

Agfa Graphics' revenue decreased 11.9 percent compared to 2008. The effects of the economic slowdown – which surfaced in the course of 2008 – persisted in the first quarters of 2009. In the second half of the year the crisis-driven decline started to bottom-out. In the last months of 2009, both the prepress and the inkjet segment started to recover, mainly in North America and the emerging countries. However, the crisis-related increased competitive pressure in the *computer-to-plate* segment continued throughout the year.

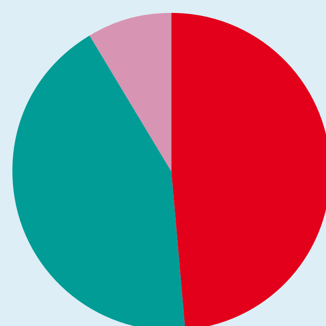
Agfa HealthCare's revenue decreased 3.7 percent compared to the previous year. The business group was able to limit the effects of the economic crisis. Although some care organizations were postponing their investments in equipment and IT, Agfa HealthCare was able to safeguard its sales. In line with expectations, the revenue growth in IT did not suffice to fully compensate for the market driven revenue decline in Imaging.

**Group Revenue**

MILLION EURO

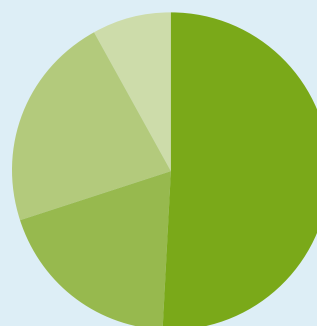
**Share of Group Revenue 2009**

PERCENT BY BUSINESS GROUP



| | |
|---|---|
| Agfa Graphics | 48.7% |
| Agfa HealthCare | 42.7% |
| Agfa Specialty Products | 8.6% |

PERCENT BY REGION



| | |
|---|---|
| Europe | 51% |
| NAFTA | 19% |
| Asia/Oceania/Africa | 22% |
| Latin America | 8% |

Mainly because of the weak economic conditions, the market-driven decline for some of the Classic Film products and the shift of part of the film business to Agfa Graphics, Agfa Specialty Products' revenue decreased 17.8 percent compared to 2008. Year-on-year sales of the New Business products improved and in the last months of the year, some of the markets for traditional film products started to recover from the effects of the economic crisis.

With 48.7% of sales, Agfa Graphics remains the largest business group. HealthCare represents 42.7% and Specialty Products 8.6% of Group sales.

In 2009, Europe accounted for 51% of Group sales (2008: 55%), NAFTA for 19% (2008: 19%), Asia/Oceania/Africa for 22% (2008: 19%) and Latin America for 8% (2007: 7%).

## RESULTS

Recurring gross profit amounted to 886 million Euro, compared to 961 million Euro in 2008.
In spite of the sales decline and manufacturing inefficiencies due to lower use of capacity in the first quarters of the year, the Group's recurring gross profit margin improved from 31.7 percent in 2008 to 32.2 percent. This was mainly due to the successful efficiency programs, lower raw material prices and certain one-off effects.

Agfa-Gevaert is ahead of its plans to reduce its Selling and General Administration expenses.
The average monthly SG&A expense was brought down from 64 million Euro in 2007 and 54 million Euro in 2008 to 46 million Euro in 2009. The year on year SG&A cost decrease amounted to 14.5 percent. The SG&A expenses represented 20.1 percent of revenue, compared to 23.3 percent in 2007 and 21.3 percent in 2008. The Group will continue its efforts to improve its efficiency and reduce costs in all business groups.

R&D expenditure amounted to 149 million Euro (174 million Euro in 2008), or 5.4% of revenue.

Agfa's recurring EBITDA (the sum of the three business groups and the unallocated portion) increased from 251 million Euro in 2008 to 284 million Euro

## Key figures Profit & Loss

MILLION EURO

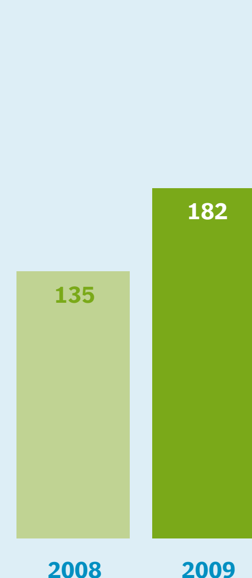
| | 2008 | 2009 |
|---|---|---|
| Revenue | 3,032 | 2,755 |
| Recurring gross profit [1] [2] | 961 | 886 |
| Recurring EBITDA [1] [2] | 251 | 284 |
| Recurring EBIT [1] [2] | 135 | 182 |
| Restructuring and non-recurring items[2] | (158) | (12) |
| Result from operating activities[2] | (23) | 170 |
| Net finance costs[2] | (83) | (114) |
| Profit attributable to the owners of the Company | (167) | 6 |

## Recurring EBITDA[1][2]

MILLION EURO

## Recurring EBIT[1][2]

MILLION EURO




[1] Before restructuring/non-recurring items.

[2] During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to 33 million Euro have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to 3 million Euro has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

in 2009 or, as a percentage of sales, from 8.3% versus 10.3% in 2009. Recurring EBIT improved from 135 million Euro to 182 million Euro or 6.6% of revenue.

Agfa Graphics is successfully implementing its plans to reduce its SG&A costs.
Compared to 2008, these costs were reduced by 50 million Euro. Together with the measures to improve operational efficiency, these efforts clearly supported Agfa Graphics' profitability, resulting in a particularly strong fourth quarter performance. Lower raw material prices and certain one-off effects also had a positive influence. Year-on-year, these beneficial elements were counterbalanced by crisis-related elements, such as the underutilization of the manufacturing capacity, bad debt provisions and increased competitive pressure.

Following a strong reduction in 2008, Agfa HealthCare succeeded in a further SG&A cost reduction of 43 million Euro in 2009. Due to these efforts – but also to improved service efficiency and operational efficiency and lower raw material prices – the business group considerably improved its profitability throughout the year.

Agfa Specialty Products' profitability was affected by the market-driven decline of Classic Film products revenue, the manufacturing inefficiencies due to lower use of capacity and by the investments in New Business.

Restructuring and non-recurring items resulted in an expense of 12 million Euro, versus an expense of 158 million Euro in 2008. The 2009 figures were positively influenced by changes in the post-retirement medical plans in the USA and by changes in the defined benefit plans in the USA and Germany. The 2008 figures were affected by a considerable impairment loss on goodwill.

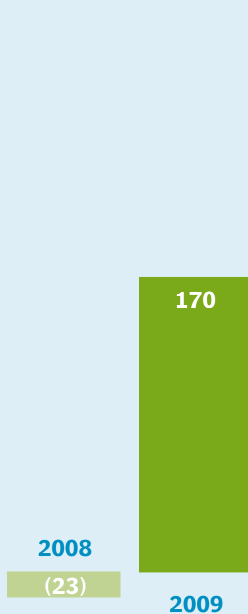
The net finance costs amounted to minus 114 million Euro, compared to minus 83 million Euro in 2008. This increase was due to the increased pension deficit, which was caused by the evolution of the stock markets in 2008.

Income tax expense amounted to 49 million Euro versus 60 million Euro in 2008. Current tax expense amounted to 14 million Euro and deferred tax expense amounted to 35 million Euro (non-cash item).

The result from operating activities in 2009 amounted to 170 million Euro, versus minus 23 million Euro in the previous year. Income before taxes thus reached 56 million Euro, against minus 106 million Euro in 2008.

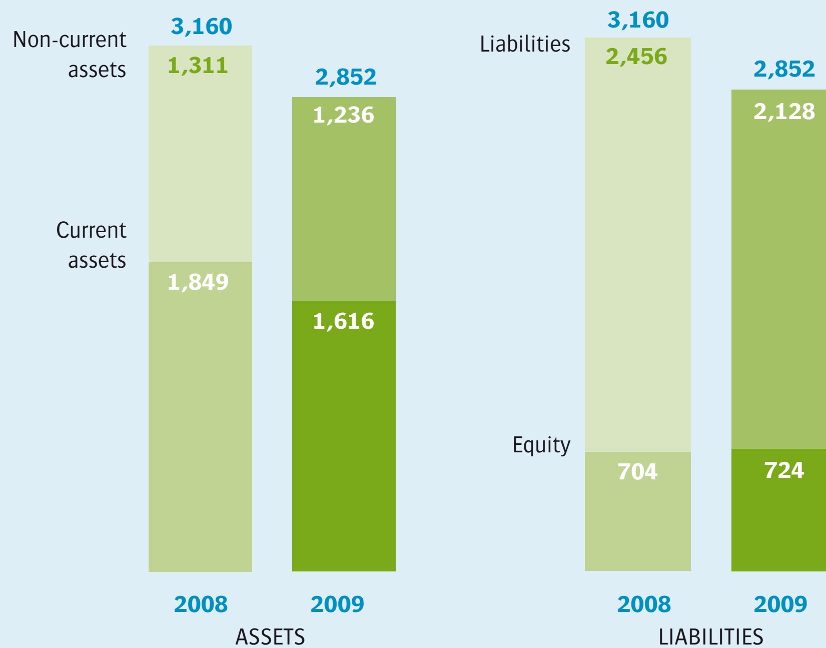
**Result from operating activities**[2]

MILLION EURO




**Key figures Balance Sheet**[3]

MILLION EURO




[3] In 2009, 'Deferred tax assets/liabilities' have been reclassified to 'Non-current assets/non-current liabilities'. Comparative information for the year 2008 has been restated.

Mainly due to the strong operational performance in all business groups in the last quarters of the year, a positive net result of 6 million Euro, or 0.05 Euro per share, was booked, compared to minus 167 million Euro, or minus 1.34 Euro, in 2008. The 2008 result was subject to an impairment loss, an exceptional tax charge and considerable restructuring costs.

## BALANCE SHEET

At the end of December 2009, total assets amounted to 2,852 million Euro, versus 3,160 million Euro at the end of 2008.

## WORKING CAPITAL

Inventories were 483 million Euro or 93 days at the end of 2009.
Trade receivables (minus deferred revenue and advanced payments from customers) amounted to 469 million Euro – or 58 days – at the end of 2009. Trade payables were 206 million Euro – or 40 days. In 2010, Agfa will continue its efforts to reduce the working capital.

## FINANCIAL DEBT

Due to continued targeted efforts, net financial debt reduced to 445 million Euro, versus 673 million Euro at the end of 2008 and 721 million Euro at the end of 2007.
At the end of 2009, Agfa's gearing ratio amounted to 61.5%.

## EQUITY

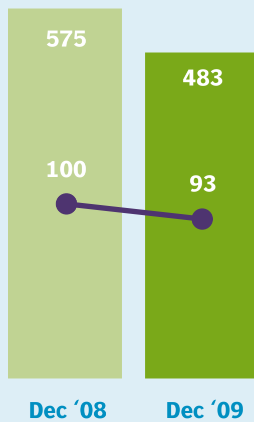
Equity amounted to 724 million Euro, against 704 million Euro at the end of 2008.

## CASH FLOW

In 2009, net cash from operating activities, which also takes into account the changes in working capital, reached 266 million Euro. Capital expenditure totaled 41 million Euro.

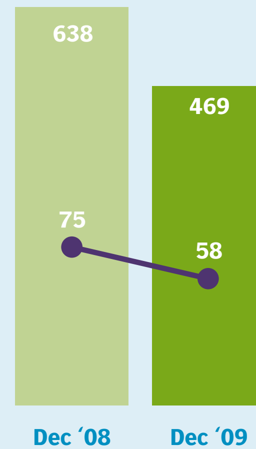
**Inventories**

MILLION EURO/DAYS



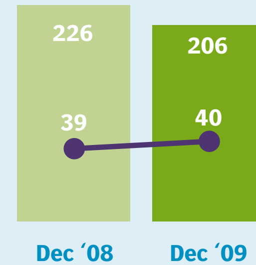

**Trade Receivables**(1)

MILLION EURO/DAYS




**Trade Payables**

MILLION EURO/DAYS




(1) Minus deferred revenue and advanced payments from customers

## RESEARCH & DEVELOPMENT

Agfa's R&D expenses amounted to 149 million Euro in 2009. 25.5% of R&D expenditure was related to Graphics, 69.1% to HealthCare and 5.4% to Specialty Products.

In 2009, Agfa Graphics invested further in the development of innovative systems and *UV-inks* for the growing industrial *inkjet* market, launching two new wide format systems, the :Anapurna M² and the :Anapurna Mw. The :Anapurna Mw uses an Agfa developed white ink to add value to specific *wide format* applications. In the *prepress* segment, Graphics continued its R&D efforts to strengthen its leading position in *chemistry-free* plate systems. As a result :Amigo TS (*thermal printing* plate for the commercial market) and :Azura V (*violet* plate for commercial printing applications) were introduced. Both plates combine the ecological advantages of chemistry-free systems with low investment and operating costs and high reliability and speed. Agfa Graphics software :Apogee Suite (for commercial printers) and :Arkitex (newspapers) development continues to offer prepress solutions for workflow systems, integration services for customers with their printer and cost saving products to reduce ink usage on the printing press.

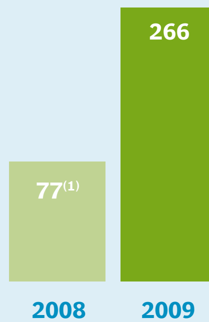
In 2009, Agfa HealthCare focused its R&D efforts on expanding and strengthening its portfolio. The delivery of next-generation Computed Radiography solutions, the introduction of a *Direct Radiography* product line, the expansion of its *IMPAX* offering into new specialties and a further upgrade of its leading HIS/CIS solution *ORBIS* were key focuses. The business group successfully introduced many of these solutions in 2009. This included the DX-D 500 and DX-D 300 DR solutions, a new market entry for the business; the launch of the DX-G, a next generation CR system able to handle both needle and powder phosphor plates; new features for IMPAX Cardiology, IMPAX for Nucleair Medicine, and the introduction of IMPAX for Breast Imaging. In 2009, Agfa HealthCare also focused its research on new consumables, to eventually replace the current assortment of film, which is seeing a market decline. Research into the potential and development of Surgical Procedure Sets was completed in that year and the first drapes and gowns introduced in early 2010.

In Agfa Specialty Products, R&D has been focused on the development of products for growth areas based on Agfa's core competencies in polyester film manufacturing and advanced coating technologies. In 2008 Synaps was launched, a synthetic recyclable paper. Development efforts have focused on creating a large range of applications for the printing market.

**Operating Cash Flow**

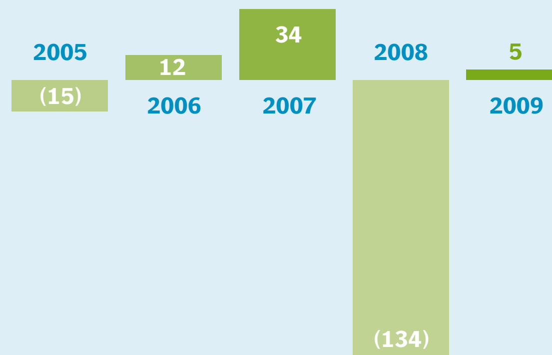
MILLION EURO

Net




**Earnings per share**

EUROCENT




(1) As reported 2008, restated. In 2009, the 'Prefinancing by (of) AgfaPhoto related to the previous CI divestiture' is no longer presented on a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of 4 million euro was reclassified to 'Other working capital'.

Membranes for gas separation have been developed and are in a first phase of commercialization. A second focal point is the development and production of membranes for biological waste water treatment.
For the high-end smartcard market, durable PET products were developed and launched, compatible with all major personalization and security techniques.
The performance of conductive pastes, inks and coatings for the electronics industry has been further enhanced.
In the same context, several projects are running for the development and the marketing of tailor-made foils, chemicals and services for industrial applications in a variety of imaging and non-imaging markets.
Specialty Products continues to invest in a number of long-term research areas, and it is partner in several pre-competitive research projects.

## HUMAN RESOURCES

At the end of 2009, Agfa employed 11,169 active full time equivalents, compared to 12,152 at the end of 2008.

## OUTLOOK

It is expected that the graphic markets will continue to recover in the course of 2010. At present, the recovery is stronger in North America and the emerging countries than in most Western European countries. As a result, Agfa Graphics expects a stronger first quarter performance in 2010. The effects of the before mentioned acquisition of *Gandi Innovations* will slowly become apparent in the course of the year. The effects of the joint venture with the Chinese Shenzhen Brothers company will start to kick in in the course of the second half of the year.
Following the very strong end of 2009, Agfa HealthCare anticipates a weaker top line performance in the first quarter of 2010. However, the business group expects that the results in 2010 as a whole will be in line with the previous year.
For Specialty Products, 2010 will be a year of transition. The business group continues to invest in new businesses. These new businesses will only gradually start to compensate for the ongoing decline in the demand for some of the traditional film products.

*Agfa Graphics' head office is located in Mortsel (Belgium). The business group has sales organizations in over 40 countries and representatives in more than 100 other countries. Its production sites are situated in Belgium, Germany, France, the United Kingdom, the United States, Brazil, China, South Korea and Canada.*

# Agfa Graphics

| MILLION EURO | 2009 | 2008 | % change |
|---|---|---|---|
| **Revenue** | **1,341** | 1,522 | -11.9 % |
| **Recurring EBITDA** [(1)] | **108.3** | 116.1 | -6.7 % |
| **% of revenue** | **8.1** % | 7.6 % | |
| **Recurring EBIT** [(1)] | **62.6** | 64.7 | -3.2 % |
| **Results from operating activities** | **55.6** | 52.6 | +5.4 % |

[(1)] Before restructuring and non-recurring items.

Agfa Graphics' revenue amounted to 1,341 million Euro, a decrease of 11.9 percent (including currency effects) compared to 2008. The effects of the economic slowdown – which surfaced in the course of 2008 – persisted in the first quarters of 2009. In the second half of the year the crisis-driven decline started to bottom-out and in the last months of 2009 both the prepress and the *inkjet* market started to recover, mainly in North America and the emerging countries. However, the crisis-related increased competitive pressure in the *computer-to-plate* segment continued throughout the year.

## TRUSTED PARTNER FOR PROFESSIONAL PRINTERS

All over the world, professional printers and publishers rely on Agfa Graphics' experience and first-rate technology. Agfa Graphics strives to identify the needs of its customers and to fulfill them with complete *prepress* solutions and advanced industrial inkjet systems.

### PREPRESS

With its integrated prepress systems, Agfa Graphics mainly serves customers in the 'info printing' segment of the graphic market. Participants in this segment deliver most of the products that everybody immediately associates with the world of printing. It is the habitat of newspaper printers and commercial printers, which produce magazines, brochures,… In info printing, *offset* is the most commonly used technology.

The term prepress is used for the chain of processes that precede the real printing process. In the preparatory stages, text and images are combined in a layout, colors are quality-controlled, pages are correctly positioned and a number of digital *proofs* are made. When approved, these pages are exposed onto a *printing plate*, either directly, with computer-to-plate technology (CtP), or via an intermediate film, with *computer-to-film* technology (CtF). Following this process, the exposed plate is mounted on the printing press. In an industry in which efficiency is key, analog CtF systems are making way for digital CtP technology. By eliminating intermediate stages in the process, CtP allows the printer to complete more jobs and to increase the control of the production process without the need to expand the workforce.

Printers rely on Agfa Graphics for almost every stage in the preparatory process. Agfa Graphics is not only a specialist in equipment and consumables (such as graphic film and printing plates), it also provides professional software and related services. It has the most comprehensive solutions for both CtF and CtP. Agfa Graphics' *workflow management software* steers and controls the printed matter production process. Software packages include technology for digital proofing and *screening*, as well as powerful tools for managing color and quality consistency. These software systems offer printers faster processing, better quality and improved cost efficiency.

The prepress segment has a global market value of 7 billion Euro. Agfa Graphics is the clear market leader for CtF film. Furthermore, it supplies more than one third of the industry's printing plates.

### INDUSTRIAL INKJET

When confronted with the term 'inkjet', most people immediately think of the home and office printers that they use every day. That, however, is not the market Agfa Graphics is targeting with its industrial inkjet machines. With these systems, Agfa Graphics focuses on the industrial printing segment of the graphic market. Industrial printshops use traditional and new technologies for various applications, such as packaging, posters and displays, promotional materials, labels and decorative materials. Powered by the most advanced inkjet technologies, Agfa Graphics' cost effective digital printing systems are state-of-the-art alternatives for traditional printing technologies, ideally suited for high-quality printing on an extremely wide variety of applications. In addition to the printing presses, Agfa Graphics also supplies a full range of high-quality and ecological *UV curable inks*.

The inkjet business fully complements the prepress activities, as industrial inkjet systems mainly compete with *screen printing* and *flexo printing* machines.

## STRATEGIC POSITIONS IN RAPIDLY EVOLVING MARKETS

Agfa Graphics believes that printed communication is complementary to other – traditional and new – media. Therefore, printed matter will continue to be an essential and powerful component of the integrated communication mix. Agfa Graphics is addressing the trends in the info printing and industrial printing segments of the graphic market with well defined strategies.

In an industry defined by deadlines, speed is of the utmost importance. Agfa Graphics introduced a high speed option for its range of highly reliable and efficient :Advantage N platesetters. Due to the new option, a platesetter can produce up to 300 printing plates per hour.

At the Fespa Digital 2009 trade fair, Agfa Graphics unveiled the second generation of its :M-Press industrial flatbed press. The :M-Press Tiger boasts a 300 percent increase in productivity and an even higher quality output. The :M-Press Tiger flatbed press is able to replace traditional equipment for all possible screen printwork.

## INFO PRINTING

Printers are constantly looking for affordable prepress solutions that improve their competitive position. Agfa Graphics continues to invest in innovation to be the technology leader in CtP. Furthermore, the business group is optimizing its worldwide organization and reducing the complexity of its processes to claim the position of cost leader in CtP and CtF. Agfa Graphics aims to be the partner of choice of printers all over the world by offering them the means to grow profitably: the most advanced technology and high level service. Thanks to its range of complete system solutions, printers can rely on Agfa Graphics for all their prepress needs.

In North America and Europe, printed information is starting to lose ground in favor of other media and offset printing is starting to experience some competition of digital printing technologies, which address the industry's need for shorter run-lengths. In the emerging markets, on the other hand, offset printing is still growing strongly.

Through targeted actions and strategic partnerships, Agfa Graphics is anticipating on these important growth opportunities in the emerging markets in general and the BRIC countries (Brazil, Russia, India, China) in particular.

In January 2010, Agfa Graphics signed a letter of intent with its business partner Shenzhen Brothers for the establishment of a joint venture aiming at reinforcing both partners' market position in the Greater China and *ASEAN* region. Agfa Graphics is convinced that the combination of Shenzhen Brothers' strong relationship with local suppliers and governments and Agfa Graphics' know-how and leading technology will facilitate the realization of both companies' ambitious growth plans.

In most of the emerging countries, the technology shift from CtF to CtP is now starting to accelerate, whereas in North America and Western Europe, almost all printers have already made the transition. As a consequence, the market for CtF plates and film is declining rapidly. Some major suppliers have even decided to cease the supply of CtF film. Due to successful efficiency programs, Agfa Graphics is in an excellent position to consolidate the CtF market.

As is the case in other industries, the pressure on the printing sector to work more ecologically is increasing. Agfa Graphics developed ecology friendly imaging technologies that reduce the ecological footprint of the printing industry by eliminating toxic chemicals, reducing waste, lowering ink and water consumption and saving energy. Agfa Graphics' *chemistry-free* CtP technology – with printing plates that do not require chemical processing – has rapidly found its way to numerous commercial print shops around the world, while more and more newspaper printers are also starting to acknowledge its many advantages.

At the beginning of 2010, Agfa Graphics acquired most of the assets of Gandi Innovations, a leading supplier of large format inkjet printing systems. Mainly targeting the mid-range market segment, their product offering is complementary to Agfa Graphics' range of entry-level and high-end machines.

Agfa Graphics added a new solution to its :Avalon N range of platesetters, which was introduced in 2008. The :Avalon N4 is fit for mid-size commercial printers and ideally suited to work with Agfa Graphics' :Azura chemistry-free printing plates.

### INDUSTRIAL PRINTING

Participators in the industrial printing business are keen to replace their traditional technologies (including screen printing technology, flexo printing technology and offset technology) by advanced digital systems to boost their efficiency and expand the range of services for their customers. Of all new digital technologies, industrial inkjet has clearly won the battle to become the technology of choice for the major part of the industry.

Agfa Graphics strives to become an important player in industrial inkjet by offering a very broad range of systems, from the entry-level :Anapurna *large format printers* – typically used to produce posters, banners and displays – to the high-end :Dotrix and :M-Press Tiger inkjet machines. :Dotrix comes in two versions. :Dotrix Modular is designed for applications including non-food packaging, plastic bags, labels and point-of-purchase advertising. :Dotrix Transcolor is a full color transactional data printer. The :M-Press Tiger *flatbed press* is able to replace traditional equipment for all possible screen printwork.

At the end of 2009, Agfa Graphics signed an agreement to acquire most of the assets of *Gandi Innovations Holdings LLC's* North American operations and the shares of its principal foreign subsidiaries. The deal was finalized in the beginning of 2010. Gandi Innovations is a leading supplier of large format inkjet printing systems. Mainly targeting the mid-range market segment, their product offering is complementary to Agfa Graphics' range of entry-level and high-end machines. Combining the forces of Gandi Innovations' and Agfa Graphics' R&D teams opens up exciting opportunities for future inkjet projects.

## PRODUCT DEVELOPMENT

In 2009, Agfa Graphics continued to invest in additions to its innovative range of prepress and industrial inkjet solutions.

### PREPRESS

Agfa Graphics has a very broad portfolio of products and solutions for **commercial printers**.

In 2009, the business group introduced a new release of its leading :Apogee Suite workflow software, which is designed to meet the needs of all stakeholders in the printing and publishing process. New features allow users to shorten production time and further simplify the printing plate production chain. One of the new components is :Apogee Preflight, which gathers all job specific production characteristics and dynamically tunes the PDF file accordingly. Agfa Graphics currently has over 6,000 installations of its workflow software worldwide.

Agfa Graphics added a new solution to its :Avalon N range of *platesetters*, which was introduced in 2008. The :Avalon N4 is fit for mid-size commercial printers and ideally suited to work with Agfa Graphics' :Azura chemistry-free printing plates. The :Azura plates are based on Agfa Graphics' reputed *ThermoFuse* technology. Combined with the :Avalon machines, they offer printers one of the simplest, most environment-friendly and most reliable CtP technologies ever.

Furthermore, Agfa Graphics developed a range of printing plates to work on Lüscher AG's UV platesetters. The :Aluva plates can be used for a variety of applications by the largest as well as the smallest print houses.

For **newspaper printers**, Agfa Graphics has introduced a number of innovations to help streamline the prepress process.

:Arkitex Portal is a new addition to Agfa Graphics' popular :Arkitex software for managing and controlling the production process for newspaper publishers. :Arkitex Portal addresses the specific needs of contract printers in the newspaper industry. In

In 2009, Agfa Graphics also introduced new features for the :Dotrix Modular industrial inkjet press. The new Express Print Mode increases the press' productivity by 35 percent. The second feature expands the press' color gamut. The European Digital Press Association acclaimed the :Dotrix Modular press as the 'Best Industrial (Specialty) Printing Solution of the Year 2009'.

recent years, contract printing has become a widely accepted business model in the newspaper industry. New versions of the :Arkitex IntelliTune and :Arkitex OptiInk modules also became available. :Arkitex IntelliTune is a very powerful image enhancement tool. :Arkitex OptiInk improves printing quality, while reducing ink consumption.

Furthermore, Agfa Graphics introduced a high speed option for its range of highly reliable and efficient :Advantage N platesetters. Due to the new option, a platesetter can produce up to 300 printing plates per hour. In an industry defined by deadlines, speed is of the utmost importance. The :Advantage N-TR is a new member of the :Advantage N family of platesetters. The system is equipped with a smart plate loader system, of which the removable trolley can hold up to 1,500 plates at a time.

With the new :N92-VCF *violet* printing plate, newspaper printers can fully benefit from the advantages of chemistry-free processing. On top of the obvious benefits for the environment, the :N92-VCF allows printers to substantially lower their costs and deliver high-quality printwork.

### INDUSTRIAL INKJET

Agfa Graphics added a number of models to its range of :Anapurna large format printers, which are used to print indoor and outdoor signs, displays and posters up to 2.5 meters wide. The :Anapurna M², for instance, is a complete heavy-duty industrial UV inkjet system, ideally suited for graphic screen printers, commercial printers, sign shops and photo labs that demand impeccable quality. The :Anapurna Mv – which was launched in 2008 – was acclaimed as the 'Best Flatbed Printer Entry Level of the year 2009' by the European Digital Press Association.

Agfa Graphics also introduced new features for the :Dotrix Modular industrial inkjet press. The new Express Print Mode increases the press' productivity by 35 percent. The second feature expands the press' color gamut. The European Digital Press Association acclaimed the :Dotrix Modular press as the 'Best Industrial (Specialty) Printing Solution of the Year 2009'.

At the Fespa Digital 2009 trade fair, Agfa Graphics unveiled the second generation of its :M-Press industrial flatbed press. The :M-Press Tiger boasts a 300% increase in productivity and an even higher quality output. Combining Agfa's expertise in digital imaging and inkjet technology with Thieme's expertise in screen printing, the revolutionary inkjet machine allows printers to develop new applications that were previously impossible.

## COMMERCIAL SUCCESSES

In spite of the adverse economic conditions, Agfa Graphics was able to achieve several important commercial successes. The business group secured or improved its competitive position in its most important markets and printers and publishers showed strong interest in its innovative portfolio of market leading products.

### PREPRESS

In the **commercial printing segment**, the chemistry-free :Azura and low-chemistry :Amigo printing plates are continuing their successful market penetration as more and more printers are becoming convinced of their ecological benefits and cost-saving features.

In spite of the weak economic conditions, a record count of customers decided to switch over to Agfa Graphics' ThermoFuse-based printing plates in 2009. Over 2,900 printing businesses in the world are now using :Azura or :Amigo printing plates. According to VSM (Vantage Strategic Management) Consulting, Agfa Graphics accounts for about 80 percent of the chemistry-free printing plates sold in the world. In 2009, major steps were taken in – among other areas – Latin America, China and Japan, despite the dominant position of local suppliers.

Contracts signed by Agfa Graphics often include the installation of :Avalon N platesetters and software and the long-term delivery of printing plates, illustrating the business groups ability to offer completely integrated prepress systems. A typical example is the contract signed with Hjemmet Trykkeri AS. The largest printer in Norway signed a deal which includes the installation of two :Avalon N16 platesetters, a service contract and a three-year contract for Agfa Graphics' *no bake thermal* :Energy Elite printing plates. Also an eye-catching success was the signing of an exclusive five-year printing plate contract with Roularta Media Group, a major Belgian-French publishing and printing firm.

Also in the **newspaper segment**, new contracts often concern extensive integrated systems consisting of platesetters, printing plates and software to manage the production process. Following their colleagues in the commercial segment, newspaper printers are also starting to discover the many advantages of chemistry-free prepress technology.

Since long, Agfa Graphics has a leading position in Europe. In 2009, a remarkable contract was signed with Corelio Printing, Belgium's largest newspaper printer. In order to reduce waste, Corelio switched one of its Agfa Graphics CtP lines to chemistry-free technology, using :N92-VCF printing plates.

Agfa Graphics is also a well-reputed partner to newspaper publishers in the rest of the world. In 2009, US printers showed particular interest in Agfa Graphics' new :Advantage N-SL platesetter for small and mid-size newspapers. The Union (Grass Valley, CA) was the first newspaper in North America to install the new CtP solution. The largest newspaper in Israel, Yedioth Ahronoth NP, purchased two :Advantage DL platesetters. They now have five Agfa Graphics CtP systems in operation. The Chinese Guangzhou Daily, one of the world's top 100 daily newspapers, placed its first order for :N92v printing plates.

At the end of 2009, Agfa Graphics had sold close to 2,000 CtP systems for newspapers.

## INDUSTRIAL INKJET

In spite of the weak economic conditions, Agfa Graphics' industrial inkjet solutions are generating a lot of interest. The :Anapurna large format printers continue to sell well and the :Dotrix and :M-Press Tiger machines are acknowledged as leading technologies in their respective markets.

The next generation range of :Anapurna machines continued the success of the last years. With contracts signed all over the world, Agfa Graphics was able to expand its market position in the large format market segment. On a global scale, over 600 :Anapurna systems were installed at the end of 2009.

The demand for Agfa Graphics' high-end machines is also growing.

More and more printers see the advantages of the :Dotrix Modular, which is the most productive full color digital press available in the market today. New customers include Digital Packaging Solutions (Atlanta, GA, USA) and UNIT Safety Signs (Tokyo, Japan), which installed the first :Dotrix Modular in the Asian region. Furthermore, Agfa Graphics entered into a strategic alliance with Edale Ltd. The deal allows the UK based press manufacturer to offer the :Dotrix Modular and :Dotrix Transcolor inkjet presses to its customers in the traditional flexographic markets.

Since its launch in May 2009, Agfa Graphics received several orders for its :M-Press Tiger, the second generation of the :M-Press industrial flatbed press. The world's first :M-Press Tiger presses were installed in the UK, at the SMP Group (London) and Cestrian Imaging (Cheadle, Cheshire).

Agfa's chemistry-free :Azura and low-chemistry :Amigo printing plates are continuing their successful market penetration as more and more printers are becoming convinced of their ecological benefits and cost-saving features.

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# Agfa HealthCare

| MILLION EURO | 2009 | 2008 | % change |
|---|---|---|---|
| Revenue | **1,178** | 1,223 | -3.7 % |
| Recurring EBITDA[1] | **168** | 115.8 | +45.1 % |
| % of revenue | **14.3 %** | 9.5 % | |
| Recurring EBIT [1] | **116** | 56.3 | +106 % |
| Results from operating activities | **103.5** | (89.4) | +186.4 % |

[1] Before restructuring and non-recurring items.

Agfa HealthCare's revenue decreased 3.7 percent (including currency effects) to 1,178 million Euro in 2009. The business group was able to limit the effects of the economic crisis. Although some care organizations were postponing their investments in equipment and IT, Agfa HealthCare was able to safeguard its revenue. In line with expectations, the revenue growth in IT did not suffice to fully compensate for the market driven revenue decline in Imaging.

## A MEDICAL IMAGING AND HEALTHCARE IT SPECIALIST

Healthcare has, over the past decades, played an increasingly significant role in the global economy. In the United States, approximately 16% of the gross national product is spent on care provision, while in Western Europe this figure stands at an average of 9-10%.

Since the early 1990s, specialized IT solutions have had a large impact on the overall improvement of healthcare, both financially and functionally. Their widespread introduction has enabled care facilities to increase their overall efficiency and quality of patient care.

Agfa HealthCare's unique position on the healthcare market is supported by the fact that it is the only global provider of healthcare solutions able to offer analog, digital and IT technologies as a combined package. The company caters to the needs of every hospital, imaging center and multi-site care organization, whether they work with film-based products, digital systems or fully fledged and integrated IT solutions. This allows care facilities and specialists to partner with a single provider of solutions for their current needs, as well as their ongoing transformation needs.

Today, clinicians in over 23,000 care facilities worldwide rely on Agfa HealthCare to help meet the challenges of modern day healthcare with state-of-the-art imaging products, imaging informatics solutions, as well as enterprise IT systems.

### IMAGING

Almost 50% of Agfa HealthCare's sales are generated through classic X-ray film and *hardcopy* film, on which digital images are printed. The X-ray film market is declining rapidly in favor of digital systems. The hardcopy film market is still growing in emerging countries, but declining in the USA and in Western Europe, where radiologists increasingly view their medical images on advanced computer screens. Today, Agfa HealthCare delivers nearly one third of the global medical film demand. In this segment, Agfa HealthCare is the clear market leader in Europe and the runner-up in the rest of the world. Sustaining a continued global demand for the printing of high quality diagnostic images, Agfa HealthCare's DRYSTAR hardcopy printers enable clinicians to print digital images made by general radiography equipment, as well as images made by other *modalities*, including *CT* and *MRI*-scanners. Agfa HealthCare's range of advanced printers include both high quality tabletop solutions and network printers for large volume needs.

Agfa's direct radiography solution, the DX-D 500 is designed to match the entire spectrum of radiology exams, delivering near real-time image previews and fast cycle times. It improves overall radiology productivity and staff efficiency.

Agfa HealthCare's extensive range of *digitizers* for *Computed Radiography (CR)* supports the transition from X-ray film to digital image solutions. The systems convert analog images to digital, helping image intensive departments improve their efficiency and increase overall patient throughput.

In 2009, the ambition to offer a complete imaging portfolio was re-enforced by the launch of the new family of *Direct Radiography (DR)* solutions and by the acquisition of *Insight Agents GmbH*, a European producer of *contrast media*. The acquisition is an important step towards future growth opportunities. The products are a logical addition to Agfa HealthCare's portfolio of consumables and will be distributed through the business group's extensive distribution network.

In imaging, Agfa HealthCare strives to be the cost leader, allowing it to further increase its share in a declining film market. Agfa leverages its favorable point of departure in radiology departments to assist existing and new customers in their transition from analog systems to digital imaging and *Picture Archiving and Communication Systems (PACS)*.

In 2009, Agfa HealthCare acquired Insight Agents GmbH, a European producer of contrast media. The acquisition is an important step towards future growth opportunities. The products are a logical addition to Agfa HealthCare's portfolio of consumables and will be distributed through the business group's extensive distribution network.

### IMAGE AND DATA NETWORKS

The introduction of digital radiography in the early 1990's was a first concrete step towards the development of fully integrated hospital IT systems. In order to efficiently manage, process and distribute digital medical images from various imaging modalities, radiology departments today continue to install Picture Archiving and Communication Systems. This solution is often linked to specialized information systems, such as *Radiology Information Systems (RIS)*. Agfa HealthCare was one of the first companies to introduce PACS to the global market during this time and today, the *IMPAX* trademark continues to guarantee reliability and efficiency for care providers all over the world.

Based on its experience in radiology, Agfa HealthCare has developed a number of IMPAX solutions for other hospital departments that work intensively with medical images, including cardiology and orthopedics, as well as for certain specialized medical disciplines, such as women's care.

Whereas PACS and RIS solutions were originally linked to one hospital department, care organizations now also use them to link their radiology departments with other image intensive departments and even to link departments from different hospital sites. The systems structure and bundle the data flows, improve the workflow in the departments involved, and support physicians in their decision-making process. As images and linked data are instantly accessible, the systems speed up overall diagnosis, therefore enhancing patient care. Advanced PACS systems are designed to meet the increasing demand for integrated and efficient care, across departments, hospitals and regions. In addition, they offer the tools necessary to establish *teleradiology*. Agfa HealthCare is one of the largest global suppliers of PACS and related information systems. It is a market leader in Europe, in Canada and in Latin America.

### ENTERPRISE IT

In recent years, Agfa HealthCare has become a leading player in the fast growing market for enterprise IT systems. ORBIS, Agfa HealthCare's leading Hospital Information System/Clinical Information System (HIS/CIS), connects all hospital departments into one virtual network. It offers immediate and complete access to all relevant patient information – including medical images and clinical and administrative data – enabling quicker diagnosis and treatments. Furthermore it supports administration, billing, planning of appointments and examinations, as well as financial reporting. The system can serve as a base for a full-blown *Electronic Patient Record (EPR)*. In short, ORBIS is designed to help care facilities increase productivity, improve the delivery of care and save cost.

Agfa HealthCare's modular approach enables care organizations to implement ORBIS at their own pace, allowing the solution's various modules to be installed separately, tailored to the needs of the customer.

With its ORBIS enterprise IT solutions, Agfa HealthCare made the strategic decision to concentrate on a limited number of European countries, as adapting such comprehensive systems to the requirements of additional countries' national healthcare systems demands vast R&D efforts. Successes in the selected markets will be the basis for expansion into other countries.

## MARKET TRENDS

Care providers continuously aim for better quality, faster service, and increased patient satisfaction, but at the same time multiple societal drivers pressure them to do all this at a lower cost. The need to balance patient care and cost has incited the healthcare sector to catch up with other economic sectors in the field of IT.

A key driver for transformation is the **evolution of the world population**, which is growing exponentially. As an additional pressure on healthcare, the over 60's group is expected to represent over 25% of the total world population in the next 40 years. In the Western world, this percentage will be even higher. Elderly people are more often confronted with chronic diseases and, compared to younger individuals, are subject to more frequent diagnostic examinations.

Investments in **preventive healthcare** also add to the increasing healthcare costs. Evidence is growing that current health systems of nations around the world will become unsustainable if unchanged over the next 15 years. In the United States, for instance, healthcare spending could grow to up to 31% of the gross national product before 2035. Conscious of the need to find solutions that combine quality with cost effectiveness, governments and local authorities are promoting the introduction of IT and *e-health* solutions. This is not only the case in the Western world, but also in emerging markets with strong economical growth rates.

The introduction of IT is also accelerated by the growing awareness that medical **errors are often caused by the lack of availability of appropriate information** about the patient's medical history and needs. IT systems that bundle all relevant patient data and deliver them to the medical staff in a well-organized manner have become a cornerstone of today's healthcare provision. It is generally acknowledged that patient care would be safer, faster, and more efficient if doctors had access to the complete medical history of the patient, and as a result authorities and care providers are increasingly investing in Electronic Patient Records (EPR) and *Electronic Health Records (EHR)*.

Computerization has also led to an increasingly **informed and aware patient population**. The growth of the internet as a source of public information has resulted in a more emancipated patient. Access to medical information now means that patients have increasing control over personal health matters and will actively look for the care center that best suits their needs. This is placing further pressure on healthcare providers to deliver qualitative and affordable healthcare services.

DX-G is a new Computed Radiography solution that's in a league of its own. It delivers superb image quality with both standard phosphor plates and needle-based detectors.

Furthermore, the growing patient awareness has accelerated the development of less invasive visualization methods.

## PRODUCT DEVELOPMENT

In imaging as well as in IT, Agfa HealthCare aims to offer integrated solutions tailored to the needs of the customer. In 2009, the company introduced a number of additions to its already broad portfolio.

### IMAGING

In imaging, Agfa HealthCare offers a complete portfolio of traditional X-ray film products, hardcopy film and printers and CR and DR solutions. The business group continuously strives to make its traditional products more environmentally-friendly and more cost efficient.

At *RSNA* 2009 (the annual Radiological Society of North America Scientific Assembly and Annual Meeting), Agfa HealthCare launched the DX-G, the first digitizer in a series of next generation CR systems. The compact DX-G system offers unprecedented flexibility for general radiography. Its high image quality allows the radiographer to use lower X-ray doses, which is, for example, crucial in neonatal and pediatric exams.

In March 2009, Agfa HealthCare also introduced a completely new range of DR solutions. The DX-D systems meet the highest standards, both in terms of quality and productivity, providing improved patient comfort and superior efficiency in the radiography department.

Agfa HealthCare's CR and DR systems are fully complementary. A significant amount of facilities combine both technologies: CR is suitable for a large variety of exams, while DR excels at productivity. Today, Agfa HealthCare is able to offer every healthcare facility of any size the right digital radiography solution to match their needs.

All Agfa HealthCare's CR and DR systems are offered with the business group's MUSICA$^2$ *image enhancement software* and its leading NX workstation for image identification and quality control.

### IMAGE AND DATA NETWORKS

Agfa HealthCare strives to continually improve its IMPAX portfolio,which offers seamless integration of RIS, PACS and the systems for reporting on or working with examination results, bringing information from various departments and imaging modalities to the radiologist's desktop in a well-organized manner.

ORBIS, Agfa HealthCare's leading Hospital Information System/Clinical Information System (HIS/CIS), is designed to help care facilities increase productivity, improve the delivery of care and save cost.

At RSNA, Agfa HealthCare released a new version of its leading PACS solution IMPAX 6.5. The improvements increase a radiologist's ability to read more exams, with fewer mouse clicks. They include new communication tools – such as instant messaging – enhanced task management and optimized algorithms that speed image delivery. Earlier in 2009, Agfa HealthCare introduced new IMPAX features to aid users in managing complex imaging studies and improved navigation workflow for large CT and MRI datasets.

Agfa HealthCare also introduced new features for its solution for cardiovascular image and information management (IMPAX Cardiovascular), as well as a new workflow solution for breast imaging. IMPAX for Breast Imaging is a mammography solution that combines high-contrast review stations with powerful automation tools that improve workflow and radiologist efficiency.

Also during that year, Agfa HealthCare introduced new storage and visualization solutions. With the emphasis on vendor neutrality and open standards, the solutions allow healthcare facilities to distribute imaging data from various departments to all relevant clinicians in the hospital network, to the referring physician and to other relevant caregivers. The IMPAX Data Center provides large-scale multimedia storage for all types of medical images and diagnostic results for hospital groups, regional healthcare organizations and national medical archives. The solution consolidates the data from disparate systems into a single point of storage. It comes with several Enterprise Visualization options: IMPAX Mobility Viewer gives hospital staff and referring physicians easy access to the stored imaging data on virtually any device, at any location and over any type of network connection. IMPAX Data Center Viewer, powered by XERO, is a unique zero-download technology that enables any clinician to review stored images on any web-enabled platform.

### ENTERPRISE IT

Agfa HealthCare permanently evaluates and improves its ORBIS HIS/CIS platform. ORBIS now serves six different national healthcare systems and can be implemented in three languages. Based on its experience, Agfa HealthCare will adapt its solution to the needs of additional national healthcare systems in the future.

In 2009, SAP officially certified the interfaces between ORBIS and SAP Controlling, SAP Material Management and SAP Financial. The interfaces are used to bi-directionally transfer data from ORBIS to SAP.

## COMMERCIAL SUCCESSES

### IMAGING

Through cost leadership, Agfa HealthCare is aiming to consolidate the declining market for traditional X-ray film. The hardcopy film segment is characterized by the continuing market decline in the USA, an accelerating market decline in Western Europe and continued growth in emerging markets. In 2009, Agfa HealthCare was able to again expand its market share in this segment.

Although the weak economic conditions caused delays in the investment of care organizations in medical equipment, the CR segment was able to report some important commercial successes. For instance, Agfa HealthCare signed a new three year contract with Premier. The contract allows Agfa HealthCare to offer its entire line of CR products – including the new high-throughput DX-G digitizer – to Premier's nearly 2,200 member hospitals and 63,000 other healthcare sites in the USA.

In December, Agfa HealthCare announced the signing of a new contract with its partners in the People's Republic of China for the installation of CR systems with MUSICA$^2$ software and hardcopy

printers, as well as the delivery of all related consumables. The new four-year contract is expected to be worth 500 million US dollar.

Launched in March 2009, Agfa HealthCare's DR solutions started to generate revenue in the fourth quarter. The world's first installation of the DX-D 500 system was completed at the Dortmund Knappschaftskrankenhaus (Germany). Contracts with hospitals in – among other countries – France, Germany, Spain and Switzerland also proved the success of Agfa HealthCare's strategic step into Direct Radiography.

## IMAGE AND DATA NETWORKS

In 2009, Agfa HealthCare signed over 50 new agreements for its leading IMPAX PACS and RIS solutions with local, regional, university and governmental care organizations all over the world.

The US Air Force selected Agfa HealthCare's IMPAX Data Center to manage and share clinical information and images across all of its medical facilities in the United States. Over the years, Agfa HealthCare has built a strong presence in the US military and Veterans Affairs hospitals and medical treatment facilities.

Beaumont Hospitals (Royal Oak, Michigan, USA) decided to expand its current IMPAX PACS to include IMPAX Cardiovascular for imaging and reporting in its cardiology department, creating one of Agfa HealthCare's largest integrated cardiology-radiology PACS sites in North America.

The Bulgarian Ministry of Health selected Agfa HealthCare to implement IMPAX and a number of CR systems at four of its leading sites: the Clinical Center Alexandrowska in Sofia, and the hospitals of Sveta Anna, Blagoevgrad and Stara Zagora. ENEL-MED, a leading private healthcare provider in Poland, selected IMPAX to serve the needs of its seven facilities and over 360 medical institution customers across the country. Belgium's largest hospital network, ZNA (Ziekenhuis Netwerk Antwerpen – Hospital Network Antwerp) agreed to install IMPAX to centralize the diagnostic and clinical imaging needs of its nine sites across the city of Antwerp.

Other eye-catching contracts were signed with – among others – the Rostov Medical University (Russia), the Santa Catarina de Rio de Janeiro facility (Brazil), Cleveland Clinic (USA), the University hospitals of Bonn and Cologne (Germany), the King Edward VII's Hospital Sister Agnes (UK) and the Clinique de Genolier (Switzerland).

Today, Agfa HealthCare is a global imaging IT leader, serving over 2,300 care facilities in over 30 countries with its IMPAX solutions.

## ENTERPRISE IT

With over 40 new agreements signed in 2009, Agfa HealthCare achieved its planned growth for its ORBIS solution and, as a result, enforced its leading European HIS/CIS position.

The Centre Hospitalier du Mans, one of France's largest hospital centers, selected ORBIS to support the implementation of a full Electronic Patient Record. Other major HIS/CIS contracts were signed with – among others – the Centre Hospitalier Intercommunal de Créteil (France), the ZOL Genk hospital and the St. Lucas hospital in Ghent (Belgium), the Centre Hospitalier Emile Mayrisch (Luxembourg), the St. Theresien Hospital in Mannheim and the SLK group in Heilbronn (Germany), the Hera nursing home in Vienna (Austria) and the Appenzell Hospital (Switzerland).

At the end of 2009, ORBIS was successfully installed at over 850 customers in Europe, totaling over 500,000 users including clinicians, nurses, hospital managers and administrative and technical staff.

Agfa's Cardiology Suite is a dedicated solution for image management and reporting in multi-modality cardiology environments. With Agfa HealthCare's vendor neutral approach this suite supports improved productivity by providing fast and robust access to a consolidated view of all cross-modality cardiology and radiology images within a single review station.

*Agfa Specialty Products' head office is located in Mortsel (Belgium).*

*Its production sites are situated in Belgium, the United States, China and Argentina.*

# **Agfa** Specialty Products

| MILLION EURO | 2009 | 2008 | % change |
|---|---|---|---|
| Revenue | **236** | 287 | -17.8 % |
| Recurring EBITDA[1] | **17.1** | 21.4 | -20.1 % |
| % of revenue | **7.2** % | 7.4 % | |
| Recurring EBIT [1] | **12.7** | 16.3 | -22.1 % |
| Results from operating activities | **7.4** | 15.0 | -50.7 % |

[1] Before restructuring and non-recurring items.

Mainly because of the weak economic conditions, the market-driven decline for some of the Classic Film products and the shift of part of the film business to Agfa Graphics, Agfa Specialty Products' revenue decreased 17.8 percent compared to 2008 to 236 million Euro. Year-on-year sales of the New Business products improved and in the last months of the year, some of the markets for traditional film products started to recover from the effects of the economic crisis.

## INNOVATIVE SOLUTIONS FOR INDUSTRIAL APPLICATIONS

Agfa Specialty Products supplies consumables and systems to a variety of industrial markets. Its portfolio contains classic film products as well as innovative products and systems for completely new markets.

In most of the markets, analog systems are gradually replaced by digital alternatives. In some segments, however, film is able to stand its ground as it guarantees high resolution and imaging quality and is easy to use, whereas the transition to digital technology often demands substantial investments.

Agfa Specialty Products' activities can be subdivided in Classic Film, Film Manufacturing Services and New Business.

### CLASSIC FILM

Agfa Specialty Products' activities in the classic film markets can be broken down into four main areas.

**Printed Circuit Board Film:** Agfa Specialty Products is the world's largest producer of phototooling film for the production of *printed circuit boards (PCB)* for the electronics industry. Producers of electronics use the film to register the extremely fine conductive lines on printed circuit boards. Mainly due to the weak economic conditions, the PCB film turnover was poor in the first quarter of 2009. For the entire year, sales were slightly below those of 2008.

**Motion Picture:** As movies are often released simultaneously all over the world, film producers have to ensure that all movie theatres timely receive a first hand and excellent copy of their movie. In the movie industry, Agfa supplies both *color print film*, as well as *sound recording film* to all leading motion picture film laboratories throughout the world. Currently, larger movie theatres are investing in digital alternatives. Due to the combined effect of this trend and the economic slowdown, sales in this segment decreased compared to 2008.

**Aerial Photography:** Agfa Specialty Products has a leading position in the aerial photography market with films, chemicals, photo paper and software. In this segment, the downward trend in analog products in favor of digital technology is becoming increasingly apparent. In 2009, Agfa maintained its share in this declining market.

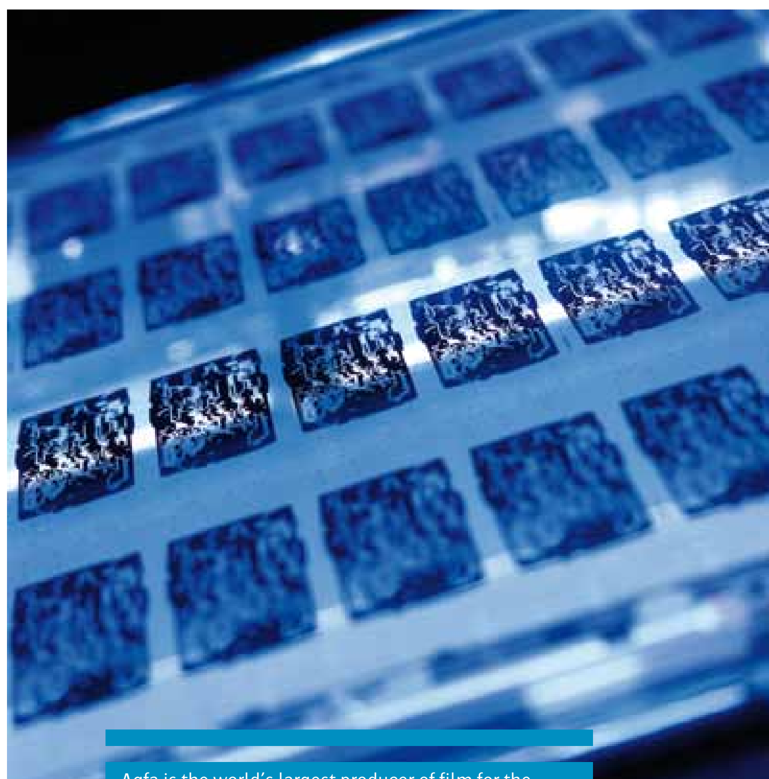
**Microfilm Archiving:** Agfa Specialty Products' microfilm is known for its high sensitivity and exceptional image quality. Even in the digital era, microfilm is still an excellent medium for long term storage of image and data files. In 2009, Agfa was able to maintain its market share in this declining market.

### FILM MANUFACTURING SERVICES

Agfa's activities in Film Manufacturing Services are focused on specialty films for very particular applications.

**Non-Destructive Testing (NDT):** Agfa Specialty Products produces high-quality X-ray film for *non-destructive testing*. When Agfa divested its NDT business group to General Electric Company (GE) in 2003, both parties signed a long-term agreement whereby Agfa continued to supply X-ray film to GE. In 2009, sales turnover suffered somewhat from the weaker economical conditions.

**Specialty Foils & Components:** Agfa supplies state-of-the-art *PET film* bases, chemical materials and high-tech (semi-)finished materials to industrial customers who mainly use them for the production of imaging products. These materials can be tailor-made according to customer specific requirements. The segment saw the effects of the termination of OEM film contracts with certain companies in the graphic industry. As these companies decided to leave the film segment of the market, it creates opportunities for Agfa Graphics to increase its market share in graphic film.



Agfa is the world's largest producer of film for the production of printed circuit boards. Producers of electronics use the superior Idealine films to register extremely fine conductible lines on printed circuit boards.

In 2009, Agfa developed an innovative membrane for biological treatment of wastewater (MBR – Membrane BioReactor). This product combines the advantages of flat sheet and hollow fiber systems, that are currently available in the market.

## NEW BUSINESS

Based on its core competencies in PET film production and in chemical formulations and coatings, Agfa Specialty Products is actively developing advanced products and materials for promising growth markets.

**Synaps Synthetic Paper:** Agfa Specialty Products launched its polyester-based synthetic paper in 2008. Marketed under the Synaps brand, the paper is noted for its exceptionally fast drying time and its resistance to water, tearing and UV light, which allows it to be used in outdoor environments. Its unique ink-receiving layer gives Synaps the distinct look and feel of a luxury paper. Synaps can be printed with standard inks, on all offset printing presses, as well as UV inkjet printers. Synaps is suitable for a wide variety of applications, such as labels, indoor and outdoor displays, premium commercial printwork and certain types of packaging. During 2009, Synaps had a satisfying sales development, despite the crisis in the printing world.

**Essense UV printable foil:** In 2009, Agfa Specialty Products introduced a new type of printable foil. Based on a high quality polyester substrate and coated with an antistatic UV ink-receiving layer, Essense UV is suitable for UV *offset, screen, flexo, gravure* and inkjet printing. Thanks to its resistance to water, tearing and UV light, it can be used for both indoor and outdoor applications.

**Membranes:** Agfa Specialty Products and the Flemish Institute for Technology Research (VITO) have set up a strategic cooperation framework aimed at developing different types of *membranes*. The first result of this co-operation is the Zirfon Perl separator membrane for the electrolysis of water. This high-tech product marks a new step towards the large-scale production of hydrogen as an innovative source of energy.

In 2009, Agfa developed an innovative membrane for biological treatment of wastewater (MBR – Membrane BioReactor). This product combines the advantages of flat sheet and hollow fiber systems that are currently available in the market.

**Security & Identification:** With the increasing attention given to security and identification, authorities invest in high-tech electronic ID-documents of which the authenticity can be checked quickly and efficiently. Agfa Specialty Products responds to this growing need for fraud-proof ID-documents with

Synaps, Agfa's synthetic paper, is noted for its exceptionally fast drying time and its resistance to water, tearing and UV light, which allows it to be used in outdoor environments. Synaps can be printed with standard inks, on all offset printing presses, as well as UV inkjet printers.

Agfa supplies color print film, which is used to make copies of movies for cinemas, as well as sound recording film. All leading motion picture film laboratories throughout the world use film products from Agfa, because they are fully compatible with all industry standards and ideally suited for bulk printing from color intermediates.

a portfolio of specialty materials and consumables, mainly targeting the high-end market segment of national identity cards. Agfa's competence in PET manufacturing allowed it to develop reliable and long-lasting ID-card materials. Furthermore, Agfa's know-how in imaging has been the cornerstone for its recognized fraud-proof color picture technology, which probably is best in class for these high-demanding applications. Addressing the current market trends, Agfa Specialty Products successfully launched a laser engravable material for black-and-white pictures and markings at the Cartes 2009 trade fair in Paris.

In 2009, Agfa Specialty Products also introduced PETix, an innovative range of polyester films for the production of ID cards, drivers' licenses, financial cards and cards for mass transport. Card makers can use this robust plastic film to produce cards with the best-in-class resistance against mechanical and chemical influences. PETix is compatible with most personalization and security features in the market.

**Orgacon Electronic Materials:** Agfa Specialty Products is an expert in the field of products based on conductive *polymers* used as an antistatic protection layer for films and components. Based on these products, Agfa has developed – among other products – printing inks, pastes and emulsions for the production of transparent electrodes used in touch screens and *electroluminescent (EL)* lamps. These conductive organic Orgacon products are very flexible. Manufacturers of electronics use them to meet the demand of consumers for more compact and lighter electronic devices. Additional research is expected to lead to new applications for Orgacon materials, such as displays, solid lighting, and flexible solar cells.

## STRATEGY

Agfa Specialty Products' strategy is based on three cornerstones.

### PCB FILM FOR THE ELECTRONICS INDUSTRY

Firstly, Agfa Specialty Products seeks to reinforce its worldwide leadership position in the market segment for PCB film for the electronics industry. Unlike other film markets, this segment is not declining. Agfa will therefore invest in further product development.

### COST LEADERSHIP AND OPERATIONAL EXCELLENCE

Secondly, Agfa aims at consolidating its leading position in declining film markets through cost leadership and operational excellence in film manufacturing without compromising on quality and in close cooperation with its customers.

### FOCUS ON NEW INITIATIVES

Finally, Agfa Specialty Products strives to intensify the development of innovative products, based on Agfa's key competence in film manufacturing, for completely new markets. Examples of these products are synthetic papers, membranes, specialty materials for electronic ID-documents and conductive organic pastes and inks. It goes without saying that the business group will continue to invest in research and development, marketing and production capabilities. Targeted strategic partnerships are being set up and acquisitions will be considered carefully if opportunities should occur. Based on its existing knowledge, experience and production infrastructure, Agfa Specialty Products is continuously looking for new opportunities in target markets within and outside the imaging industry with new products such as special foils and chemicals.

Agfa Specialty Products is part of the Agfa Materials organization. In addition to the Agfa Specialty Products activities, Agfa Materials also produces all film and related chemicals for the Agfa HealthCare and Agfa Graphics business groups, as well as a number of third parties.

Since mid 2009 all Agfa's Research & Development activities related to materials have been centralized in the Agfa Materials Technology Centre. Based on core competencies and well-defined technology platforms the centre will support innovation and research for all Agfa's business groups and, where appropriate, also for third parties.

The organization is on track with its efforts to align its operational costs with the evolution in its traditional markets. As for the new businesses, 2010 will be a transition year as many of the projects are still in the investment phase.

Since its listing on Euronext Brussels in June 1999, Agfa-Gevaert NV has paid a lot of attention to the transparency policies while defining the governance of the Company. A lot of our existing policies were already in line with the Belgian Corporate Governance Code as issued end 2004. In line with the directives of this Code of 2004, the Board of Directors of Agfa-Gevaert has revised the Corporate Governance Charter on January 30, 2009. On this occasion the Board of Directors has already amended the Corporate Governance Charter in line with the 2009 Draft of the Belgian Corporate Governance Code (the '2009 Code'). Hence, the 2009 Code is the reference code for the financial year starting on January 1, 2009. Agfa-Gevaert's Corporate Governance Charter is published on the website: **www.agfa.com/investorrelations**.

# Corporate Governance

The governance structure is built up round the Board of Directors, the Chief Executive Officer (CEO) and the Executive Committee (Exco). The Board of Directors is assisted by a Nomination and Remuneration Committee, an Audit Committee and a Strategic Committee.

## BOARD OF DIRECTORS

As the ultimate management body of the Company, the Board of Directors is empowered to carry out any necessary or useful actions for the achievement of the corporate purpose, the exception being the powers reserved by law for the Annual Shareholders Meeting (such as amendments to the articles of association, capital increases other than through the authorized capital, capital decreases).

The powers and operation of the Board of Directors are described extensively in the Corporate Governance Charter.

The articles of association determine that the Board of Directors meets whenever the interest of the Company so requires or following a request by two directors. In 2009, nine (9) meetings took place.

In the course of 2009, the Board of Directors discussed and decided upon, inter alia: defining the corporate strategy and key policies, perspectives for 2009 and action plans for the years to come, recommendations from the various Committees to the Board of Directors, risk management, the approval of budgets, cost control scenarios, legal restructuring, M&A opportunities, the evolution of important litigation and the approval of the annual accounts.

Directors likely to have conflicting interests with regard to any item on the agenda must disclose the conflict before any deliberation and abstain from deliberating and voting on that item. More particularly, the directors must not put themselves in conflict situations as described in the Corporate Governance Charter of the Company. Should such an event occur against their will, they must disclose it before any deliberation relating to the conflicting item and must abstain from deliberating and voting on that item. In 2009, there were no occurrences where a director had directly or indirectly conflicting interests with a decision made by the Board of Directors.

## COMPOSITION OF THE BOARD OF DIRECTORS

The articles of association of the Company provide that the Board of Directors has at least six members, who do not need to be shareholders and who are appointed for a renewable maximum term of three years. At least half of the members are to be 'non-executive directors', including a minimum of three 'independent directors'.

The mandates as a director of the Company of Messrs. De Wilde, Buttrick and Leysen, came to an end during the Annual Shareholders Meeting of April 28, 2009. Mr. Buttrick did not seek re-election. During the Annual Shareholders Meeting of April 28, 2009, the shareholders reappointed Mr. Leysen as director for a new three-year term.

Also at the Annual Shareholders Meeting of April 28, 2009, the company De Wilde J Management BVBA, with permanent representative Mr. Julien De Wilde, was elected as a director of the Company for a three-year term. The shareholders resolved that the mandates of Mr. Akkermans, Cornu and Heidsieck as directors of the Company be continued by respectively Pamica NV with permanent representative Mr. Akkermans, Mercodi BVBA with permanent representative Mr. Cornu and Value Consult Management- und Unternehmensberatungsgesellschaft mbH with permanent representative Mr. Heidsieck. Hence, Messrs. Akkermans, Cornu and Heidsieck in their capacity as private persons have resigned as directors of the Company at the Annual Meeting of April 28, 2009.

On June 23, 2009, Mr. Karel Van Miert deceased.

As from June 23, 2009, the Board of Directors consists of the following seven members:

- De Wilde J Management BVBA(1), with permanent representative Julien De Wilde, Chairman, member since 2006, Director of companies,
- Pamica NV(1), with permanent representative Michel Akkermans, member since 2008, Director of companies,
- Mercodi BVBA, with permanent representative Jo Cornu, member since 2002, CEO,
- Willy Duron(1), member since 2008, Director of companies,
- Value Consult Management- und Unternehmensberatungsgesellschaft mbH(1), with permanent representative Horst Heidsieck, member since 2008, Director of companies,
- Roland Junck(1), member since 2008, Director of companies,
- Christian Leysen(1), member since 2003, Director of companies.

(1) Independent director in accordance with article 526ter of the Belgian Code of Companies.

The mandate of Mercodi BVBA, with permanent representative Mr. Jo Cornu, will end immediately following the Annual Meeting of April 27, 2010; it seeks re-election. At the occasion of the Annual Shareholders Meeting, a proposal will be made to the shareholders to reappoint Mercodi BVBA, with Mr. Jo Cornu as permanent representative, as director for a new three-year term.

The Annual Shareholders Meeting will also be proposed to appoint CRBA Management BVBA, Septestraat 27, 2640 Mortsel, with Christian Reinaudo as permanent representative, as director of the Company for a three-year term.

## CV 'S OF THE MEMBERS OF THE BOARD OF DIRECTORS

**Julien De Wilde** (°1944 - Belgian) obtained an engineering degree from the Catholic University of Louvain (Belgium). From 1969 onwards he held various managerial positions at Texaco. In 1986 he was appointed member of the European Management Board of Texaco in New York. In 1988 he became head of the research and business development department of Recticel. A year later he became a member of the Executive Board of Alcatell Bell, where he was responsible for strategy and general services. From 1995 to 1998 Julien De Wilde was CEO of Alcatel Bell and from 1999 to 2002 he was Executive Vice-President and member of the Executive Board of Alcatel in Paris, responsible for Europe, the Middle East, Latin America, India and Africa. From July 1, 2002 to May 2006, he was CEO of the Bekaert Group.

Julien De Wilde became a member of Agfa's Board of Directors in 2006. Since April 2008 he became Chairman of the Board of Directors.

### Current mandates

Chairman Board of Directors Nyrstar NV.
Director J & L Partners NV, KBC Bank NV, Vanbreda International NV and Telenet NV.
Honorary Chairman Agoria.

**Michel Akkermans** (°1960 - Belgian) holds a master of sciences in electronic engineering and computer sciences and a degree in economics and finance from the Catholic University of Louvain (Belgium). He held management positions in a series of international banks and consulting companies before founding FICS, a leading software provider in the field of online banking and regulatory financial reporting, in 1989. In 1999, FICS, together with Edify and Vertical One, merged with Security First Technologies, creating S1 Corporation, the market leader in internet banking, with Michel Akkermans as its Chairman. In 2002, Michel Akkermans became Chairman and CEO of Clear2Pay, an innovative e-finance company focused on delivering globally applicable solutions for secure electronic payments.

Michel Akkermans became a member of the Board of Directors in 2008.

### Current mandates

Chairman and CEO Clear2Pay NV.
Director Quest for Growth NV, Vanbreda International NV and Approach NV.

**Jo Cornu** (°1944 - Belgian) graduated as an engineer specializing in electrotechnology and mechanics from the Catholic University of Louvain (Belgium) and later obtained a PhD in electronics from the Carlton University in Ottawa (Canada). Jo Cornu was CEO of Mietec from 1982 to 1984 and later General Manager for Bell Telephone until 1987. From 1988 to 1995 he was member of the Executive Board of Alcatel NV and from 1995 to 1999 he was COO for Alcatel Telecom. Later he became an advisor to the Chairman of the Board of Directors of Alcatel. From 2005 to 2007, Jo Cornu was Chairman of the ISTAG Group (Information Society Technologies Advisory Group) of the European Commission. From the beginning of March 2007 to the end of January 2008, he was Chairman of Medea +, the Eureka Cluster for micro electronics research in Europe.

Jo Cornu became a member of the Board of Directors in 2002. At the end of November 2007, Jo Cornu was appointed CEO of Agfa-Gevaert, as permanent representative of Mercodi BVBA.

### Current mandates

Director KBC Group NV and Belgacom NV of public law.

**Willy Duron** (°1945 - Belgian) has a master of mathematics from Ghent University (Belgium) and a master of actuarial science from the Catholic University of Louvain (Belgium). He began his career in 1970 as an actuary for ABB Insurance (Assurantie van de Belgische Boerenbond), where he became Director Life and Reinsurance in 1984 and later Vice Director-General. He became Chairman of the Executive Board of KBC Insurance in 2000 and President of the Executive Board of KBC Bank and Insurance Holding Company in 2003. From early 2005 to late 2006, he was CEO of KBC Group NV.

Willy Duron became a member of the Board of Directors in 2008.

**Current mandates**

Chairman Tigenix, Universitair Centrum Kortenberg, W&K.
Director Van Lanschot Bankiers, Ravago Plastics NV, Van Breda Risk & Benefits, Amoni, K.U.Leuven, Universitaire Ziekenhuizen Gasthuisberg.
Chairman of the Audit Committee K.U.Leuven and Universitaire Ziekenhuizen Gasthuisberg.
Chairman of the Risk Committee of Van Lanschot Bankiers.

**Horst Heidsieck** (°1947 - German) holds a PhD in physics. During his studies at the University of Bonn (Germany) and the Technical University of Aachen (Germany), he focused on solid state physics, solid state electronics as well as metal science. From 1980 to 1991, he held various managerial positions – including a position in the Executive Board – within the Degussa Group. In 1990, he became CEO of the Leybold technology group and from 1995 to 1998 he successfully integrated the former competitors Leybold and Balzers into the newly established Balzers und Leybold Group. In the following years, Horst Heidsieck was a member of the Advisory Board and later CEO of Heraeus Holding, a highly diversified technology group. From 2003 to the end of 2006, he was CEO of Demag Holding, a portfolio of seven companies which had been acquired from Siemens by Kohlberg Kravis Roberts in 2002. As from January 2007, he is a managing shareholder of the newly founded consulting company Value Consult, acting as a member of advisory boards, helping senior management to materialize improvement potentials in their companies.

Horst Heidsieck became a member of the Board of Directors in 2008.

**Current mandates**

President Mauser Holding GmbH and Coperion GmbH.

**Roland Junck** (°1955 - Luxembourger) graduated from the Federal Polytechnic Institute in Zurich (Switzerland) and earned an MBA from Sacred Heart University of Luxembourg. He started his career with Arbed. At TrefilARBED Bissen he was named General Manager in 1993 and Managing Director in 1996. After having held various other managerial positions at Arbed, he became Senior Vice-President of Aceralia (Spain) in 1998. He was a member of the Arbed Group Management Board from 1999 to 2002. In 2002 he was appointed Senior Executive Vice-President of the newly created Arcelor after the merger of Aceralia, Arbed and Usinor. In August 2006, he became CEO of Arcelor Mittal and a member of the Group's Management Board. Following the reorganization of the company's senior management structure in November 2006, he became an advisor to the CEO while he remained a member of the Board until July 2007. In February 2009, he was appointed CEO of Nyrstar NV.

Roland Junck became a member of the Board of Directors in 2008.

**Current mandates**

CEO Nyrstar NV.
Director Interseroh AG, SAM HWA Steel SA.

**Christian Leysen** (°1954 - Belgian) obtained a degree of commercial engineering and a masters degree in law at the Vrije Universiteit Brussel (Belgium). In 1984 he founded Xylos, a service provider in information and communication technology. In 1989 he became responsible for the day-to-day management of the maritime and logistics company Ahlers, where he has been CEO since 1994. From 2000 to 2002, he was a member of the Antwerp city council and Chairman of the Board of Directors of Antwerpse Waterwerken. In 2004, he became Chairman of the Board of Directors of the University of Antwerp Management School.

Christian Leysen became a member of the Board of Directors in 2003.

**Current mandates**

Chairman Ahlers NV, Xylos NV, Axe Investments NV and University of Antwerp Management School.
Business manager Anacom BVBA.
Director De Post NV of public law, Tradicor NV, Synvest NV, ADM CVBA and Designcenter De Winkelhaak NV.

**Christian Reinaudo** (°1954 - French) is a graduate from the 'Ecole de Physique et de Chimie Industrielles de Paris' and holds a doctorate from the 'University of Paris' (France). He started his career with Alcatel (formerly named 'Compagnie Générale d'Electricité') in 1978 in the Research and Development Centre of Marcoussis (France). During his Alcatel period he managed several multi billion Euro businesses and international sales and services organizations.
From 1984 to 1996, he held several positions in the Cable Group of Alcatel (now Nexans), from research and development, to manufacturing, procurement, sales support and services. He took the position of President of the Submarine Networks Division in early 1997. Appointed President of the whole Optics Group in 1999, he entered the Executive Committee of Alcatel early 2000 as Executive Vice-President. In 2003, he was appointed President of Alcatel Asia Pacific and moved to Shanghai (China) until 2006. During this period he was also the Vice-Chairman of the Board of Directors of Alcatel Shanghai Bell, the Chinese joint venture of Alcatel with the Chinese government. In 2006, he returned to Paris to manage the integration and the transition process associated with the merger of Alcatel and Lucent Technologies. He also became Director in the Board of Directors of Draka Comteq (The Netherlands). In 2007, he was appointed President Northern and Eastern Europe of Alcatel-Lucent, he joined the Board of Directors of Alcatel-Lucent Bell (Belgium).

Early 2008, he joined Agfa-Gevaert to be President of Agfa HealthCare.

**Current mandates**

None

## COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

### AUDIT COMMITTEE (AC)

The Audit Committee will complete the tasks as described in article 526bis§4 of the Belgian Code of Companies and assists the Board of Directors in achieving its mission of control in the broadest sense. Its powers and the way it functions are described extensively in the Corporate Governance Charter.

As from April 28, 2009, date on which the mandate of Mr. Buttrick as director and member of the Audit Committee ended, the Audit Committee includes three non-executive independent directors, i.e. Messrs. W. Duron, Chairman and Messrs. H. Heidsieck and R. Junck. They all meet the requirements described in article 526bis§2 of the Belgian Code of Companies, with respect to the expertise in the field of accounting and audit. The Committee held six (6) meetings in 2009.

Amongst other items the following topics were discussed in 2009: the verification of the annual accounts 2008, the quarterly results of 2009 and the reports of the internal audit department, the follow-up of important legal issues such as the AgfaPhoto file and the Kodak case, the evaluation of risk management in the Group and the (re)appointment of the Company's external auditor.

### NOMINATION AND REMUNERATION COMMITTEE (NRC)

The powers and the way the Nomination and Remuneration Committee functions are described extensively in the Corporate Governance Charter. The Nomination and Remuneration Committee consists exclusively of non-executive directors.

Since the decease of Mr. Van Miert on June 23, 2009, the Committee consists of three (3) members, i.e. Mr. C. Leysen, Chairman, and Messrs. J. De Wilde and M. Akkermans. The Committee had four (4) meetings in 2009 and the following items, amongst others, were discussed in the course of 2009: composition of the Board of Directors, (self) evaluation process for the Board of Directors and the Executive Management, performance and remuneration of the Executive Management and Senior Executives, pension obligations, adaptation of the Corporate Governance Charter and drafting of the Remuneration Report.

### STRATEGIC COMMITTEE (SC)

The powers and the way the Strategic Committee functions are described extensively in the Corporate Governance Charter. The Strategic Committee advises the Board of Directors about the strategic policy options and, in particular, about strategic developments in the areas where the Company operates. The Strategic Committee also advises the Board about the five-year plan which the Executive Management submits every year, concerning strategic matters such as acquisitions, disinvestments, strategic partnerships, and the execution and follow-up of such issues. The Committee was established through a decision of the Board of Directors on December 12, 2007. The Chairman is Mr. Julien De Wilde and the members are the Chairmen of the other Committees. There were two (2) meetings in 2009.

## PRESENCE AT THE MEETINGS OF THE BOARD OF DIRECTORS AND THE COMMITTEES

| Name | Board | AC | NRC | SC |
|---|---|---|---|---|
| Mr. Julien De Wilde | 9/9 | | 4/4 | 2/2 |
| Mr. Michel Akkermans | 8/9 | | 4/4 | |
| Mr. John Buttrick[1] | 3/4 | 3/3 | | |
| Mr. Jo Cornu | 9/9 | | | |
| Mr. Willy Duron | 9/9 | 6/6 | | 2/2 |
| Mr. Horst Heidsieck | 9/9 | 6/6 | | |
| Mr. Roland Junck | 6/9 | 4/6 | | |
| Mr. Christian Leysen | 9/9 | | 4/4 | 2/2 |
| Mr. Karel Van Miert[2] | 5/5 | | 2/3 | |

(1) Director until April 28, 2009.

(2) Deceased on June 23, 2009.

# MANAGEMENT OF THE COMPANY

## CEO AND EXECUTIVE COMMITTEE (EXCO)

The executive management is at present entrusted to a managing director/CEO (Mercodi BVBA, with permanent representative Mr. Jo Cornu) assisted by an Exco.
Together they form the Executive Management.
The CEO is responsible for the implementation of the Company's policy and strategy laid down by the Board of Directors. Consequently, he has the most extensive powers regarding day-to-day management as well as a number of specific special powers. These powers are described extensively in the Corporate Governance Charter.

In order to allow the Board of Directors to exercise its control, the CEO regularly reports about his activities and about the development of the subsidiaries and affiliated companies.

On February 9, 2010, Mercodi BVBA, with permanent representative Mr. Jo Cornu, informed the Board of Directors of the Company that he would resign as Managing Director/CEO immediately following the Annual Shareholders Meeting of April 27, 2010. The Board of Directors resolved to nominate Christian Reinaudo as his successor. In case this nomination is approved, the Exco will be composed as follows after April 27, 2010:

| | |
|---|---|
| Mr. Albert Follens | Vice-Chairman and Corporate HR Director |
| Mr. Kris Hoornaert | Chief Financial Officer |
| Mr. Stefaan Vanhooren | President Agfa Graphics |
| Mr. Luc Delagaye | President Agfa Materials |

# REMUNERATION REPORT

The NRC meets at least three (3) times a year to, among others, draw up proposals for the Board of Directors regarding the remuneration policy and remuneration levels for the Directors and the members of the Executive Management.

The current remuneration policy is described in the Corporate Governance Charter (under items 3.8 and 4.7).

# REMUNERATIONS

## BOARD OF DIRECTORS

There is no automatic adjustment of the remuneration levels, but they are being reviewed on a regular basis in order to verify whether they are still in line with the policy.
The remuneration levels were not adjusted in 2009.

A fix, annual standard remuneration is foreseen, which is different for the Board meetings on the one hand and the Committee meetings on the other hand. There is also a distinction between the remuneration of the Chairman and that of the members.
The remuneration covers a predetermined number of meetings. When this number is exceeded on an individual basis, an additional fee per additional meeting is foreseen.

| The following standard remunerations are provided: | |
|---|---|
| **Board of Directors (for a maximum of 7 meetings per calendar year)** | |
| Chairman* | 180,000 Euro |
| Members | 50,000 Euro |
| **AC (for a maximum of 5 meetings per calendar year)** | |
| Chairman | 25,000 Euro |
| Members | 12,500 Euro |
| **NRC (for a maximum of 3 meetings per calendar year)** | |
| Chairman | 15,000 Euro |
| Members | 7,500 Euro |
| **SC** | |
| Chairman | no remuneration provided |
| Members | no remuneration provided |

**Variable remuneration**

- of 2,500 Euro for every meeting exceeding the set maximum of 7, 5 or 3 meetings per calendar year, for respectively the fixed remuneration for the Board, AC or NRC;

- given the special efforts made by the members of the Board of Directors, as announced during the Annual General Meeting of 2009, they exceptionally also qualify for the Long Term Incentive Plan. Depending on the achievement of the objectives of that plan, they do qualify for a non-recurrent variable fee of maximum 446,250 Euro for the Board as a whole. If acquired, this variable remuneration will be paid in 2011.

* This remuneration is comprehensive, meaning that it includes the remuneration related to the mandate in the NRC and the SC as well as the possible variable remunerations provided for the number of meetings exceeding the set maximum.

The annual individual remuneration for the members (executives as well as non-executives) of the Board of Directors for the exercise of their mandate for 2009 is as follows:

| EURO | Board of Directors | Committees | TOTAL |
|---|---|---|---|
| Mr. Michel Akkermans[(1)] | 44,166.66 | 8,750.00 | **52,916.66** |
| Mr. John Buttrick | 17,333.33 | 2,083.33 | **19,416.66** |
| Mr. Jo Cornu[(2)] | 46,666.66 | - | **46,666.66** |
| Mr. Julien De Wilde[(3)] | 150,000.00 | - | **150,000.00** |
| Mr. Willy Duron | 46,666.66 | 23,333.34 | **70,000.00** |
| Mr. Horst Heidsieck[(4)] | 46,666.66 | 12,916.66 | **59,583.32** |
| Mr. Roland Junck | 41,666.66 | 10,416.66 | **52,083.32** |
| Mr. Christian Leysen | 46,666.66 | 15,000.00 | **61,666.66** |
| Mr. Karel Van Miert | 16,666.66 | 2,500.00 | **19,166.66** |
| TOTAL | **456,499.95** | **74,999.99** | **531,499.94** |

(1) Permanent representative of Pamica NV.
(2) Executive director and permanent representative of Mercodi BVBA.
(3) Permanent representative of De Wilde J Management BVBA.
(4) Permanent representative of Value Consult Management- und Unternehmensberatungsgesellschaft mbH.

## CEO

The agreement with Mercodi BVBA does not provide for an automatic adjustment. The remuneration is reviewed on a regular basis in order to verify whether it is still in line with the policy.
The remuneration of the CEO, Mercodi BVBA, represented by Mr. Jo Cornu, was adjusted in 2009. The fix annual remuneration is 1,300,000 Euro.
A variable remuneration 'on target' of 550,000 Euro has also been provided for.
The CEO also contributed to the special plan on Part Time Working. Like other employees that continued to work on a full-time basis, the CEO contributed 5% of his fix and variable remuneration during an eight month period (May until December).

The variable remuneration depends on the following parameters:
for 20%: individual targets,
for 80%: financial targets.

For 2009, the variable remuneration amounts to 464,676.67 Euro.
In addition to this remuneration, the CEO receives benefits in kind for an amount of 1,616 Euro.
No social contributions or pension contributions were to be made by the Company for the remunerations paid to the CEO.

## EXCO

There is no automatic adjustment of the remuneration levels, but they are being reviewed on a regular basis in order to verify whether they are still in line with the policy.
The remuneration of the CFO was adjusted in 2009, in accordance with the arrangements made at the time of his hiring.
The overall gross fix remuneration for the Exco in 2009 amounted to 1,979,846.67 Euro (excluding employers' social contributions).
The total annual 'on target' variable remuneration amounts to 957,576 Euro, which generally represents 50% of the gross fix remuneration.
The members of the Exco also contributed in the framework of the special plan on Part Time Working.
Like other employees that continued to work on a full-time basis, the members of the Exco contributed 5% of their fix and variable remuneration during the last eight months of 2009.

The payment of this variable fee is depending on the following parameters:
for 20%: individual targets,
for 80%: financial targets.

For 2009 the global variable compensation amounts to 813,151.71 Euro (excluding employers' social security contributions). For some members of the Exco, depending on their personal situation, part of this compensation is converted into a pension allowance.
The pension contributions paid for these members amounted to 333,850 Euro and 77,917.68 Euro as benefits in kind.
The benefits in kind, which may vary from member to member, include a home PC, a company car, the provision of housing (apartment), a representation allowance and various insurances (directors' liability, travel and medical insurance, private accidents).

In 2009 no severance payments were made to the Executive Management.

## OPTIONS (SITUATION END OF 2009)

The number of share options and other rights to acquire shares that have been granted to the members of the Exco is as follows:

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | TOTAL |
|---|---|---|---|---|---|---|---|
| STRIKE PRICE (EURO) | 20.00 | 18.00 | 18.27 | 19.95 | 22.57 | 18.60 | |
| **Mr. Albert Follens** | 11,600 | 19,000 | 16,350 | 20,000 | 22,000 | 24,000 | **112,950** |
| **Mr. Stefaan Vanhooren** | 0 | 6,300 | 8,650 | 8,500 | 22,000 | 30,000 | **75,450** |
| TOTAL | **11,600** | **25,300** | **25,000** | **28,500** | **44,000** | **54,000** | **188,400** |

In 2009, the Board of Directors decided, as was the case in previous years, not to grant options to the CEO or the Exco members. They are however beneficiaries of the 'Long Term Incentive Plan'. Depending on the achievement of the goals of this plan, they qualify for a one-off variable remuneration. If acquired, this remuneration will be paid in 2011.

## POLICY REGARDING THE APPROPRIATION OF THE RESULT

The Board of Directors' proposals to the General Meeting of Shareholders with regard to the allocation and distribution of the result take into consideration several factors such as the Company's financial situation, the operating results, the current and expected cash flows and the plans for expansion. In general, the Company aims to pay out between 35 and 40% of its net result in the form of dividends.

## POLICY REGARDING THE DEALING IN SHARES OF THE COMPANY (INSIDER TRADING)

Consistent with its principles and values, Agfa-Gevaert formulated a Code of Dealing immediately after the IPO in 1999. The Code contains rules with which directors and members of senior management have to comply in case they wish to deal in financial instruments of the Company. The Code forbids these persons, inter alia, to deal during well-defined periods preceding the announcement of its financial results and the announcement of other price sensitive information. Taking into account the Law of August 2, 2002 and the Royal Decree of March 5, 2006 concerning market abuse, Agfa-Gevaert has changed this Code to make it compliant with the current legal regulations.

The adapted version of the Code is available on the Company's website as part of the Corporate Governance Charter.

## MAIN SHAREHOLDERS

According to the information available to the Company at the time of publication of this annual report, its main shareholders now include:

- Classic Fund Management AG with 5.67% of the outstanding shares as from September 1, 2008,
- JP Morgan Securities Ltd. with 3.10% of the outstanding shares as from January 19, 2009.

Furthermore, the Company has 3.18% of its own stock as treasury stock.

## AUDITOR

Agfa-Gevaert NV's auditor is KPMG represented by Mr. Erik Helsen. The auditor was reappointed at the General Meeting of Shareholders of April 24, 2007 for another three-year term, ending immediately after the General Meeting of Shareholders of April 27, 2010. At the occasion of the shareholders' meeting, a proposal wll be made to appoint KPMG, represented by Messrs. Eric Clinck and Filip De Bock, as auditor for an additional three-year period.

World-wide fees in relation to services provided by the auditor amounted to 3,356,163 Euro in 2009. This sum comprises fees of 2,680,453 Euro for the audit of the annual financial statements, 155,880 Euro for other audit services, 193,842 Euro for tax services and 325,988 Euro for other non-audit related services.

## EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF APRIL 28, 2009

During the Extraordinary General Meeting of Shareholders of April 28, 2009, convened by the Board of Directors with the purpose of having a number of articles of the Articles of Association amended, the following main amendments were approved: dematerialization of shares and the holding of an electronic share register, the assignment of the daily management to a Managing Director and the extension of the authority for the Managing Director to represent the Company.

## GENERAL INFORMATION ABOUT THE COMPANY

Agfa-Gevaert NV (Company number 0404.021.727, Register of Legal Entities Antwerp) is a public limited liability company under Belgian law, incorporated on June 10, 1964. The registered office of the Company is located at Septestraat 27, in 2640 Mortsel, Belgium.

The full and annotated financial data and statements are available via the website of the Company, www.agfa.com, or at the registered office of the Company itself.

Information with respect to environmental matters can be found in the sustainability report of the Company which is published every two years and of which an annual update is published on the Company's website.

## AVAILABILITY OF INFORMATION

The Company's articles of association are available at the clerk's office of the commercial court of Antwerp and at the registered office of the Company. They can also be found on the website of the Company, www.agfa.com.
The Corporate Governance Charter and the Code of Dealing can be found on the website, www.agfa.com.

The annual accounts are filed with the National Bank of Belgium. The annual accounts, together with the related reports, are communicated every year to the holders of registered shares and upon request to any interested party.

The annual reports, containing the individual and consolidated annual accounts, including the report of the statutory auditor, can be found on the website (www.agfa.com) and at the registered office.

The convocation to the Annual Shareholders Meeting is published in the financial press and can also be found on the website. As regards financial information, the financial results and the other compulsory matters are published on the website of the Company, in compliance with the guidelines of the Banking, Finance and Insurance Commission.

The decisions with respect to the nomination and dismissal of members of the Board of Directors are published in the Annexes to the Belgian State Gazette.

Any interested party can register free of charge on www.agfa.com to receive the press releases and statutory financial information by e-mail.

The annual report is available on the website, www.agfa.com, and in printed form in Dutch and English.

# Risk Factors

## MARKET, TECHNOLOGY AND COMPETITION RISKS

As with any company, Agfa is continually confronted with market and competition risks. Its traditional imaging business in Graphics as well as in HealthCare is faced with rapid changes in technology and has in the past been characterized by price erosion.

The economic crisis has an impact on the demand for our products, as well as for the products of our competitors. This is primarily the case for investment goods, but for Agfa Graphics and Agfa Specialty Products, the crisis also negatively affects the demand for consumables.

Agfa is also introducing many new technologies, such as industrial inkjet for Graphics and, for HealthCare, computed and direct radiography as well as information systems. The digital imaging and information marketplace, in which Agfa is increasingly operating, is highly competitive and subject to rapid change.

## COST OF RAW MATERIALS

Agfa relies on other companies to supply certain key raw materials. The most important of these are aluminum and silver. Fluctuating raw material prices and any failure to obtain the needed raw materials on a timely basis could adversely affect Agfa's business, operational result and financial status. Furthermore, Agfa may choose to hedge a portion or the totality of its raw materials exposure, as it deems appropriate.

## PRODUCT LIABILITY

The activities of the Group may expose Agfa to product liability claims. Particularly with respect to its HealthCare activities, Agfa complies completely with regulatory systems in many different countries. To mitigate product liability risks, Agfa has implemented a strict quality policy and control and has concluded a general insurance policy. Agfa has never suffered significant losses with respect to product liability, but there can be no assurance that this will not occur in the future.

## ENVIRONMENTAL MATTERS

Agfa is subject to many environmental requirements in the various countries in which it operates, including air and wastewater emissions, hazardous materials and spill prevention and clean up. Significant operating and capital expenditures are required to comply with applicable standards. Provision is also made for current and reasonably foreseeable compliance and remediation costs.

## PROPRIETARY TECHNOLOGY

Agfa owns, has applications pending for and is licensed under many patents relating to a variety of products as well as software. The company relies on a combination of patent, copyright, trademark and trade secret legislation, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and to protect its proprietary rights. On the other hand, the Group has a policy of strictly respecting third parties intellectual property rights. Agfa is not aware that any of its products are infringing upon the intellectual property rights of others. However, there can be no assurance that third parties will not claim such infringements in the future.

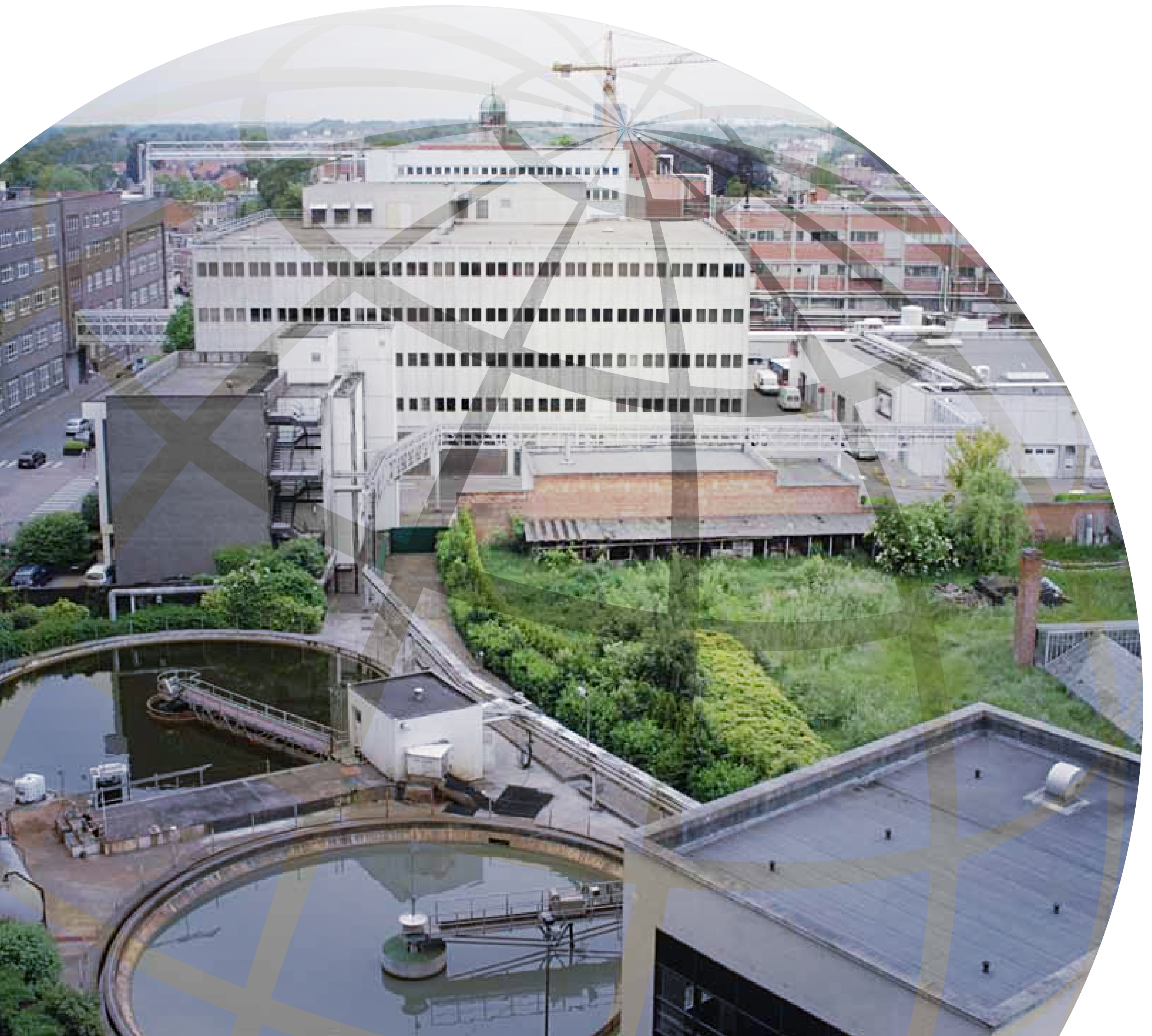
## LITIGATION

Agfa is currently not involved in any major litigation apart from those related to the AgfaPhoto insolvency, which are commented in detail under footnote 16 p.91 and footnote 25 p.104 of the financial statements.

*Corporate Sustainability is a business approach to create long-term value for all stakeholders. It is Agfa's mission to be the partner of choice in imaging and information systems by offering leading edge technology and new ways of working. An important criterion for the successful implementation of this mission is the ability to conduct the Company's business in a profitable way and in line with the environmental and social expectations of its stakeholders.*

# Corporate Sustainability

The Company publishes the information on its sustainability activities in a concise biennial report, completed with an update every other year. The report provides an overview of Agfa's strategies, activities and progress in the field of sustainability, and is published on Agfa's website: www.agfa.com.



In 2009, Agfa has started building its own wastewater treatment plant in Mortsel (Belgium). When the new treatment plant will be up and running, this main production site will be able to break down the pollution in its own wastewater by means of biological processes. Furthermore, Agfa will install advanced filter systems, which will separate the purified water from the biomass, after which additional filtration will further purify it until it becomes re-usable. No less than 40% of the water used in the production process will be pumped from the treatment plant back to the production facilities, where it will be re-used.

## ENVIRONMENT

Agfa is committed to conserving natural resources, operating its facilities safely and restricting the environmental impact of its activities to a minimum.

Despite the fact that 2009 was a very difficult and uncertain economic year Agfa succeeded in considerably reducing the usage of natural resources and in diminishing the emissions to air and water.

Agfa moreover succeeded in further reducing its absolute and specific waste volumes while maintaining stable or slightly increased specific water and energy consumption, air emissions and wastewater loads.

Agfa continues to invest in projects to diminish its environmental impact including investments in biological water treatment with water re-use and in energy production with a Combined Heat and Power Plant (CHPP).

ECPI informed Agfa that, as of December 2009, Agfa-Gevaert is a constituent of the ECPI Ethical Index EMU that is designed to select the 150 top capitalized companies in the EMU (Economic and Monetary Union) market which are eligible investments according to ECPI Screening Methodology. ECPI is dedicated to ESG (Environmental, Social and Governance) Research and Index development, calculation and publication (ECPI® Indices). ECPI monitors more than 4.000 issuers (Companies, Hedge Fund Managers, Governments, Agencies and Supranationals) with a disciplined and certified approach covering a wide range of ESG criteria/ issues.

### Summary of environmental achievements in 2009

The total production volume decreased by 12.3% compared to 2008. All manufacturing sites suffered from decreasing volumes due to the worldwide economic crisis that started end of 2008.

Agfa is capable of producing a significant part of its electricity with a state-of-the-art Combined Heat and Power Plant (CHPP).

Despite the economically difficult period, Agfa performed well in achieving its corporate environmental objectives. The company performed better for all of the absolute environmental indicators. The specific environmental indicators remained stable or increased only slightly, whereas the specific waste volumes even improved significantly.

The total water consumption decreased by 2.2% compared to 2008. The water consumption, cooling water excluded, followed the drop in production volumes. The cooling water consumption, however, raised significantly with about 6.8%. This raise is the net result of relatively important increases in Manerbio and Wiesbaden (+390.000 $m^3$) and of an important decrease in Wuxi (-190.000 $m^3$). As a result the specific water consumption, cooling water excluded, remained stable, while the specific total water consumption increased.

Wastewater loads lie at about the same level as the preceding year, 2008. A higher COD and nitrogen-level is compensated by a lower phosphor level. The total $CO_2$-emissions fell by 6.3%. In the manufacturing site in Wiesbaden an increase of $CO_2$-emissions occurred due to the fact that aqueous coatings with less solvents were increasingly used. The drying of these coatings demanded more energy. As a result the overall specific $CO_2$-emissions slightly increased.

VOC-emissions were strongly reduced, not only by smaller production volumes but just as much by further reduction of the use of solvents in the coatings in Mortsel and Wiesbaden.

Total waste volumes went down more than could be expected based on the decreased production volumes. As a result the specific waste volume, as

well as the specific hazardous waste volume, shows a continuously decreasing trend since 2005. This proves the constant attention from Agfa to minimize losses and to reduce environmental impact.

Although energy consumption decreased, the specific energy consumption slightly raised. The reason is that, despite lower production volumes, heating and cooling of non-production buildings remain the same.

Mortsel reported environmental incidents that mainly concerned effluents. Only two fines were reported: one by Banwol and one by Wuxi Printing. Complaints from neighbours were reported only by Mortsel. They mainly concerned noise and green maintenance. As part of a regular consultation procedure with the neighbourhood committee, corrective measures to solve these problems have been discussed and agreed upon.

## CORPORATE CITIZENSHIP & COMMUNITY PARTICIPATION

Agfa invests time, money and effort in forging strong and sustainable relationships with the communities in which it operates. In many of the countries where Agfa is active, the Company is confronted with social, economic and environmental challenges, which are outside the normal scope of its business activities.
By taking a dedicated and active interest in resolving issues, by improving the quality of life in local communities, and by taking a proactive stance with stakeholder groups, Agfa aims to make a tangible difference to people's lives.

The Group also supports Agfa Aid, an organization of Agfa volunteers. The mission of Agfa Aid is to support small-scale projects, mainly focused on children. Agfa colleagues are directly involved in these projects. Agfa Aid raises funds through benefit concerts and the collection of donations.

Agfa Aid has projects all over the world:

- **Centro Andino** (South America): material and financial support for hospitals and schools.
- **SOS Brazil** (Brazil): a horticultural school, community house and workshop project.
- **Hogar Para Todos** (Ecuador): scholarships and support to schools and orphanages.
- **Gammol** (Gambia): water supply projects.
- **Bayti** (Morocco): literacy project and day center for street children.
- **Moeders voor Moeders** (Belgium): food and material support to underprivileged families in Antwerp.
- **De Markgrave** (Belgium): activity center for the blind and partially sighted.
- **Fepts** (India): support for an orphanage and a school.
- **Talmid** (Rumania): educational support for Roma gipsies.
- **Azia** (Nigeria): support for the construction of a school.
- **Kiemma** (Belgium): organizational support for activities for the children of homeless and needy families in Antwerp.
- **Haiti**: financial support on the occasion of the earthquake at the end of 2009.

## HUMAN RESOURCES

In the present rapidly changing business environment, the ability to learn and to quickly acquire new competencies is a key competitive advantage for future growth. All employees should therefore be able to continuously develop and learn new competencies.

To this aim, Agfa has implemented a wide set of policies, programs and actions.

Employability, from a company as well as from an individual perspective, is a key objective for Agfa's management in this period of intensive transformation of Agfa's industry and its company activities.

Agfa aims to be an employer with clearly defined and applied health and safety standards, respecting all legal requirements and adhering to the overall principles of the international declaration of human rights.

# Financial Statements

# REPORT OF THE BOARD OF DIRECTORS

**Report of the Board of Directors in accordance with article 119 of the Company Code**

## ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the accounting prnciples described in detail in the Notes to the Consolidated Financial Statements, Note 1 - Significant accounting policies.

## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2009, the Agfa-Gevaert Group's sales decreased 9.1% to 2,755 million Euro (3,032 million Euro in 2008). The economic crisis affected businesses in the first half of the year. In the second half of the year, the crisis-driven decline in Agfa-Gevaert's markets started to bottom out.

Agfa Graphics' revenue decreased 11.9 percent compared to 2008. The effects of the economic slowdown – which surfaced in the course of 2008 – persisted in the first quarters of 2009. In the second half of the year the crisis-driven decline started to bottom-out. In the last months of 2009, both the prepress and the inkjet segment started to recover, mainly in North America and the emerging countries. However, the crisis-related increased competitive pressure in the computer-to-plate segment continued throughout the year.

Agfa HealthCare's revenue decreased 3.7 percent compared to the previous year. The business group was able to limit the effects of the economic crisis. Although some care organizations were postponing their investments in equipment and IT, Agfa HealthCare was able to safeguard its sales. In line with expectations, the revenue growth in IT did not suffice to fully compensate for the market driven revenue decline in Imaging. However, in Imaging Agfa HealthCare succeeded in posting substantial growth in Computed Radiography and in expanding its share in the declining classic X-Ray film and hardcopy markets.

Mainly because of the weak economic conditions, the market-driven decline for some of the Classic Film products and the shift of part of the film business to Agfa Graphics, Agfa Specialty Products' revenue decreased 17.8 percent compared to 2008. Year-on-year sales of the New Business products improved and in the last months of the year, some of the markets for traditional film products started to recover from the effects of the economic crisis.

The net finance costs amounted to minus 114 million Euro, compared to minus 83 million Euro in 2008. This increase was due to the increased pension deficit, which was caused by the evolution of the stock markets in 2008.

Income tax expense amounted to 49 million Euro versus 60 million Euro in 2008. Current tax expense amounted to 14 million Euro and deferred tax expense amounted to 35 million Euro (non-cash item).

The result from operating activities in 2009 amounted to 170 million Euro, versus minus 23 million Euro in the previous year. Income before taxes thus reached 56 million Euro, against minus 106 million Euro in 2008.

Mainly due to the strong operational performance in all business groups in the last quarters of the year, a positive net result of 6 million Euro, or 0.05 Euro per share, was booked, compared to minus 167 million Euro, or minus 1.34 Euro, in 2008. The 2008 result was subject to an impairment loss, an exceptional tax charge and considerable restructuring costs.

## OPINION ON THE FAIR PRESENTATION IN ACCORDANCE WITH THE ROYAL DECREE OF NOVEMBER 14, 2007

The Board of Directors and the Executive Management of Agfa-Gevaert NV, represented by Mr. Julien De Wilde, Chairman of the Board of Directors, Mr. Jo Cornu, President and Chief Executive Officer, and Mr. Kris Hoornaert, Chief Financial Officer hereby declare that, to the best of their knowledge,

- the consolidated financial statements give a true and fair view of the group's net worth and financial position and of its results in accordance with international Financial Reporting Standards;

- the annual report gives a true and fair view of the developments and results of the company and its subsidiaries included in the consolidated financial statements, as well as a description of the main risks and uncertainties which the group is facing.

**KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises**
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www.kpmg.be

**Statutory auditor's report to the general meeting of shareholders of Agfa-Gevaert NV on the consolidated financial statements for the year ended 31 December 2009**

In accordance with legal and statutory requirements, we report to you on the performance of our audit assignment which has been entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

## Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Agfa-Gevaert NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory information. The total of the consolidated balance sheet amounts to € 2.852 million and the consolidated income statement shows a profit (group share) for the year of € 6 million.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Maatschappelijke zetel – siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met handelsvorm - Société civile à forme commerciale
RPR - RPM 0419122548
Rechtsgebied Brussel - Ressort judiciaire Bruxelles

*Statutory auditor's report to the general meeting of shareholders of Agfa-Gevaert NV on the consolidated financial statements for the year ended 31 December 2009*

We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of 31 December 2009 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

## Additional comments and information

The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comments and information, which do not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- As disclosed in the notes to the consolidated financial statements, the accounting policies applied when preparing these consolidated financial statements have been modified compared to the previous year.

Kontich, 30 March 2010

KPMG Réviseurs d'Entreprises
Statutory auditor
represented by

Erik Helsen
Réviseur d'Entreprises / Bedrijfsrevisor

## AGFA-GEVAERT GROUP CONSOLIDATED INCOME STATEMENT

| MILLION EURO | Note | 2009 | 2008 |
|---|---|---|---|
| **Revenue** | 4 | **2,755** | **3,032** |
| Cost of sales | | (1,869) | (2,069) [1] |
| **Gross profit** | | **886** | **963** [1] |
| Selling expenses | | (372) | (439) [1] |
| Research and development expenses | | (149) | (174) [1] |
| Administrative expenses | | (198) | (225) [1] |
| Other operating income | 7 | 309 | 451 |
| Other operating expenses | 8 | (306) | (599) [1] |
| **Results from operating activities** | | **170** | **(23)** [1] |
| Interest income / (expense) – net | 9 | (17) | (38) |
| Other finance income / (expense) – net | 9 | (97) | (45) [1] |
| **Net finance costs** | | **(114)** | **(83)** [1] |
| **Profit before income taxes** | | **56** | **(106)** |
| Income tax expense | 10 | (49) | (60) |
| **Profit for the period** | | 7 | (166) |
| **Profit attributable to:** | | | |
| owners of the Company | | 6 | (167) |
| non-controlling interests | | 1 | 1 |
| | | | |
| **Basic earnings per share (Euro)** | 27 | **0.05** | **(1.34)** |
| Diluted earnings per share (Euro) | 27 | 0.05 | (1.34) |
| Basic earnings per share from continuing operations (Euro) | 27 | 0.05 | (1.21) |
| Diluted earnings per share from continuing operations (Euro) | 27 | 0.05 | (1.21) |

## AGFA-GEVAERT GROUP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Profit for the period** | 7 | (166) |
| **Other comprehensive income for the period recognized directly in equity, net of tax** | | |
| Exchange differences on translation of foreign operations | 24 | (36) |
| Revaluation of available-for-sale financial assets | - | (1) |
| Impairment loss recognized on available-for-sale financial assets: reclassification adjustment for losses included in profit and loss | 1 | 2 |
| Cash flow hedges: | | |
| Gains (losses) arising during the year recognized in equity | 5 | 10 |
| Reclassification adjustment for gains included in profit and loss | (12) | (1) |
| Roll-over of commodity contracts: | | |
| Gains (losses) arising during the year recognized in equity | (2) | 3 |
| Reclassification adjustment for gains included in profit and loss | (1) | - |
| **Total other comprehensive income** | **15** | **(23)** |
| **Total comprehensive income** | **22** | **(189)** |
| attributable to owners of the Company | 21 | (190) |
| attributable to non-controlling interests | 1 | 1 |

[1] During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to 33 million Euro have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to 3 million Euro has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

## AGFA-GEVAERT GROUP CONSOLIDATED BALANCE SHEET

| MILLION EURO | Note | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **1,236** | **1,311** |
| Intangible assets | 12 | 648 | 647 |
| Property, plant and equipment | 13 | 326 | 369 |
| Investments | 14 | 9 | 13 |
| Deferred tax assets | 10 | 253 | 282 [1] |
| **Current assets** | | **1,616** | **1,849** |
| Inventories | 15 | 483 | 575 |
| Trade receivables | 6 | 592 | 750 |
| Current tax assets | | 76 | 61 [2] |
| Other receivables and other assets | 16 | 319 | 268 [2] |
| Assets classified as held for sale | 17 | 1 | - |
| Cash and cash equivalents | 18 | 119 | 150 |
| Deferred charges | | 18 | 19 |
| Derivative financial instruments | 6 | 8 | 26 |
| **TOTAL ASSETS** | | **2,852** | **3,160** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 19 | **724** | **704** |
| Share capital | | 140 | 140 |
| Share premium | | 109 | 109 |
| Retained earnings | | 820 | 814 |
| Reserves | | (282) | (273) |
| Translation differences | | (66) | (90) |
| Non-controlling interests | | 3 | 4 |
| **Non-current liabilities** | | **1,263** | **1,556** |
| Liabilities for post-employment and long-term termination benefit plans | 20 | 570 | 601 |
| Liabilities for personnel commitments | | 14 | 18 |
| Loans and borrowings | 21 | 553 | 809 |
| Provisions | 23 | 44 | 64 |
| Deferred income | | 9 | 1 |
| Deferred tax liabilities | 10 | 73 | 63 [1] |
| **Current liabilities** | | **865** | **900** |
| Loans and borrowings | 21 | 11 | 14 |
| Trade payables | | 206 | 226 |
| Deferred revenue & advance payments | | 123 | 112 |
| Current tax liabilities | | 44 | 43 [2] |
| Other liabilities | 22 | 156 | 162 [2] |
| Liabilities for personnel commitments | | 86 | 71 |
| Provisions | 23 | 234 | 255 |
| Deferred income | | 3 | 5 |
| Derivative financial instruments | 6 | 2 | 12 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,852** | **3,160** |

[1] In 2009, 'Deferred tax assets/liabilities' have been reclassified to 'Non-current assets/non-current liabilities'. Comparative information for the year 2008 has been restated.

[2] In 2009, 'Current tax assets and current tax liabilities' have been presented separately on the face of the balance sheet. 'Current tax assets and current tax liabilities' have been reclassified from respectively 'Other receivables and other assets' and 'Other liabilities'. Comparative information for the year 2008 has been restated.

## AGFA-GEVAERT GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| MILLION EURO | Share capital | Share premium | Retained earnings | Reserve for own shares | Revaluation reserve | Share-based payment reserve | Hedging reserve | Translation differences | TOTAL | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | | | | | |
| **Balance at January 1, 2008** | 140 | 109 | 981 | (296) | (2) | 10 | 0 | (54) | 888 | 3 | 891 |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Profit for the period | - | - | (167) | - | - | - | - | - | (167) | 1 | (166) |
| **Other comprehensive income** | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | - | (36) | (36) | - | (36) |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | - | - | - | - | 9 | - | 9 | - | 9 |
| Net change in fair value of available-for-sale financial assets, net of tax | - | - | - | - | (1) | - | - | - | (1) | - | (1) |
| Impairment loss recognized on available-for-sale financial assets | - | - | - | - | 2 | - | - | - | 2 | - | 2 |
| Other | - | - | - | - | - | - | 3 | - | 3 | - | 3 |
| **Total comprehensive income and other comprehensive income for the period** | - | - | (167) | - | 1 | - | 12 | (36) | (190) | 1 | (189) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | |
| Share-based payment transactions | - | - | - | - | - | 2 | - | - | 2 | - | 2 |
| **Total of transactions with owners** | - | - | - | - | - | 2 | - | - | 2 | - | 2 |
| **Balance at December 31, 2008** | 140 | 109 | 814 | (296) | (1) | 12 | 12 | (90) | 700 | 4 | 704 |
| **Balance at January 1, 2009** | 140 | 109 | 814 | (296) | (1) | 12 | 12 | (90) | 700 | 4 | 704 |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Profit for the period | - | - | 6 | - | - | - | - | - | 6 | 1 | 7 |
| **Other comprehensive income** | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | - | 24 | 24 | - | 24 |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | - | - | - | - | (7) | - | (7) | - | (7) |
| Impairment loss recognized on available-for-sale financial assets | - | - | - | - | 1 | - | - | - | 1 | - | 1 |
| Other | - | - | - | - | - | - | (3) | - | (3) | - | (3) |
| **Total comprehensive income and other comprehensive income for the period** | - | - | 6 | - | 1 | - | (10) | 24 | 21 | 1 | 22 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | |
| Change in ownership interests in subsidiaries - change to equity method | - | - | - | - | - | - | - | - | - | (2) | (2) |
| **Total of transactions with owners** | - | - | - | - | - | - | - | - | - | (2) | (2) |
| **Balance at December 31, 2009** | 140 | 109 | 820 | (296) | - | 12 | 2 | (66) | 721 | 3 | 724 |

## AGFA-GEVAERT GROUP CONSOLIDATED STATEMENT OF CASH FLOW

| MILLION EURO | Note | 2009 | 2008 |
|---|---|---|---|
| Results from operating activities | | 170 | (23) [1] |
| Depreciation, amortization and impairment losses | | 103 | 235 |
| Changes in fair value of derivative financial instruments | | 4 | (4) |
| Adjustment for other non-cash income | | - | (1) |
| (Gains) / losses on retirement of non-current assets | 7/8 | (2) | (23) |
| Change in non-current provisions | | (116) | (100) [1] |
| Change in current provisions | | (23) | (45) [2] |
| Income taxes paid | | (18) | (18) [2] |
| Change in inventories | | 91 | (2) |
| Change in trade receivables including cash inflows from securitization | | 88 | 107 |
| Change in trade payables | | (21) | (47) |
| Change in deferred revenue and advance payments | | 1 | 14 |
| Change in other working capital | | (11) | (16) [2][4] |
| **Net cash from / (used in) operating activities** | | **266** | **77** [4] |
| Cash outflows for additions to intangible assets | 12 | (7) | (14) |
| Cash outflows for additions to property, plant and equipment | 13 | (34) | (49) |
| Cash inflows from disposals of intangible assets | 12 | 4 | 2 |
| Cash inflows from disposals of property, plant and equipment | 13 | 7 | 34 |
| Cash inflows from lease portfolio | | 33 | 37 [3] |
| Cash outflows for acquisitions | 5 | (7) | - |
| Interest and dividends received | | 2 | 3 |
| Cash inflows from other investing activities | | - | 4 [3] |
| **Net cash from / (used in) investing activities** | | **(2)** | **17** |
| Net issuances of debt | | (255) | (56) |
| Interest paid | | (22) | (41) |
| Other financial flows | | (16) | 3 |
| **Net cash from / (used in) financing activities** | | **(293)** | **(94)** [4] |
| **Change in cash and cash equivalents due to business activities** | | **(29)** | **0** |
| **Change in cash due to change in consolidation scope** | 5 | **(7)** | **-** |
| **Change in cash and cash equivalents due to exchange rate fluctuations** | | **5** | **(2)** |
| **Change in cash and cash equivalents** | | **(31)** | **(2)** |
| **Cash and cash equivalents at January 1** | | **149** | **151** |
| **Cash and cash equivalents at December 31** | 18 | **118** | **149** |

[1] As reported 2008, restated. During the first quarter of 2009, the Group has changed the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other non-operating income (expense)'. Comparative information for the year 2008 has been restated. The lines 'Results from operating activities' and 'Change in non-current provisions' in the consolidated statement of cash flow have been impacted by this change.

[2] As reported 2008, restated. In the course of the fourth quarter of 2009 'Income taxes paid' are being presented on a separate line. 'Income taxes paid' have been reclassified from 'Change in current provision', 'Change in other working capital' and 'Current tax income (expense). Comparative information for the year 2008 has been restated.

[3] As reported 2008, restated. In the course of the fourth quarter of 2009 'Cash inflows from lease portfolio' have been separated from 'Cash inflows from equity and debt instruments'. The latter was renamed 'Cash outflows for other investing activities'.

[4] As reported 2008, restated. In 2009 the 'Prefinancing by / (of) AgfaPhoto related to the previous CI divestiture' is no longer presented on a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of 4 million Euro was reclassified to 'Other working capital'.

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (A) STATEMENT OF COMPLIANCE

Agfa-Gevaert NV ('the Company') is a company domiciled in Belgium. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associated companies. The consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2010.
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union up to December 31, 2009.

The Group has not early adopted any new IFRS requirements that were not yet effective in 2009. Further information is provided in note 1(x) 'New standards and interpretations not yet adopted'.

### (B) BASIS OF PREPARATION

The consolidated financial statements are presented in Euro, rounded to the nearest million. Depending on the applicable IFRS requirements, the measurement basis used in preparing the consolidated financial statements is cost, net realizable value, fair value or recoverable amount. Whenever IFRS provides an option between cost and another measurement basis, the cost approach is applied.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 2.

The accounting policies have been consistently applied by Group companies. Starting as of January 1, 2009 upon adoption of a number of new IFRS standards, the Group has changed its basis of preparation in the following areas:

- presentation of financial statements,
- determination and presentation of operating segments,
- amended disclosures about financial instruments.

The Group applies revised IAS1 *Presentation of Financial Statements (2007)*, which became effective as of January 1, 2009. As a result, the Group presents a statement of comprehensive income, comprising all items of income and expense that are not recognized in profit and loss. Comparative information has been restated in conformity with this new standard. The application of this standard did not affect the recognition nor the measurement of items included in profit and loss or items included in other comprehensive income.

During 2009, the Group revised the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and expected return on assets as well as the relative portion of amortization of unrecognized losses/gains that could not be attributed to active employees, have been reclassified to 'Other finance income (expense)'. See note 9 'Net finance costs'. The reclassification did not affect earnings per share.

As of January 1, 2009, the Group determines and presents operating segments based on information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented to business and geographical segments according IAS14 *Segment Reporting*. The application of this standard did not have an impact on the reportable segments of the Group. There is no impact on earnings per share.

According to IFRS7 *Financial Instruments Disclosures*, additional disclosures regarding fair value measurements have been added. A fair value hierarchy table has been introduced, disclosing the source of inputs used in determining fair values using a three level hierarchy. Information is given by class of financial instrument. Comparative information is provided. There is no impact on earnings per share.

## (C) PRINCIPLES OF CONSOLIDATION

### Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

### Associated companies

Associated companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associated companies on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associated companies.

### Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associated companies are eliminated to the extent of the Group's interest in the entity. Unrealized gains arising from transactions with associated companies are eliminated against the investment in the associated company. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

## (D) FOREIGN CURRENCY

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

### Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities measured in historical cost that are denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

### Financial statements of foreign group companies

The results and financial position of all the Group entities (none of which has a functional currency that is the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates; and
(c) all resulting exchange differences are recognized as a separate component of equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognized in the income statement when the gain or loss on disposal is recognized.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

## (E) FINANCIAL INSTRUMENTS

### (i) Non-derivative financial assets

The Group initially recognizes financial assets on the trade date when the Group becomes a party to the contractual provisions of the instrument. Loans and receivables are recognized on the date that they are originated.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred.

The Group has following categories of non-derivative financial assets: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or if it is designated as such upon initial recognition. These assets are measured at fair value with changes in fair value recognized in the income statement.

If the Group has a positive intent to hold debt securities with fixed or determinable payments and fixed maturity till maturity date, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are carried at amortized cost less impairment losses.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and not classified in any of the previous categories. Available-for-sale financial assets are stated at fair value. A gain or loss arising from a change in fair value of an investment classified as available-for-sale that is not part of a hedging relationship is recognized directly in equity. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. When the investment is sold, collected, or otherwise disposed of, or when the carrying amount of the investment is impaired, the cumulative gain or loss previously recognized in equity is transferred to the income statement.

### (ii) Non-derivative financial liabilities

Financial liabilities are recognized initially at fair value on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognized a financial liability when its contractual obligations are discharged, cancelled or expire. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

### (iii) Derivative financial instruments and hedging

The Group uses derivative financial instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not currently hold or issue derivatives for trading purposes. Derivative financial instruments that are economic hedges but that do not meet the strict IAS 39 *Financial Instruments*: *Recognition and Measurement* hedge accounting criteria, however, are accounted for as financial assets or liabilities at fair value through profit or loss.

Derivative financial instruments are initially recognized at fair value on the date at which a derivative contract is entered into (trade date) and are subsequently re-measured at their fair value. Depending on whether cash flow or net investment hedge accounting is applied or not, any gain or loss is either recognized directly in equity or in the income statement.

Cash flow, fair value or net investment hedge accounting is applied to all hedges that qualify for hedge accounting when required documentation of the hedging relationship is in place and when the hedge is determined to be effective.

The fair values of derivative interest contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### Fair value hedges

When a derivative financial instrument hedges the changes in fair value of a recognized asset or liability or an unrecognized firm commitment, any resulting gain or loss on the hedging instrument is recognized in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the income statement.

### Cash flow hedges

When a derivative financial instrument hedges the variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction, the effective portion of any resulting gain or loss on the hedging instrument is recognized directly in equity. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the cost of the asset or liability. When the hedge relates to financial assets or liabilities, the cumulative gain or loss on the hedging instrument is reclassified from equity to the income statement in the same period during which the hedged item affects profit or loss (for instance when the forecasted transaction takes place or when the variable interest expense is recognized). The gain or loss relating to any ineffective portion is recognized immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting but the hedged transaction is still expected to occur, the cumulative gain or loss (at that point) remains in equity and is reclassified in accordance with the above policy when the hedged transaction occurs.
If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is recognized in the income statement immediately.

### Hedge of a net investment in a foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on the translation of the liability to the functional currency are recognized directly in equity.

Where a derivative financial instrument hedges a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, while the ineffective portion is reported in the income statement.

## (F) SEGMENT REPORTING

Segment reporting is based on the information used by management to make operating decisions.
The Group defines three reportable segments: Graphics, HealthCare and Specialty Products.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.
Segment assets and liabilities do not include income tax items.

The allocation of assets and liabilities that are commonly used by more than one reportable segment can be summarized as follows:

In general, each item of the operating assets is assigned in full to one of the reportable segments, i.e. a single asset such as an office building is assigned to a single segment. If a related asset is employed by more than one reportable segment, one segment owns the asset and the other segment(s) rents it (by means of cross charging via a Service Agreement). The same applies for operating liabilities such as employee related liabilities. As all employees, except for the employees belonging to the Corporate Centre and the inactive employees (see below), are dedicated to a single reporting segment, related liabilities and provisions are assigned to the segment to which the employee belongs.

The main exception to the above principle relates to the film and chemicals manufacturing part of the production unit Materials that produces goods for all the reportable segments. The production unit Materials is the combination of the dedicated part of the segment Specialty Products and the manufacturing of film consumables worldwide. Operating income and expenses and operating assets and liabilities that relate to film consumables remain allocated to the different reportable segments using allocation keys.

The results, assets and liabilities which can not be allocated on a reasonable basis to one or more reportable segments are included in the reconciling items between the total reportable segment information and the total entity information. The reconciling items comprise the outstanding balances resulting from distribution, supply and service agreements concluded between the Group and AgfaPhoto or its receivers together with liabilities related to the former Consumer Imaging segment that remained with the Group. They also comprise liabilities related to inactive employees.

## (G) BUSINESS COMBINATIONS AND RELATED GOODWILL

Goodwill arising from an acquisition represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. All business combinations are accounted for by applying the acquisition method.

Goodwill is not amortized but tested for impairment on an annual basis and whenever there is an indication that the cash generating unit to which goodwill has been allocated may be impaired. The impairment testing process is described in the appropriate section of these policies.

Goodwill is stated at cost less accumulated impairment losses.

In respect to associated companies, the carrying amount of goodwill is included in the carrying amount of the investment of the associated company.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, such excess is recognized immediately in the income statement.

## (H) INTANGIBLE ASSETS

Intangible assets with indefinite useful lives, such as trademarks, are stated at cost less accumulated impairment losses.
Intangible assets with indefinite useful lives are not amortized. Instead, they are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.
Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses.
Intangible assets with finite useful lives, such as acquired technology and customer relationships are amortized on a straight-line basis over their estimated useful lives, generally for periods ranging from 3 to 20 years.
In accordance with IFRS 3 *Business Combinations*, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the entity.

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will be a success, and certain criteria, including technological and commercial feasibility, have been met. Capitalized development costs are amortized on a systematic basis over their expected useful lives.

## (I) PROPERTY, PLANT AND EQUIPMENT

### Owned assets

Items of property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and impairment losses.

The production cost of self-constructed assets includes the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation and write-downs of assets used in construction. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to construction.

Expenses for the repair of property, plant and equipment are usually charged against income when incurred. They are, however, capitalized when they increase the future economic benefits embodied in the item of property, plant and equipment.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the item, except where the declining-balance basis is more appropriate in light of the actual utilization pattern. Land is not depreciated.

The estimated useful lives of the respective asset categories are as follows:

| | |
|---|---|
| Buildings | 20 to 50 years |
| Outdoor infrastructure | 10 to 20 years |
| Plant installations | 6 to 20 years |
| Machinery and equipment | 6 to 12 years |
| Laboratory and research facilities | 3 to 5 years |
| Vehicles | 4 to 8 years |
| Computer equipment | 3 to 5 years |
| Furniture and fixtures | 4 to 10 years |

### Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.
The depreciation period is the estimated useful life of the asset, or the lease term if shorter.

## (J) INVESTMENTS IN EQUITY SECURITIES AND OTHER INVESTMENTS

Investments classified as non-current assets comprise participations in companies in which the Group has no control.
Where the Group holds, directly or indirectly, more than 20% of the voting power and/or exercises significant influence over the financial and operating policies, the investments are referred to as associated companies. Investments in associated companies are accounted for using the equity method. If there is an indication that an investment in an associated company may be impaired, the accounting policy with respect to impairment is applied.

Other investments in equity securities are classified as available-for-sale financial assets and are stated at fair value, except for those equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Those equity instruments that are excluded from fair valuation are stated at cost. A gain or loss arising from a change in fair value of an investment classified as available-for-sale that is not part of a hedging relationship is recognized directly in equity. When the investment is sold, collected, or otherwise disposed of, or when the carrying amount of the investment is impaired, the cumulative gain or loss previously recognized in equity is transferred to the income statement.

The fair value of investments available-for-sale is their quoted bid price at the balance sheet date.

## (K) TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables are financial assets, classified in the category 'loans and receivables' and are carried at amortized cost less impairment losses. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at the balance sheet date. An impairment loss is recognized in the income statement for the difference between the carrying amount of the receivables and the present value of the estimated future cash flows.

### (L) IMPAIRMENT

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually and upon the occurrence of an indication of impairment.
The impairment tests are performed annually at the same time each year and at the cash-generating unit level. The Group defines its cash-generating units based on the way that it monitors its goodwill and will derive economic benefit from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these cash-generating units with their recoverable amount, based on their future projected cash flows discounted at an appropriate pre-tax rate of return. The discount rate reflects the current assessment of the time value of money and the risks specific to the cash-generating unit. An impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's property, plant and equipment, intangible assets with finite useful lives and financial assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.
The recoverable amount of the Group's property, plant and equipment and intangible assets with finite useful lives is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of the Group's loans and receivables is the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.
An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

### (M) INVENTORIES

Raw materials, supplies and goods purchased for resale are valued at purchase cost. Work in progress and finished goods are valued at the cost of production. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation of assets used for production. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to production. Administrative costs are included where they are attributable to production.
Inventories are valued using the weighted-average cost method.
If the purchase or production cost is higher than the net realizable value, inventories are written down to net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and distribution expenses.

### (N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits.

### (O) DISCONTINUED OPERATIONS AND ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

A discontinued operation is a component of the Group that either has been disposed of; or is classified as held for sale and represents a separate major line of business and is part of a single co-ordinated plan to dispose of a separate major line of business; or is a subsidiary acquired exclusively with a view to resale.

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the Group measures the carrying amount of the asset (or all the assets and liabilities in the disposal group) in accordance with applicable IFRS. Then, on initial classification as held for sale, assets and disposal groups are recognized at the lower of their carrying amounts and fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Assets classified as held for sale are no longer amortized or depreciated.

## (P) SHARE CAPITAL

### Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

### Dividends

Dividends are recognized as liabilities in the period in which they are declared.

## (Q) INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between the initial amount and the maturity amount being recognized in the income statement over the expected life of the instrument on an effective interest rate basis.

## (R) INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

## (S) EMPLOYEE BENEFITS

### Post employment benefits

Post employment benefits comprise pensions, post employment life insurance and medical care.

The majority of the Group's employees are eligible for retirement benefits under defined contribution and defined benefit plans provided through separate funds, insurance plans or unfunded arrangements.

#### (1) Defined contribution plans

Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

#### (2) Defined benefit plans

For defined benefit plans, the amount recognized in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains and losses and less any past service costs not yet recognized and the fair value of any plan assets. Where the calculation results in a net surplus, the recognized asset does not exceed the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that the net cumulative unrecognized gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that excess is recognized in the income statement over the expected average remaining working lives of the employees participating in that plan. Otherwise, the actuarial gain or loss is not recognized.

Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognized as an expense immediately.
The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.
The amount charged to the income statement consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses.

Pre-retirement pensions are treated as termination benefits.

### Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans, post employment life insurance and medical care, is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

### Termination benefits

Termination benefits are recognized as a liability and an expense when a Group company is demonstrably committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.
Where termination benefits fall due more than twelve months after the balance sheet date, they are discounted using a discount rate which is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

### Share-based payment transactions

The Group has equity-settled share-based payment transactions. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, equity is increased by the amount of the proceeds received.

## (T) PROVISIONS

Provisions are recognized in the balance sheet when a Group company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.
If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.
Future operating costs are not provided for.
In accordance with the Group's published environmental policy and applicable legal requirements, a provision

for site restoration in respect of contaminated land is recognized when the land is contaminated.
A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### (U) TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortized cost.

### (V) REVENUE

The Group recognizes revenue in the income statement when significant risks and rewards of ownership have been transferred to the buyer, when the amount of revenue can be measured reliably and there are no significant uncertainties regarding recovery of the consideration due, the associated costs or the possible return of goods.

For product sales including the sale of consumables, chemicals, spare parts, stand-alone equipment sales and software licenses, these criteria are generally met at the time the product is shipped and delivered to the customer and, depending on delivery conditions, title and risk have passed to the customer and acceptance of the product has been obtained.

Revenue related to services, including maintenance is recognized on a straight-line basis over the period during which the services are performed.

The Group also enters into arrangements combining multiple deliverables such as software, hardware/equipment and services, including training, maintenance and post-contract customer support. Such arrangements are assessed to determine whether the deliverables represent separate units of accounting. The delivered elements are subject to separate recognition only if (a) they have value to the customer on a stand-alone basis, (b) there is objective and reliable evidence of the fair value of the undelivered element(s) and (c), in case a general right of return exists relative to the delivered element(s), delivery or performance of the undelivered element(s) is considered probable and in the control of the company.

To the extent that the multiple-element arrangements do not involve significant modification or customization of the software element, the total arrangement fee is allocated to each deliverable of the arrangement based upon its relative fair value as determined by ‘vendor specific objective evidence’. Vendor specific objective evidence of fair value for the elements of an arrangement is based upon established list prices for each element, when sold separately on the market.

Revenue allocated to each deliverable within a multiple-element arrangement, not requiring significant modification of the software, is recognized on an element-by-element basis when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured.

When the fair value of one or more delivered elements in the arrangement cannot be determined objectively, but objective evidence of fair value exists for all undelivered elements, the Group defers revenue for the undelivered elements and recognizes the residual amount of the arrangement fee related to the delivered elements when the above mentioned recognition criteria are met.

Within the HealthCare business segment, the vast majority of the multiple-element arrangements do not require significant modification or customization of the software element. Revenue related to the hardware component of the arrangement is generally recognized when the product is delivered to the customer and creates value on a stand-alone basis. Revenue related to the software component of the arrangement is recognized after successful installation at the client’s premises. Any related services are recognized as rendered.

For equipment sales that require substantive installation activities within the Graphics business segment, revenue is recognized when the installation of the equipment has been finalized in accordance with the contractually agreed specifications and the system is ready to be used by the customer.

Revenue related to multiple-element arrangements that require significant customization or modification of the software, is recognized following the percentage of completion method. This method applies to

HealthCare solutions which have not met the three major milestones as defined in the 'Solution Launch Process', so-called pilot projects. The contract stage of completion is calculated as the ratio of total contract costs incurred compared to the estimated total contract costs for completing the project. If no sufficient basis to measure progress to completion is available, revenue is recognized upon final acceptance of the customer.

Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges. A provision for product warranty is made at the time of revenue recognition and reflects the estimated cost of replacement that will be incurred by the Group.

## (W) EXPENSES

### Finance income and finance costs

Interest income / (expense) comprises of interest payable on borrowings from banks and interest receivable on funds invested with banks. Interest income / (expense) comprises interests received / paid in relation to items of the net financial debt position. Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalents.

Other finance income / (expense) comprises interest received / paid on other assets and liabilities not part of the net financial debt position, exchange results on non-operating activities, changes in the fair value of derivative instruments hedging non-operating activities, impairment losses recognized on available-for-sale financial assets, results on the sale of marketable securities, the portion of the net periodic pension cost that can not be attributed to 'Results from operating activities' and other finance income / (expense).

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in the income statement on the date that the dividend is declared. All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

### Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.
Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

## (X) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new IFRS standards, amendments to IFRS standards and interpretations issued, were not yet effective for the year ended on December 31, 2009 and have not been applied in preparing the consolidated financial statements. It relates to:

- Revised IFRS 3 *Business Combinations (2008)*
  In January 2008, the IASB issued a revision to the existing standard IFRS 3 *Business Combinations*, applicable for annual periods beginning on or after July 1, 2009. The revised standard continues to apply the acquisition method for business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively for all acquisitions as from January 1, 2010.

- Amendments to IAS 27 *Consolidated and Separate Financial Statements (2008)*
  In January 2008, the IASB issued an amendment to the existing standard IAS 27, applicable for annual periods beginning on or after July 1, 2009. The revised standard requires that the effect of all transactions with non-controlling interests should be recorded in equity separately from equity of the owners of the parent. Changes in a parent's ownership in a subsidiary that do not result in the loss of control should be accounted for as equity transactions. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or a loss is recognized in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests as from January 1, 2010.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible hedged items*
  In July 2008, the IASB issued an amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible hedged items*, applicable to annual periods beginning on or after July 1, 2009. This amendment provides additional guidance concerning specific positions that qualify for hedging – 'eligible hedged items'. The amendment addresses two particular situations: the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged item in particular situations. This amendment will not have an impact on the consolidated financial statements.

- IFRIC 17 – *Distribution of Non-cash Assets to Owners*
  In November 2008, the IFRIC issued IFRIC 17 *Distribution of Non-cash Assets to Owners*, applicable for annual periods beginning on or after July 1, 2009. This interpretation clarifies that a non-cash distribution payable should be recognized as dividend payable when the dividend is appropriately authorized and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. When the entity settles the dividend payable, the difference between the effective dividend paid and the carrying amount of the net assets should be recognized in profit and loss. This interpretation will not have an impact on the consolidated financial statements.

- Improvements to IFRSs (2009)
  In April 2009, the IASB issued Improvements to IFRSs setting out non-urgent but necessary amendments to IFRS standards and the related Bases for Conclusions and guidance made in the IASB's annual improvements project. The amendments will not have a material impact on the consolidated financial statements.

- *Group Cash-settled Share-based Payment Transactions:* Amendments to IFRS 2
  In June 2009, the IASB issued an amendment to IFRS 2 *Group Cash-settled Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010. The definition of share-based transactions and arrangements have been amended, the scope of IFRS 2 has been amended and guidance on accounting for group cash-settled share-based payments transactions has been provided. For share-based payment transactions among group entities, the entity receiving goods or services, shall measure these as either equity-settled or cash-settled share-based payment transactions. The amendment clarifies that the entity measures goods and services received as equity-settled share-based payment transactions when the entity's own equity instruments are granted, or the entity has no obligation to settle the transaction. Otherwise, the entity measures the transaction as a cash-settled share-based payment. This accounting applies irrespective of any intra-group repayment arrangements. Transactions treated as equity-settled share-based payment transactions are re-measured only for changes in non-market vesting conditions or requirement to achieve a minimum target. This amendment will not have an impact on the consolidated financial statements.

- *Additional Exemptions for first-time adopters:* Amendments to IFRS 1
  In July 2009, the IASB issued an amendment to IFRS1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2010. IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases. This amendment is not applicable to the Group.

- *Classification of Rights Issues:* Amendments to IAS 32
  In October 2009, the IASB issued an amendment to IAS 32 *Classification of Rights Issues* effective for annual periods beginning on or after February 1, 2010. The amendment proposes to classify certain rights issues as equity instruments in the financial statements of the issuer. The rights commonly described as 'rights issues' include options, warrants and similar rights. This amendment will not have an impact on the consolidated financial statements.

- IAS 24 *Related Party Disclosures* (revised)
  In November 2009, the IASB issued IAS 24 *Related Party Disclosures* effective for annual periods beginning on or after January 1, 2011. This revised standard simplifies the definition of a related party and provides a partial exemption from disclosure requirements for government-related entities. The standard ensures that the entity's financial statements contain disclosures on all related party transactions. The Group will disclose all related party transactions in accordance with this revised standard.

- IFRS 9 *Financial Instruments*
  In November 2009, the IASB issued IFRS 9 *Financial Instruments* effective for annual periods beginning on

or after January 1, 2013. The objective of the IFRS is to establish principles for the reporting of financial statements that will present relevant and useful information to users of the financial statements. This IFRS is applicable to all assets within the scope of IAS 39 *Financial Instruments: Recognition and measurement*.

According IFRS 9, an entity shall subsequent to initial recognition, measure financial assets at either amortized cost or at fair value on the basis of an entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. An entity still has the option to designate the financial asset at fair value through profit and loss. Gains or losses on financial assets measured at fair value and not part of a hedging relationship in profit and loss unless the financial asset is an investment in an equity instrument. Gains and losses on financial assets measured at amortized cost and not part of a hedging relationship shall be recognized in profit and loss when the financial asset is derecognized, impaired or reclassified. IFRS 9 is not expected to have a material impact on the consolidated financial statements.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
  In November 2009, the IASB issued IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010.
  This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated with the result that the entity extinguished the liability by issuing equity instruments to the creditor. The difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognized in profit and loss. The equity instruments issued shall be measured at the date the financial liability is extinguished. This IFRIC will not have an impact on the consolidated financial statements.

- *Prepayments of a minimum funding requirement* – Amendments to IFRIC 14
  In November 2009, the IASB issued amendments to IFRIC 14 effective for annual periods beginning on or after January 1, 2011. The amendments apply to entities that are subject to minimum funding requirements and make early payments of contributions to cover those requirements. The amendments permit such entities to treat the benefit of such an early payment as an asset. The amendment will not have a material impact on the consolidated financial statements.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed below.

### (A) GOODWILL AND INTANGIBLE ASSETS

**Purchase Price Allocation: goodwill and fair values of intangible assets acquired in a business combination**
According to the definitions of IFRS 3 *Business Combinations* the standard of value to be used in the application of the acquisition method is the 'fair value'. 'Fair value' is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an at arm's length transaction". Guidance on fair value measurements with respect to intangible assets acquired in a business combination indicates that quoted market prices in active markets provide the most reliable estimate of fair value. If no market exists for an intangible asset, the fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an at arm's length transaction between knowledgeable and willing parties, on the best information available, including the outcome of recent transactions for similar assets and the results of using other fair value measurement techniques, such as discounting estimated future net cash flow from the asset. As the Group's intangible assets are normally inherently unique, particularly in the case of intellectual property, and not traded on active markets, the fair values are determined by hypothesizing what a market price would be if there was a market, based on management assumptions about the future and using a valuation model. For complex valuation issues, the Group often obtains assistance from third party valuation specialists. As a valuation methodology, the Group typically utilizes the 'income approach'. The application of the 'income approach' results in estimated fair values that are net present values of estimated attributable cash flows or

cost savings because of ownership of the intangible asset. The purchase price allocation process involves significant management judgement and estimation. Allocation of the purchase price affects the future results of the Group, as intangible assets with finite useful lives are amortized whereas goodwill and intangible assets with indefinite useful lives are not amortized, and could result in differing amortization charges based on the allocation to goodwill, intangible assets with indefinite useful lives and intangible assets with finite useful lives. Further information is provided in note 12.

### Useful lives of intangible assets with finite useful lives

The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Group. Acquired technology and customer relationships are the most crucial recognized intangible assets for the Group.
For acquired technology, the estimation of the remaining useful life is based on the analysis of factors such as typical product life cycles in the industry and technological and commercial obsolescence arising mainly from expected actions by competitors or potential competitors. At December 31, 2009, the net carrying value of the Group's acquired technology amounted to 98 million Euro. The Group's acquired technology has an estimated weighted average remaining useful life of approximately 11 years. Shorter than expected product life cycles as well as higher than expected technological and commercial obsolescence may lead to a reduction in the useful life and an increase in amortization expense.
The useful lives are periodically reviewed and revised if necessary.
For acquired contractual customer relationships, the estimated remaining useful life is assessed by reference to customer attrition rates. For the estimation of appropriate customer attrition rates, the Group assesses the probability that existing contracts will be renegotiated. For the assessment of the probability that existing contracts can be renegotiated, demand as well as competition and other factors such as technological lock-in and related sunk costs are of importance. At December 31, 2009, the net carrying value of the Group's acquired contractual customer relationships amounted to 30 million Euro. The Group's acquired contractual customer relationships have an estimated weighted average remaining useful life of approximately 14 years. An increase in customer attrition rates may lead to a reduction in the useful life and an increase in amortization expense. The useful lives are periodically reviewed and revised if necessary.
Further information is provided in note 12.

### Impairment tests for cash-generating units to which goodwill has been allocated

Testing cash-generating units (CGU's) with goodwill for impairment is an area involving management judgement, requiring assessment as to whether the carrying amount of a cash-generating unit can be supported by the net present value of future cash flows derived from the assets that belong to that cash generating unit, using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters as noted below.
There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses including: management's expectations of growth in revenue, changes in operating margin, timing and amount of future capital expenditure, uncertainty of future technological developments, long-term growth rates and the selection of discount rates to reflect the risks involved.
The Group prepares and internally approves formal five-year plans for its businesses and uses these as the basis for impairment reviews. For the periods beyond the five-year plans, forecast growth rates do not exceed the long-term average rate for the industries in which the cash-generating unit operates.
The discount rate used to calculate the CGU's value in use is based on an average market participant's weighted average cost of capital (WACC) increased with an additional risk premium to both the cost of equity and the cost of debt.
Changing the assumptions selected by management, in particular the discount rate and operating margin and growth rate assumptions used in the cash flow projections, could significantly affect the Group's results.
Further information is provided in note 12.

## (B) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's total income tax charge. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax charge in the period in which such determination is made.

The Group regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If the Group continues to operate at a loss in certain jurisdictions or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Group could be required to reverse certain deferred tax assets resulting in a substantial increase in the Group's effective tax rate. Further information is provided in note 10.

### (C) WRITE-DOWNS FOR EXCESS AND OBSOLETE INVENTORY LOSSES

The Group recognizes write-downs for excess and/or obsolete inventories based primarily on estimated forecast of product demand. Several factors may influence the realizability of its inventories, including a decision to exit a product line, technological changes and new product development. These factors could result in an increase in the amount of excess or obsolete inventories. Additionally, the Group's estimates of future product demand may prove to be inaccurate, in which case the Group may have understated or overstated the write-downs required for excess and obsolete inventories. Although the Group makes every effort to ensure the accuracy of its forecasts of future product demand, significant unanticipated changes in demand or technological developments could materially impact the value of its inventories and its reported results from operating activities if its estimates prove to be inaccurate. However, actual results have not differed materially from the Group's estimates. The Group recorded 29 million Euro and 37 million Euro in inventory write-down charges for the years ended December 31, 2009 and 2008, respectively.

### (D) PENSION ACCOUNTING

The liabilities and net periodic pension cost of the Group's retirement plans are determined using actuarial valuations that involve several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets.
The discount rate assumptions reflect the rates available on high-quality corporate bonds of appropriate duration at the balance sheet date.
The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns.
Actual results that differ from the Group's actuarial assumptions or changes in actuarial assumptions are recorded as unrecognized gains and losses. To the extent that the net cumulative unrecognized gain or loss exceeds ten percent of the greater of the defined benefit obligation and the fair value of plan assets, that excess is recognized in the income statement over the expected average remaining working lives of the employees participating in that plan. The recognition of actuarial gains and losses is determined separately for each defined benefit plan. While the Group believes that the actuarial assumptions used are appropriate, significant differences in actual experience or significant changes in future assumptions would affect the Group's retirement obligations and future net periodic pension cost.

The following information illustrates the sensitivity to a change as at December 31, 2009 in certain assumptions for the retirement plans of the Group's material countries (Belgium, Germany, USA and UK).

#### CHANGE IN ASSUMPTION

| MILLION EURO | Effect on 2010 pre-tax expected net periodic pension cost | Effect on December 31, 2009 Defined benefit obligation |
|---|---|---|
| One percentage point decrease in discount rate | 14 | 233 |
| One percentage point increase in discount rate | (13) | (198) |
| One percentage point decrease in expected return on assets | 8 | - |
| One percentage point increase in expected return on assets | (8) | - |
| Improvement in mortality table, assuming employees live one year longer | 7 | 49 |

A 1% increase or decrease in the assumed medical cost trend rate would not have a significant impact on the

accumulated post-employment benefit obligation or the aggregate of the service cost and interest cost. Under the post-retirement medical plan, eligible members are entitled to an account that can be used to pay for medical cost at retirement. The size of this account is independent of the actual medical cost or future increases in medical cost.
Further information is provided in note 20A.

### (E) PROVISION WITH RESPECT TO THE INSOLVENCY OF AGFAPHOTO GMBH – FORMER CONSUMER IMAGING ACTIVITIES

On November 1, 2004, the Group sold all of its Consumer Imaging activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. The AgfaPhoto group of companies fully operated the Consumer Imaging business from that moment on until the end of May 2005, when AgfaPhoto GmbH filed for insolvency, followed by insolvency filings of some of the AgfaPhoto sales organizations.

In October 2005, the receiver of AgfaPhoto GmbH decided to liquidate the company. Although AgfaPhoto GmbH and its subsidiaries operated completely independently from the Group, the insolvency and liquidation of AgfaPhoto GmbH and some of its subsidiaries has affected the Group in several ways.

According to the Share Purchase Agreement, the Group agreed to act for a limited period of time as a service provider and distributor for AgfaPhoto. As such it pre-financed AgfaPhoto's working capital, for which it was reimbursed by the collection of trade receivables from customers. After the insolvency filing of AgfaPhoto GmbH, the Group agreed to continue to perform certain distribution, invoicing and collection activities for the account of AgfaPhoto GmbH and its subsidiaries on the basis of an agreement with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH. According to that agreement, the Group should pay for the goods supplied by AgfaPhoto GmbH only when the end customer has paid its invoices and to the extent that the Group itself is not exposed to additional commercial and financial risks.

The receiver of AgfaPhoto GmbH initiated arbitration proceedings in December 2007 before the ICC International Court of Arbitration in Paris, France, in connection with a dispute over the outstanding balances resulting from distribution, supply and service agreements.

The receiver of AgfaPhoto Austria Ges.m.b.H. initiated ICC arbitration proceedings in September 2008 in connection with a dispute over the outstanding balances resulting from the distribution, supply and service agreements in Austria only.

Both aforementioned ICC arbitration proceedings are still ongoing.

The Group also became confronted with a number of lawsuits filed by its former Consumer Imaging employees that transferred to AgfaPhoto. In Germany, the Supreme Labor Court (Bundesarbeitsgericht) rendered, in the course of 2009, final judgements in 11 more cases (in addition to the 19 cases already decided in 2008). The Court's decisions on, and further clarification of, many disputed labor law issues led to an accelerated resolution of a number of pending labor cases in Germany, in conformity with the Group's risk assessments and provisions.

In connection with the divestment of the Consumer Imaging activities, the Group agreed to bear, under certain conditions, demolition costs for buildings that had been built under leasehold rights in Leverkusen, Germany. While the receiver of AgfaPhoto GmbH initiated arbitration proceedings in connection therewith, more substantial progress has been made in the course of 2009 in discussions with the owner of the real estate, in conformity with the Group's risk assessments and provisions.

After the insolvency of AgfaPhoto GmbH, a number of Consumer Imaging / AgfaPhoto customers discontinued monthly payments of installments under leasing contracts for minilabs because of alleged problems with the servicing of those minilabs. Because of its support function in favor of AgfaPhoto – intended to be temporary only, as described above – Agfa Finance now finds itself as plaintiff as well as defendant in a number of cases involving such payments in several countries. These cases are in conformity with the Group's risk assessments and provisions.

The Group has adequately constituted provisions for probable losses related to the distribution agreements and the different settlements as well as for other claims and costs, such as employee-related claims.

The Group recognizes provisions for estimated loss contingencies when it assesses that a loss is probable and the amount of the loss can be reasonably estimated. Provisions for contingent losses are based upon assumptions and estimates, and advice of legal counsel regarding the probable outcomes of the matter. As new developments occur or more information becomes available, it is possible that the assumptions and estimates in these matters will change. Further information is provided in note 25.

### (F) REVENUE RECOGNITION WITH REGARD TO MULTIPLE-ELEMENT ARRANGEMENTS

The application of the current revenue recognition guideline with regard to multiple-element arrangements requires judgement to determine whether or not an arrangement contains multiple elements, and if so, whether reliable vendor-specific objective evidence of fair value exists for those elements. Allocating the total arrangement fee, including any discounts, to each deliverable based on vendor specific objective evidence of fair value involves the use of significant estimates and assumptions. Changes to the elements in a multiple-element arrangement and the respective fair value of the related elements could materially impact the amount of earned and unearned revenue.

## 3. COMPANIES CONSOLIDATED

The 2009 Consolidated Financial Statements of the Group include the Company and 111 consolidated subsidiaries (2008: 117 consolidated subsidiaries) controlled by the Company.
Further information is provided in note 28.

## 4. REPORTABLE SEGMENTS

The Group distinguishes three reportable segments: Graphics, HealthCare and Specialty Products.
The reportable segments reflect how management reviews the business and makes decisions about the allocation of resources. The reportable segments are organized based on similar economic characteristics and common products and services, production processes as well as common type of customers and distribution processes.

The reportable segments Graphics, HealthCare and Specialty Products comprise the following activities:

Graphics supplies complete pre-press solutions including consumables, equipment and software for the markets of commercial, newspaper and package printing. It also provides complete printing systems for the industrial inkjet printing market.

HealthCare supplies hospitals and other healthcare centres with state-of-the-art systems, including consumables, equipment, software and services, for the capture, process and management of diagnostic images and IT solutions that integrate clinical systems, including diagnostic information, with administrative information across all hospital operations.

Specialty Products concentrates on the production of specific consumables for specialized industries. Its main products are film for non-destructive testing, motion picture film, film for the production of printed circuit boards and film for third parties.

The items which cannot be allocated on a reasonable basis to one or more of the reportable segments are included in the reconciling items between the total reportable segments information and the total entity information. These items are:

- *The liabilities related to inactive employees*
  Inactive employees are defined as permanently retired employees, former employees with vested rights, and other employees who are not expected to return to active status e.g. early retirement. Employees who are in principle only temporarily inactive e.g. long-term disability or illness, maternity leave, military service, etc. are treated as active employees and are consequently assigned to one of the business segments.
- *The outstanding balances resulting from distribution, supply and service agreements concluded between the Group and AgfaPhoto or its receivers.*
  Further information is provided in note 16.
- *The liabilities related to the former Consumer Imaging segment that remained with the Group.*

The accounting policies of the reportable segments are the same as described in note 1.
Key data for the reportable segments are based on the internal management reports and have been calculated as follows:

- Margin on sales is the ratio of results from operating activities to revenue.
- Recurring EBIT is the result from operating activities before restructuring and non-recurring items.
- Segment assets are those operating assets that are employed by a reportable segment in its operating activities.
- Segment liabilities are those operating liabilities that result from the operating activities of a reportable segment.
- Net cash from / (used in) operating activities is the excess of cash receipts over cash disbursements from operating activities before investing and financing activities.
- Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.
- Other non cash items include write downs and write backs of receivables and additions and reversals of provisions, excluding provisions for income tax.
- Non-current assets are excluding deferred taxes.

Internal management reports include geographical information by region. The Group distinguishes four geographical regions: Europe, NAFTA, Latin America and Asia/Oceania/Africa.
The Group's country of domicile is Belgium.

No single customer of the Group accounted for more than 10% of the consolidated net sales.

## KEY DATA BY BUSINESS

| Reportable Segment | Graphics | | HealthCare | | Specialty Products | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| MILLION EURO | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue | **1,341** | 1,522 | **1,178** | 1,223 | **236** | 287 | **2,755** | **3,032** |
| Change | **(11.9)%** | (5.9)% | **(3.7)%** | (12.1)% | **(17.8)%** | 4.7% | **(9.1)%** | **(7.6)%** |
| Recurring EBIT | **63** | 65 | **116** | 56 | **13** | 16 | **192** | **137** |
| Results from operating activities | **56** | 53 | **104** | (90) | **7** | 15 | **167** | **(22)** |
| Margin on sales | **4.2%** | 3.5% | **8.8%** | (7.4)% | **3.0%** | 5.2% | **6.1%** | **(0.7)%** |
| Segment assets | **787** | 890 | **1,282** | 1,383 | **153** | 175 | **2,222** | **2,448** |
| Segment liabilities | **338** | 350 | **438** | 413 | **58** | 45 | **834** | **808** |
| Net cash from / (used in) operating activities | **121** | 44 | **208** | 102 | **26** | 1 | **355** | **147** |
| Capital expenditures | **21** | 34 | **25** | 25 | **6** | 4 | **52** | **63** |
| Amortization and depreciation | **46** | 52 | **52** | 59 | **4** | 5 | **102** | **116** |
| Impairment losses recognized | **-** | - | **-** | 119 | **1** | - | **1** | **119** |
| Other non cash items | **97** | 97 | **108** | 100 | **13** | 13 | **218** | **210** |
| R&D expenses | **38** | 58 | **103** | 108 | **8** | 8 | **149** | **174** |
| Number of employees at year end (Full heads) | **5,043** | 5,487 | **6,002** | 6,229 | **708** | 740 | **11,753** | **12,456** |
| Number of employees at year end (Full time equivalents) | | | | | | | **11,169** | **12,152** |

## RECONCILIATION OF SEGMENT ASSETS AND LIABILITIES WITH BALANCE SHEET TOTALS AND RECONCILIATION OF SEGMENT RESULT WITH THE PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Revenue** | | |
| Revenue for reportable segments | 2,755 | 3,032 |
| Revenue not allocated to a reportable segment | - | - |
| **Revenue** | **2,755** | **3,032** |
| **Profit or loss** | | |
| Results from operating activities for reportable segments | 167 | (22) |
| Results from operating activities not allocated to a reportable segment | 3 | (1) |
| **Results from operating activities** | **170** | **(23)** |
| Other unallocated amounts | | |
| Interest income (expense) - net | (17) | (38) |
| Other finance income (expense) - net | (97) | (45) |
| **Profit before income taxes** | **56** | **(106)** |
| **Assets** | | |
| Total assets for reportable segments | 2,222 | 2,448 |
| Operating assets not allocated to a reportable segment | 41 | 40 |
| Investments | 9 | 13 |
| Receivables under finance leases | 144 | 178 |
| Cash and cash equivalents | 119 | 150 |
| Deferred tax assets | 253 | 282 |
| Derivative financial instruments | 8 | 26 |
| Other unallocated receivables | 56 | 23 |
| **Total assets** | **2,852** | **3,160** |
| **Equity and liabilities** | | |
| Total liabilities for reportable segments | 834 | 808 |
| Operating liabilities not allocated to a reportable segment | 558 | 658 |
| Loans and borrowings | 564 | 823 |
| Deferred tax liabilities | 73 | 63 |
| Equity | 724 | 704 |
| Derivative financial instruments | 2 | 12 |
| Other unallocated liabilities | 97 | 92 |
| **Total equity and liabilities** | **2,852** | **3,160** |

## OTHER MATERIAL ITEMS 2009

| MILLION EURO | REPORTABLE SEGMENTS TOTAL | Adjustments | CONSOLIDATED TOTALS |
|---|---|---|---|
| Capital expenditures (note 12) | **52** | - | **52** |
| Amortization and depreciation | **102** | - | **102** |
| Impairment losses recognized | **1** | - | **1** |
| Other non cash items | **218** | 50 | **268** |
| R&D expenses | **149** | - | **149** |
| Net cash from / (used in) operating activities | **355** | (89) | **266** |

## OTHER MATERIAL ITEMS 2008

| MILLION EURO | REPORTABLE SEGMENTS TOTAL | Adjustments | CONSOLIDATED TOTALS |
|---|---|---|---|
| Capital expenditures | **63** | - | **63** |
| Amortization and depreciation | **116** | - | **116** |
| Impairment losses recognized | **119** | - | **119** |
| Other non cash items | **210** | 34 | **244** |
| R&D expenses | **174** | - | **174** |
| Net cash from / (used in) operating activities | **147** | (70) | **77** |

### GEOGRAPHICAL INFORMATION 2009

| MILLION EURO | Revenues by market | Non-current assets[2] |
|---|---|---|
| Europe[1] | 1,417 | 639 |
| NAFTA | 522 | 284 |
| Latin America | 219 | 14 |
| Asia/Oceania/Africa | 597 | 46 |
| TOTAL | **2,755** | **983** |
| [1] Which includes the country of domicile Belgium | 63 | 156 |

[2] Excluding deferred tax assets

### GEOGRAPHICAL INFORMATION 2008

| MILLION EURO | Revenues by market | Non-current assets[2] |
|---|---|---|
| Europe[1] | 1,656 | 685 |
| NAFTA | 592 | 278 |
| Latin America | 211 | 14 |
| Asia/Oceania/Africa | 573 | 52 |
| TOTAL | **3,032** | **1,029** |
| [1] Which includes the country of domicile Belgium | 52 | 177 |

[2] Excluding deferred tax assets

## 5. ACQUISITIONS AND DIVESTITURES

### ACQUISITIONS 2009

In December 2009, the Group acquired all of the shares of Insight Agents GmbH, a European developer and producer of contrast media, with business activities mainly in Germany. Contrast media are primarily used during medical imaging examinations with X-rays, CT scans and Magnetic Resonance Imaging (MRI), to highlight specific anatomical structures or to perform functional imaging.

The purchase price consists of an up-front payment of 7 million Euro and a payment in kind of 3 million Euro. This payment in kind will be settled by deliveries of consumables over a time frame of five years.

The acquisition had the following effect on the Group's assets and liabilities:

| MILLION EURO | Note | Insight Agents GmbH and affiliates |
|---|---|---|
| Goodwill | 12 | 6 |
| Intangibles with finite useful lives: technology | 12 | 7 |
| Provisions and other liabilities | 23 | (1) |
| Deferred tax liabilities | | (2) |
| **Total purchase price** | | **10** |
| Consideration in kind to be paid in future periods (discounted value) | | (3) |
| **Net cash outflow** | | **7** |

The goodwill on acquisition mainly related to operating synergies. Acquired technology is amortized over a period of five years.

### DIVESTITURES 2009

In December 2009, the Group sold 1% of its investment in PlanOrg Medica GmbH, hereby decreasing its ownership interest from 51% to 50%. The investment retained in PlanOrg Medica GmbH has been reclassified to 'Investments in associated companies' and is measured at the fair value of the net assets at the date when control was lost.

Assets and liabilities over which control was lost, can be summarized as follows:

| MILLION EURO | Note | PlanOrg Medica GmbH |
|---|---|---|
| Inventories | | (1) |
| Trade receivables | | (2) |
| Cash and cash equivalents | | (7) |
| Non-controlling interests | 19 | 2 |
| Provisions | 23 | 2 |
| Trade payables | | 2 |
| Deferred revenue and advanced payments | | 2 |
| **Net assets divested** | | **(2)** |
| **Cash inflow** | | **0** |
| Gains/loss on disposal | | 0 |
| **Fair value of investment retained classified as investments in associated companies** | 14 | **2** |

### ACQUISITIONS AND DIVESTITURES 2008

During 2008 there were no major acquisitions nor divestitures.

## 6. FINANCIAL RISK MANAGEMENT

In the normal course of its business, the Group is exposed to a number of financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk that could affect its financial position and its result of operations. The Group's objectives, policies and processes in managing the financial risks are described further in this note.

In managing these risks the Group may use derivative financial instruments. The use of derivative financial instruments is subject to internal controls and uniform guidelines set up by the central Treasury Committee, having a delegating authority over all third party banking and financing operations in the Group. Derivatives used are over-the-counter instruments, particularly forward exchange contracts. During 2009, the Group also concluded a number of metal swap agreements.

### A. MARKET RISK

#### I. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The foreign currency risk management distinguishes between three types of foreign currency risk: foreign currency transaction risk, foreign currency translation risk and foreign currency economic risk.

The Group incurs foreign currency transaction risk on accounts receivable and accounts payable that are denominated in a currency other than the company's functional currency. Foreign currency transaction risk in the Group's operations also arises from the variability of cash flows in respect of forecasted transactions. Foreign operations which do not have the Euro as their functional currency give rise to a translation risk. The foreign currency economic risk is the risk that future cash flows and earnings generated by foreign operations may vary. Foreign currency economic risk is highly connected with other factors such as the foreign operations' competitive position within an industry, its relationship with customers and suppliers.

In monitoring the foreign currency risk exposures, the central treasury department focuses on the transaction and translation risk exposures whereas business management seeks to manage the foreign economic risk through natural hedges.

Each of the above types of foreign currency risk exposure impacts the financial statements differently.
The central treasury department monitors and manages foreign currency exposure from the view of its impact on either the balance sheet or the income statement.

### Foreign currency balance sheet transaction risk

The currencies that primarily impact the net foreign currency exposure on the balance sheet are the US Dollar, Pound Sterling and Canadian Dollar.

With regard to these currencies, the Group was exposed as of December 31, 2009 to the following foreign currency risk:

| IN MILLION FOREIGN CURRENCY | Net exposure of receivables and payables | Hedging | | Net position |
|---|---|---|---|---|
| | | Cash, cash equivalents loans & deposits | Derivatives | |
| **December 31, 2009** | | | | |
| USD | 139.9 | (200.0) | 120.1 | 60.0 |
| GBP | 2.9 | 41.4 | (38.0) | 6.3 |
| CAD | 5.5 | (59.0) | 75.2 | 21.7 |
| **December 31, 2008** | | | | |
| USD | 119.7 | (63.4) | (46.0) | 10.3 |
| GBP | 41.9 | 36.0 | (52.0) | 25.9 |
| CAD | 12.4 | (31.6) | 17.0 | (2.2) |

The aim of Group's management regarding balance sheet transaction exposure is to minimize, over the short term, the revaluation results – both realized and unrealized – of balance sheet items that are denominated in a currency other than the company's functional currency.
In order to keep the exposures within predefined risk adjusted limits, the central treasury department economically hedges the net outstanding monetary balance sheet items in foreign currency using derivative financial instruments such as forward exchange contracts. As of December 31, 2009, the outstanding derivative financial instruments are all forward exchange contracts with maturities of generally less than one year.

Where derivative financial instruments are used to economically hedge the foreign exchange exposure of recognized monetary assets or liabilities, no hedge accounting is applied. Changes in the fair value of these derivative financial instruments are recognized in the income statement.

### Foreign currency balance sheet translation risk

When the functional currency of the entity that holds the investment is different from the functional currency of the related subsidiary, the currency fluctuations on the net investment directly affect the shareholders' equity ('Translation differences') unless any hedging mechanism exists.

All subsidiaries and associated companies have as functional currency the currency of the country in which they operate, except for the Group's foreign operations in Latin America where the functional currency is the US Dollar. The currencies giving rise to the Group's balance sheet translation risk are primarily US Dollar and Canadian Dollar.

| IN MILLION FOREIGN CURRENCY | Net investment in a foreign entity | |
|---|---|---|
| | December 31, 2009 | December 31, 2008 |
| USD | 408 | 392 |
| CAD | 363 | 360 |

The central treasury department monitors the balance sheet translation exposure of the Group at least on a quarterly basis. The Treasury Committee proposes corrective actions if needed to the Executive Management.

The Group utilizes US Dollar denominated bank loans (117 million Euro) in order to hedge the foreign currency exposure of the Group's net investment in its subsidiary in the United States (Agfa Corporation). As of December 31, 2009, the hedge of the net investment in Agfa Corporation (USA) has been determined to be effective and as a result the effective portion of the result on the hedging instruments has been recognized directly in equity (Translation differences: 34 million Euro).

### Foreign currency income statement risk

Foreign currency income statement risk includes both the risk of the variability of cash flows in respect of forecasted transactions as a result of changes in exchange rates and the risk that the net income generated by foreign operations may vary in amount when translated into the presentation currency (Euro). The central treasury department monitors and manages both risks simultaneously.

The currencies that primarily impact the net foreign currency exposure on the income statement are US Dollar, currencies highly correlated to the US Dollar – i.e. Hong Kong Dollar and Chinese Renminbi – Canadian Dollar and Pound Sterling.

The Executive Management decides on the hedging policy of aforementioned currency exposures considering the market situation and upon proposal of the Treasury Committee. The objective of the Group's management of income statement exposure is mainly to increase the predictability of results but also to protect the business within a defined time horizon in which the business cannot react to the changing environment (e.g. by adapting prices or shifting production).

In 2008, the Group designated forward exchange contracts as 'cash flow hedges' of its foreign currency exposure in US Dollar related to highly probable forecasted purchases of commodities. It related to commodity contracts that were entered into and continued to be held for the purpose of the receipt of commodities in accordance with the Group's expected usage requirements. The portion of the gain or loss on the forward exchange contracts that was determined to be an effective hedge amounted to 9 million Euro at December 31, 2008 and was recognized directly in equity. In the course of 2009, this amount has been removed from equity and recognized in the consolidated income statement as a deduction from cost of sales.

### Sensitivity analysis

A strengthening / weakening of the euro by 10% against the currencies listed hereafter with all other variables held constant, would have increased (decreased) profit or loss by the amounts shown below. The analysis has been carried out on the net exposure, net of the use of derivative financial instruments.

For the US Dollar and Canadian Dollar, the sensitivity analysis also includes the impact on the Group's equity ('Translation differences') of a 10% change calculated based on the closing rates existing at year-end. The analysis has been carried out on the net exposure to translation risk, i.e. net of the US Dollar denominated bank loans that are used to hedge the foreign currency exposure of the Group's net investment in its subsidiary 'Agfa Corporation'. The sensitivity analysis has been performed on the same basis for 2008.

| | Profit & loss | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| MILLION EURO | Strengthening of the Euro by 10% | Weakening of the Euro by 10% | Strengthening of the Euro by 10% | Weakening of the Euro by 10% |
| USD and currencies highly related to the USD – HKD – RMB | (28.1) | 28.1 | 5.9 | (5.9) |
| CAD | (7.6) | 7.6 | (4.0) | 4.0 |
| GBP | (3.0) | 3.0 | (8.3) | 8.3 |

| | Translation differences | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| MILLION EURO | Strengthening of the Euro by 10% | Weakening of the Euro by 10% | Strengthening of the Euro by 10% | Weakening of the Euro by 10% |
| USD | (16.6) | 16.6 | (16.1) | 16.1 |
| CAD | (24.0) | 24.0 | (21.2) | 21.2 |

## II. INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to changes in interest rates relates to the Group's net financial debt position, including the FX-swaps that economically hedge intercompany loans and deposits. For the most important currencies the following interest rate profile exists at the reporting date:

| IN MILLION FOREIGN CURRENCY | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Outstanding amount | | Notional amount derivative financial instruments | Outstanding amount | | Notional amount derivative financial instruments |
| | At floating rate | At fixed rate | | At floating rate | At fixed rate | |
| EUR | 326 | 195 | - | 486 | 200 | 100 |
| USD | (18) | - | - | 46 | - | - |
| GBP | 35 | - | - | 51 | - | - |
| RMB | 3 | - | - | 6 | - | - |
| JPY | 19 | - | - | 17 | - | - |

The interest rate collar having a total notional amount of 100 million Euro has matured in 2009. The interest rate collar was designated as a 'cash flow hedge', hedging the variability in interest rates on Euro denominated long term bank loans. The interest rates were capped between 4% (cap) and 3.15% (floor). The portion of the gain or loss on the hedging instrument that was determined to be an effective hedge equalled 0 million Euro at December 31, 2008. The interest rate collar has consequently not impacted the 2009 consolidated income statement.

### Sensitivity analysis

A change of 100 basis points in interest rates at December 31, 2009 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

| | Profit and loss | | Equity hedge reserve | |
|---|---|---|---|---|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| **December 31, 2009** | | | | |
| Net impact | (2.5) | 2.5 | - | - |
| **December 31, 2008** | | | | |
| Net impact | (4.5) | 4.9 | - | (0.3) |

## III. COMMODITY PRICE RISK

The Group's most important raw material exposures relate to silver and aluminum.

In order to prevent the Group to suffer from potential future price rises or price volatility of silver and aluminum, the Group applies a strategy of partly purchasing at spot rates combined with a system of 'Rolling layered forward buying'. This 'Rolling layered forward buying' is achieved either by means of forward contracts that are entered into with commodity suppliers for the delivery of commodities in accordance with the entity's expected usage requirements or by means of derivatives such as metal swap agreements that are concluded with investment banks, hedging the Group's exposure to commodity price volatility related to highly probable forecasted purchases of commodities.

During 2009, the Group concluded a number of metal swap agreements with an investment bank. These swap agreements have been designated as 'cash flow hedges' hedging the Group's exposure to commodity price volatility related to highly probable forecasted purchases of commodities. It relates to commodity contracts that were entered into and continue to be held for the purpose of the receipt of commodities in accordance with the Group's expected usage requirements. The portion of the gain on the swap contracts that is determined to be an effective hedge is recognized directly in equity (December 31, 2009: 2 million Euro).

## B. CREDIT RISK

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation and cause the Group to incur a financial loss. The Group manages exposure to credit risk by working with upfront agreed counterparty credit limits and through diversification of counterparties. Credit risk arises mainly from the Group's receivables from customers, investments and foreign currency forward contracts.

The exposure to credit risk from customer receivables is monitored on an ongoing basis by the Credit Committees. Credit limits are set for each customer based on its creditworthiness and other characteristics. Such credit limits are reviewed periodically by the Credit Committee. In monitoring the credit risk, customers are grouped in risk categories according to their financial characteristics. It is the Group's policy to cover a portion of the receivables portfolio through credit insurance to cover default risk.

Goods sold are subject to retention of title clauses, so that in event of non-payment the Group may have a secured claim. In normal circumstances, the Group does not require collateral in respect of trade or other receivables.

Transactions involving derivative financial instruments are only allowed with counterparties that have good credit ratings. To minimize the concentration of counterparty risk, the Group enters into derivative transactions with a number of financial institutions. Investments are only allowed in liquid assets.

### Exposure to credit risk

As a result of the Group's broad customer portfolio, there were no significant concentrations of credit risk at the balance sheet date. The carrying amounts of the financial assets, including derivative financial instruments, in the balance sheet reflect the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date per class of financial asset is as follows:

| MILLION EURO | Note | 2009 | 2008 |
|---|---|---|---|
| Available-for-sale financial assets | | | |
| included in investments | 14 | 1 | 7 |
| included in cash & cash equivalents | 18 | 1 | 7 |
| Held-to maturity investments | 14 | - | - |
| Financial assets at fair value through profit and loss | | | |
| Derivative financial instruments designated as cash flow hedges – assets | 6E | 5 | 9 |
| Derivative financial instruments not part of a hedging relationship – assets | 6E | 3 | 17 |
| Other financial assets designated at fair value through profit and loss - included in investments | 14 | 2 | 2 |
| Loans and receivables | | | |
| Trade receivables | | 592 | 750 |
| Receivables under finance leases | 16 | 144 | 178 |
| Other receivables | 16 | 143 | 63 |
| Loans and receivables included in investments | 14 | 2 | 2 |
| Cash on hand, demand deposits and checks [1] | 18 | 118 | 143 |

[1] Marketable securities have been classified as available-for-sale (2009: 1 million Euro; 2008: 7 million Euro).

### Impairment losses

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, being the difference between the carrying amount and the present value of the estimated future cash flows. Specific loss allowances are established for individually significant exposures after consultation with the Credit Committee. Groups of similar assets which are of minor importance are subject to a collective loss allowance.

The ageing of trade receivables, receivables under finance lease and loans receivable at the reporting date was:

| MILLION EURO | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Gross value | Impairment loss | Net | Gross value | Impairment loss | Net |
| **Trade receivables** | | | | | | |
| Not past due | 481 | (4) | **477** | 638 | (4) | **634** |
| Past due 0 – 30 days | 37 | (2) | **35** | 37 | (1) | **36** |
| Past due 31 – 90 days | 27 | (4) | **23** | 32 | (2) | **30** |
| Past due more than 90 days | 112 | (55) | **57** | 102 | (52) | **50** |
| | **657** | **(65)** | **592** | **809** | **(59)** | **750** |
| **Receivables under finance leases** | | | | | | |
| Not past due | 141 | (3) | **138** | 181 | (3) | **178** |
| Past due 0 – 30 days | 2 | (1) | **1** | 3 | (3) | **0** |
| Past due 31 – 90 days | 4 | - | **4** | 1 | (1) | **0** |
| Past due more than 90 days | 4 | (3) | **1** | 5 | (5) | **0** |
| | **151** | **(7)** | **144** | **190** | **(12)** | **178** |
| **Loans receivable** | | | | | | |
| Not past due | 2 | - | **2** | 2 | - | **2** |
| Past due 0 – 30 days | - | - | **-** | - | - | **-** |
| Past due 31 – 90 days | - | - | **-** | - | - | **-** |
| Past due more than 90 days | - | - | **-** | - | - | **-** |
| | **2** | **-** | **2** | **2** | **-** | **2** |

Other receivables included under ‘Loans and receivables’ mainly comprise amounts not due.
Past due amounts were not impaired when collection is still considered likely or sufficient collaterals have been obtained.

The movement in the allowance for impairment in respect of loans and receivables during the year was:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Balance at January 1** | **71** | **76** |
| Additions/reversals charged to profit and loss | 21 | 18 |
| Deductions from allowance [1] | (20) | (23) |
| **Balance at December 31** | **72** | **71** |

[1] Write-offs for which an allowance was previously recorded.

## C. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in meeting commitments related to financial liabilities when they fall due.

The Group ensures that it has sufficient liquidity to meet its liabilities. Liquidity risk is managed by maintaining a sufficient degree of diversification of funding sources.

The Group has a policy in place to limit concentrations related to liquidity risk. The total share of gross drawn term debt and all undrawn committed facilities provided by one bank or bank group should not exceed predetermined limits. No loan exposures are allowed with banks or financial groups rated below the A level. Risk concentrations are monitored on an ongoing basis by the Treasury Committee.

In managing its liquidity risk the Group has a revolving multi-currency committed credit facility it can access to meet its liquidity needs. The revolving multi-currency committed credit facilities have been negotiated for a period until 2012. Drawdowns under these lines are made for shorter periods but the Group has the discretion to roll-over the liability under the existing committed loan agreement.

In the liquidity analysis, repayments of the committed facilities are included in the earliest time band the Group could be required to repay its liabilities. The earliest time band of the revolving multi-currency credit facilities is determined by the six-monthly evaluations of covenants, which are mainly based on EBITDA ratios. Under the current business plans used for impairment testing computations, there is no indication of obstacles for a roll-over of the revolving credit lines until their contractual due dates. Contractual maturity dates and notional amounts of the committed credit facilities are disclosed in Note 21 Financial Liabilities.

Remaining contractual maturities of financial liabilities, including principal and interest payments are as follows:

| | | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|---|
| **2009** MILLION EURO | Carrying amount | Contractual undiscounted cash flows [1] | 3 months or less | 3-12 months | 1-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Debenture | 195 | 246 | - | 9 | 34 | 203 |
| Revolving multi-currency credit facilities – drawn portion | 357 | 357 | 357 | - | - | - |
| Uncommitted bank facilities and bank overdrafts | 11 | 11 | 5 | 6 | - | - |
| Trade payables | 206 | 206 | 206 | - | - | - |
| **Derivative financial instruments** | | | | | | |
| Forward exchange contracts designated as cash flow hedges: | | | | | | |
| Outflow | - | - | - | - | - | - |
| Inflow | - | - | - | - | - | - |
| Other forward exchange contracts | | | | | | |
| Outflow | - | (285) | (285) | - | - | - |
| Inflow | 1 | 286 | 286 | - | - | - |

| | | | Remaining contractual maturities | | | |
|---|---|---|---|---|---|---|
| **2008** MILLION EURO | Carrying amount | Contractual undiscounted cash flows [1] | 3 months or less | 3-12 months | 1-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Debenture | 200 | 261 | - | 9 | 44 | 208 |
| Revolving multi-currency credit facilities – drawn portion | 612 | 614 | 614 | - | - | - |
| Uncommitted bank facilities and bank overdrafts | 10 | 10 | 2 | 6 | 1 | 1 |
| Trade payables | 226 | 226 | 226 | - | - | - |
| **Derivative financial instruments** | | | | | | |
| Forward exchange contracts designated as cash flow hedges: | | | | | | |
| Outflow | - | (82) | (36) | (46) | - | - |
| Inflow | 9 | 91 | 49 | 42 | - | - |
| Other forward exchange contracts | | | | | | |
| Outflow | - | (456) | (407) | (49) | - | - |
| Inflow | 5 | 461 | 408 | 53 | - | - |

[1] The amounts of contractual undiscounted cash flows related to non-derivative financial liabilities are determined based on conditions existing on the balance sheet date, i.e. exchange rates and interest rates. The amount of interest payments is based on outstanding amounts at the balance sheet date. The contractual undiscounted cash flows of forward exchange contracts are determined using currency forward rates.

Maturities of future lease payments from finance lease liabilities are provided in note 21 Financial liabilities.

## D. CAPITAL MANAGEMENT

The Executive Management seeks to maintain a balance between the components of the shareholders' equity and the net financial debt at an agreed level. Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalents. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements, with the exception of the statutory minimum equity funding requirements that apply to its subsidiaries in the different countries.

In previous years, the Group purchased its own shares in the market. These shares are intended to be used for issuing shares under the Group's different option plans. The Group does not have a defined share buy-back plan.

## E. FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an at arm's length transaction. All derivative financial instruments are recognized at fair value in the balance sheet.

The fair values of financial assets and liabilities by class, together with the carrying amounts shown in the balance sheet, are presented in the table below. The Group aggregates its financial instruments into classes based on their nature and characteristics.

| | | December 31, 2009 | | December 31, 2008 | |
|---|---|---|---|---|---|
| MILLION EURO | Note | Carrying amount | Fair value | Carrying amount | Fair value |
| **Available-for-sale financial assets** | | | | | |
| included in investments - carried at fair value | 14 | 1 | 1 | 1 | 1 |
| included in investments - carried at cost | 14 | - | - | 6 | - |
| included in cash and cash equivalents - carried at fair value | 18 | 1 | 1 | 7 | 7 |
| **Financial assets and liabilities at fair value through profit and loss** | | | | | |
| *Classified as held for trading* | | | | | |
| Forward exchange contracts designated as cash flow hedges: | | | | | |
| Assets | | - | - | 9 | 9 |
| Liabilities | | - | - | - | - |
| Swap contracts designated as cash flow hedges: | | | | | |
| Assets | | 5 | 5 | - | - |
| Liabilities | | - | - | - | - |
| Forward exchange contracts not part of a designated hedging relationship: | | | | | |
| Assets | | 3 | 3 | 17 | 17 |
| Liabilities | | (2) | (2) | (12) | (12) |
| *Designated at fair value through profit and loss* | 14 | 2 | 2 | 2 | 2 |
| **Loans and receivables carried at amortized cost** | | | | | |
| Long-term loans receivable | 14 | 2 | 2 | 2 | 2 |
| Trade receivables | | 592 | 592 | 750 | 750 |
| Other receivables | 16 | 287 | 287 | 241 | 241 |
| Cash | 18 | 118 | 118 | 143 | 143 |
| **Non-derivative financial liabilities carried at amortized cost** | | | | | |
| Liabilities to banks | 21 | 11 | 11 | 10 | 10 |
| Multi-currency credit facilities | 21 | 357 | 357 | 612 | 612 |
| Debentures | 21 | 195 | 146 | 200 | 77 |
| Finance lease liabilities | 21 | 1 | 1 | 1 | 1 |
| Trade payables | | 206 | 206 | 226 | 226 |
| Other liabilities - AgfaPhoto | 22 | 33 | 33 | 34 | 34 |
| Other liabilities - accrued interest on liabilities and other liabilities | 22 | 84 | 84 | 81 | 81 |

## BASIS FOR DETERMINING FAIR VALUES

Significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

### Available-for-sale financial assets

Investments in equity securities, other than associated companies, are classified as available-for-sale and are stated at fair value, except for unquoted equity instruments whose fair value cannot be estimated reliably. The fair value of available-for-sale financial assets is determined by reference to their quoted market price at the balance sheet date.

### Financial assets and liabilities at fair value through profit and loss

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair values of derivative interest contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.
The fair value of financial assets designated at fair value through profit and loss is their quoted market price.

### Loans and receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of lease receivables is based on the present value of future minimum lease receivables discounted at a market rate of interest for similar assets.

### Financial liabilities at amortized cost

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at market rates of interest at the reporting date. With the exception of the debenture, all carrying amounts of financial liabilities approximate fair value as drawdowns are made for short periods. The fair value of the debenture is the quoted market price at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease contracts.

## FAIR VALUE HIERARCHY TABLE

In the table below, fair value measurements related to financial instruments carried at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has following levels:

- level 1 – quoted prices (unadjusted) in active markets,
- level 2 – inputs other than quoted prices but that are observable for the related asset or liability; either directly (as prices) or indirectly (derived from prices),
- level 3 – inputs not based on observable market data (unobservable inputs).

| | December 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Fair value hierarchy | | | Fair value hierarchy | | |
| MILLION EURO | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Available-for-sale financial assets** | | | | | | |
| carried at fair value (incl. marketable securities) | 2 | - | - | 8 | - | - |
| **Financial assets / liabilities carried at fair value** | | | | | | |
| *Classified as held for trading* | | | | | | |
| Forward exchange contracts designated as cash flow hedges: | | | | | | |
| Assets | - | - | - | - | 9 | - |
| Liabilities | - | - | - | - | - | - |
| Swap contracts designated as cash flow hedges: | | | | | | |
| Assets | - | 5 | - | - | - | - |
| Liabilities | - | - | - | - | - | - |
| Forward Exchange contracts not part of a designated hedging relationship: | | | | | | |
| Assets | - | 3 | - | - | 17 | - |
| Liabilities | - | (2) | - | - | (12) | - |
| *Designated at fair value through profit and loss* | 2 | - | - | 2 | - | - |

## F. ITEMS OF INCOME, EXPENSE, GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Items of income, expense, gains and losses on financial instruments can be assigned to the following categories:

### 2009

| MILLION EURO | Loans and receivables | Held-to-maturity investments | Available-for-sale financial assets | Held for trading (derivatives only) | Liabilities carried at amortized cost | TOTAL |
|---|---|---|---|---|---|---|
| Interest income | 4 | - | - | - | - | **4** |
| Interest expense | - | - | - | - | (25) | **(25)** |
| Finance lease income | 13 | - | - | - | - | **13** |
| Change in fair value | - | - | - | (1) | - | **(1)** |
| Impairment charges | (31) | - | (6) | - | - | **(37)** |
| Income from write-backs | 10 | - | - | - | - | **10** |
| Gains/losses from retirements | (1) | - | (7) | - | 2 | **(6)** |

### 2008

| MILLION EURO | Loans and receivables | Held-to-maturity investments | Available-for-sale financial assets | Held for trading (derivatives only) | Liabilities carried at amortized cost | TOTAL |
|---|---|---|---|---|---|---|
| Interest income | 6 | - | - | - | - | **6** |
| Interest expense | - | - | - | - | (47) | **(47)** |
| Finance lease income | 14 | - | - | - | - | **14** |
| Change in fair value | - | - | - | (4) | - | **(4)** |
| Impairment charges | (25) | - | (2) | - | - | **(27)** |
| Income from write-backs | 7 | - | - | - | - | **7** |
| Gains/losses from retirements | - | - | (3) | - | - | **(3)** |

## 7. OTHER OPERATING INCOME

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Exchange gains | 173 | 287 |
| Changes in fair value of financial instruments | 27 | 62 |
| Gains related to changes in 2009 to pension and similar plans | 17 | - |
| Reversal of unutilized provisions recognized in previous years | 24 | 20 |
| Finance lease income | 13 | 14 |
| Write-backs on loans and receivables | 10 | 7 |
| Gains on the retirement of fixed assets | 1 | 24 |
| Rental income | - | 1 |
| Other income | 44 | 36 |
| TOTAL | 309 | 451 |

Changes in the fair value of financial instruments relate to revaluation gains on derivatives, not designated as hedging instruments but economically hedging operating activities (2009: 26 million Euro, 2008: 59 million Euro), and gains from ineffectiveness of hedging instruments designated as cash flow hedges (2009: 1 million Euro, 2008: 3 million Euro).

In 2009, changes to the defined benefit plans in the US and Germany have resulted in a gain of 17 million Euro. Further information is provided in note 20A.

## 8. OTHER OPERATING EXPENSES

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Exchange losses | 168 | 293 |
| Restructuring expenses | 36 | 41 |
| Changes in fair value of financial instruments | 31 | 58 |
| Write-downs on loans and receivables | 31 | 25 |
| Loss on retirement of fixed assets | 1 | 1 |
| Impairment loss on intangible assets & property, plant and equipment | 1 | 119 |
| Provisions | - | 2 |
| Rent | - | 1 |
| Other expenses | 38 | 59 |
| TOTAL | 306 | 599 |

Changes in the fair value of financial instruments relate to revaluation losses on derivatives not designated as hedging instruments but economically hedging operating activities (2009: 31 million Euro, 2008: 56 million Euro). In 2008, the amount comprised also losses from the ineffectiveness on hedging instruments designated as cash flow hedges (2009: 0 million Euro, 2008: 2 million Euro).

### RESTRUCTURING CHARGES

In 2009, the Group has recorded restructuring charges of 36 million Euro of which 32 million Euro relate to employee termination costs.

## 9. NET FINANCE COSTS

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Interest income (expense)** | | |
| **Interest income** | | |
| on bank deposits | 3 | 3 |
| **Interest expense on financial liabilities at amortised cost** | | |
| on bank loans | (11) | (31) |
| on debentures | (9) | (9) |
| on commercial paper | - | (1) |
| **Interest income (expense) – net** | **(17)** [3] | **(38)** [3] |
| **Other finance income (expense)** | | |
| Net periodic pension cost treated as other finance income / (expense) and interest portion of other interest-bearing provisions | (74) [1][2] | (34) [1][2] |
| Net exchange result on non-operating activities | (5) | 7 |
| Financial assets at fair value through profit and loss classified as held for trading: | | |
| Net change in fair value of derivative financial instruments not part of a hedging relationship | 3 | (8) |
| Financial liabilities at amortised cost : | | |
| Interest expense on financial liabilities not part of the net financial debt position | (5) | (6) |
| Income on partial redemption of the bond | 2 | - |
| Loans and Receivables : | | |
| Interest income on trade and other receivables | 1 | 3 |
| Available -for-sale financial assets : | | |
| Losses on the disposal of marketable securities | (7) | (3) |
| Impairment loss recognized on available-for-sale financial assets | (6) | (2) |
| Other finance costs | (6) | (2) |
| **Other finance income (expense) – net** | **(97)** [3] | **(45)** [3] |

[1] As reported 2008, restated. During 2009 the Group consequently applied its accounting policies, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expense)'. For 2009, expenses amounting to 33 million Euro have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to 3 million Euro has been reclassified from ' Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

[2] The interest portion of other interest-bearing provisions primarily comprises the allocation of interest on provisions for pre-retirement.

[3] The above finance income and finance costs include the following interest income and expense in respect of assets ( liabilities) not at fair value through profit and loss.

| | 2009 | 2008 |
|---|---|---|
| Total interest income on financial assets | 4 | 6 |
| Total interest expense on financial liabilities | (25) | (47) |

# 10. INCOME TAXES

## RECOGNIZED IN THE INCOME STATEMENT

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Current tax expense | 14 | 10 |
| Deferred tax expense / (income) | 35 | 50 |
| **Income tax expense** | **49** | **60** |

## RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

### SUMMARY 2009

| MILLION EURO | Basis for tax computation | Tax expense / (tax income) | Tax rate |
|---|---|---|---|
| Accounting profit before tax and before consolidation entries | 87 | 47 | 54.02% |
| Consolidation entries (mainly related to intercompany dividends) | (31) | 2 | |
| Accounting profit (loss) before tax | 56 | 49 | 87.50% |

### RECONCILIATION OF EFFECTIVE TAX RATE

| MILLION EURO | Before consolidation entries | Consolidation entries | After consolidation entries |
|---|---|---|---|
| Accounting profit before tax | 87 | (31) | 56 |
| Theoretical income tax expense / (income) | 26 | (10) | 16 |
| **Theoretical tax rate [1]** | **29.89%** | | **28.57%** |
| Disallowed items | 7 | | 7 |
| Tax free income (dividends) | (12) | 12 | - |
| Tax impact on losses treasury bonds | 2 | | 2 |
| Tax losses of the year for which no deferred tax asset has been recorded | 45 | | 45 |
| Tax losses used in 2009 for which no deferred tax asset has been recorded | (5) | | (5) |
| Reversal of deferred tax balances recorded previous years: primarily related to tax losses | 2 | | 2 |
| Tax income recorded on losses from previous years | (2) | | (2) |
| Impact of tax losses carried back | (12) | | (12) |
| Other | (4) | | (4) |
| **Actual income tax expense / (income)** | **47** | 2 | **49** |
| **Effective tax rate** | | | **87.50%** |

[1] The theoretical tax rate is the weighted average tax rate of the Company and all subsidiaries included in the consolidation.

### SUMMARY 2008

| MILLION EURO | Basis for tax computation | Tax expense / (tax income) | Tax rate |
|---|---|---|---|
| Accounting profit before tax and before consolidation entries | 196 | 55 | 28.06% |
| Consolidation entries (mainly related to intercompany dividends) | (302) | 5 | |
| Accounting profit (loss) before tax | (106) | 60 | -56.60% |

## RECONCILIATION OF EFFECTIVE TAX RATE

| MILLION EURO | Before consolidation entries | Consolidation entries | After consolidation entries |
|---|---|---|---|
| Accounting profit before tax | 196 | (302) | (106) |
| Theoretical income tax expense / (income) | (36) | (2) | (38) |
| **Theoretical tax rate [1]** | -18.37% | | 35.85% |
| Disallowed items | 7 | | 7 |
| Impact of tax credits & other deduction from tax basis | (18) | | (18) |
| Impairment losses – not tax deductible | 27 | | 27 |
| Tax losses of the year for which no deferred tax asset has been recorded | 34 | | 34 |
| Tax losses used in 2008 for which no deferred tax asset has been recorded | (2) | | (2) |
| Reversal of deferred tax balances recorded previous years: primarily related to tax losses | 57 | | 57 |
| Tax income recorded on losses from previous years | (2) | | (2) |
| Impact of temporary differences: true-up of last years' provision to tax return | (3) | | (3) |
| Other | (2) | | (2) |
| **Actual income tax expense / (income)** | **62** | (2) | **60** |
| **Effective tax rate** | | | -56.60% |

[1] The theoretical tax rate is the weighted average tax rate of the Company and all subsidiaries included in the consolidation.

## DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

| MILLION EURO | December 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Intangible assets | 157 | 50 | **107** | 183 | 49 | **134** |
| Property, plant and equipment | 11 | 27 | **(16)** | 11 | 28 | **(17)** |
| Investments | 8 | - | **8** | 9 | - | **9** |
| Inventories | 14 | 2 | **12** | 19 | 6 | **13** |
| Receivables | 7 | 9 | **(2)** | 9 | 7 | **2** |
| Provisions and liabilities for post-employment benefits | 41 | 35 | **6** | 51 | 33 | **18** |
| Other current assets & other liabilities | 9 | 15 | **(6)** | - | 14 | **(14)** |
| **Deferred tax assets and liabilities related to temporary differences** | **247** | **138** | **109** | **282** | **137** | **145** |
| Tax loss carry-forwards | 66 | - | **66** | 70 | 1 | **69** |
| Excess tax credits | 5 | - | **5** | 5 | - | **5** |
| **Deferred tax assets / liabilities** | **318** | **138** | **180** | **357** | **138** | **219** |
| Set off of tax | (65) | (65) | **-** | (75) | (75) | **-** |
| **Net deferred tax assets / liabilities** | **253** | **73** | **180** | **282** | **63** | **219** |

The realization of deferred tax assets is dependent on the realization of the business plans of the business segments Graphics and HealthCare.

## UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of 'tax loss carry-forwards', 'tax credits' and 'temporary differences' for the amounts stated hereafter because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from:

- Tax loss carry-forwards: 136 million Euro (2008: 152 million Euro);
- Tax credits: 33 million Euro (2008: 24 million Euro);
- Temporary differences: 62 million Euro (2008: 54 million Euro).

### MOVEMENT IN TEMPORARY DIFFERENCES DURING 2008-2009

| MILLION EURO | December 31, 2007 | Recognized in income | Translation differences | December 31, 2008 | Change in perimeter | Recognized in income | Recognized in equity | Translation differences | December 31, 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 136 | (2) | - | 134 | (2) | (25) | - | - | 107 |
| Property, plant and equipment | (22) | 5 | - | (17) | - | - | - | 1 | (16) |
| Investments | 9 | 0 | - | 9 | - | - | - | (1) | 8 |
| Inventories | 23 | (10) | - | 13 | - | (1) | - | - | 12 |
| Receivables | 45 | (43) | - | 2 | - | (5) | - | 1 | (2) |
| Provisions and liabilities for post-employment benefits | 22 | (7) | 3 | 18 | - | (10) | - | (2) | 6 |
| Other current assets & other liabilities | (46) | 32 | - | (14) | - | 9 | (1) | - | (6) |
| Deferred tax assets and liabilities related to temporary differences | 167 | (25) | 3 | 145 | (2) | (32) | (1) | (1) | 109 |
| Tax loss carry-forwards | 90 | (22) | 1 | 69 | - | (3) | - | - | 66 |
| Excess tax credits | 8 | (3) | - | 5 | - | - | - | - | 5 |
| **Deferred tax assets / liabilities** | **265** | **(50)** | **4** | **219** | **(2)** | **(35)** | **(1)** | **(1)** | **180** |

## 11. PERSONNEL EXPENSES

Personnel expenses in 2009 amounted to 843 million Euro compared to 890 million Euro in 2008. The breakdown of personnel expenses is as follows:

| MILLION EURO | 2009 | 2008[1] |
|---|---|---|
| Wages and salaries | 623 | 673 |
| Social security contributions | 139 | 151 |
| Expenses for post-employment | 35 | 27 |
| Personnel related restructuring expenses | 32 | 37 |
| Other personnel expenses | 14 | 2 |
| TOTAL | **843** | **890** |

[1] As reported 2008, restated. The breakdown of personnel expenses has been elaborated with personnel related restructuring expenses. Comparative information for 2008 has been restated.

Expenses for post-employment contain expenses for defined benefit plans related to active employees and expenses for defined contribution plans.

The average number of employees in equivalent heads for 2009 amounted to 11,508 (2008: 12,486). Classified per corporate function, this average can be presented as follows:

| | 2009 | 2008 |
|---|---|---|
| Manufacturing / Engineering | 3,896 | 4,156 |
| R&D | 1,377 | 1,543 |
| Sales & Marketing / Service | 4,392 | 4,708 |
| Administration | 1,843 | 2,079 |
| TOTAL | **11,508** | **12,486** |

## 12. INTANGIBLE ASSETS

| MILLION EURO | Goodwill | Intangible assets with indefinite useful lives | Intangible assets with finite useful lives | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Trademarks | Capitalized development costs | Technology | Contractual customer relationships | Trademarks | Management information systems | Industrial property rights and other licences | Advance payments to acquire intangible assets | TOTAL |
| **Gross carrying amount December 31, 2007** | 553 | 17 | 29 | 203 | 90 | 5 | 90 | 85 | - | 1,072 |
| Exchange differences | (18) | - | - | (1) | - | - | 1 | - | - | (18) |
| Change in consolidation scope | - | - | - | - | - | - | - | - | - | - |
| Capital expenditures | - | - | 4 | - | - | - | 2 | 8 | - | 14 |
| Retirements | - | - | - | - | - | - | - | (3) | - | (3) |
| Transfers | - | - | - | - | - | - | - | (2) | - | (2) |
| **Gross carrying amount December 31, 2008** | 535 | 17 | 33 | 202 | 90 | 5 | 93 | 88 | - | 1,063 |
| Exchange differences | 13 | - | 1 | 2 | 1 | - | (1) | (1) | - | 15 |
| Change in consolidation scope | 6 | - | - | 7 | - | - | - | - | - | 13 |
| Capital expenditures | - | - | 2 | - | - | - | 1 | 15 | - | 18 |
| Retirements | (1) | - | - | - | (1) | - | - | (30) | - | (32) |
| Transfers | - | - | - | - | - | - | - | 1 | - | 1 |
| **Gross carrying amount December 31, 2009** | 553 | 17 | 36 | 211 | 90 | 5 | 93 | 73 | - | 1,078 |
| **Accumulated amortization, write-downs and impairment losses December 31, 2007** | 0 | 0 | 8 | 68 | 34 | 3 | 77 | 66 | - | 256 |
| Exchange differences | (1) | (1) | - | - | - | - | 1 | 1 | - | 0 |
| Change in consolidation scope | - | - | - | - | - | - | - | - | - | - |
| Amortization and write-downs during the year | - | - | 6 | 18 | 5 | 1 | 5 | 7 | - | 42 |
| Impairment loss during the year | 84 | 5 | - | 12 | 18 | - | - | - | - | 119 |
| Retirements | - | - | - | - | - | - | - | (1) | - | (1) |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| **Accumulated amortization, write-downs and impairment losses December 31, 2008** | 83 | 4 | 14 | 98 | 57 | 4 | 83 | 73 | - | 416 |
| Exchange differences | 2 | - | - | 2 | - | - | (1) | (1) | - | 2 |
| Change in consolidation scope | - | - | - | - | - | - | - | - | - | - |
| Amortization and write-downs during the year | - | - | 7 | 13 | 3 | 1 | 4 | 5 | - | 33 |
| Impairment loss during the year | - | - | - | - | - | - | - | 1 | - | 1 |
| Retirements | - | - | - | - | - | - | - | (22) | - | (22) |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| **Accumulated amortization, write-downs and impairment losses December 31, 2009** | 85 | 4 | 21 | 113 | 60 | 5 | 86 | 56 | - | 430 |
| **Net carrying amount December 31, 2007** | 553 | 17 | 21 | 135 | 56 | 2 | 13 | 19 | - | 816 |
| **Net carrying amount December 31, 2008** | 452 | 13 | 19 | 104 | 33 | 1 | 10 | 15 | - | 647 |
| **Net carrying amount December 31, 2009** | 468 | 13 | 15 | 98 | 30 | 0 | 7 | 17 | - | 648 |

Capital expenditures for intangible assets amount to 18 million euro. Cash outflows for additions to intangible assets amount to 7 million euro in the consolidated statement of cash flows. The difference of 11 million euro relates to attributed emission rights which did not result in a cash outflow.

During the fourth quarter of 2009, the Group has tested its intangible assets with indefinite useful lives and goodwill for possible impairment (see infra). With regard to the intangible assets with finite useful lives, there were in 2009 no indications for impairment.

In 2008, as a result of the impairment exercises and analyses at that time the Group recognized an impairment loss on the following intangible assets with finite useful lives: trademarks (5 million Euro), technology (12 million Euro), and contractual customer relationships (18 million Euro).

## IMPAIRMENT TESTS FOR GOODWILL

For the financial statements of the Group, goodwill is tested for impairment annually and whenever there is an indication of impairment. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit.
In line with the definition of cash-generating units, the management of the Group has identified the reportable segments as the cash-generating units, i.e. Graphics, HealthCare and Specialty Products. The reportable segment is the lowest level within the Group at which the goodwill is monitored for internal management purposes.
The impairment test for goodwill is performed by comparing the carrying amount of each cash-generating unit (CGU) to its recoverable amount. The recoverable amount of the CGU has been determined based upon a value in use calculation.

The value in use is determined as the present value of estimated future cash flows that are derived from the current long-term planning of the Group. The discount rate used in calculating the present value of the estimated future cash flows, is a pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the CGU.

The discount rate used to calculate the CGU's value in use is based on an average market participant's weighted average cost of capital (WACC) increased with an additional risk premium to both the cost of equity and the cost of debt.

The pre-tax discount rates used in calculating the present values of estimated future cash flows are derived from the WACC by means of iteration.

### CGU Graphics

At December 31, 2009, the carrying amount of the CGU Graphics comprises goodwill of 27 million Euro.

In the fourth quarter of 2009, the Group performed its annual impairment test for goodwill for the CGU Graphics and, based on the assumptions used, the calculated value in use is higher than its carrying amount and no impairment loss was recognized.

The value in use of the CGU Graphics has been determined based on estimated cash flow projections covering the next five years. The estimated cash flow projections are based upon the strategic business plan formally approved by the Board of Directors. For the determination of the terminal value, cash flows are assumed to remain stable beyond the planning period of five years (terminal growth rate is slightly positive).

The key assumptions used in the annual impairment test are determined by the reportable segment's key management and are based on past performance and management's expectations for the market development.

Key assumptions are:

- Pre-tax discount rate: 11.71%.
- Aluminum and silver prices have been considered at their expected cost prices for the Group.
- Net working capital: the estimated future cash flows take into account strong efforts to improve working capital.
- Sales and gross margin: sales and gross margin reflect management's best expectations, based on past experience and taken into account the specific business risks.

### CGU HealthCare

At December 31, 2009, the carrying amount of the CGU HealthCare comprises goodwill of 440 million Euro.

In the fourth quarter of 2009, the Group performed its annual impairment test for goodwill for the CGU HealthCare. Based on the assumptions used, the calculated value in use of the CGU was higher than its carrying amount and no impairment loss was recognized.

The value in use of the CGU HealthCare has been determined based on estimated cash flow projections covering the next five years. The estimated cash flow projections are based upon the strategic business plan formally approved by the Board of Directors. For the determination of the terminal value, cash flows are assumed to remain stable beyond the planning period of five years (terminal growth rate is slightly positive).

The main assumptions used in the annual impairment test are determined by the reportable segment's key management and are based on past performance and management's expectations for the market development.

Key assumptions are:

- Pre-tax discount rate: 14.83%.
- Silver prices have been considered at their expected cost prices for the Group.
- Net working capital: the estimated future cash flows in the five-year plan take into account strong efforts in improving working capital.
- Sales and gross margin: sales and gross margin reflect management's best expectations, based on past experience and taken into account the specific business risks. In the five-year plan, it is assumed that the decline in sales of the traditional imaging business will be absorbed by the increase in sales of the division Information Technologies. The global growth of HealthCare IT is the main driver for achieving the business plan, enabled by introducing existing IT solutions – e.g. IMPAX, ORBIS, Cardio – to multiple countries. A strong focus on achieving cost efficiencies is incorporated in the plan.

### CGU Specialty Products

At December 31, 2009, the carrying amount of the CGU Specialty Products comprises goodwill of 1 million Euro.

For the CGU Specialty Products, the calculated value in use is higher than its carrying amount. The value in use of the CGU Specialty Products has been determined based on cash flow projections covering the next five years. The cash flow projections are based upon a business plan formally approved by the Board of Directors which foresees a growth in new businesses, based on Agfa's core competences, (Synaps synthetic paper, membranes, functional fluids, materials for security and identification cards, conductive organic products) that should largely compensate for the expected decrease in the classic film business. Management consequently expects an improvement of the gross margin.

## 13. PROPERTY, PLANT AND EQUIPMENT

| MILLION EURO | Land, buildings and infra-structure | Machinery and technical equipment | Furniture, fixtures and other equipment | Construction in progress and advance payments to vendors and contractors | TOTAL |
|---|---|---|---|---|---|
| **Gross carrying amount December 31, 2007** | 381 | 1,434 | 256 | 26 | 2,097 |
| Exchange differences | (1) | 11 | - | - | 10 |
| Change in consolidation scope | - | - | - | - | - |
| Capital expenditures | 2 | 13 | 14 | 20 | 49 |
| Retirements | (20) | (11) | (15) | (1) | (47) |
| Transfers | - | 19 | 1 | (21) | (1) |
| **Gross carrying amount December 31, 2008** | 362 | 1,466 | 256 | 24 | 2,108 |
| Exchange differences | - | (6) | - | - | (6) |
| Change in consolidation scope | - | - | - | - | - |
| Capital expenditures | 1 | 9 | 8 | 16 | 34 |
| Retirements | (3) | (17) | (23) | - | (43) |
| Transfers | - | 15 | 5 | (22) | (2) |
| **Gross carrying amount December 31, 2009** | 360 | 1,467 | 246 | 18 | 2,091 |
| **Accumulated depreciation, write-downs and impairment losses December 31, 2007** | 250 | 1,230 | 210 | - | 1,690 |
| Exchange differences | 2 | 7 | - | - | 9 |
| Change in consolidation scope | - | - | - | - | - |
| Depreciation and write-downs during the year | 8 | 46 | 20 | - | 74 |
| Impairment loss during the year | - | - | - | - | - |
| Retirements | (14) | (10) | (12) | - | (36) |
| Transfers | - | 1 | 1 | - | 2 |
| **Accumulated depreciation, write-downs and impairment losses December 31, 2008** | 246 | 1,274 | 219 | - | 1,739 |
| Exchange differences | (1) | (5) | 1 | - | (5) |
| Change in consolidation scope | - | - | - | - | - |
| Depreciation and write-downs during the year | 7 | 44 | 18 | - | 69 |
| Impairment loss during the year | - | - | - | - | - |
| Retirements | (1) | (16) | (20) | - | (37) |
| Transfers | - | (4) | 3 | - | (1) |
| **Accumulated depreciation, write-downs and impairment losses December 31, 2009** | 251 | 1,293 | 221 | - | 1,765 |
| **Net carrying amount December 31, 2007** | 131 | 204 | 46 | 26 | 407 |
| **Net carrying amount December 31, 2008** | 116 | 192 | 37 | 24 | 369 |
| **Net carrying amount December 31, 2009** | 109 | 174 | 25 | 18 | 326 |

Exchange differences arise from translating opening and closing values of foreign companies' figures at the respective exchange rates.

The Group, as lessee, leases mainly production equipment under a number of finance lease agreements. At the end of the lease term, the Group has the option to purchase the leased asset at a beneficial price. As of December 31, 2009 the net carrying amount of fixed assets held under finance leases amounted to 1 million Euro (2008: 1 million Euro). The leased assets secure lease obligations (note 21). Lease payments do not include contingent rent.

The Group, as lessor, included assets subject to operating leases in its balance sheet under the captions 'Buildings' and 'Other Equipment'. The depreciation of these assets is consistent with the Group's normal depreciation policy. At the end of December 2009, the assets subject to operating leases have a total net carrying amount of 5 million Euro (2008: 8 million Euro). The future minimum lease income under non-cancellable operating leases is presented in note 24.

## 14. INVESTMENTS

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Held-to-maturity investments | - | - |
| Financial assets designated at fair value through profit and loss | 2 | 2 |
| Available-for-sale financial assets | 1 | 7 |
| Investments in associated companies | 4 | 2 |
| Loans and receivables | 2 | 2 |
| TOTAL | 9 | 13 |

Available-for-sale financial assets comprise investments in equity securities, other than associated companies, and are stated at fair value, except for unquoted equity instruments whose fair value cannot be estimated reliably. Available-for-sale financial assets carried at fair value (December 31, 2009: 1 million Euro; December 31, 2008: 1 million Euro) mainly comprise some shares in an investment fund.

Financial assets designated at fair value through profit and loss comprise an investment in a mutual fund designated as such upon initial recognition. Changes in the fair value of both the financial asset and the corresponding liability are recognized in profit and loss.

## 15. INVENTORIES

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Raw materials and auxiliaries | 59 | 77 |
| Work in progress & semi-finished goods | 129 | 143 |
| Finished goods | 33 | 47 |
| Goods purchased for resale including spare parts | 206 | 248 |
| Inventory in transit & other inventory | 56 | 60 |
| TOTAL | 483 | 575 |

In 2009, inventories are written down to net realisable value for an amount of 29 million Euro (2008: 37 million Euro).
These write-downs are included in cost of sales in the consolidated income statement.

The cost of inventories recognized as an expense in the income statement was as follows:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Cost of raw materials, finished goods and goods purchased for resale | 1,079 | 1,240 |
| Cost of services purchased | 118 | 139 |
| TOTAL | 1,197 | 1,379 |

## 16. OTHER RECEIVABLES AND OTHER ASSETS

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Financial assets classified as loans & receivables** | **287** | **241** |
| Receivables under finance leases | 144 | 178 |
| Deferred purchase price related to securitization programs | 71 | - |
| Receivables against AgfaPhoto Group companies | 33 | 32 |
| Accrued interest on loans receivable | 1 | 1 |
| Other financial assets | 38 | 30 |
| **Other assets** | **32** | **27** |
| TOTAL | 319 | 268 |

### RECEIVABLES UNDER FINANCE LEASES

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. These receivables amounted to 151 million Euro as of December 31, 2009 (2008: 190 million Euro) and will bear interest income until their maturity dates of 17 million Euro (2008: 22 million Euro). As of December 31, 2009, the write-downs on the receivables under finance leases amounted to 7 million Euro (2008: 12 million Euro).

The receivables under finance leases are as follows:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| MILLION EURO | Total future payments | Unearned interest income | Present value | Total future payments | Unearned interest income | Present value |
| Not later than one year | 72 | 8 | 64 | 84 | 10 | 74 |
| Between one and five years | 95 | 9 | 86 | 127 | 12 | 115 |
| Later than five years | 1 | - | 1 | 1 | - | 1 |
| TOTAL | 168 | 17 | 151 | 212 | 22 | 190 |

The Group leases out its commercial equipment under finance leases via Agfa Finance NV and its subsidiaries.

At the inception of the lease, the present value of the minimum lease payments generally amounts to at least 90% of the fair value of the leased assets.

The major part of the leases concluded with Agfa Finance typically run for a non-cancellable period of four years. The contracts generally include an option to purchase the leased equipment after that period at a price that generally lies between 2% and 5% of the gross investment at the inception of the lease. Sometimes, the fair value of the leased asset is paid back by means of a purchase obligation for consumables at a value higher than its market value, in such a way that this mark-up is sufficient to cover the amount initially invested by the lessor. In these types of contracts the mark-up and/or the lease term can be subject to change.

Agfa Finance offers its products via its subsidiaries in the USA, Canada, Australia, France, Italy and Poland and its branches in Europe (Spain, Switzerland, Benelux, Germany, UK and the Nordic countries) and Japan. As of December 31, 2009, the present value of the total future lease payments for Agfa Finance amounted to 151 million Euro (2008: 168 million Euro).

Agfa Corporation does no longer have a lease portfolio. As of December 31, 2008, the present value of the total future lease payments amounted to 22 million Euro.

During 2009, the Group has sold receivables under finance lease amounting to 13 million Euro, on which a loss of 1 million Euro has been realized.

### DEFERRED PURCHASE PRICE RELATED TO SECURITIZATION PROGRAMS

In the course of 2009 the Group has entered into two securitization programs of accounts receivable: one for the Graphics business and another for the HealthCare business. As part of these programs, the Group has entered into various agreements with a consortium of three banks. Under the securitization programs, the Group disposes of maximum funding capacity of 160 million Euro, negotiated until June 2011.

The various agreements concluded in the framework of the securitization programs comprise a ‘Receivables Purchase Agreement’ which constitutes a true sale of receivables. The transfer of risks and rewards under the structure of this agreement has been evaluated based on the Group’s exposure, before and after the transfer of receivables, to the variability in amount and timing of the net cash flows. This evaluation revealed that the Group retains only a minor portion of the credit risk and the late payment risk.

The aforementioned agreement foresees in periodic settlements which comprise an Initial Purchase Price, determined and fixed upon each sale transaction and a deferred price mechanism primarily considering the dilution risk.

As of December 31, 2009, the receivable amounts to 71 million Euro, which results from the deferred purchase price mechanism and the time gap between the selling date and the settlement date of the accounts receivables sold.

### RECEIVABLES AGAINST AGFAPHOTO GROUP COMPANIES

In connection with the sale of its Consumer Imaging business to the AgfaPhoto group of companies in 2004, the Group had agreed to act – for a limited period of time – as a service provider and distributor for AgfaPhoto group companies.

Immediately after the insolvency filing of AgfaPhoto GmbH, the Group agreed to continue to perform certain distribution, invoicing and collection activities for the account of AgfaPhoto GmbH and its subsidiaries. According to an agreement with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH, the Group should pay for the goods supplied by AgfaPhoto GmbH only after payment by the end customer itself and to the extent that the Group itself would not be exposed to additional commercial and financial risks.

Since the insolvency of AgfaPhoto GmbH, several settlements with respect to the outstanding balances resulting from distribution, supply and service agreements were achieved (e.g. in Belgium, Spain and France), while the receiver of AgfaPhoto GmbH initiated in December 2007 arbitration proceedings before the ICC International Court of Arbitration in Paris, France, in connection with a dispute over such outstanding balances.

In 2008, the receiver of AgfaPhoto Austria Ges.m.b.H. also initiated ICC arbitration proceedings in connection with a dispute over the outstanding balances resulting from the distribution, supply and service agreements in Austria.

Both aforementioned ICC arbitration proceedings are still ongoing.

The Group has adequately constituted provisions for probable losses related to the distribution agreement and the different settlements. Further information is provided in notes 2 and 25.

## 17. ASSETS CLASSIFIED AS HELD FOR SALE

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Land and buildings | **1** | - |

In 2008 there were no assets classified as held for sale.

## 18. CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents with its corresponding balance sheet items can be presented as follows:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Marketable securities and other instruments | 1 | 7 |
| Cash on hand, demand deposits and checks | 118 | 143 |
| **Total cash and cash equivalents as reported in the consolidated balance sheet** | **119** | **150** |
| Accounts receivable under cash management agreements (reported in the balance sheet as Other receivables) | 1 | 1 |
| Liabilities under cash management agreements (reported in the balance sheet as Other liabilities) | (2) | (2) |
| **Total cash and cash equivalents as reported in the consolidated statement of cash flows** | **118** | **149** |

## 19. EQUITY

The various components of Equity and the changes therein from January 1, 2008 to December 31, 2009 are presented in the Consolidated Statements of Equity.

### CAPITAL STOCK AND SHARE PREMIUM

The issued capital of the Company as of December 31, 2009 amounts to 140 million Euro, represented by 128,888,282 fully paid ordinary shares without par value.

### RESERVE FOR OWN SHARES

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At December 31, 2009 the Group held 4,099,852 (2008: 4,099,852) of the Company's shares. During 2009, no stock options were exercised.

### REVALUATION RESERVE

The revaluation reserve mainly comprises the revaluation of the Group's investment in Medivision Medical Imaging Ltd., classified as available-for-sale, and some other small investments. During 2009, an investment classified as available-for-sale was subject to an impairment loss as a result of a significant and prolonged decline in the fair value of the investment below its cost. The amount of the cumulative loss (1 million Euro) was reclassified from equity to net finance costs (note 9).

### SHARE-BASED PAYMENT RESERVE

The share-based payment reserve comprises the calculated fair value of share-based payment transactions. This calculated fair value has been expensed over the vesting period with a corresponding increase in equity, in previous accounting periods.

### HEDGING RESERVE

During 2009, the Group concluded a number of metal swap agreements with an investment bank. These swap agreements have been designated as 'cash flow hedges', hedging the Group's exposure to fluctuations in commodity prices related to highly probable forecasted purchases of commodities. It relates to commodity contracts that were entered into and continue to be held for the purpose of the receipt of commodities in accordance with the Group's expected usage requirements. The portion of the gain or loss on the swap contracts that is determined to be an effective hedge is recognized directly in equity (December 31, 2009: 2 million Euro).

In the course of 2008, the Group designated foreign exchange contracts as 'cash flow hedges' of its foreign currency exposure in US Dollar related to highly probable forecasted purchases of commodities. Commodity contracts that were entered into and continue to be held for the purpose of the receipt of commodities in accordance with the Group's expected usage requirements. The portion of the gain or loss on the forward exchange contracts that is determined to be an effective hedge (December 31, 2008: 9 million Euro) has been reclassified from equity to cost of sales during 2009 upon occurrence of the forecasted purchase of the commodity.

During 2008, in the framework of the turmoil on the financial markets at that time, some commodity contracts with initial value dates in 2009 were rolled over to contracts with same terms and characteristics but shorter value dates. The resulting gain (December 31, 2008: 3 million Euro) was recognized in equity and remained in equity until the commodities were purchased by the Group in line with the expected usage requirement. During 2009, the gain has been recognized in cost of sales.

### TRANSLATION DIFFERENCES

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign group companies, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

### DIVIDENDS

In 2008, no dividend has been paid out based on the decision of the General Assembly of Shareholders of Agfa-Gevaert NV on April 29, 2008.
In 2009, no dividend has been paid out based on the decision of the General Assembly of Shareholders of Agfa-Gevaert NV on April 28, 2009.
For 2010, no dividend has been recommended by the Board of Directors.

### NON–CONTROLLING INTEREST

In December 2009, the Group sold 1% of its investment in PlanOrg Medica GmbH, hereby decreasing its ownership interest from 51% to 50%. The carrying amount of the non-controlling interest has been decreased accordingly (2 million Euro) (note 5).

## 20. EMPLOYEE BENEFITS

### (A) LIABILITIES FOR POST-EMPLOYMENT AND LONG-TERM BENEFIT PLANS

Agfa-Gevaert Group companies maintain retirement benefits in most countries in which the Group operates. These plans generally cover all employees and generally provide benefits that are related to an employee's remuneration and years of service. The Group also provides post-retirement medical benefits in the US and long-term benefit plans in Germany. These benefits are accounted for under IAS 19 and are treated as post-employment and long-term benefit plans. At December 31, 2009, the Group's total net liability for post-employment and long-term benefit plans amounted to 570 million Euro (601 million Euro at December 31, 2008), comprising of the following:

| MILLION EURO | December 31, 2008 | December 31, 2009 |
|---|---|---|
| Net liability for material countries | 456 | 436 |
| Net liability for termination benefits | 111 | 100 |
| Net liability for non-material countries | 34 | 34 |
| **Total net liability** | **601** | **570** |

The principle for determining the Group's material countries is based on the level of IAS 19 pension expense. Material countries represent more than 90% of the Group's total IAS 19 pension expense.

#### Defined Contribution Plans

In the case of defined contribution plans, Agfa-Gevaert Group companies pay contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, the Group companies have no further payment obligation. The regular contributions constitute an expense for the year in which they are due. In 2009, the defined contribution plan expense for the Group's material countries amounted to 9 million Euro (10 million Euro in 2008).

In Germany, all employees of Agfa-Gevaert HealthCare GmbH, Agfa-Gevaert Graphic Systems GmbH, and of Agfa Deutschland Vertriebsgesellschaft mbH & Cie stopped participating in the Bayer Pensionskasse at the end of 2009. As of 2010, these employees will start participating in the Rheinische Pensionskasse. Once the contributions have been paid, the Group companies have no further payment obligation towards the Rheinische Pensionskasse. Therefore, the Group accounts for this plan as a defined contribution plan.

#### Defined Benefit Plans

In the UK and the US, the defined benefit retirement plans are closed to new entrants and in the US, employees do not accrue future service benefits anymore.

In 2009, the Group decided to make changes to its defined benefit retirement and post retirement medical plans in Germany, UK and the US.

In the US, the past service retirement benefits are no longer linked to future salary increases and eligibility conditions for the post-retirement medical plan were changed. Following this plan changes, employees can only become eligible for post-retirement medical benefits if they meet the age of 50 with 10 years of service as of April 1, 2009.

As of 2010, employees in the UK do not accrue future service benefits anymore and past service benefits are no longer linked to future salary increases.

In Germany, changes were made to the supplemental retirement plan in line with the changes to the defined contribution plan and a new top-up plan is provided as of 2010. The top-up plan is a direct pension promise that depends on the age of the employee. Both plans are classified as defined benefit plans.

For the defined benefit plans, the total expense for 2009 for the Group's material countries amounted to 71 million Euro (46 million Euro for 2008).

| MILLION EURO | 2008 Retirement plans | 2008 Other post-employment and long-term benefit plans | 2008 TOTAL | 2009 Retirement plans | 2009 Other post-employment and long-term benefit plans | 2009 TOTAL |
|---|---|---|---|---|---|---|
| Service cost, exclusive of employee contributions | 16 | 1 | **17** | 13 | 1 | **14** |
| Interest cost | 89 | 4 | **93** | 94 | 4 | **98** |
| Expected return on assets | (68) | 0 | **(68)** | (50) | 0 | **(50)** |
| Recognized past service cost | 0 | 1 | **1** | (7) | 1 | **(6)** |
| Amortization of unrecognized (Gain) / Losses | 4 | 0 | **4** | 25 | 0 | **25** |
| (Gain) / Losses on settlements or curtailments | (1) | 0 | **(1)** | (8) | (2) | **(10)** |
| **Net periodic pension cost** | **40** | **6** | **46** | **67** | **4** | **71** |

For 2009, the past service cost of (7) million Euro and gain on curtailments of (10) million Euro mainly relate to the plan changes in the US and Germany.

The change in net liability recognized during the years 2008 and 2009 is set out in the table below.

| MILLION EURO | 2008 Retirement plans | 2008 Other post-employment and long-term benefit plans | 2008 TOTAL | 2009 Retirement plans | 2009 Other post-employment and long-term benefit plans | 2009 TOTAL |
|---|---|---|---|---|---|---|
| Net liability at January 1 | 433 | 47 | **480** | 406 | 50 | **456** |
| Net periodic pension cost | 40 | 6 | **46** | 67 | 4 | **71** |
| Employer contributions | (76) | (6) | **(82)** | (82) | (6) | **(88)** |
| Currency effects: charge (or credit) | 9 | 3 | **12** | (2) | (1) | **(3)** |
| **Net liability at December 31** | **406** | **50** | **456** | **389** | **47** | **436** |

During the next fiscal year 2010, the Group expects to contribute 93 million Euro for its material retirement and other post-employment plans.

The defined benefit obligation, plan assets and funded status for the Group's material countries are shown below.

At December 31, 2009, the total defined benefit obligation for the Group amounted to 1,782 million Euro (1,590 million Euro at December 31, 2008). Of this amount, 1,067 million Euro (948 million Euro at December 31, 2008) related to wholly or partly funded plans and 715 million Euro (642 million Euro at December 31, 2008) related to unfunded plans.

| MILLION EURO | 2008 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Retirement plans | Other post-employment and long-term benefit plans | TOTAL | Retirement plans | Other post-employment and long-term benefit plans | TOTAL |
| **Change in defined benefit obligation** | | | | | | |
| Defined benefit obligation at January 1 | 1,633 | 65 | **1,698** | 1,525 | 65 | **1,590** |
| Service cost, exclusive of employee contributions | 16 | 1 | **17** | 13 | 1 | **14** |
| Employee contributions | 1 | 0 | **1** | 1 | 0 | **1** |
| Interest cost | 89 | 4 | **93** | 94 | 4 | **98** |
| Benefit payments | (102) | (6) | **(108)** | (107) | (6) | **(113)** |
| Past service cost | 0 | 0 | **0** | (7) | 0 | **(7)** |
| Settlement or curtailment | (2) | 0 | **(2)** | (10) | (3) | **(13)** |
| Actuarial (gains) / losses | (54) | (2) | **(56)** | 204 | 7 | **211** |
| Currency effects: charge (or credit) | (56) | 3 | **(53)** | 3 | (2) | **1** |
| **Defined benefit obligation at December 31** | **1,525** | **65** | **1,590** | **1,716** | **66** | **1,782** |
| **Change in Plan Assets** | | | | | | |
| Fair value of assets at January 1 | 985 | 0 | **985** | 731 | 0 | **731** |
| Employer contributions | 76 | 6 | **82** | 82 | 6 | **88** |
| Employee contributions | 1 | 0 | **1** | 1 | 0 | **1** |
| Actual return on assets | (180) | 0 | **(180)** | 111 | 0 | **111** |
| Benefit payments | (102) | (6) | **(108)** | (107) | (6) | **(113)** |
| Currency effects: (charge) or credit | (49) | 0 | **(49)** | 4 | 0 | **4** |
| **Fair value of assets at December 31** | **731** | **0** | **731** | **822** | **0** | **822** |
| **Funded Status at December 31** | | | | | | |
| Funded status | (794) | (65) | **(859)** | (894) | (66) | **(960)** |
| Unrecognized net (gain) or loss | 388 | 14 | **402** | 505 | 19 | **524** |
| Unrecognized past service cost | 0 | 1 | **1** | 0 | 0 | **0** |
| **Net (liability) at December 31** | **(406)** | **(50)** | **(456)** | **(389)** | **(47)** | **(436)** |

### Principal actuarial assumptions at balance sheet date (weighted averages)

| | December 31, 2008 | December 31, 2009 |
|---|---|---|
| Discount rate | 6.3% | 5.3% |
| Expected return on plan assets | 6.8% | 6.9% |
| Future salary increases | 3.0% | 2.8% |

Discount rate and salary increases have been weighted by the defined benefit obligation. Expected return on plan assets has been weighted by fair value of plan assets.

### History of Asset values, DBO, Surplus / Deficit in Scheme and Experience Gains and Losses

| MILLION EURO | December 31, 2008 | December 31, 2009 |
|---|---|---|
| Fair value of plan assets | 731 | 822 |
| Present value of defined benefit obligation | 1,590 | 1,782 |
| Surplus / (Deficit) in the plan | (859) | (960) |

| MILLION EURO | 2008 | 2009 |
|---|---|---|
| Experience gains / (losses) on plan assets | (248) | 61 |
| Experience gains / (losses) on plan liabilities | (35) | (2) |
| Gain / (loss) on plan liabilities due to change in assumptions | 91 | (209) |

### Fair value of assets, split by major asset class

| MILLION EURO | December 31, 2009 |
|---|---|
| Equity instruments | 426 |
| Debt instruments | 388 |
| Other | 8 |
| TOTAL | 822 |

## (B) EQUITY COMPENSATION BENEFITS

### I. Long Term Incentive Plan (tranche no. 1)

On November 10, 1999, the Group established a stock warrant plan (the Long Term Incentive Plan – tranche no. 1) for the members of the Board of Management (today: Executive Management) of the Company and of the 'Vorstand' of Agfa-Gevaert AG and certain key managers. 'One' warrant gives the holder the right to subscribe to 'one' new ordinary share of the Company. In total 581,100 warrants were issued and allocated to the beneficiaries of the plan. Each beneficiary was entitled to receive 13 warrants for each share in the Company which they had purchased and deposited as the Initial Investment. The warrants were offered free of charge for shares of the Initial Investment acquired at 22 Euro per share (or higher). For an Initial Investment lower than 22 Euro per share a price equal to 1/13 of the positive difference between 22 Euro per share and the price effectively paid per share had to be paid. In accordance with the program, the warrants are only exercisable as from January 1, 2003 until November 10, 2008, after which date they become null and void. The exercise price of the warrants is equal to 22 Euro.

The following table summarizes information about the stock warrants outstanding at December 31, 2009:

| | |
|---|---|
| Warrants granted | 581,100 |
| Warrants forfeited during 2001 | 19,500 |
| Warrants forfeited during 2002 | 78,000 |
| Warrants forfeited during 2003 | 58,500 |
| Warrants forfeited during 2004 | 249,600 |
| Warrants forfeited during 2005 | 13,000 |
| Warrants exercised during 2005 | 88,282 |
| Warrants forfeited during 2006 | 18,359 |
| Warrants forfeited during 2008 | 55,859 |
| **Warrants outstanding at December 31, 2009** | **0** |

### II. Long Term Incentive Plan (tranche no. 2)

On April 25, 2000, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 2) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels VII, VIII and IX of the Company or at equivalent levels within the Group, designated thereto by the Board of Management (today: Executive Management) of the Company. 'One' option gives the holder the right to buy 'one' ordinary share of the Company. In total 416,950 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from January 1, 2004 until June 5, 2009, after which date they become null and void. The exercise price of the options is equal to 22 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 416,950 |
| Options forfeited during 2001 | 15,000 |
| Options forfeited during 2003 | 17,100 |
| Options forfeited during 2004 | 193,300 |
| Options exercised during 2004 | 4,200 |
| Options exercised during 2005 | 86,778 |
| Options forfeited during 2006 | 6,300 |
| Options forfeited during 2007 | 10,500 |
| Options forfeited during 2008 | 28,950 |
| Options forfeited during 2009 | 54,822 |
| **Options outstanding at December 31, 2009** | **0** |

### III. Long Term Incentive Plan (tranche no. 3)

On June 18, 2001, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 3) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. ‘One’ option gives the holder the right to buy ‘one’ ordinary share of the Company. In total 522,940 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from July 6, 2004 until July 6, 2010, after which date they become null and void. The exercise price of the options is equal to 20 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 522,940 |
| Options forfeited during 2001 | 19,000 |
| Options forfeited during 2003 | 19,000 |
| Options forfeited during 2004 | 6,200 |
| Options exercised during 2004 | 50,480 |
| Options exercised during 2005 | 164,230 |
| Options forfeited during 2006 | 3,100 |
| Options forfeited during 2007 | 3,100 |
| **Options outstanding at December 31, 2009** | **257,830** |

### IV. Long Term Incentive Plan (tranche no. 4)

On June 17, 2002, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 4) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. ‘One’ option gives the holder the right to buy ‘one’ ordinary share of the Company. In total 600,300 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from August 26, 2005 until August 27, 2011, after which date they become null and void. The exercise price of the options is equal to 18 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 600,300 |
| Options forfeited during 2002 | 6,300 |
| Options forfeited during 2003 | 31,500 |
| Options exercised during 2005 | 7,800 |
| Options exercised during 2006 | 2,460 |
| Options forfeited during 2006 | 5,800 |
| Options exercised during 2007 | 2,900 |
| Options forfeited during 2007 | 2,900 |
| Options forfeited during 2009 | 5,800 |
| **Options outstanding at December 31, 2009** | **534,840** |

### V. Long Term Incentive Plan (tranche no. 5)

On April 29, 2003, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 5) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. 'One' option gives the holder the right to buy 'one' ordinary share of the Company. In total 567,974 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from July 28, 2006 until July 27, 2013, after which date they become null and void. The exercise price of the options is equal to 18.27 Euro.

The fair value of the Long Term Incentive Plan tranche no. 5 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

| | |
|---|---|
| Fair value of option granted | 6.60 |
| Share price | 18.63 |
| Exercise price | 18.27 |
| Grant date | September 26, 2003 |
| Expected volatility | 32.40 % |
| Expected dividends / year | 0.60 |
| Risk-free interest rate curve | 2.09%-4.34 % |

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options granted under the Long Term Incentive Plan tranche no. 5 vested in July 2006, after a 3-year period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 567,974 |
| Options forfeited during 2004 | 2,800 |
| Options exercised during 2006 | 2,800 |
| Options forfeited during 2006 | 5,600 |
| Options forfeited during 2007 | 11,450 |
| Options forfeited during 2009 | 5,600 |
| **Options outstanding at December 31, 2009** | **539,724** |

### VI. Long Term Incentive Plan (tranche no. 6 and no. 6a)

On June 22, 2004, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 6 and no. 6a) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. 'One' option gives the holder the right to buy 'one' ordinary share of the Company. In total 488,880 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 6 are only exercisable as from August 10, 2007 until August 10, 2011, after which date they become null and void. The exercise price of the options is equal to 19.95 Euro.

The options offered under tranche no. 6a are only exercisable as from December 15, 2007 until December 14, 2011, after which date they become null and void. The exercise price of the options is equal to 24.02 Euro.

The fair value of the Long Term Incentive Plan tranche no. 6 and no. 6a at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

| | Tranche no. 6 | Tranche no. 6a |
|---|---|---|
| Fair value of option granted | 6.84 | 8.00 |
| Share price | 23.27 | 26.59 |
| Exercise price | 19.95 | 24.02 |
| Grant date | October 10, 2004 | February 13, 2005 |
| Expected volatility | 24.61% | 27.83% |
| Expected dividends / year | 0.60 | 0.56 |
| Risk-free interest rate | 3.67% | 3.00% |

Expected volatility is calculated based on historical volatility of the share price over a 1-year period.
The options granted under the Long Term Incentive Plan tranche no. 6 and no. 6a respectively vested in August and December 2007, after a 3-year vesting period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | Tranche no. 6 | Tranche no. 6a |
|---|---|---|
| Options granted | 471,380 | 17,500 |
| Options forfeited during 2005 | 3,080 | - |
| Options forfeited during 2006 | 5,600 | - |
| Options forfeited during 2007 | 11,300 | - |
| Options forfeited during 2008 | - | 12,500 |
| Options forfeited during 2009 | 5,600 | - |
| **Options outstanding at December 31, 2009** | **445,800** | **5,000** |

### VII. Long Term Incentive Plan (tranche no. 7)

On June 22, 2005, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 7) for the members of the Executive Management of the Company and executives employed at levels I and II of the Company and for specifically appointed personnel members of the Group. ‘One’ option gives the holder the right to buy ‘one’ ordinary share of the Company. In total 589,650 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 7 are only exercisable as from July 15, 2008 until July 15, 2012, after which date they become null and void. The exercise price of the options is equal to 22.57 Euro.

The fair value of the Long Term Incentive Plan tranche no. 7 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

| | |
|---|---|
| Fair value of option granted | 6.23 |
| Share price | 22.85 |
| Exercise price | 22.57 |
| Grant date | September 14, 2005 |
| Expected volatility | 28% |
| Expected dividends / year | 0.56 |
| Risk-free interest rate | 3% |

Expected volatility is calculated based on historical volatility of the share price over a 1-year period.
The options granted under the Long Term Incentive Plan tranche no. 7 vested in July 2008, after a 3-year vesting period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 589,650 |
| Options forfeited during 2006 | 33,200 |
| Options forfeited during 2007 | 72,160 |
| Options forfeited during 2008 | 45,190 |
| Options forfeited during 2009 | 2,900 |
| **Options outstanding at December 31, 2009** | **436,200** |

### VIII. Long Term Incentive Plan (tranche no. 8)

On June 21, 2006, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 8) for the members of the Executive Management of the Company and executives employed at levels I and II of the Company and for specifically appointed personnel members of the Group. 'One' option gives the holder the right to buy 'one' ordinary share of the Company. In total 733,570 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 8 are only exercisable as from July 17, 2009 until July 17, 2013, after which date they become null and void. The exercise price of the options is equal to 18.60 Euro.

The fair value of the Long Term Incentive Plan tranche no. 8 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

| | |
|---|---|
| Fair value of option granted | 4.17 |
| Share price | 18.12 |
| Exercise price | 18.60 |
| Grant date | September 15, 2006 |
| Expected volatility | 28.50% |
| Expected dividends / year | 0.56 |
| Risk-free interest rate | 4.18% |

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options granted under the Long Term Incentive Plan tranche no. 8 vested in July 2009, after a 3-year vesting period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2009:

| | |
|---|---|
| Options granted | 733,570 |
| Options forfeited during 2007 | 48,810 |
| Options forfeited during 2008 | 29,060 |
| Options forfeited during 2009 | 8,400 |
| **Options outstanding at December 31, 2009** | **647,300** |

The shares subject to the aforementioned stock option plans are covered by shares held in treasury.

## 21. LOANS AND BORROWINGS

| MILLION EURO | | 2009 | 2008 |
|---|---|---|---|
| **Non-current liabilities** | | **553** | **809** |
| Revolving multi-currency credit facility | (1) | 357 | 606 |
| Liabilities to banks | (2) | - | 2 |
| Debentures | (3) | 195 | 200 |
| Liabilities under finance lease agreements | (4) | 1 | 1 |
| | | | |
| **Current liabilities** | | **11** | **14** |
| Commercial paper program | | - | - |
| Revolving multi-currency credit facility | (1) | - | 6 |
| Liabilities to banks | (2) | 11 | 8 |
| Liabilities under finance lease agreements | (4) | - | - |

### [1] Revolving multi-currency committed unsecured credit facilities

The Company disposes of a revolving multi-currency committed credit facility for a total notional amount of 690 million Euro. In general, drawdowns under these lines are made for periods from 1 month up to 1 year but the Group has the discretion to roll-over the liability under the existing committed loan agreement. These loan facilities are unsecured.

The split over the relevant periods is as follows:

| MILLION EURO | Notional amount | | Outstanding amount | | Currency | Interest rate | |
|---|---|---|---|---|---|---|---|
| MATURITY DATE | 2009 | 2008 | 2009 | 2008 | | 2009 | 2008 |
| 2009 | - | 20 | - | 4 | CLP | - | 8.20%-12.12% |
| | | | - | 2 | COP | - | 17.98% |
| 2012 | 690 | 690 | 84 | 86 | USD | 1.09% | 4.32% |
| | | | 273 | 520 | EUR | 0.92%-0.94% | 3.06%-5.39% |
| TOTAL | **690** | **710** | **357** | **612** | | | |

### [2] Liabilities to banks

Maturities of long-term unsecured facilities were as follows:

| MILLION EURO | 2009 | | 2008 | |
|---|---|---|---|---|
| MATURING IN | Outstanding amount | Weighted average interest rate | Outstanding amount | Weighted average interest rate |
| < 5 years | - | - | 1 | 4.14% |
| > 5 years | - | - | 1 | 7.44% |
| TOTAL | **-** | | **2** | |

### Short-term facilities

Short-term liabilities to banks are mainly unsecured. The weighted average interest rate of these facilities is 3.79% (2008: 6.05%).

### [3] Debentures

In May 2005, the Company issued a bond with nominal value of 200 million Euro. The bond carries a 4.375% coupon and matures in June 2015. Interests are payable annually in arrear. The issue price was 101.956 %. The bond is carried at amortized cost.
During 2009 part of the bond (5 million Euro) was redeemed by the Company.
The realized gain (2 million Euro) was recognized in 'Net finance costs' (note 9).

### [4] Liabilities under finance lease agreements

Lease agreements in which the Group is a lessee, give rise to financial liabilities in the balance sheet, equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. These liabilities amounted to 1 million Euro as of December 31, 2009.

The financial liabilities are payable as follows:

| MILLION EURO | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Total future payments | Unexpired interest expense | Present value | Total future payments | Unexpired interest expense | Present value |
| Not later than one year | - | - | - | - | - | - |
| Between one and five years | 1 | - | 1 | 1 | - | 1 |
| Later than five years | - | - | - | - | - | - |
| **TOTAL** | **1** | **-** | **1** | **1** | **-** | **1** |

## 22. OTHER LIABILITIES

Other liabilities can be presented as follows:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Liabilities against AgfaPhoto Group companies | 33 | 34 |
| Liabilities for social expenses | 28 | 33 |
| Payroll liabilities | 11 | 14 |
| Accrued interest on liabilities | 6 | 8 |
| Other payables | 78 | 73 |
| **TOTAL** | **156** | **162** |

Liabilities against AgfaPhoto group companies result from agreements with the AgfaPhoto group companies or its receivers with regard to certain distribution, invoicing and collection activities. Further information is provided in note 16.

Liabilities for social expenses include, in particular, social insurance contributions that have not been paid at the balance sheet date.
Other payables comprise of numerous individual items such as guarantees, commissions to customers, liabilities under cash management, etc.

## 23. PROVISIONS

### A. CURRENT

| MILLION EURO | Environmental | Trade-related | Taxes | Other | TOTAL |
|---|---|---|---|---|---|
| **Provisions at December 31, 2008** | **13** | **44** | **80** | **118** | **255** |
| Change in consolidation scope | - | (1) | - | - | **(1)** |
| Provisions made during the year | 3 | 132 | 43 | 62 | **240** |
| Provisions used during the year | (1) | (121) | (26) | (57) | **(205)** |
| Provisions reversed during the year | (6) | (13) | (4) | (22) | **(45)** |
| Translation differences | - | - | - | - | **-** |
| Transfers | - | 2 | - | (12) | **(10)** |
| **Provisions at December 31, 2009** | **9** | **43** | **93** | **89** | **234** |

Provisions for trade-related commitments include subsequent payments to customers relating to goods and services purchased in the accounting period, such as customer bonuses or rebates in kind or in cash, warranty liabilities, agents' commissions and impending or anticipated losses on purchase or sales contracts.

Other provisions relate mainly to provisions set up for restructuring expenses (note 8). Other provisions moreover include provisions for litigation, claims and the negative outcome of commitments.

The Group is subject to numerous environmental requirements in various countries in which it operates, including those governing air and wastewater emissions, the management of hazardous materials and spill prevention and cleanup. In order to comply with applicable standards and regulations, the Group has made significant expenditures and set up provisions. Provisions for environmental protection relate to future relandscaping, landfill modernization and the remediation of land contaminated by past industrial operations. Provisions for environmental protection moreover include provisions for litigation with respect to environmental contamination.

### B. NON-CURRENT

| MILLION EURO | |
|---|---|
| **Provisions at December 31, 2008** | **64** |
| Provisions made during the year | 6 |
| Provisions used during the year | (2) |
| Provisions reversed during the year | (12) |
| Translation differences | - |
| Transfers | (12) |
| **Provisions at December 31, 2009** | **44** |

## 24. OPERATING LEASES

### Leases as lessee

The Group leases mainly buildings and infrastructure under a number of operating lease agreements. The future lease payments under these non-cancellable operating leases are due as follows:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Not later than one year | 47 | 44 |
| Between one and five years | 91 | 90 |
| Later than five years | 11 | 3 |
| TOTAL | **149** | **137** |

### Leases as lessor

The Group leases out business accommodation and other equipment under operating leases. Non-cancellable operating lease rentals are as follows:

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Not later than one year | 4 | 4 |
| Between one and five years | 4 | 5 |
| Later than five years | - | - |
| TOTAL | **8** | **9** |

## 25. COMMITMENTS AND CONTINGENCIES

### Contingent liabilities

Contingent liabilities resulted entirely from commitments given to third parties and comprise.

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| Guarantees | 47 | 55 |
| Other | 2 | 1 |
| TOTAL | **49** | **56** |

Total purchase commitments in connection with major capital expenditure projects for which the respective contracts have already been awarded or orders placed amounted to 1 million Euro as of December 31, 2009 (2008: 2 million Euro).

### Contingent assets

Contingent assets amounting to 8 million Euro have resulted entirely from claims for which the outcome is still uncertain.

## LEGAL RISKS/CONTINGENCIES

### AgfaPhoto

In connection with the divestment of the Consumer Imaging business of Agfa-Gevaert AG and certain of its subsidiaries, the Group entered into various contractual relationships with AgfaPhoto Holding GmbH, AgfaPhoto GmbH and their subsidiaries in various countries (the 'AgfaPhoto Group'), providing for the transfer of its Consumer Imaging business, including assets, liabilities, contracts and employees, to AgfaPhoto group companies.

Subsequent to the divestment, insolvency proceedings have been opened with respect to AgfaPhoto GmbH and a number of its subsidiaries in both Germany and other countries. The Group has been named as a defendant in lawsuits or other actions in various countries in connection with a number of disputes including labor law disputes in Germany, seeking a variety of damages and other relief relative to the insolvency proceedings and subsequent liquidation of the AgfaPhoto group companies. The Group believes that it has meritorious defenses in these lawsuits and other actions and is defending itself vigorously.

Subsequent to the divestment, Agfa-Gevaert NV and Agfa-Gevaert AG initiated arbitration proceedings before the ICC International Court of Arbitration in Paris, France, in connection with a dispute with AgfaPhoto Holding GmbH regarding the license of the "AgfaPhoto" trademark.
In December 2007, the majority of the arbitrators decided in favor of AgfaPhoto Holding GmbH on the merits regarding the termination of the Trademark License Agreement, and the ICC Tribunal issued a Final Award in September 2009 with respect to quantum (damages). The Tribunal rejected AgfaPhoto Holding GmbH's damages model, and ruled that Agfa-Gevaert prevailed on more than 95% of that arbitration. The Tribunal also awarded Agfa-Gevaert fees and expenses of approximately 3 million Euro.

Also with respect to this divestment, AgfaPhoto Holding GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris and claimed alleged damages suffered as a result of misconduct of the seller in connection with the sale of the Consumer Imaging division and the insolvency of AgfaPhoto GmbH. In a Final Award issued in December 2009, the ICC Tribunal rejected all of AgfaPhoto Holding GmbH's claims, and fully exonerated Agfa-Gevaert. The Tribunal also awarded Agfa-Gevaert's fees and expenses of approximately 6 million Euro.

Also with respect to this divestment, the receiver of AgfaPhoto GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris and claims alleged damages suffered as a result of inter alia, misconduct of the seller in connection with the sale of the Consumer Imaging business and the insolvency of AgfaPhoto GmbH. The Group has rejected all of the claims as unsubstantiated and without merit. The Group believes that it has meritorious defenses with respect to these claims and is defending itself vigorously.

Finally, AgfaPhoto Holding GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris in December 2008 in connection with demolition costs with respect to buildings in Leverkusen, Germany. The Group has rejected all of the claims as unsubstantiated and without merit. The Group believes that it has meritorious defenses with respect to these claims and is defending itself vigorously.

As highlighted above, the main remaining disputes are between certain Agfa group companies and the receiver of AgfaPhoto GmbH, most of them being currently subject to arbitration proceedings. Some amounts claimed are so claimed in duplicate either on different legal grounds or against different constellations of Agfa defendants. Due to what we believe to be a highly speculative nature of the claims and counterclaims asserted by the receiver of AgfaPhoto GmbH, we deem it impossible to arrive at a reliable estimate of the financial implications of several of these arbitration proceedings.

### Other risks and contingencies

Further legal risks for the Group existed with regard to patent disputes in the United States.
Agfa-Gevaert NV and Agfa Corporation were engaged as either plaintiff or defendant in patent infringement suits involving Eastman Kodak Company. A final judgment was entered in this action on December 10, 2008. The Court ruled that there was no liability for Agfa. Eastman Kodak Company appealed this decision and Agfa cross-appealed. On November 9, 2009, the United States Court of Appeals for the Federal Circuit per curium affirmed the original judgment.

## 26. RELATED PARTY TRANSACTIONS

### TRANSACTIONS WITH DIRECTORS AND MEMBERS OF THE EXECUTIVE MANAGEMENT (KEY MANAGEMENT PERSONNEL)

Key management personnel compensation included in the income statement can be detailed as follows:

| MILLION EURO | 2009 | | 2008 | |
|---|---|---|---|---|
| | Directors | Executive Management | Directors | Executive Management |
| Short-term employee benefits | 0.5 | 4.5 | 0.5 | 3.6 |
| Post-employment benefits | - | 0.3 | - | 0.3 |
| Share-based payment | - | 0.1 | - | 0.2 |
| TOTAL | 0.5 | 4.9 | 0.5 | 4.1 |

As of December 31, 2009 there were no loans outstanding to members of the Executive Management nor to members of the Board of Directors.
Pension provisions for members and retired members of the Executive Management, amounting to 15 million Euro, are reflected in the balance sheet of the Group at December 31, 2009.

### OTHER RELATED PARTY TRANSACTIONS

Transactions with related companies are mainly trade transactions and are priced at arm's length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

## 27. EARNINGS PER SHARE

### BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2009 was based on the net profit attributable to ordinary shareholders of 6 million Euro (2008: net loss of minus 167 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2009 of 124,788,430 (2008: 124,788,430).

The weighted average number of ordinary shares is calculated as follows:

| | |
|---|---|
| Number of ordinary shares at January 1, 2009 | 124,788,430 |
| Effect of options excercised during 2009 | - |
| Weighted average number of ordinary shares at December 31, 2009 | 124,788,430 |

| EURO | 2009 | 2008 |
|---|---|---|
| Basic earnings per share | 0.05 | (1.34) |

## BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS

The calculation of basic earnings per share from continuing operations at December 31, 2009 was based on the net profit attributable to ordinary shareholders of 6 million Euro (2008: net loss of minus 151 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2009 of 124,788,430 (2008: 124,788,430).

| EURO | 2009 | 2008 |
|---|---|---|
| Basic earnings per share from continuing operations | 0.05 | (1.21) |

## DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2009 was based on the net profit attributable to ordinary shareholders of 6 million Euro (2008: net loss of minus 167 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2009 of 124,788,430 (2008: 124,788,430).

The weighted average number of ordinary shares (diluted) is calculated as follows:

| | |
|---|---|
| Weighted average number of ordinary shares at December 31, 2009 | 124,788,430 |
| Effect of stock options on issue (note 20) | - |
| Weighted average number of ordinary shares (diluted) at December 31, 2009 | 124,788,430 |

The average fair value of one ordinary share during 2009 was 2.76 Euro.

| EURO | 2009 | 2008 |
|---|---|---|
| Diluted earnings per share | 0.05 | (1.34) |

## DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

The calculation of diluted earnings per share from continuing operations at December 31, 2009 was based on the net profit attributable to ordinary shareholders of 6 million Euro (2008: net loss of minus 151 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2009 of 124,788,430 (2008: 124,788,430).

| EURO | 2009 | 2008 |
|---|---|---|
| Diluted earnings per share from continuing operations | 0.05 | (1.21) |

## 28. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES AGFA-GEVAERT GROUP

The ultimate parent of the Group is Agfa-Gevaert NV, Mortsel (Belgium). The Company is the parent company for the following significant subsidiaries:

| Consolidated companies, December 31, 2009 | | |
|---|---|---|
| **Name of the company** | **Location** | **Effective interest %** |
| Agfa (Pty.) Ltd. | Isando/Rep. of South Africa | 100 |
| Agfa (Wuxi) Imaging Co., Ltd. | Wuxi/PR China | 99.16 |
| Agfa (Wuxi) Printing Plate Co. Ltd. | Wuxi/PR China | 100 |
| Agfa ASEAN Sdn. Bhd. | Petaling Jaya/Malaysia | 100 |
| Agfa Corporation | Ridgefield Park/United States | 100 |
| Agfa de Mexico S.A. de C.V. | Del. Benito Juarez/Mexico | 100 |
| Agfa Finance Corp. | Wilmington/United States | 100 |
| Agfa Finance Inc. | Toronto/Canada | 100 |
| Agfa Finance Italy S.p.A. | Milan/Italy | 100 |
| Agfa Finance NV | Mortsel/Belgium | 100 |
| Agfa Finance Poland Sp.z.o.o. | Warsaw/Poland | 100 |
| Agfa Finance Pty. Ltd. | Nunawading/Australia | 100 |
| Agfa Graphics Argentina S.A. | Buenos Aires/Argentina | 100 |
| Agfa Graphics Austria GmbH | Vienna/Austria | 100 |
| Agfa Graphics Czech Republic S.r.o. | Prague/Czech Republic | 100 |
| Agfa Graphics Germany GmbH & Co. KG | Cologne/Germany | 100 |
| Agfa Graphics Ireland Ltd. | Kildare/Ireland | 100 |
| Agfa Graphics Ltd. | Leeds/United Kingdom | 100 |
| Agfa Graphics Netherlands B.V. | Amstelveen/Netherlands | 100 |
| Agfa Graphics Norway AS | Skytta/Norway | 100 |
| Agfa Graphics NV | Mortsel/Belgium | 100 |
| Agfa Graphics Portugal, Unipessoal Lda. | Fregesia de Pago d'Arcos/Portugal | 100 |
| Agfa Graphics S.r.l. | Milano/Italy | 100 |
| Agfa Graphics Sp. z.o.o. | Warsaw/Poland | 100 |
| Agfa Graphics Switzerland AG | Dübendorf/Switzerland | 99.34 |
| Agfa HealthCare AG | Dübendorf/Switzerland | 100 |
| Agfa HealthCare AG | Trier/Germany | 100 |
| Agfa HealthCare Argentina S.A. | Buenos Aires/Argentina | 100 |
| Agfa HealthCare Australia Limited | Melbourne/Australia | 100 |
| Agfa HealthCare Brazil Ltda. | Sao Paulo/Brazil | 100 |
| Agfa HealthCare Chile Ltda. | Santiago de Chile/Chile | 100 |
| Agfa HealthCare Colombia Ltda. | Bogota/Colombia | 100 |
| Agfa HealthCare Corporation | Ridgefield Park/United States | 100 |
| Agfa HealthCare Czech s.r.o. | Prague/Czech Republic | 100 |
| Agfa HealthCare Denmark A/S | Holte/Denmark | 100 |
| Agfa HealthCare Enterprise Solutions S.A. | Artigues près Bordeaux/France | 100 |
| Agfa HealthCare Finland Oy AB | Espoo/Finland | 100 |
| Agfa HealthCare Germany GmbH | Bonn/Germany | 100 |
| Agfa HealthCare Ges.mbH | Vienna/Austria | 100 |
| Agfa HealthCare GmbH | Bonn/Germany | 100 |
| Agfa HealthCare HELLAS A.E.B.E. | Peristeri/Greece | 100 |
| Agfa HealthCare Hungary Kft. | Budapest/Hungaria | 100 |
| Agfa HealthCare Inc. | Waterloo/Canada | 100 |
| Agfa HealthCare India Private Ltd. | Thane/India | 100 |
| Agfa HealthCare International NV | Mortsel/Belgium | 100 |
| Agfa HealthCare Korea Ltd. | Seoul/South Korea | 100 |
| Agfa HealthCare Luxembourg S.A. | Helfenterbrück/Luxemburg | 100 |
| Agfa HealthCare Malaysia Sdn. Bhd. | Kuala Lumpur/Malaysia | 100 |

| | | |
|---|---|---|
| Agfa HealthCare Mexico S.A. de C.V. | Del. Benito Juarez/Mexico | 100 |
| Agfa HealthCare Norway AS | Oslo/Norway | 100 |
| Agfa HealthCare NV | Mortsel/Belgium | 100 |
| Agfa HealthCare Shanghai Ltd. | Shanghai/PR China | 100 |
| Agfa HealthCare Singapore Pte. Ltd. | Singapore | 100 |
| Agfa HealthCare South Africa Pty. Ltd. | Isando/Rep. of South Africa | 100 |
| Agfa HealthCare Spain S.A.U. | Barcelona/Spain | 100 |
| Agfa HealthCare Sweden AB | Kista/Sweden | 100 |
| Agfa HealthCare Systems Taiwan Co. Ltd. | Taipei/Taiwan | 100 |
| Agfa HealthCare UK Limited | Brentford/United Kingdom | 100 |
| Agfa HealthCare Venezuela S.A. | Caracas/Venezuela | 100 |
| Agfa Hong Kong Ltd. | Hong Kong/PR China | 100 |
| Agfa Inc. | Toronto/Canada | 100 |
| Agfa India Private Ltd. | Mumbay/India | 100 |
| Agfa Industries Korea Ltd. | Kyunggi-do/South Korea | 100 |
| Agfa Korea Ltd. | Seoul/South Korea | 100 |
| Agfa Limited | Dublin/Ireland | 100 |
| Agfa Materials Corporation | Wilmington/United States | 100 |
| Agfa Materials GmbH | Düsseldorf/Germany | 100 |
| Agfa Materials Hong Kong Ltd. | Hong Kong/PR China | 100 |
| Agfa Materials Japan Ltd. | Tokyo/Japan | 100 |
| Agfa Materials Ltd. | Pinewood/United Kingdom | 100 |
| Agfa Materials Taiwan Co. Ltd. | Taipei/Taiwan | 100 |
| Agfa Singapore Pte. Ltd. | Singapore | 100 |
| Agfa Solutions SAS | Rueil-Malmaison/France | 100 |
| Agfa Sp. z.o.o. | Warsaw/Poland | 100 |
| Agfa Taiwan Co. Ltd. | Taipei/Taiwan | 100 |
| Agfa-Dotrix NV | Ghent/Belgium | 100 |
| Agfa-Gevaert A.E.B.E. | Athens/Greece | 100 |
| Agfa-Gevaert A/S | Holte/Denmark | 100 |
| Agfa-Gevaert AB | Kista/Sweden | 100 |
| Agfa-Gevaert Aktiengesellschaft für Altersversorgung | Leverkusen/Germany | 100 |
| Agfa-Gevaert Argentina S.A. | Buenos Aires/Argentina | 100 |
| Agfa-Gevaert B.V. | Rijswijk/Netherlands | 100 |
| Agfa-Gevaert Colombia Ltda. | Bogota/Colombia | 100 |
| Agfa-Gevaert de Venezuela S.A. | Caracas/Venezuela | 100 |
| Agfa-Gevaert do Brasil Ltda. | Sao Paulo/Brazil | 100 |
| Agfa-Gevaert Graphic Systems GmbH | Cologne/Germany | 100 |
| Agfa-Gevaert HealthCare GmbH | Cologne/Germany | 100 |
| Agfa-Gevaert International NV | Mortsel/Belgium | 100 |
| Agfa-Gevaert Investment Fund NV | Mortsel/Belgium | 100 |
| Agfa-Gevaert Japan, Ltd. | Tokyo/Japan | 100 |
| Agfa-Gevaert Limited | Melbourne/Australia | 100 |
| Agfa-Gevaert Limited (England) | Brentford/United Kingdom | 100 |
| Agfa-Gevaert Ltda. | Santiago De Chile/Chile | 100 |
| Agfa-Gevaert NV & Co. KG | Cologne/Germany | 100 |
| Agfa-Gevaert NZ Ltd. | Glenfield/New Zealand | 100 |
| Agfa-Gevaert S.A. | Rueil-Malmaison/France | 99.99 |
| Agfa-Gevaert S.A.U. | Barcelona/Spain | 100 |
| Agfa-Gevaert S.p.A. | Milan/Italy | 100 |
| Agfa-Gevaert, Lda. | Linda-a-Velha/Portugal | 100 |
| HYDmedia GmbH | Rottenburg/Germany | 100 |
| Insight Agents France S.r.l. | Marcq en Baroeul/France | 100 |
| Insight Agents Ges.mbH | Vienna/Austria | 100 |

| | | |
|---|---|---|
| Insight Agents GmbH | Heidelberg/Germany | 100 |
| Lastra Attrezzature S.r.l. | Manerbio/Italy | 60 |
| Luithagen NV | Mortsel/Belgium | 100 |
| New ProImage America Inc. | Ridgefield Park/United States | 100 |
| New ProImage Ltd. | Tel Aviv/Israel | 100 |
| OOO Agfa Ltd. | Moscow/Russian Federation | 100 |
| OY Agfa-Gevaert AB | Espoo/Finland | 100 |
| Plurimetal do Brasil Ltda. | Rio de Janeiro/Brasil | 100 |
| Shanghai Agfa Imaging Products Co., Ltd. | Shanghai/PR China | 100 |

| Subsidiaries not included in the consolidated financial statements, December 31, 2009 | | |
|---|---|---|
| **Name of the company** | **Location** | **Effective interest %** |
| Agfa Argentina S.A.C.I. | Buenos Aires/Argentina | 100 |
| Agfa Finco Holding S.à r.l. | Luxemburg/Luxemburg | 100 |
| Agfa Graphics Germany Verwaltungsgesellschaft mbH | Cologne/Germany | 100 |
| Agfa HealthCare Solutions LLC | Dubai/United Arab Emirates | 100 |
| Agfa-Gevaert SKK | Teheran/Iran | 76 |
| Agfa-Gevaert Unterstützungskasse GmbH | Leverkusen/Germany | 100 |
| CAWO Photochem. Werk GmbH | Schrobenhausen/Germany | 100 |
| GST Grafic Service Team Verwaltungs GmbH | Cologne/Germany | 100 |
| Mortselse Immobiliënvennootschap NV | Mortsel/Belgium | 100 |

| Associated companies, December 31, 2009 | | |
|---|---|---|
| **Name of the company** | **Location** | **Effective interest %** |
| Medicalis Corp. | Waterloo/Canada | 20.78 |
| PlanOrg Informatik GmbH | Jena/Germany | 25.50 |
| PlanOrg Medica GmbH | Jena/Germany | 62.75 |

## 29. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In Industrial inkjet, the Group signed in the course of the fourth quarter 2009 an agreement to acquire most of the assets of Gandi Innovations Holdings LLC's North American operations and the shares of its principal foreign subsidiaries. This agreement was subject to regulatory and court approval and has therefore been finalized on January 15, 2010. Gandi Innovations is a leading supplier of large format inkjet printing systems in the mid-range market segment. Their product offering is complementary to Agfa Graphics' range of entry-level :Anapurna large format printers and high-end :M-Press Tiger and :Dotrix inkjet machines.
The purchase price consists of an up-front payment of 10 million USD. The final purchase price is contingent on events as described in the purchase agreement. For now, the contingent part can not be measured reliably. The acquisition will be accounted for under the acquisition method of accounting and accordingly the results of operations of Gandi Innovations will be included in the consolidated financial statements of the Group as from January 15, 2010 onwards.

In January 2010, Agfa Graphics N.V. and its business partner Shenzhen Brothers have agreed to combine their activities aiming at reinforcing both partners' market position in the Greater China and Asean region. Agfa Graphics N.V. will retain control through its 51% stake in Agfa Graphics Asea, the holding company of the combined operations of both parties. The new company is expected to go life no later than the third quarter 2010 subject to regulatory approval.

*The following pages are extracts of the statutory annual accounts of Agfa-Gevaert NV prepared under Belgian accounting policies. The management report of the Board of Directors to the Annual General Meeting of Shareholders and the annual accounts of Agfa-Gevaert NV as well as the Auditor's report, will be filed with the National Bank of Belgium within the statutory stipulated periods. These documents are available on request from Agfa's Investor Relations department and at www.agfa.com/investorrelations. Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Agfa-Gevaert Group.*

*The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Agfa-Gevaert NV for the year ending December 31, 2009 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.*

# Statutory Accounts

# SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

## INCOME STATEMENTS

| | MILLION EURO | 2009 | 2008 |
|---|---|---|---|
| **I.** | **Operating income** | | |
| A. | Turnover | 675 | 803 |
| B. | Stocks of finished goods, work and contracts in progress (increase +, decrease -) | (13) | (16) |
| C. | Own work capitalized | 13 | 14 |
| D. | Other operating income | 73 | 70 |
| **Total operating income** | | **748** | **871** |
| **II.** | **Operating charges** | | |
| A. | Raw materials, consumables | | |
| | 1. Purchases | 379 | 528 |
| | 2. Stocks (increase -, decrease +) | 11 | (8) |
| B. | Services and other goods | 111 | 159 |
| C. | Remuneration, social security costs and pensions | 192 | 208 |
| D. | Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets | 37 | 82 |
| E. | Amounts written off stocks, contracts in progress and trade debtors (appropriations +, write-backs -) | 1 | 0 |
| F. | Provisions for liabilities and charges (appropriations +, uses and write-backs -) | (27) | (24) |
| G. | Other operating charges | 12 | 15 |
| **Total operating charges** | | **716** | **960** |
| **III.** | **Operating profit / (loss)** | 32 | (89) |
| **IV.** | **Financial income** | 96 | 145 |
| **V.** | **Financial charges** | (105) | (217) |
| **VI.** | **Gain / (Loss) on ordinary activities before taxes** | 23 | (161) |
| **VII.** | **Extraordinary income** | 155 | 36 |
| **VIII.** | **Extraordinary charges** | (6) | (6) |
| **IX.** | **Gain / (Loss) for the period before taxes** | 172 | (131) |
| **IX.bis** | **Transfer from deferred taxes** | 0 | 0 |
| **X.** | **Income taxes** | 0 | 2 |
| **XI.** | **Gain / (Loss) of the period** | 172 | (129) |
| **XII.** | **Transfer to untaxed reserves** | 0 | 0 |
| **XIII.** | **Gain / (Loss) of the period available for appropriation** | 172 | (129) |
| **Appropriation account** | | | |
| A. | Profit to be appropriated | 573 | 401 |
| | 1. Gain / (Loss) of the period available for appropriation | 172 | (129) |
| | 2. Profit / (Loss) brought forward | 401 | 530 |
| B. | Withdrawals from capital and reserves | 0 | 0 |
| C. | Transfers to capital and reserves | 0 | 0 |
| D. | Profit to be carried forward | 573 | 401 |
| F. | Profit to be distributed | 0 | 0 |

# SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

## BALANCE SHEET

| | MILLION EURO | Dec. 31 2009 | Dec. 31 2008 |
|---|---|---|---|
| **Assets** | | | |
| **II.** | Intangible fixed assets | 30 | 42 |
| **III.** | Tangible fixed assets | 16 | 19 |
| **IV.** | Financial fixed assets | 2,093 | 1,950 |
| **V.** | Amounts receivable after more than 1 year | 12 | 11 |
| **VI.** | Stocks and contracts in progress | 112 | 135 |
| **VII.** | Amounts receivable within 1 year | 1,664 | 1,259 |
| **VIII.** | Current investments | 19 | 8 |
| **IX.** | Cash at bank and in hand | 2 | 2 |
| **X.** | Deferred charges and accrued income | 2 | 0 |
| | TOTAL | **3,950** | **3,426** |
| **Liabilities** | | | |
| **I.** | Capital | 140 | 140 |
| **II.** | Share premium account | 109 | 109 |
| **IV.** | Reserves | 412 | 412 |
| **V.** | Accumulated profits | 573 | 401 |
| **VI.** | Investment grants | 8 | 1 |
| | TOTAL | **1,242** | **1,063** |
| **VII.** | Provisions and deferred taxes | 125 | 152 |
| **VIII.** | Amounts payable after more than 1 year | 315 | 320 |
| **IX.** | Amounts payable within 1 year | 2,249 | 1,860 |
| **X.** | Accrued charges and deferred income | 19 | 31 |
| | TOTAL | **3,950** | **3,426** |

## SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

### STATUTORY REPORT

Mortsel, March 30, 2010

#### Comments on the annual accounts

The annual accounts, which will be presented to the General Meeting of Shareholders of April 27, 2010, were approved by the Board of Directors.

The following points, in particular, will be submitted to the General Meeting of Shareholders for approval:

- The Annual Statement of Account closes with a profit for the accounting year 2009 of 172,392,185.50 Euro.
- It is proposed to allocate this balance as follows:
  Increase of the result carried forward with 172,392,185.50 Euro; as a result hereof the result carried forward will amount to 573,267,014.46 Euro.

## INFORMATION RELATED TO THE IMPLEMENTATION OF THE EU TAKEOVER DIRECTIVE

The Board of Directors of Agfa-Gevaert NV hereby declares that the Annual Report 2009 has been prepared in accordance with article 34 of the Royal Decree of November 14, 2007. The Board hereby explains that:

- a comprehensive overview of the prevailing capital structure, dated March 31, 2010, can be found in the Corporate Governance chapter (p.35) and in the Shareholder Information;
- no special rights are attached to the issued shares of the Company;
- the Company has entered into certain financial agreements which would either become effective, be amended and / or terminated due to any change of control over the Company as a result of a public takeover bid;
- there are no statutory restrictions with respect to the transfer of securities of the exercise of voting rights;
- the Company isn't aware of the existence of shareholder agreements resulting in restrictions on the transfer of securities and / or on the voting rights;
- the agreements with the members of the Executive Management no longer contain a 'change of control' clause, whereby they would receive compensation if their agreement with the Company would terminate as a result of a change of control over the Company.

# Glossary

**ASEAN** The Association of Southeast Asian Nations consists of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The organization aims to support the cooperation between its member states.

**chemistry-free (printing plate)** A printing plate that does not require chemical processing after imaging.

**color print film** Film on which copies of the master version of a motion picture film are printed. These copies are distributed to the cinemas.

**computed radiography (CR)** The technology of making X-ray images with conventional X-ray equipment but whereby the images are captured on reusable image plates, instead of X-ray film. The information on the plates is read by a *digitizer* and provides a digital image. Dedicated imaging software (such as Agfa's MUSICA²) can be used to automatically maximize the quality of the images for diagnostic purposes. The digital images can also be completed with manual inputs (annotations, measurements, etc.) and are ready for archiving on a *PACS* system.
See also direct radiography

**CT (computed tomography)** A CT scanner uses a series of X-rays to create image 'slices' of the body. Agfa's product portfolio does not include CT scanners, but its PACS systems are used for the management and the (3D) visualization of the digital images. Agfa's hardcopy printers are used to produce high quality prints of the images.

**computer-to-film (CtF)** A process whereby the pages or artwork of printed matter – e.g. the pages of newspapers or magazines – are digitally imaged onto (transparent) film directly from computer files. The films are then chemically processed and used to produce printing plates.
See also computer-to-plate

**computer-to-plate (CtP)** A process whereby the pages or artwork of printed matter – e.g. the pages of newspapers or magazines – are digitally imaged onto printing plates directly from computer files without the intermediate step of film.
See also computer-to-film

**contrast media** Contrast media can be administered to the patient before a medical imaging examination with X-ray, *CT* and *MRI* technology, either to highlight specific anatomical structures (mostly vessels).

**digitizer** See computed radiography

**direct radiography (DR)** Radiographic technology that converts X-ray energy into digital data without the use of intermediate image capturing plates or films. These digital data generate a diagnostic image on a PC. As the data are digital, a wide range of possibilities is available for image optimization or completion as well as for archiving the images on *PACS* systems. DR systems are mostly used in centralized radiology environments.
See also computed radiography

**e-health** Term used to describe the application of information and communications technologies in the health sector.

**electroluminescence (EL)** The phenomenon whereby material emits light in response to a strong electric field. Agfa supplies *screen printing* inks and films for the production of flexible EL lamps.

**Electronic Health Record (EHR)** An EHR is created when a person's *Electronic Patient Record* is linked to his/her non-medical electronic files from organizations such as governments and insurance companies.

**Electronic Patient Record (EPR)** The electronic alternative to a patient's paper file. The EPR contains all patient data, such as demographics, examination orders & results, laboratory reports, radiological images and reports, treatment plans, catering needs etc., and can be easily accessed throughout the hospital and, if required, from other sources.

**flatbed press** With Agfa Graphics' :M-Press flatbed press, the paper (or other material) is put on a flat surface, while the printing heads move over it to print the image.

**flexo(graphic) printing** Method of printing similar to traditional letterpress printing using flexible, rubber or synthetic printing plates attached to rollers. The inked image is transferred from the plate directly to the paper, or other substrate.

**Gandi Innovations Holdings LLC**
Gandi Innovations – a world leader in *large format inkjet printers* – was founded in 2001 and has its headquarters and its production facilities in Mississauga (Canada). The Group employs 256 highly skilled staff and operates worldwide through sales offices and distributors. In 2009, Agfa Graphics signed an agreement to acquire most of the assets of Gandi Innovations Holdings LLC's North American operations and the shares of its principal foreign subsidiaries. The deal was closed in the beginning of 2010.

**gravure printing** With gravure printing an image is etched into a metal *printing plate* and the printing ink is transferred directly to the paper. Used mainly for long runs of multicolor printwork.

**hardcopy** A hardcopy is the printed version of a digital image. Agfa's hardcopy printers are used for printing medical images from various sources: *Computed Tomography (CT)* scans, *Magnetic Resonance Imaging (MRI)* scans, *Computed Radiography (CR)*, *Direct Radiography (DR)* etc. Agfa produces both the so-called 'wet' and 'dry' printers. Wet laser technology implies the use of aqueous chemical solutions to develop the image. The environmentally friendly dry technology prints the image directly from the computer onto a special film by thermal effect.

**image enhancement software** These software applications analyze medical digital images and automatically apply image enhancement techniques to better visualize all details. They improve the workflow in the radiography department and allow the radiologist to work faster and more accurately. Agfa HealthCare's MUSICA² software is generally accepted as a standard in the market.

**IMPAX** IMPAX is Agfa HealthCare's brand name for its range of *Picture Archiving and Communication Systems* and *Radiology Information Systems*. The IMPAX 6.5 operating software is the heart of Agfa HealthCare's IMPAX Suites. Based on the latest *PACS* and *RIS* solutions, each suite is designed to support the activities of a specific type of customer. They range from comprehensive solutions that link all image-intensive departments of multi-site healthcare organizations, over solutions for single hospitals and imaging centers, to specialized radiology, mammography, cardiovascular, and orthopedic systems.

**inkjet technology** Any printer that transfers extremely small droplets of ink onto paper to create an image, from small models for office use over medium models – e.g. for poster printing – to larger equipment for industrial applications.

**Insight Agents GmbH** Based in Heidelberg, Germany, Insight Agents develops, produces and distributes contrast media. It has branch offices in Germany, Austria, Switzerland, France and Belgium as well as distributors in many countries. In 2009, Agfa HealthCare bought all the shares of Insight Agents from Curagita Holding AG.

**large format printer** A large format printer sometimes referred to as a wide format printer is a digital printer that prints on sheets or rolls 24-inches/60cm wide or more.

**laser** Abbreviation for Light Amplification by Stimulated Emission of Radiation: a device that amplifies a single frequency of light within the spectrum to create a directional, intense beam. That beam of light can be used to write data on a *printing plate* or film. There are thermal lasers and visible-light lasers. The first are used with materials sensitive to heat; the latter image materials sensitive to light and can be divided into green, violet and red laser beams. Red is rarely chosen nowadays, while violet lasers' popularity has increased substantially because of their easy operation, high reliability and low cost.

**MRI (Magnetic Resonance Imaging)** The MRI scanner uses very strong magnetic fields and creates images by pulsing radio waves that are directed at the parts of the body to be examined. Agfa's product portfolio does not include MRI scanners but its *PACS* systems are used for the management and visualization of the digital images. Agfa's *hardcopy* printers are used to produce high quality prints of the images.

**membrane** Thin, flexible layer or material designed to separate components of a solution.

**modalities** In this report this term is used for the various imaging systems, including radiology equipment, *Positron Emission Tomography (PET)* scanners, *MRI* scanners and *CT* scanners. These systems can all be connected to an Agfa HealthCare *PACS* system.

**no bake thermal (printing plate)** To reach long print-runs, most *thermal printing* plates need to be baked in an oven. With Agfa Graphics' no bake thermal printing plate it is possible to produce more than 500,000 impressions without baking, saving time and energy cost.

**non-destructive testing** To check the structure and tolerance of materials without damaging or deforming them.

**offset** Printing technique where thin aluminum *printing plates* are wrapped and fixed round a cylinder on a (litho) printing press. While rotating, the printing plates obtain ink and water. The ink adheres to the image whilst the water prevents ink adhering to the non-printing areas. The inked image is transferred onto a rubber blanket attached to a second cylinder and then transferred from the blanket to the paper or other medium.

**PET (polyethylene terephthalate or polyester)**
Polyethylene terephthalate or polyester is a chemical prepared with a base of ethylene glycol and terephtalic acid. It is the basic raw material for the substrate of photographic film; it is coated with different types of purpose specific chemical layers, such as for medical and graphic purposes.

**Picture Archiving and Communication System (PACS)**
Agfa's PACS solutions are marketed under the name *IMPAX*. PACS was originally developed to efficiently manage the distribution and archiving of diagnostic images produced by radiology departments. Due to specific software developments IMPAX is also suitable for use by other departments in the hospital, such as cardiology, orthopedics and women's care. Extensive PACS systems are also used to connect all hospital departments that intensively use clinical images on one network. Agfa's MUSICA$^2$ software is used to process and optimize the images on the PACS system.

**platesetter** A platesetter digitally images the pages or artwork of printed matter from the computer onto *printing plates*, which are then processed and mounted on a printing press. There are flatbed platesetters and drum based systems. In the first the printing plates remain flat during the imaging process, whereas in the latter the printing plates are wrapped around or inside a drum.

**polymer** A polymer is a large molecule composed of many smaller units (monomers) joined together. Polymers can be natural (e.g. proteins and rubber) or man-made (e.g. plastics and nylon).

**Positron Emission Tomography (PET)** A radioactive substance is administered to the patient before he/she is examined with the PET scanner. The substance accumulates in the organs. If the organs are affected by malignant tumors, the substance will concentrate in the affected areas. The PET scanner records the energy from the substance, thus mapping tumors and occasional secondary tumors. Agfa's product portfolio does not include PET scanners, but its *PACS* systems are used to manage and to visualize the digital images.

**prepress** The preparation and processing of content and document files for final output to printing plates, including high-resolution scanning of images, color separation, different types of proofs, etc.

**printed circuit board (PCB)** A thin plate on which chips and other electronic components are placed. Computers consist, principally, of one or more boards.

**printing plate**
- for *computer-to-film* technology
Printing plates consist of a high-quality aluminum substrate with a coating designed to respond to relatively high levels of ultraviolet (UV) light energy. An exposed film is vacuum contacted with a plate. The UV light source copies the artwork from the film onto the plate, whereby the art or page elements are opaque parts of the film and the rest is transparent. The UV light hits the plate only where the film is transparent. A chemical developing process etches the exposed elements, and leaves unchanged the non-exposed parts. The ink adheres to the exposed – or chemically treated – parts during the printing process.
- for *computer-to-plate* technology
Printing plate consisting of a high-quality grained and anodized aluminum substrate and a (silver or photopolymer) coating several thousand times more sensitive than that of analog plates. The *lasers* used to expose these plates typically operate on thermal energy or visible light. The coatings respond to the laser energy creating chemical/physical changes to the plate surface. Just as with CtF-plates, the CtP-plates are chemically processed to create a press-ready plate, though some CtP-plate technologies are effectively process-free.

**proof** Based on the proof – which represents the way the colors will be reproduced on press – the customer (print buyer) decides whether the job is ready to go to the printing press. This 'representation' of the final result is made possible by Agfa's high-tech color management software systems.

**Radiology Information System (RIS)** Agfa's RIS solutions are marketed under the name *IMPAX*. A RIS is a computer-based solution for the planning, follow-up and communication of all data relating to patients and their examinations in the radiology department, i.e. starting from the moment that an examination is requested up to the radiologist's report. The RIS is strongly linked with *PACS* – the *Picture Archiving and Communication System* (for the images contained in the examinations).

**RSNA** Radiological Society of North America. The RSNA's mission is to promote and develop the highest standards of radiology and related sciences through education and research. The RSNA's annual meeting, held in Chicago (Illinois, USA), is the largest medical meeting in the world, with over 700 technical exhibitors and over 60,000 visitors.

**screening** The creation of a pattern of dots of different sizes used to reproduce color or greyscale continuous-tone images. There are various types of screening.

**screen printing** The printing procedure, during which a viscous ink is applied through a metal or nylon gauze onto the paper. The gauze is made impermeable – by use of stencils – in the non-printing parts.

**sound recording film** This type of polyester based film is especially designed for recording and printing all current types of soundtracks, such as analog, Dolby, Digital, DTS (Digital Theater Systems) and SDDS (Sony Dynamic Digital Sound).

**teleradiology** Through an advanced *PACS* and a secured internet connection, hospitals and imaging centers can submit their digital medical images to radiologists and diagnostic centers located elsewhere in the world. This process is called teleradiology. It can compensate for the shortage of radiologists; physicians use it to submit images to colleagues for fast second opinion reporting.

**thermal (printing plate)** Technology where the *platesetter* uses thermal energy to expose the *printing plates*.

**ThermoFuse** Agfa's ThermoFuse technology physically bonds images to the *printing plate* without any chemical processing. The result is highly stable and predictable thermal imaging that effectively eliminates variables and compromises on press.

**UV curable ink** UV curable inks consist mainly of acrylic monomers. After printing, the ink is transformed into a hard polymerized film by a high dose of UV light. The advantage of UV curable inks is that they dry instantly, can print on a wide range of uncoated substrates and make a very robust image. The ink does not contain hazardous components such as Volatile Organic Compounds (VOC) or solvents and does not evaporate.

**violet (printing plate)** Violet *(laser)* technologies expose or image *printing plates* using the violet band of the visible-light spectrum, allowing fast output, convenient plate handling and high reliability.

**workflow management software** Software that allows operators to control the *prepress* process with a software interface. It also streamlines the flow of work by automating individual steps in the process – thus saving time and reducing costs.

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All prepress using Agfa systems

Printed with :Energy Elite plates, using :Avalon N8-50 with :Sublima screening technology (210 lpi)

Workflow management: ApogeePrepress

Design, production & co-ordination: Magelaan, Ghent

Photography: Agfa Publishing Library

Lithography & printing: Artoos Communicatiegroep, Kampenhout

## CONSOLIDATED INCOME STATEMENT 2005-2009

| MILLION EURO | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Revenue** | **2,755** | **3,032** | **3,283** | **3,401** | **3,308** |
| Cost of sales | (1,869) | (2,069) [2] | (2,136) | (2,102) | (2,096) |
| **Gross profit** | **886** | **963** [2] | **1,147** | **1,299** | **1,212** |
| Selling expenses | (372) | (439) [2] | (523) | (564) | (583) |
| Research and development expenses | (149) | (174) [2] | (191) | (193) | (191) |
| Administrative expenses | (198) | (225) [2] | (262) | (281) | (228) |
| Other operating income | 309 | 451 | 333 | 312 | 326 |
| Other operating expenses | (306) | (599) [2] | (379) | (508) | (404) |
| **Results from operating activities** | **170** | **(23)** [2] | **125** | **65** | **132** |
| Interest income (expense) - net | (17) | (38) | (40) [1] | (32) | (18) |
| Other finance income (expense) - net | (97) | (45) [2] | (23) [1] | (32) | (7) |
| **Net finance costs** | **(114)** | **(83)** [2] | **(63)** | **(64)** | **(25)** |
| **Profit before income taxes** | **56** | **(106)** | **62** | **1** | **107** |
| **Income tax expense** | **(49)** | **(60)** | **(19)** | **15** | **(125)** |
| **Profit for the period** | **7** | **(166)** | **43** | **16** | **(18)** |
| **Profit attributable to:** | | | | | |
| Owners of the Company | 6 | (167) | 43 | 16 | (18) |
| Non-controlling interest | 1 | 1 | 1 | 1 | 1 |
| | **7** | **(166)** | **42** | **15** | **(19)** |
| Basic earnings per share (Euro) | 0.05 | (1.34) | 0.34 | 0.12 | (0.15) |
| Diluted earnings per share (Euro) | 0.05 | (1.34) | 0.34 | 0.12 | (0.15) |

[1] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income has been narrowed and comprises only interests paid/received on the items of the net financial debt position. Interests received/paid on other assets and liabilities have been reclassified to 'Other non-operating income (expense)' in the consolidated statements of income. Comparative information for the year 2007 has been restated. For the year 2007, net interest income that has been reclassified to 'Other non-operating income (expense)' amounts to 5 million Euro. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

[2] During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to 33 million Euro have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to 3 million Euro has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

## CONSOLIDATED BALANCE SHEETS 2005-2009

| MILLION EURO | Dec. 31 2009 | Dec. 31 2008 | Dec. 31 2007 | Dec. 31 2006 | Dec. 31 2005 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | **1,236** | **1,311** | **1,573** | **1,758** | **1,848** |
| Intangible assets | 648 | 647 | 816 | 856 | 924 |
| Property, plant and equipment | 326 | 369 | 407 | 455 | 502 |
| Investments | 9 | 13 | 20 | 29 | 32 |
| Deferred tax assets | 253 (1) | 282 (1) | 330 | 351 | 287 |
| Long-term loans receivable | - | - | - | 65 | 102 |
| Derivative financial instruments | - | - | - | 2 | 1 |
| **Current assets** | **1,616** | **1,849** | **1,986** | **2,074** | **2,134** |
| Inventories | 483 | 575 | 578 | 624 | 586 |
| Trade receivables | 592 | 750 | 861 | 885 | 854 |
| Current tax assets | 76 (2) | 61 (2) | 60 | 121 | 131 |
| Other receivables and other assets | 319 (2) | 268 (2) | 303 | 335 | 367 |
| Assets classified as held for sale | 1 | - | - | 3 | 5 |
| Cash and cash equivalents | 119 | 150 | 152 | 85 | 169 |
| Deferred charges | 18 | 19 | 21 | 19 | 20 |
| Derivative financial instruments | 8 | 26 | 11 | 2 | 2 |
| **TOTAL ASSETS** | **2,852** | **3,160** | **3,559** | **3,832** | **3,982** |

| MILLION EURO | Dec. 31 2009 | Dec. 31 2008 | Dec. 31 2007 | Dec. 31 2006 | Dec. 31 2005 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | **724** | **704** | **891** | **933** | **1,032** |
| Share capital | 140 | 140 | 140 | 140 | 140 |
| Share premium | 109 | 109 | 109 | 109 | 109 |
| Retained earnings | 820 | 814 | 981 | 1,002 | 1,050 |
| Reserves | (282) | (273) | (288) | (289) | (301) |
| Translation differences | (66) | (90) | (54) | (32) | 31 |
| Non-controlling interest | 3 | 4 | 3 | 3 | 3 |
| **Non-current liabilities** | **1,263** | **1,556** | **1,553** | **1,382** | **1,505** |
| Liabilities for post-employment and long-term termination benefit plans | 570 | 601 | 654 | 721 | 709 |
| Liabilities for personnel commitments | 14 | 18 | 24 | 30 | 29 |
| Loans and borrowings | 553 | 809 | 740 | 445 | 552 |
| Provisions | 44 | 64 | 69 | 72 | 102 |
| Deferred income | 9 | 1 | 1 | 1 | 2 |
| Deferred tax liabilities | 73 | 63 (1) | 65 | 113 | 111 |
| **Current liabilities** | **865** | **900** | **1,115** | **1,517** | **1,445** |
| Loans and borrowing | 11 | 14 | 133 | 344 | 296 |
| Trade payables | 206 | 226 | 275 | 313 | 309 |
| Deferred revenue and advance payments | 123 | 112 | 96 | 87 | 66 |
| Current tax liabilities | 44 | 43 (2) | 62 | 111 | 112 |
| Other liabilities | 156 | 162 (2) | 175 | 230 | 253 |
| Liabilities for personnel commitments | 86 | 71 | 89 | 93 | 77 |
| Provisions | 234 | 255 | 275 | 319 | 301 |
| Deferred income | 3 | 5 | 7 | 13 | 15 |
| Derivative financial instruments | 2 | 12 | 3 | 7 | 16 |
| **TOTAL EQUITY AND LIABILITIES** | **2,852** | **3,160** | **3,559** | **3,832** | **3,982** |

(1) In 2009, 'Deferred tax assets/liabilities' have been reclassified to 'Non-current assets/non-current liabilities'. Comparative information for the year 2008 has been restated.

(2) In 2009, 'Current tax assets and current tax liabilities' have been presented separately on the face of the balance sheet. 'Current tax assets and current tax liabilities' have been reclassified from 'Other receivables and other assets' and from 'Other liabilities' respectively. Comparative information for the year 2008 has been restated.

## AGFA-GEVAERT GROUP CONSOLIDATED STATEMENT OF CASH FLOWS 2005-2009

| MILLION EURO | 2009 | 2008 |
|---|---|---|
| **Results from operating activities** | **170** | **(23)** [1] |
| Depreciation, amortization and impairment losses | 103 | 235 |
| Changes in fair value of derivative financial instruments | 4 | (4) |
| Adjustment for other non-cash income | - | (1) |
| (Gains) / losses on retirement of non-currrent assets | (2) | (23) |
| Change in non-current provisions | (116) | (100) [1] |
| Change in current provisions | (23) | (45) [2] |
| Income taxes paid | (18) | (18) [2] |
| Change in inventories | 91 | (2) |
| Change in trade receivables including cash inflows from securitization | 88 | 107 |
| Change in trade payables | (21) | (47) |
| Change in deferred revenue and advance payments | 1 | 14 |
| Change in other working capital | (11) | (16) [2][4] |
| **Net cash from / (used in) operating activities** | **266** | **77** [4] |
| Cash outflows for additions to intangible assets | (7) | (14) |
| Cash outflows for additions to property, plant and equipment | (34) | (49) |
| Cash inflows from disposals of intangible assets | 4 | 2 |
| Cash inflows from disposals of property, plant and equipment | 7 | 34 |
| Cash inflows from lease portfolio | 33 | 37 [3] |
| Cash outflows for acquisitions | (7) | - |
| Interest and dividends received | 2 | 3 |
| Cash inflows from other investing activities | - | 4 [3] |
| **Net cash from / (used in) investing activities** | **(2)** | **17** |
| Net issuances of debt | (255) | (56) |
| Interest paid | (22) | (41) |
| Other financial flows | (16) | 3 |
| **Net cash from / (used in) financing activities** | **(293)** | **(94)** [4] |
| **Change in cash and cash equivalents due to business activities** | **(29)** | **0** |
| Change in cash and cash equivalents due to exchange rate fluctuations | 5 | (2) |
| Change in cash due to change in consolidation scope | (7) | - |
| **Change in cash and cash equivalents** | **(31)** | **(2)** |
| Cash and cash equivalents at January 1 | 149 | 151 |
| Cash and cash equivalents at December 31 | 118 | 149 |

[1] As reported 2008, restated. During the first quarter of 2009, the Group has changed the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expense)'. Comparative information for the year 2008 has been restated. The lines result from operating activities and change in non-current provisions in the consolidated statement of cash flow have been impacted by this change.

[2] As reported 2008, restated. In the course of the fourth quarter of 2009 'Income taxes paid' are being presented on a seperate line cfr IAS 7. 'Income taxes paid' have been reclassified from change in current provision, change in other working capital and current tax income (expense). Comparative information for the year 2008 has been restated.

[3] As reported 2008, restated. In the course of the fourth quarter of 2009 'Cash inflows from lease portfolio' have been separated from 'Cash inflows from equity and debt instruments'. The latter was renamed 'Cash outflows for other investing activities'.

[4] As reported 2008, restated. In 2009 the 'Prefinancing by (of) AgfaPhoto related to the previous CI divestiture' is no longer presented on a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of 4 million Euro was reclassified to 'Other working capital'.

| MILLION EURO | 2007 | | 2006 | 2005 |
|---|---|---|---|---|
| **Operating result** | **125** | | **65** | **132** |
| Current tax expense | (53) | | (54) | (106) |
| Depreciation, amortization and impairment losses | 148 | | 159 | 161 |
| Changes in fair value of derivative financial instruments | (2) | | (3) | 7 |
| Adjustment for other non-cash income | (2) | | (1) | - |
| (Gains) / losses on retirement of non-current assets | (17) | | (21) | (11) |
| Change in long-term provisions | (106) | | 9 | (50) |
| Loss (Gains) on divestiture | 1 | | 4 | - |
| **Gross cash provided by operating activities** | **94** | | **140** | **133** |
| *of which discontinued operations* | *(35)* | | *(51)* | *(55)* |
| Movement in short-term provisions | (14) | | 37 | 23 |
| Decrease / (Increase) in inventories | 26 | | (58) | 2 |
| Decrease / (Increase) in trade receivables | 1 | | (57) | (37) |
| Increase / (Decrease) in trade payables and deferred revenue | (17) | | 38 | (26) |
| Change in other working capital | 18 | | 7 | (13) |
| **Net cash provided by operating activities** | **108** | | **107** | **82** |
| *of which discontinued operations* | *(13)* | | *(25)* | *(27)* |
| Cash outflows for additions to intangible assets | (29) | | (28) | (28) |
| Cash outflows for additions to property, plant and equipment | (71) | | (77) | (78) |
| Cash inflows from disposals of intangible assets | 2 | | - | - |
| Cash inflows from disposals of property, plant and equipment | 37 | | 27 | 27 |
| Cash inflows from disposals of assets held for sale | 19 | | 4 | - |
| Cash inflows (outflows) from equity and debt instruments | 67 | | 62 | 12 |
| Cash outflows for taxes paid on previous disposals | - | | - | (42) |
| Cash outflows for previous acquisitions | (38) | | (53) | (358) |
| Cash inflows from divestiture | 2 | | 13 | - |
| Interests and dividends received | 3 | [5] | 6 | 21 |
| **Net cash provided by / (used in) investing activities** | **(8)** | [5] | **(46)** | **(446)** |
| *of which discontinued operations* | *34* | [5] | *37* | *21* |
| Net issuances of debt | 106 | | (39) | 319 |
| Interest paid | (43) | [5] | (38) | (28) |
| Other financial flows | (9) | [5] | 14 | 36 |
| Dividend payments to stockholders | (63) | | (63) | (76) |
| Repurchase of own shares | - | | - | (31) |
| Capital contributions | - | | - | 2 |
| Prefinancing by / (of) AgfaPhoto related to previous Consumer Imaging divestiture | (17) | | (4) | 27 |
| **Net cash provided by / (used in) financing activities** | **(26)** | [5] | **(130)** | **249** |
| *of which discontinued operations* | *(13)* | [5] | *(4)* | *27* |
| Change in cash and cash equivalents due to business activities | 74 | | (69) | (115) |
| Change in cash and cash equivalents due to exchange rate fluctuations | (6) | | (16) | (7) |
| **Change in cash and cash equivalents** | **68** | | **(85)** | **(122)** |
| Cash and cash equivalents at beginning of year | 83 | | 168 | 290 |
| Cash and cash equivalents at end of year | 151 | | 83 | 168 |

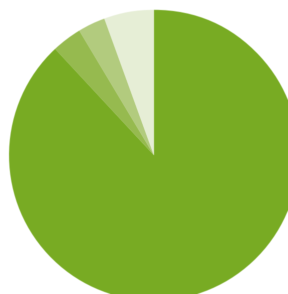
[5] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income has been narrowed and comprises only interests paid/received on the items of the net financial debt position. Interests received/paid on other assets and liabilities have been reclassified to 'Other finance income (expense)' in the consolidated income statement and consequently to 'Other financial flows' in the consolidated statements of cash flow. Comparative information for the year 2007 has been restated.

## SHAREHOLDER INFORMATION

| Listing | Brussels Stock Exchange |
|---|---|
| Reuters ticker | AGFAt.BR |
| Bloomberg ticker | AGFA BB/AGE GR |
| Datastream | B:AGF |

### SHAREHOLDER STRUCTURE (MARCH 31, 2010)

- 5.67% Classic Fund Management AG
- 3.18% Treasury Shares
- 3.10% JP Morgan Securities Ltd.
- 88.05% Free Float



### SHARE INFORMATION

| | |
|---|---|
| First day of listing | June 1, 1999 |
| Number of shares outstanding on Dec.31, 2009 | 124,788,430 |
| Market capitalization on Dec.31, 2009 | 565 million Euro |

| IN EURO | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Earnings per share | 0.05 | (1.34) | 0.34 | 0.12 | (0.15) |
| Net operating cash flow per share | 2.13 | 0.62 [1] | 0.87 | 0.86 | 0.65 |
| Gross dividend | 0 | 0 | 0 | 0.50 | 0.50 |
| Year end price | 4.53 | 1.86 | 10.49 | 19.36 | 15.41 |
| Year's high | 4.55 | 10.65 | 20.20 | 21.35 | 27.50 |
| Year's low | 1.25 | 1.77 | 6.63 | 13.95 | 14.92 |
| Average volume of shares traded/day | 725,279 | 1,099,793 | 1,020,110 | 851,367 | 471,175 |
| Weighted average number of ordinary shares | 124,788,430 | 124,788,430 | 124,788,263 | 124,781,170 | 125,603,444 |

[1] As reported 2008, restated

### SHAREHOLDER QUERIES

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### FINANCIAL CALENDAR 2010

| | |
|---|---|
| Annual General Meeting | April 27, 2010 |
| First quarter 2010 results | May 19, 2010 |
| Second quarter 2010 results | August 25, 2010 |
| Third quarter 2010 results | November 24, 2010 |

AGFA