Agfa-Gevaert

ANNUAL REPORT 2006

AGFA Agfa

Key Figures

Million Euro	2006	2005	2004 [1]	2003	2002
Net sales	3,401	3,308	3,762	4,215	4,683
Change vs. previous year	2.8%	(12.1)%	(10.7)%	(10.0)%	(4.6)%
Graphics	1,712	1,733	1,673	1,622	1,813
Share of Group sales	50.3%	52.4%	44.5%	38.5%	38.7%
HealthCare	1,452	1,405	1,361	1,408	-
Share of Group sales	42.7%	42.5%	36.2%	33.4%	-
Specialty Products	237	170	129	315	-
Share of Group sales	7.0%	5.1%	3.4%	7.5%	-
Technical Imaging [2]	-	-	-	-	1,822
Share of Group sales	-	-	-	-	38.9%
Consumer Imaging (divested in 2004)	-	-	599	870	1,048
Share of Group sales	-	-	15.9%	20.6%	22.4%
Gross profit	1,299	1,212	1,497	1,766	1,978
Recurring EBIT [3]	256	219	292	384	471
Restructuring/non recurring expenses	(191)	(87) [4]	(109)	(87)	(78)
Operating result	65	132	(129) [5]	528 [6]	393
Non-operating result	(64)	(25)	(56)	(71)	(97)
Income tax	15	(125) [7]	39	(135)	(99)
Net income of consolidated companies (before share of results of associated companies)	16	(18)	(146)	322	197
Share of results of associated companies	-	-	-	-	(3)
Net income of consolidated companies	16	(18)	(146)	322	194
of which attributable to minority interest	1	1	(1)	(1)	-
of which attributable to Agfa-Gevaert NV stockholders	15	(19)	(145)	323	194
Net result of the accounting period	15	(19)	(145)	323	194
Cash flow					
Gross operating cash flow	140	133	244	393	482
Net operating cash flow	107	82	303	522	611
Capital expenditures [8]	(105)	(106)	(112)	(178)	(167)
Balance sheet - Dec. 31					
Shareholders' equity	933	1,032	1,082	1,373	1,386
Net financial debt	704	679	193	233	573
Net working capital [9]	554	684	850	1,642	1,598
Total assets	3,832	3,982	3,356	3,839	4,159
Share information in Euro					
Earnings per share (EPS), net result	0.12	(0.15)	(1.15)	2.44	1.39
Net operating cash flow per share	0.86	0.65	2.40	3.95	4.38
Gross dividend	0.50	0.50	0.60	0.75 [10]	0.50
Book value per share	7.48	8.27	8.58	10.90	9.95
Number of ordinary shares at year-end	124,785,530	124,780,270	126,054,680	126,000,000	139,231,600
Weighted average number of ordinary shares	124,781,170	125,603,444	126,008,540	132,045,438	139,611,425
Employees (at year end)					
Full time equivalent permanent	14,015	14,442	14,387	17,340	19,341

(1) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

(2) till end 2002 HealthCare, Non-Destructive Testing (divested end 2003) and Specialty Products together made the Business Segment Technical Imaging

(3) 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

(4) including a provision of 55 million Euro related to the liquidation of AgfaPhoto

(5) including a net capital loss of 312 million Euro on the divestiture of Consumer Imaging and Monotype

(6) including a capital gain of 231 million Euro on the divestiture of Non-Destructive Testing

(7) including the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture

(8) for intangible assets and property, plant and equipment

(9) current assets minus current liabilities

(10) including an extraordinary dividend of 25 Eurocents related to the divestiture of Non-Destructive Testing

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 Executive Committee, assisted by a small Corporate Center, leads the Group's parent company. 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, Germany and China. This global production network enables the company to meet the specific needs of each market, to limit the risks of currency fluctuations and to reduce transportation costs.

Agfa is commercially active worldwide through more than 40 wholly owned sales organizations. 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.

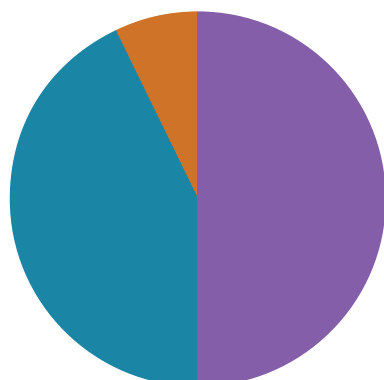
Agfa Graphics is rapidly developing its position in the new segments of industrial *inkjet* by offering comprehensive digital solutions for various applications such as document posters, banners, signage, displays, labels and packaging materials. Its experience in both imaging and emulsion technology has provided the expertise required for developing a complete assortment of high-quality inks.

Agfa HealthCare
Agfa HealthCare supplies hospitals and other healthcare centers with state-of-the-art systems for capturing, processing and managing diagnostic images. The business group has grown into a leader in the fast growing market for IT systems that integrate the different workflows of the healthcare enterprise. Thanks to these systems, healthcare facilities become more efficient and effective, and with improved patient care as a result.

Agfa HealthCare's imaging- and IT-solutions comprise Clinical Information Systems (CIS) and Hospital Information Systems (HIS), radiology information systems (RIS), Picture Archiving and Communication Systems (PACS), as well as systems for reporting, cardiology, business planning, decision support, advanced clinical applications and data storage, systems for *direct radiography* and *computed radiography*, and classic x-ray film solutions. Furthermore, the business group provides consulting activities for the healthcare sector.

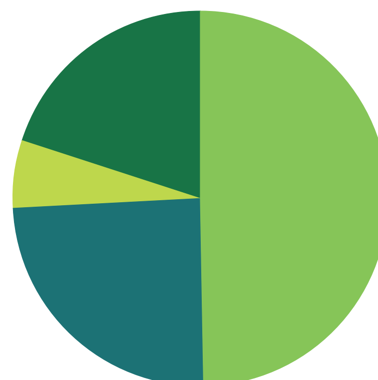
Agfa Specialty Products
Agfa Specialty Products supplies a wide variety of film-based products and high-tech solutions to large business-to-business customers outside the graphic and healthcare markets. Its main products are motion picture film, microfilm, *film for non-destructive testing* as well as film for the production of *printed circuit boards* (PCB's). Specialty Products is also active in the promising market of high-security identification cards. Furthermore, the business group supplies products based on conductive *polymers* for the production of *electroluminescent* lamps or laminates for the packaging and protection of electronic components.

Share of Group Sales 2006
By Business Group/Unit



Agfa Graphics 50%
Agfa HealthCare 43%
Agfa Specialty Products 7%

Share of Group Sales 2006
By Region



Europe 49.8%
NAFTA 24.5%
Latin America 5.9%
Asia/Oceania/Africa 19.8%

New organization

On February 28, 2007 the Board of Directors, after having completed the strategic review of the company, decided that it is in the best interest of the Group, the customers, the shareholders and the employees, to split the Group into three independent, listed companies - representing the activities of Agfa Graphics, Agfa HealthCare and Agfa Materials - by the end of 2007. The separate companies will be better positioned to pursue their own distinct strategic objectives and will have direct access to the capital markets. Agfa Materials will group all of the film manufacturing activities with the niche products of Specialty Products and will be positioned as an independent supplier of film and related products and high tech systems for specific markets.

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
1999	IPO - listed on stock market in Brussels and Frankfurt
2002	Bayer sells its remaining 30% stake in Agfa
2004	Acquisitions of Dotrix (Belgium), developer of digital color print systems for industrial applications and of Symphonie On Line (France), developer of hospital information systems
2005	Acquisition of GWI (Germany), developer of hospital information systems, and Heartlab (USA), developer of digital image and information networks for cardiology
2007	By the end of 2007, the Group is expected to be split into three independent, listed companies: Agfa Graphics, Agfa HealthCare and Agfa Materials

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Shareholder Information

Words in *italic* are explained in the Glossary (p.133).

Letter to the Shareholders

Dear shareholders,

Since its IPO in June 1999, Agfa-Gevaert has rigorously followed a strategy focused on the transformation of the Group from a supplier of traditional imaging systems into an innovative provider of digital imaging and IT solutions and services. In recent years, Agfa-Gevaert has therefor streamlined its portfolio through the desinvestment of non-core activities, such as non-destructive testing and consumer imaging. At the same time, we invested strongly in the development of innovative products and solutions for new promising growth markets, such as industrial inkjet, healthcare IT and electronic ID cards. For this, in addition to Agfa's extensive R&D activities, we made targeted acquisitions of leading innovators in both the graphic and healthcare industries. In a next phase of this transformation process, all business groups were given operational independence. This enabled the business groups to better pursue their own distinct strategies with optimum focus on their customers.

It is clear that the present Agfa-Gevaert Group can no longer be compared to the company of a decade ago. Once an established name in the world of photography, Agfa is now an undisputed global leader in digital prepress and healthcare solutions. Despite the difficult market conditions of the past few years, characterized by historically very high raw material prices and adverse currency effects, Agfa is well on track in accomplishing the objectives it has set for itself and it has resumed growth, both in sales and results. In this respect, 2006 was a pivotal year for the Agfa-Gevaert Group. The growth in new areas more than compensated the decline in our traditional businesses. Total sales grew for the first time since 2000 on an organic basis and Agfa's recurring EBIT margin increased for the first time since 2002. These positive results clearly prove that the outlined strategy is the right one.

Through a combination of well-considered investments and fundamental restructuring we have prepared the business groups in a way that they now have the size, fundamental strength, industry leadership and organizational talent to take up the future challenges in their respective markets. The Board of Directors is therefor of the opinion that the moment is there to take the logical next step to conclude the transformation process of the Agfa-Gevaert Group.

After having thoroughly reviewed the company's strategic options, the Board has concluded that a demerger into three independent, listed companies is in the best interest of all involved parties. Our employees will be operating in strong companies with clearly defined and focused market strategies, which will lead to additional opportunities. Our customers will also benefit from the targeted market approach of the individual companies and the resulting customer focus increase.

Shortly before the actual demerger, which should be completed by the end of 2007, the split will be presented to an Extraordinary General Meeting of Shareholders for approval. After approval, our shareholders will hold shares in three independent, listed, industry-leading companies instead of holding one Agfa-Gevaert share. This will not only create added value, it will also enable them to adapt their portfolio to their individual investment profile.

The transformation of the Agfa-Gevaert Group has been an intensive and complex undertaking. It involved a lot of changes and required significant effort, dedication and flexibility of our employees for which we wish to express our gratitude. We also sincerely thank our customers and distributors for their confidence in our products, solutions and services and for the good relations we have continued to enjoy with them. Finally, we would like to thank our shareholders for the confidence and the support they have shown in our company.

The Board of Directors is confident that the course we are following is the right one and will therefor invite the Annual General Meeting of Shareholders to approve a gross ordinary dividend per share of 50 Eurocents.

Ludo Verhoeven
Chairman of the Board of Directors

Marc Olivié
President and Chief Executive Officer

Management Report

Marc Olivié
President and Chief Executive Officer

Philippe Houssiau
President Agfa HealthCare

Executive Committee

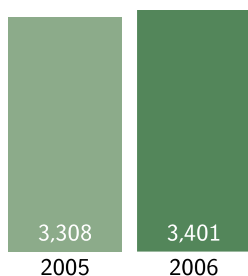
Anne Vleminckx
Chief Financial Officer

Albert Follens
Chief Operating Officer
and President Agfa Specialty Products

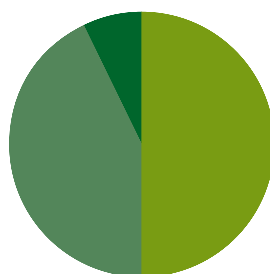
Stefaan Vanhooren
President Agfa Graphics

Werner Vanderhaeghe
General Counsel and Company Secretary

Group Sales
Million Euro

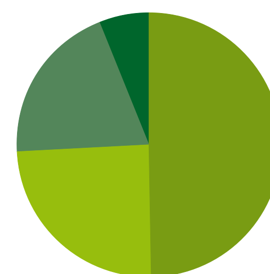


Share of Group Sales 2006
Percent by Business Group/Unit



Agfa Graphics 50%
Agfa HealthCare 43%
Agfa Specialty Products 7%

Percent by Region



Europe 49.8%
NAFTA 24.5%
Asia/Oceania/Africa 19.8%
Latin America 5.9%

The Agfa-Gevaert Group has three focused business groups with strong market positions and clearly defined strategies: Graphics, HealthCare and Specialty Products. One out of two printing companies and one out of two hospitals in the world are Agfa customers. The Group is relying on this solid customer base and its core competencies to build new growth platforms: industrial inkjet for Graphics and enterprise IT for HealthCare. Specialty Products supplies a wide range of film-based products and high-tech solutions for industrial customers outside the printing and healthcare markets.

Since January 1, 2006 the three business groups have been operationally independent. In August, a major cost savings program was initiated to further improve profitability as well as the competitive positions of the business groups. This program targets annual costs savings of 250 million Euro by the end of 2008. As a result approximately 2,000 functions worldwide will become redundant.

After having reviewed the strategic options of the Group, the Board of Directors announced at the beginning of 2007, that a split into three independent companies is in the best interest of the company, its customers, shareholders and employees. The Board therefore decided to demerge the company into three independent, publicly traded companies before the end of 2007: Agfa Graphics, Agfa HealthCare and Agfa Materials. The new entity Agfa Materials will combine all film manufacturing activities with the niche products of Specialty Products and will be positioned as an independent supplier of film and related products.

The three new companies will have the size, fundamental strength, industry leadership, and organizational talent to succeed independently in their respective markets. Furthermore, the separate companies will be better positioned to pursue their own distinct strategic objectives and they will have direct access to the capital markets.

Sales

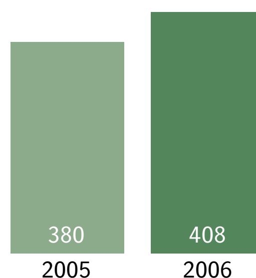
For the first time since 2000, Group's sales increased to 3,401 million Euro in 2006. This growth of 2.8% compared to 2005 is mainly the result of strong performances in all three business groups. Graphics realized solid volume growth in digital printing plates and implemented price increases. While the traditional film and print market continued to decline, HealthCare's sales growth was driven by its innovative digital portfolio of

Key Figures P&L

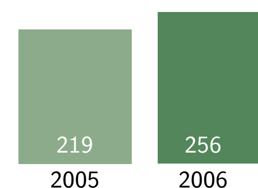
Million Euro	2005	2006
Net sales	3,308	3,401
Gross profit	1,212	1,299
Recurring EBITDA [1]	380	408
Recurring EBIT [1]	219	256
Restructuring and non recurring items	(87) [2]	(191)
Operating result	132	65
Non-operating result	(25)	(64)
Net profit	(19)	15

[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

Recurring EBITDA [1]
Million Euro



Recurring EBIT [1]
Million Euro



PACS and IT solutions and by its range of CR/DR systems. Specialty Products reported strong sales in motion picture film and film for non-destructive testing.

In 2006, Europe accounted for 49.8% of Group sales (2005: 52.4%), NAFTA for 24.5% (2005: 24.6%), Asia/Oceania/Africa for 19.8% (2005: 18.2%) and Latin America for 5.9% (2005: 4.8%).

Results
Gross profit reached 1,299 million Euro, versus 1,212 million Euro in 2005. The gross profit margin stood at 38.2%, compared to 36.6% in 2005. Volume growth, improved production and service efficiencies, price increases and positive mix effects were able to more than offset the particularly strong increase in raw material costs.

Sales and general administration costs (excluding non-recurring items) amounted to 832 million Euro or 24.5% of sales, an increase of 3.9% compared to the previous year. Measures to bring down SG&A costs are being implemented as part of Agfa's global plan to take out approximately 250 million Euro of annual costs by 2008. Research and development expenses increased by 1% to 193 million Euro (191 million Euro in 2005), amounting to 5.7% of sales which is almost the same percentage as in 2005.

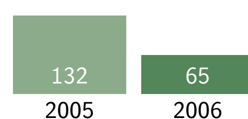
Other operating items amounted to 18 million Euro, versus 1 million Euro in the previous year.

Agfa's recurring *EBITDA* reached 408 million Euro, compared to 380 million Euro in 2005, or, as a percentage of sales, to 12.0% compared to 11.5% in the previous year.

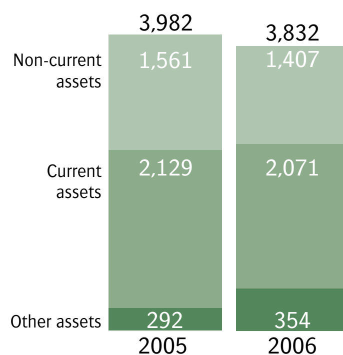
Recurring *EBIT* grew 16.9% to 256 million Euro, in spite of raw material costs being 130 million higher than in the previous year.

Restructuring and non-recurring items totaled 191 million Euro, compared to 87 million Euro in 2005, as the Group started to implement its plan to reduce costs annually by 250 million Euro by 2008. Approximately 160 million Euro of the total estimated restructuring costs of 250 million Euro related to the savings plan has already been provided for.

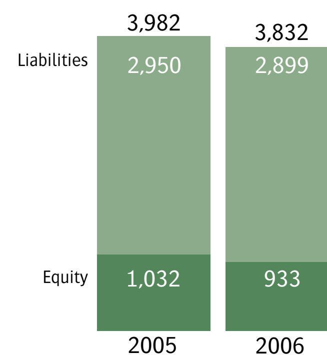
Operating Result
Million Euro



Key Figures Balance Sheet
Assets
Million Euro



Liabilities
Million Euro



The 2006 operating result was 65 million Euro, versus 132 million Euro in the previous year. The financial result was minus 64 million Euro, compared to minus 25 million Euro in 2005. Income before taxes thus reached 1 million Euro, versus 107 million Euro in 2005.

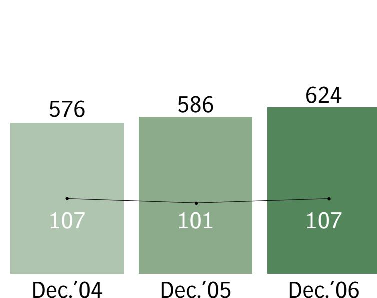
The Group recorded a net profit of 15 million Euro or 12 Eurocents per share, compared to a net loss of 19 million Euro or minus 15 Eurocents per share in 2005.

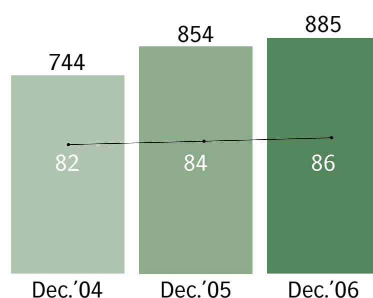
Balance sheet
At the end of December 2006, total assets amounted to 3,832 million Euro, compared to 3,982 million Euro at the end of 2005.

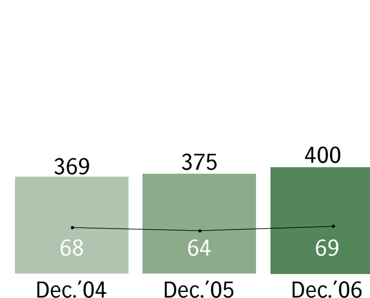
Working capital
Inventories increased from 586 million Euro in 2005 to 624 million Euro. Expressed in days, inventories stood at 107 at the end of December.

Trade receivables stood at 885 million Euro – or 86 days – versus 854 million Euro – or 84 days – at the end of 2005. Trade payables increased from 375 million Euro – or 64 days – to 400 million Euro – or 69 days. Agfa will continue its efforts to reduce its working capital.

Financial debt
At the end of the year, net financial debt reached 704 million Euro, versus 679 million Euro at the end of December 2005. This increase is mainly the result of the payment of the dividend in 2006 (62.4 million Euro) and the payment of the first earn-out relating to the acquisition of GWI (52.5 million Euro). At the end of 2006, Agfa’s gearing ratio stood at 75.5%.







Shareholders' equity

Shareholders' equity amounted to 933 million Euro, compared to 1,032 million Euro at the end of 2005.

Cash flow

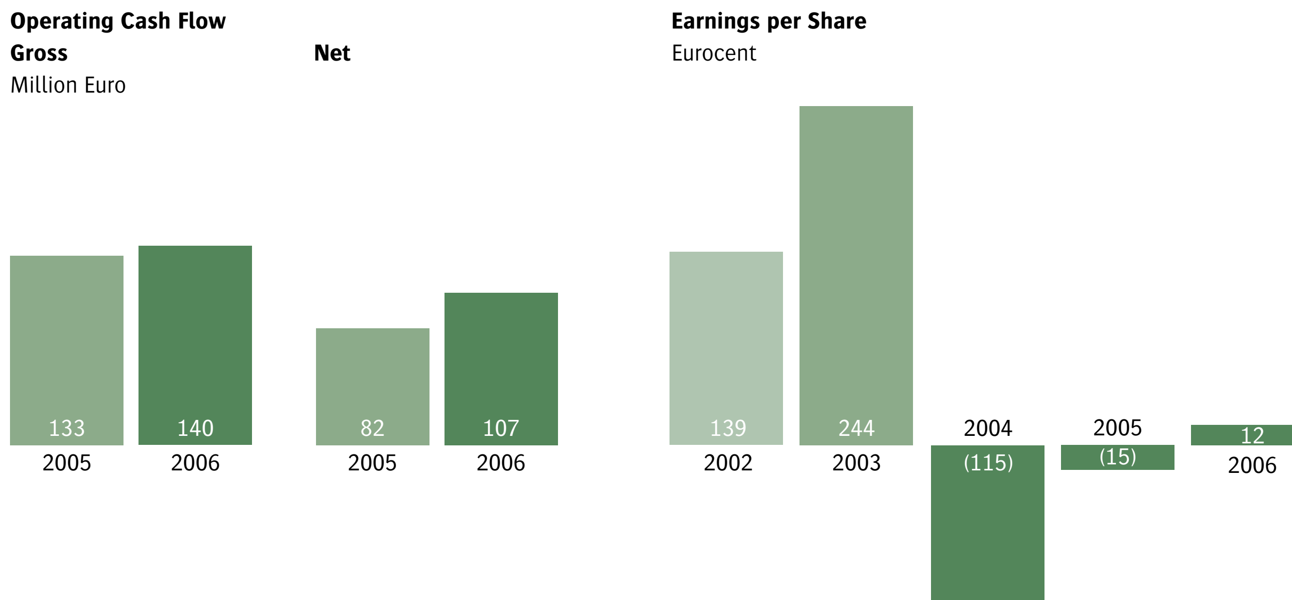
In 2006, the gross operating cash flow totaled 140 million Euro. The net operating cash flow, which also takes into account changes in working capital, reached 107 million Euro. Capital expenditure amounted to 105 million Euro.

Research & Development

Agfa, one of the leading technological innovators in Belgium, spent 193 million Euro on Research & Development in 2006, an increase of 1% compared to 2005. 40% of R&D expenditure was related to Graphics, 57% to HealthCare and 3% to Specialty Products.

Agfa's research strategy combines in-house development, external partnerships and acquisitions of new technologies to efficiently and effectively bring the solutions needed to market. The transition from analog to digital technology has shortened the life cycle of many products and challenges R&D to achieve ever shorter development times and faster market introductions.

Graphics is concentrating on industrial inkjet and *chemistry-free* and low-chemistry *digital printing plate* technologies. In 2006, Graphics invested heavily in the development of innovative systems and *UV-inks* for the growing industrial inkjet market. It also introduced its new violet chemistry-free *printing plate* which combines the ecological advantages of chemistry-free systems with low investment and operating costs, reliability and speed. *Thermal* systems were also an important R&D focus point as they can be used for a broad range of applications in the commercial and packaging markets.



HealthCare is focusing its R&D efforts on the development of innovative imaging technologies and on the integration and migration of various hospital IT platforms into one single platform. In 2006, new systems for digital radiography and mammography were introduced to the market. ORBIS, Agfa's healthcare IT system, was further expanded with the addition of a number of clinical applications for the nursing and medical lab services. Agfa's digital imaging and information technology offers healthcare players the tools to improve patient care and to make healthcare spending more affordable and controllable.

In Specialty Products, the main focus is on materials for the production of identity cards with built-in security features and on inks, films and coatings used as flexible electrodes in *electroluminescent (EL)* lamps, touch screens, displays and printable electronics.

Human resources
At the end of 2006, Agfa employed 14,015 full time equivalents, versus 14,442 at the end of 2005.
Staff levels decreased by 427 full time jobs as a result of attrition and the initiatives to reduce sales and general administration costs.

Cost savings plan
The cost savings plan announced in mid 2006 is on track and the negotiations with the social partners have been finalized in all countries concerned. The first substantial effects of the measures to streamline the Agfa organizations and to reduce costs will become visible in the course of 2007.

Outlook

Graphics expects industrial inkjet to break through in 2007, with increasing sales and the elimination of the start-up losses in the course of the second half of the year. In prepress, stable sales are anticipated, as the continuing decline of analog products is expected to be offset by the growth of the more profitable digital printing plates.

In HealthCare, the further international roll-out of enterprise-wide IT systems as well as the growth of the other digital and IT solutions and services should more than offset the continued market driven decline of film and print sales.

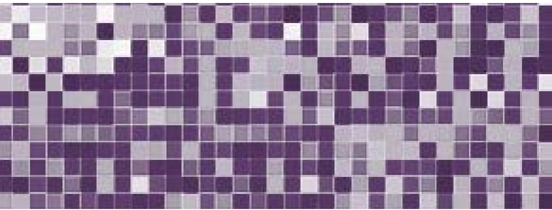
Specialty Products is expected to gain market share in its film products and is targeting additional growth with innovative products and systems.

All businesses will start seeing the benefits from the savings plans, but raw material costs are expected to remain at a high level and will continue to affect results.

All business groups are investing in the implementation of their growth strategies, which is of crucial importance for their independence. Together with the implementation of the cost savings plan, these well-defined growth strategies will secure the future of the three companies.

2007 will be a very important year for Agfa-Gevaert: before the end of this year the Group will be split in three independent, publicly traded companies.

'In spite of the omnipresence of electronic media, printed matter is still a key element in today's communication mix.
We will continue to strengthen our leading position in prepress and also further extend our market share in the fast growing industrial inkjet market.



Million Euro	2006	2005	% change
Sales	**1,712**	1,733 [2]	-1.2%
Recurring EBITDA[1]	**141**	142	-0.7%
% of sales	**8.2**%	8.2%	
Recurring EBIT[1]	**73**	62	17.7%
Operating result	**(12)**	53	

(1) before restructuring and non-recurring items and excluding the one-off income of 13 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 49 million Euro sales from products transferred from Graphics to Specialty Products in 2006

Agfa Graphics' 2006 sales totaled 1,712 million Euro. At the beginning of the year, Agfa Graphics transferred a number of niche products to Agfa Specialty Products. On a comparable basis, sales increased 1.7% compared to 2005, mainly as a result of strong volume growth in digital printing plates and the effect of pricing measures through which Agfa Graphics succeeded in stopping the price erosion.

Recurring EBITDA reached 141 million Euro, or 8.2% of sales. The results were heavily impacted by high raw material costs and the investments in the start-up of the industrial inkjet activities, but despite these negative elements, recurring EBIT increased 17.7% compared to the previous year and amounted to 73 million Euro. This was driven by the improvement in production efficiencies and the ongoing transition to more profitable digital product lines.

Market trends

In line with recent years, the printing industry was characterized by ongoing consolidation in 2006. In spite of the omnipresent electronic media, printed media continue to play a key role in the communication mix. Following its revival in 2005, the printing industry continued to grow in 2006. As the life cycles of products and information shorten, there is a global trend towards shorter print runs, resulting both in an increase in *prepress* production and in a growing number of digital print jobs. Furthermore, the increase in the number of full-color publications results in a growing demand for *printing plates*, as color printing requires the use of 4 printing plates or more instead of just one.

A survey, carried out amongst managers of about 100 newspapers from around the world about the investments they plan to make in the next three years, indicated that customers were above all interested in company-wide software and *violet* chemistry-free printing plates, a technology in which Agfa Graphics has once again taken the lead.

Prepress

In 2006 the *computer-to-plate* (CtP) technology continued to increase and even exceeded the decrease in analog technologies. This evolution will continue, as more and more small and medium-sized printers also make the transition to digital prepress processes.

Digital printing

For specific types of printed matter, including packaging, advertising brochures and decoration, smaller print runs are needed with an additional demand to print variable data. The most modern methods in digital inkjet printing give printers the opportunity to meet these demands. More than traditional technologies, digital print processes allow for faster and cheaper switching between print jobs, which results in considerable cost savings. Thanks to its versatility, inkjet technology has the largest growth potential of all digital technologies. Inkjet systems can also use a wide range of inks to print on a broad spectrum of media.

Agfa's ecologically-friendly :Azura thermal printing plate system allows printers to eliminate water and developer from the CtP process. As a result, the :Azura system can be quite beneficial to a printer's bottom line. Elimination of chemistry removes all process variables and simplifies platemaking, giving clear, consistent results. :Azura users benefit from one of the most simple, reliable and predictable CtP technologies ever created.

Different computer-to-plate systems accommodate different business, productivity and application needs. Agfa's visible light, thermal and chemistry-free technologies each bring unique benefits to the printing workflow. A comprehensive assortment of CtP systems of photopolymer and silver-based plates combines high quality imaging with the ability to increase productivity economically.

Agfa's project management software :Delano and workflow management software :ApogeeX enable printers to advance in their automation efforts and maximize their productivity by providing them interactive control over printing projects, from customer input all the way to product delivery.

Strategy

As a global leader, Agfa Graphics has built its strategy on three pillars: market leadership, cost leadership and technological leadership.

Market leadership

Through a strong focus on quality and value selling, and the implementation of pricing programs to compensate for higher raw material costs, Agfa Graphics is consolidating its market leader position in prepress, a mature market segment of about 7 billion Euro.
Based on proprietary technology and partnerships, Agfa Graphics also strives to lead in the rapidly growing industrial inkjet market – estimated at 10 billion Euro by 2010 – with an innovative portfolio of high volume, high-end inkjet systems, *UV inks*, processing software and a broad range of services.

Cost leadership

Agfa Graphics is improving its profitability by further reducing its sales and general administration costs to be more competitive and by optimizing the global production, service and distribution organization.

Technological leadership

Agfa Graphics is a technological leader in the printing industry. It continues to invest to maintain this technological advantage, for example through the development of innovative UV inkjet solutions and *thermal* and ecological CtP systems.

Product development

In 2006 **commercial** and **packaging** printers were able to increase their productivity and flexibility with Agfa's expanded portfolio of digital CtP systems. A violet laser version of the :Avalon LF *platesetter* was introduced and the fast 6-up :Avalon SF thermal platesetter completed Agfa's CtP range. Agfa Graphics also launched its new range of printing chemicals.

Last year, Agfa Graphics again invested heavily in research and development for digital printing plates, one of the company's strongest growth engines. In this area, the main focus is on *chemistry-free* and low-chemistry printing plate technologies. In 2006, another major R&D focus point was industrial inkjet. Graphics invested heavily in the development of innovative systems and UV inks for this growing market. At the Ipex trade exhibition (April, Birmingham), Agfa Graphics demonstrated its new chemistry-free violet printing plate for small and medium-sized commercial printers and regional newspapers. The plate can be used in combination with the existing violet platesetters. It combines the ecological advantages of chemistry-free systems with low investment and operating costs and the reliability and speed of violet systems.
Thermal systems were also an important area of R&D focus as they can be used for a broad range of applications in the commercial and packaging markets. :Energy, the newest generation of thermal plates, was introduced to the market in 2006.

:ApogeeX 3.0 is the most recent version of Agfa's *workflow management software*. Using industry standards such as *JDF* and *JMF*, it offers users a lot of different ways to further automate their prepress activities.
Over 20,000 :Apogee systems and 3,000 :ApogeeX installations currently improve the prepress efficiency of printers all over the world.
With :Delano 2.6 Agfa Graphics launched a new and improved version of its project management system. One of the most striking innovations is :Delano WebApproval 2.6, which allows users to *proof*read, mark-up and approve high-resolution production files in a standard web browser in real time.

In the field of **newspaper printing**, Agfa Graphics increased the capacity of its :Advantage DL platesetter to 220 printing plates per hour, allowing printers to work efficiently during very busy periods in production.

At the Ifra trade fair for newspaper printers (October, Amsterdam), Agfa Graphics introduced improvements and extensions to :Arkitex, the world's leading production and company wide software for newspaper printers.

At the Emballage event for **packaging** printers (November, Paris), Agfa Graphics previewed its new brand protection software for packaging. Its development was based on Agfa Graphics' patents and expertise in high-end security software with the :Fortuna solution, which protects 75% of the world's banknotes against counterfeiting.

Agfa Graphics continued the implementation of its **industrial inkjet** strategy with the introduction of a number of new systems, based on proprietary imaging, ink and printing expertise. Furthermore Agfa Graphics signed a number of development and production partnerships with industry leaders.

At Ipex (April, Birmingham), Agfa Graphics introduced the *large format inkjet printers* :Anapurna L and XL, which, with respective print widths of 1600 and 2500 mm, print on both rigid and flexible media using Agfa's UV-curable ink.

The *:Dotrix* inkjet press was also introduced in a new version with modular extensions. Agfa Graphics is able to configure the :Dotrix according to the precise needs of the customer for applications including non-food packaging, labels and point-of-purchase materials. The :Dotrix-press uses Agfa's :Agorix inks, which can be printed on a wide variety of substrates and result in high-quality images with sharp, lively colors.

In April 2006, a beta version of the :M-Press, which was jointly developed by Agfa and Thieme, was installed at the SMP Group in London. The :M-Press is the world's first hybrid printing press which combines digital and *screen printing* in a revolutionary concept. The printing press uses 64 *inkjet print heads* – developed in co-operation with Xaar – which together can print up to two billion ink drops per second with drop sizes of as small as eight picoliters.

Major contracts

In 2006, Agfa continued its growth in the **commercial printing** segment. In autumn the chemistry-free :Azura printing plate, based on *ThermoFuse* technology, reached the milestone of more than 1,000 users worldwide. ThermoFuse has thus become one of the world's most popular CtP processing technologies in recent years.

The customer base for the :Delano software for project management also continues to grow. Agfa Graphics signed an agreement with the leading British printer St Ives for :Delano, which will connect St Ives' four web division sites. The software includes tools for on-screen and remote page approval and improves overall customer service. Together with the already installed :ApogeeX software, :Delano gives St Ives a competitive edge as it increases efficiency in prepress and project management as well as it offers tools for the improvement of interaction between customers and customer services.

In the **newspaper segment**, Agfa Graphics confirmed its leading position. Jawa Pos, the Republic of Indonesia's largest newspaper publisher purchased two violet CtP systems as well as :Arkitex workflow software. The Jawa Pos group publishes 83 titles at 29 printing sites covering the whole archipelago of Indonesia. The Post Publishing Company Limited, the publisher of the oldest and widest circulation English-language newspaper in Thailand, the Bangkok Post, ordered two violet :Polaris X platesetters. The installation also includes Agfa's award-winning :Sublima screening technology and digital :N91 violet *photopolymer plates*.

Agfa Graphics brings its expertise in high-end color printing and advanced inkjet technology for a wide range of digital printing applications. Agfa Graphics is uniquely positioned with control over all key components of inkjet printing systems: print heads, imaging software, engines and ink resulting in inkjet solutions with all components perfectly tuned into one another.

In April, Agfa Graphics announced a ten-year strategic partnership with News International Ltd in the UK. This was not only the largest contract in the history of the company, it also introduced a new business model to newspaper publishing. Agfa Graphics will ensure 24/7 full facilities management, from file intake to press-ready printing plates. The contract includes 20 high-speed :Polaris XCV-S violet CtP systems, :Arkitex workflow software, :N91v violet photopolymer plates, punch benders as well as staffing, support, maintenance and technical service for The Times, The Sunday Times, The Sun and News of the World.

In 2006, Agfa Graphics signed an agreement with the leading Spanish newspaper El País for three high-speed :Polaris violet platesetters, :N91v digital plates, :Arkitex automating software, plate processing and punch and bending equipment, as well as a two-year service contract.

Agfa Graphics also strengthened its leadership in the Latin American newspaper market. In autumn, the number of CtP systems for newspapers in the region reached the 100 milestone. In only twelve months, the number of installations increased by 50%, making Latin America the fastest growing region for newspaper CtP in the world.

In China, Agfa Graphics renewed its dealership agreement with Founder Electronics for the distribution of Agfa's CtP systems for newspapers. Founder Electronics is one of the largest technology companies in China and, since 1991, has been the sole distributor for the Chinese newspaper market for Agfa Graphics, which is the market leader in that area. Customers include People's Daily, People's Liberation Army Daily, Wen Hui Daily, Xin Min Evening Daily, Hu Bei Daily, Shengzhen Special Zone Daily, Zhe Jiang Daily and Wuxi Daily.

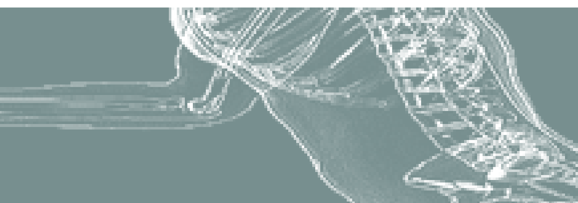
In the **packaging** segment, one of the leading packaging and display carton manufacturers in the US, Accurate Box, started using Agfa's low chemistry :Amigo thermal printing plates. :Amigo plates can run in most plate processors and require less processor cleaning and maintenance, allowing print departments to operate at significantly greater levels of efficiency.

In the **inkjet field**, Agfa reached a number of commercial milestones in document printing with its industrial inkjet press, :Dotrix. In autumn, Mondi Packaging Flexibles (Korneuburg, Austria) purchased a :Dotrix inkjet press for packaging applications. With the :Dotrix, Mondi can quickly and cost-effectively produce prototypes or short printing runs of flexible packaging solutions on a wide variety of substrates. :Dotrix uses Agfa's :Agorix ink. In large format printing the combination of the first generation of :Anapurna printers and the next generation of proprietary UV inks started off very well.
The first :M-Press industrial digital inkjet press went into operation at the British printer SMP (London) at the beginning of the year. The system's productivity is currently unrivaled in the world of digital printing and it is suitable for digital large-format, high-volume inkjet applications, such as posters, billboards, displays and panels. :M-Press uses Agfa Graphics' :Anuvia inks.

Regionally, Latin America was the fastest growing region for Agfa Graphics in 2006. Also in countries where Agfa Graphics is represented through agents, sales were very strong. In all these markets, Agfa Graphics not only achieved improved sales and profitability, it also further strengthened its market position. In Europe, sales and profit increased moderately. In the Asia Pacific region, Agfa Graphics achieved very strong volume increase for its products, in spite of the strong competition, especially in China. Despite the weakening of the yen, Agfa Graphics was also able to achieve considerable successes in Japan.

The revolutionary :M-Press has been co-developed by Agfa and Thieme in response to customer demand for economical, high run-length digital printing, such as posters, billboards, displays and panels. Agfa's competence in digital imaging and inkjet technology coupled with Thieme's design and manufacturing expertise in screen printing equipment has resulted in a unique world class high-speed inkjet press. The printing press uses 64 inkjet print heads – developed in co-operation with Xaar – which together can print up to two billion ink drops per second with drop sizes of as small as eight picoliters.

’Now more than ever, healthcare providers are looking for ways to improve their efficiency and to lower their costs. Agfa HealthCare’s medical imaging systems and IT solutions are essential building blocks for better patient care.



Million Euro	2006	2005	% change
Sales	**1,452**	1,405	3.3%
Recurring EBITDA(1)	**239**	225	6.2%
% of sales	**16.5%**	16.0%	
Recurring EBIT(1)	**161**	151	6.6%
Operating result	**76**	138	

(1) before restructuring and non-recurring items and excluding the one-off income of 12 million Euro related to changes in the retiree medical plan in the Group's US affiliate booked in the fourth quarter of 2005

Agfa HealthCare's 2006 sales totaled 1,452 million Euro, an increase of 3.3% compared to 2005. While the traditional film and print market continued to decline, the growth was driven by HealthCare's innovative healthcare IT systems and related services. HealthCare's IT solutions now represent 32% of the business group's total sales. Furthermore, Agfa HealthCare was able to halt the price erosion which affected sales in previous years.

Recurring EBITDA reached 239 million Euro, or 16.5% of sales, versus 225 million Euro, or 16.0% of sales, in 2005. Recurring EBIT increased by 6.6% compared to the previous year and the recurring EBIT margin remained stable. High silver prices impacted Agfa HealthCare's profitability throughout the year. Furthermore, the business group invested strongly in the roll-out of its enterprise-wide IT system ORBIS in additional countries.

From conventional to digital radiology, from image management to information management, Agfa's tailor-made solutions accommodate the way healthcare providers want to work and make it possible for them to achieve the highest level of effectiveness.

Agfa's image capture and processing solutions have been developed and refined through more than 100 years of experience in the medical imaging market. The result is a complete range of conventional films, equipment and supplies making Agfa the best choice for every radiology department.

Market trends

In the current healthcare market, care providers are expected to improve their efficiency and to reduce costs, while the number of consultations and examinations continues to increase as a result of the aging population, the related increase in chronic patients and the growing importance of preventive healthcare. Quality is extremely important as these services have a large impact on people's lives. Often in co-operation with governments, care organizations are looking more and more to digital and IT systems to combine quality with efficiency and to counterbalance the shortage of qualified medical staff.

The digitization of the hospital workflow often starts in departments that work intensively with diagnostic images, such as radiology. They convert from X-ray film to digital imaging and they install a *Picture Archiving and Communication System (PACS)* to efficiently manage the growing number of digital medical images. Digital data from different imaging modalities, including the most modern scanners producing thousands of images per examination, can be stored, processed and consulted using these software systems. The increasing amount of data per image also calls for more sophisticated healthcare technology. PACS networks are often linked to information systems - such as *radiology information systems* or *RIS* - which manage the workflow, the patients' flow and the use of modalities. In large hospital organizations in the United States, Western Europe and Australia, this technology has already been generally adopted and the switchover of smaller care centers is now accelerating. Furthermore, IT is making a breakthrough in growing markets, such as Asia, Eastern Europe, South America and South Africa.

Whereas PACS and the related information systems were originally linked to one department, care organizations are increasingly using them to link their radiology departments with other image intensive departments. The systems structure and bundle the data streams and by doing so support doctors in making decisions. In addition, advanced PACS systems offer the tools necessary to establish *teleradiology*.

The ultimate step in the digitization of the care organization is the implementation of an IT solution that manages the administration as well as the clinical workflow of the entire hospital. These enterprise wide solutions facilitate internal and external communication, improve patient care and reduce administrative costs. They result in an *Electronic Patient Record* or *Electronic Medical Record (EPR/EMR)*, which bundles all the data of the individual patient for use in the hospital and for consultation by external partners, including general practitioners and national health services. The consolidation of all patient data in one record is a key driver to prevent medical errors.

Strategy

Initially specializing in medical imaging, Agfa HealthCare has continuously broadened its scope in information technology to increase the effectiveness and efficiency of the entire healthcare organization.

The acquisitions of *Symphonie On Line* in 2004 and *GWI* in 2005 were important factors in the positioning of Agfa HealthCare as a leader in enterprise wide information systems. Agfa's ORBIS is now one of the most successful systems for managing all clinical and administrative data flows in hospitals and the roll-out of the system throughout Europe has been accelerated. The ORBIS system itself and its introduction strategy are adapted to the specific market circumstances in every country. Together with local partners, Agfa HealthCare also works on the development of additional modules, such as billing software.

PACS and RIS systems are a cornerstone of the IT infrastructure in care organizations. Based on its decades-long experience in medical imaging, Agfa HealthCare has built a very strong position in this area. By constantly adding new features, the portfolio meets the requirements of both specialized imaging centers and organizations planning to link a large number of sites into one PACS network. The open infrastructure, enabling the connection of modalities of many different suppliers to one network, is therefor a key element. With the successful integration of *Heartlab*, which was acquired in 2005, Agfa HealthCare has also been able to expand its IT portfolio with *cardiovascular* applications.

To secure further growth in imaging, the company is focussing on advanced digital systems, with special attention to image quality and to the reduction of the X-ray exposure. Also in this area, Agfa HealthCare is able to offer solutions – digital radiography systems as well as analog film systems and *hardcopy printers* – to the entire spectrum of healthcare organizations. In North America, Agfa HealthCare is working closely with specialized dealers to reach smaller imaging centers and community hospitals.

The growing success of IT also increases the importance of services. Service teams are responsible for IT installations, updates, maintenance and training. Furthermore Agfa HealthCare is profiling itself as a valuable partner for hospital managers by setting up consulting teams which, for example, advise decision makers about strategic management and the adaptation of the organization's internal workflow.

Product development

Agfa's technologies often become the standard in their markets. In 2006 the company introduced again a number of important additions to its product portfolio, based on its own developments as well as in cooperation with external partners.

In the German-speaking regions of Europe, ORBIS is by far the most widespread hospital IT system. At the end of 2005, it was successfully introduced in France and in 2006, the Benelux countries and Italy followed. Agfa HealthCare is now investing in adapting ORBIS to the specific healthcare situation in other European countries and in North America. In the United States specific modules are already being introduced, including a system to schedule appointments centrally for the different hospital departments. A recent study shows that ORBIS can play a key role in the improvement of a hospital's efficiency. In the analyzed process areas – such as the planning and documentation of operations and hospital care, order entry and the compilation of discharge summaries – it enabled a cost reduction of up to 30%. ORBIS has the potential to connect all hospital departments into one virtual network and to manage administration and patient flow throughout the entire hospital. Authorized users are offered convenient and fast access to all relevant information, which gives them the opportunity to further improve patient care. Agfa HealthCare enables healthcare organizations to implement ORBIS at their own pace. The different modules can be installed individually, tailored to the needs of the customer.

Building on its success in radiology, Agfa HealthCare has expanded its portfolio to include hospital-wide solutions that transform islands of disparate information into an integrated solution. Agfa HealthCare can assist hospitals and healthcare facilities of all sizes throughout the planning, implementation, and integration activities to help optimize clinical and administrative processes and create one hospital-wide system.

Following the introduction in North America at the end of 2005, the newest generation of Agfa's PACS, *IMPAX* 6, became available on a worldwide basis in 2006. Within a year of introduction, 300 IMPAX 6 systems were sold, which makes this introduction the most successful in the business group's history. Combining PACS with a new RIS module, speech technology and a unique scheduling module, IMPAX suits all the needs of today's healthcare delivery. The new Clinical Data Center offers hospital groups and regional healthcare organizations sufficient storage capacity to centrally store and manage all medical images and diagnostic data from all departments on their different sites. This makes it an important component in the evolution towards a full-blown EPR/EMR.

After the adaptation of IMPAX to connect a number of additional hospital departments, such as cardiology, women's care and orthopedics, Agfa HealthCare introduced in 2006 a series of modules for processing, storing and consulting very complex image data files. This includes 3D images, images obtained through combining data from *MRI, PET* and/or *CT* devices and images used for *virtual colonoscopy, computer assisted detection (CAD)* and nuclear medicine. One of the major advantages of Agfa's clinical applications is the incorporation of the processing of complex images into the IMPAX workflow. This offers a clear improvement in productivity, as processing is no longer done on the doctor's workstation.

The IT portfolio was also expanded with a number of new web-based information systems for cardiology, including a reporting and analysis tool for catheterization examinations and congenital echocardiography.

In the field of imaging, Agfa HealthCare expanded its portfolio for *computed radiography (CR)* with the CR 30-X system. This compact tabletop model is suitable for decentralized use in emergency rooms, field hospitals, dentist offices and physician's offices. Despite the compact size of the system, no compromises were made in image quality or processing speed.

In 2005 Agfa HealthCare introduced DX-S, its most powerful CR system to date. The system combines the advantages of both CR and *direct radiography (DR)*, the two most common technologies for converting X-rays into digital data. In 2006, the DX-S system was integrated into a complete digital radiography solution which also includes an X-ray source, a radiographic table and the new NX workstation for image quality control. In addition to a DR system for capturing and managing digital images in mammography, Agfa HealthCare also launched a dedicated fully integrated CR system for mammography in 2006. The business group's portfolio for breast examination is unique in the healthcare market.

Furthermore Agfa HealthCare developed a new version of its leading Musica software which optimizes digital images before the diagnosis is made. Musica^2 offers enhanced image quality and important improvements in efficiency. With Musica^2 and Agfa's digitizers it is possible to use a very low radiation dose and still capture digital images with optimal quality.

As the undisputed neutral connectivity and integration expert, Agfa solutions overlay and connect current IT infrastructure to leverage legacy systems and technologies and create a seamless flow of information. Agfa's patient-centric approach provides care providers with a comprehensive picture of the patients they treat, facilitating real-time decision making.

Agfa's HealthCare solutions turn information into knowledge enabling medical experts, hospital management and healthcare delivery organizations to achieve higher levels of patient care and better financial and operational efficiency.

Major contracts

In 2006, Agfa HealthCare signed 58 contracts for the installation of the enterprise wide ORBIS solution in hospitals in the German-speaking regions of Europe. The total number of ORBIS installations in those regions stood at 750 at the end of 2006. One example is the contract signed with the Austrian hospital group Salzburger Landeskliniken, which – besides ORBIS – also purchased IMPAX, DX-S digitizers and other CR equipment. The agreement perfectly illustrates Agfa HealthCare's ability to offer completely integrated solutions for imaging and workflow management. Just a year after the introduction of the system in France, 21 hospitals opted for ORBIS including the university hospital center of Toulouse, consisting of 5 different hospital sites. In Belgium agreements were signed and ORBIS installations were started in 5 hospital groups within a year of introduction. Agfa HealthCare also began the implementation of the first pilot projects in Italy.

In 2006, Agfa HealthCare again achieved remarkable successes with PACS and RIS. The IMPAX and CR installations for the ambitious 'Connecting for Health' project of the National Health Service in England are on track. Furthermore the company was able to sign a number of contracts with private healthcare providers in the UK. Agfa HealthCare will, for example, install PACS/RIS and CR systems in the 40 hospitals of the Nuffield Hospital Group. Similar large-scale agreements with care organizations clustering several sites, were also signed in the United States, Canada, Australia and a number of European countries.

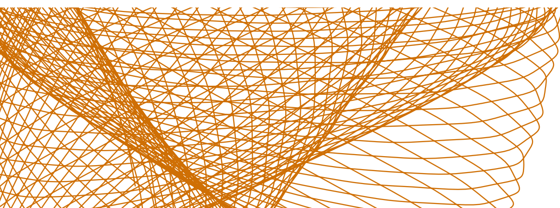
In Canada, Agfa won more than 80% of all PACS tenders issued in 2006. It will, for example, install a PACS solution in the 66 hospitals in two regions of Quebec. The United States is one of the main growth markets for PACS and RIS. In addition to large-scale projects, specialized imaging centers, community hospitals and outpatient clinics are important contributors to the success of Agfa's systems. Agfa HealthCare is increasingly reaching those customers through contracts with dealers, such as VirtuRad which has been selling Agfa's PACS for orthopedics since 2006. Furthermore Agfa HealthCare strengthened its position as the principal PACS supplier to the US government with new IMPAX and *TalkStation* installations in United States Navy hospitals and the US Department of Veterans Affairs. Agfa HealthCare is still the only PACS supplier which complies with the demands of the US Department of Defense regarding IT security.

In 2006, Agfa HealthCare also posted the first IMPAX successes in a number of growing markets, such as Qatar, Chile and Brazil. The No.1 Hospital of the China Medical University in Shenyang was the first organization to install the Chinese language version of Agfa's PACS and RIS. At the end of 2006, Agfa HealthCare had recorded more than 1,200 IMPAX installations around the world. It is the market leader for PACS in those regions which have the highest PACS installation rates: Canada, Germany, Scandinavia, the Benelux countries and the hospitals managed by the US government.

Software systems for cardiology departments are also performing particularly well. Following the acquisition of the American company Heartlab, these systems are gradually being introduced in the rest of the world. Recently major contracts were signed with leading cardiac centers in Brisbane (Australia), Montreal (Canada) and Singapore.

In the field of imaging, Agfa HealthCare closed a number of important contracts with American group purchasing organizations. As a result of the renewal of several agreements with Premier, Agfa HealthCare is able to offer film, hardcopy printers and CR systems to more than 1,500 member hospitals. Novation included Agfa's CR systems in its product portfolio for more than 3,000 members.

Film is still the most suitable medium for a lot of specific, industrial applications, including the production of printed circuit boards, aerial photography, the fabrication of identity cards, non-destructive testing and long-term data storage.



Million Euro	2006	2005	% change
Sales	**237** [2]	170	39.4%
Recurring EBITDA[1]	**45**	21	114.3%
% of sales	**19.0%**	12.4%	14.7%
Recurring EBIT[1]	**39**	14	178.6%
Operating result	**26**	(59)	

(1) before restructuring and non-recurring items
(2) including 49 million Euro sales from products transferred from Graphics to Specialty Products in 2006

In 2006, Specialty Products' sales were 237 million Euro, an increase of 39.4% compared to 2005. Taking into account the business transferred from Graphics at the beginning of 2006, such as film for Identification and Security, Aerial Photography, Phototooling and Advanced Materials, sales were up 8.2% compared to 2005.

Recurring EBITDA increased from 21 million Euro (12.4% of sales) in 2005 to 45 million Euro (19.0% of sales) in 2006. Recurring EBIT increased to 39 million Euro.

Agfa excels in developing security systems that are easy to authenticate but difficult to imitate. The combination of different state-of-the-art technologies in one ID card guarantees maximum resistance to mechanical and chemical counterfeiting. On the other hand, Agfa's custom-made security cards can easily be verified on different levels.

Market trends and strategy

Specialty Products offers specific, mainly film based, consumables and services to customers in industrial markets. Its activities are subdivided in the following groups: Identification & Security, *Phototooling*, Advanced Materials, *Aerial Photography*, Motion Pictures, *Microfilm*, *Specialty Foils & Components* and *Film for Non-Destructive Testing*.

Due to the high transition costs and in some cases the still limited quality of digital technologies, analog solutions are still very much in demand and will only be replaced gradually in most of Specialty Products' markets. With its film products, Agfa has gained market share and the company continues to work on improving quality and reducing costs.

Furthermore, Specialty Products is targeting additional profitable growth through the expansion of its portfolio with innovative products and materials. This includes hybrid systems (materials and electronics) – e.g. for the production of electronic ID cards – as well as new finished and semi finished products for markets other than imaging. Agfa can produce these using its own expertise and its existing infrastructure. Agfa will therefor significantly increase its R&D efforts in the next years.

Product development and contracts

Identification & Security

Identification & Security supplies systems and materials for the production of high-security identification documents. Its portfolio contains laminates used for manufacturing traditional, paper ID documents, as well as advanced systems – including machines and consumables – for the production of plastic ID cards with integrated chips. At the Cartes event held in Paris in November, Agfa presented the second generation of its system for the production of high-security electronic ID cards, called ANaiS (Agfa's National Identification System).

At the end of 2005, Agfa signed its first large contract for this turnkey system with Thales. The French company will produce 20 million ID cards for the Moroccan population using Agfa's technology. Agfa is not only targeting the high-end segment of national identity cards but will also supply materials to produce less complex plastic cards with security features, such as drivers licenses, secured tickets and ID cards for companies and the healthcare sector.

Phototooling
Agfa's phototooling film offers the extreme line sharpness required for miniaturization in *printed circuit board* manufacturing. Agfa has a significant market share in this business, with a leading position in Europe and strong growth in Asia. In 2006, the company introduced a new film range named Idealine.

In 2006, DuPont signed an agreement to become the dealer for Agfa's film and chemicals in the Asia Pacific region, excluding of Japan and Korea. The company already acted as the exclusive supplier of these products in the Americas. Agfa also extended its partnership with CCI Eurolam, which already supplied Agfa's film and chemicals in France, and will now do the same in Norway, Sweden, Finland, Denmark, The Netherlands, Belgium and Luxemburg.

Advanced Materials
This group supplies products based on conductive *polymers*, which can be used as an antistatic protection for films and components. Based on its experience with these products, Agfa developed screen-printing pastes, films and emulsions for the production of transparent electrodes used in *electroluminescent (EL)* lamps, displays and touch-screens. EL lamps can for instance serve to illuminate dashboards and mobile phone keypads. Agfa will continue to invest in the development of new products based on these conductive polymers, as the market interest is substantial, despite the still limited portfolio.

Motion Pictures
Agfa supplies *sound recording film* and *color print film*, which is used to make copies of movies for cinemas. All the leading motion picture film laboratories in the world are using Agfa's film. 2006 was an excellent year for Motion Pictures. Agfa was able to gain market share and the volumes were higher than ever before.

New organization

Specialty Products will be part of the newly created group Materials. In addition to the current Specialty Products activities, Materials will be responsible for the production of the graphic and medical film products and chemicals.

Thanks to the development of an even more powerful combination of latent image enhancement components, the image quality of Agfa's Idealine films for the production of printed circuit boards is superior to anything on the market.

Agfa's film products for specific industrial applications are being produced using state-of-the-art equipment and through the years Agfa has acquired extensive experience in applying high quality multi-layer coatings in dark room conditions. Agfa's coating facilities can coat multiple layers, either single pass on both sides of the base or via two passes at the same side of the base, reducing production costs but resulting in a higher quality.

Agfa's color print film and sound recording film for the professional motion picture industry provides optimum cinema presentation quality, thanks to the presence of a permanent antistatic polyester base, eliminating the attraction of dust, and an improved scratch resistance of the back side. Agfa's motion picture products are fully compatible with all industry standards and are ideally suited for bulk printing from color intermediates.

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Risk Factors

Market, technology and competition risks

As any company, Agfa is 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.

Agfa is also introducing many new technologies, such as industrial inkjet for Graphics or computed and direct radiography as well as information systems for HealthCare. 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 ones are aluminum (approximately 130,000 tons per year) and silver (approximately 900 tons per year). Changing 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. In particular with respect to its HealthCare activities, Agfa is complying with various regulatory systems in 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 been suffering 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 several environmental requirements in the various countries in which it operates, including those with respect to air and wastewater emissions, hazardous materials and spill prevention and clean up.
It makes significant operating and capital expenditures to comply with applicable standards.
Current and reasonably foreseeable compliance and remediation costs are provided for.

Proprietary technology

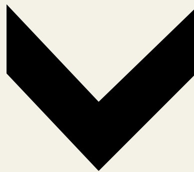
Agfa owns, has applications pending for and is licensed under many patents relating to a variety of products as well as software. The company relies on a combination of patent, copyright, trademark and trade secret laws, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and to protect its proprietary rights.
The most important litigation which is currently subject to an arbitration procedure concerns the AgfaPhoto trademark license with AgfaPhoto Holding (see also under footnote 15 p.102 and footnote 27 p.122 of the Financial Statements.

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.

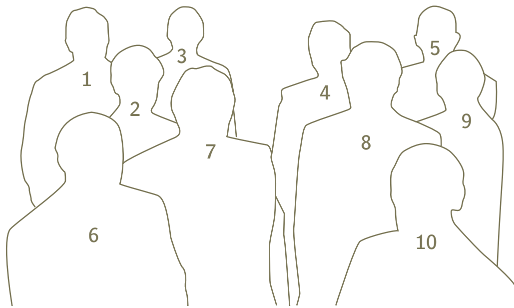
Litigation

Agfa is currently not involved in any major litigation apart from the ones related to the AgfaPhoto insolvency, which are commented in detail under footnote 15 p.102 and footnote 27 p.122 of the financial statements.

Corporate Governance



Corporate Governance is an important tool for constantly and systematically improving the way the Group is managed and how it safeguards the interests of shareholders and stakeholders. Since January 1, 2006, the Company has complied in all material respects with the Belgian Code on Corporate Governance. Agfa-Gevaert's "Corporate Governance Charter" is published on the website: www.agfa.com/investorrelations.



1 Christian Leysen | 2 John Buttrick | 3 Jo Cornu | 4 Julien De Wilde | 5 Marc Olivié
6 Karel Van Miert | 7 Ferdinand Chaffart | 8 Ludo Verhoeven
9 André Oosterlinck | 10 Werner Vanderhaeghe

The main policy-making entities of the Company are the Board of Directors, the Executive Committee and the Chief Executive Officer. The Board of Directors is assisted by a Nomination and Remuneration Committee and an Audit 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 to the General Meeting of Shareholders (such as amendments to the bylaws, capital increases other than through the authorized capital, capital decreases).

In the course of 2006, the Board of Directors discussed and decided upon, inter alia:
defining the corporate strategy and key policies; the development of new businesses and discontinuation of existing businesses; the establishment or closure of subsidiaries; the approval of budgets, the funding, investments and divestments; the nomination, remuneration and monitoring of executives; the supervision and control of the implementation of decisions; the approval of the financial statements; the proposal to the shareholders of the allocation and distribution of the result. The Board's deliberations and decisions are valid if a majority of its members is present or represented. If this condition is not met, a valid decision can be taken at a new meeting with the same agenda if at least two directors are present or represented.

The decisions of the Board are taken by absolute majority. In the event of a tied vote, the proposal is rejected. The bylaws also provide for the possibility of decision by consent in writing by the Board of Directors within the boundaries of the legal requirements in this area.

There is no formal procedure to cover the way directors are informed, nor by whom they are informed.
The directors use their right to information on an ad hoc basis.

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 Code of Conduct 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 2006 no situations occurred whereby a director had directly or indirectly conflicting interests with a decision made by the Board of Directors, with the exception of the decision of the Board of Directors dated June 21, 2006 to grant stock options to the members of the Executive Committee and senior management under the "Long Term Incentive Plan 2006". On this occasion Mr. Marc Olivié (Chairman of the Executive Committee as permanent representative of MRO Management BVBA) as beneficiary of 58,700 options, had a conflict of interest of a patrimonial nature as set out in Article 523 of the Belgian Code of Companies. Mr. Olivié abstained from the deliberation and vote concerning this item.

In this respect reference is made to the minutes of the Board of Directors: *"The Board unanimously decides, with the exception of Mr. Olivié who abstained from the deliberation and vote, to approve the issue of stock options under the stock option plan of the Company in accordance with the terms and conditions as set out at this meeting and as contained in the document attached to these minutes entitled 'Long Term Incentive Plan 2006'; the Board further decides to authorise the Executive Committee to sign all documents and in general take all useful measures in this respect".*

In 2006 one situation of internal conflict of interest occurred, on the occasion of which the parent company was to decide as set out in Article 524 of the Belgian Code of Companies – and after having heard the advice of a committee of independent directors – on a planned transaction between two of its subsidiaries. This was the transfer of the graphic activities of Agfa Europe NV to Agfa Graphics NV as part of the plan to increase the independence of the business groups. At the end of this chapter are the advice of the committee of independent directors, an excerpt from the minutes of the Board of Directors and the opinion of the auditor regarding the advice.

The bylaws provide that the Board of Directors assembles whenever the interests of the Company require it or when two directors request it. In 2006, eight meetings were held, including one telephone conference. All directors were present or represented at those meetings except for Mr. Haymon, who declared in March 2006 that he did not seek re-election as a director. He was excused at the Board meetings of January 18, 2006, March 27, 2006 and April 25, 2006.

Composition of the Board of Directors

The bylaws of the Company provide that the Board of Directors has at least six members, who do not need to be shareholders and who have been 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'.

At the General Meeting of Shareholders of April 25, 2006, the shareholders appointed Mr. Julien De Wilde as a member of the Board of Directors as a replacement for Mr. Haymon, who did not seek re-election.

With effect from April 25, 2006 the Board of Directors consisted of the following members:

Ludo Verhoeven	(member since 1999)	Chairman, Director of companies
John Buttrick(1)	(member since 2003)	Director of companies
Ferdinand Chaffart	(member since 1999)	Director of companies
Jo Cornu	(member since 2002)	Director of companies
Julien De Wilde(1)	(member since 2006)	Director of companies
Christian Leysen	(member since 2003)	Chief Executive Officer, AXE-Group
Marc Olivié	(member since 2005)	Chief Executive Officer, Agfa-Gevaert NV
André Oosterlinck(1)	(member since 1999)	Chairman Association K.U. Leuven
Karel Van Miert(1)	(member since 2001)	Director of companies

(1) independent director

As from April 26, 2005 Mr. Werner Vanderhaeghe, partner Vanderhaeghe De Wolf Boelens & Lambrecht, is Company Secretary.

Until March 16, 2006, Messrs. Chaffart and Leysen represented Gevaert NV, the main shareholder until then. Mr. Cornu is director of KBC, the parent company of Gevaert NV. On March 10, 2006, the KBC Group, parent company of Gevaert NV, announced that it had sold its 27% interest in Agfa-Gevaert NV through a private placement with institutional investors. Nevertheless, even after the sale by KBC, Messrs. Chaffart, Cornu and Leysen are still not considered to be independent directors as they do not meet the requirement of the Belgian Code on Corporate Governance that one is only considered to be an independent director if one did not practice a mandate or function as a director, as a member of the executive committee or as an executive for the company or a company related to it, during the previous two years.

Mr. Olivié, in his capacity of permanent representative of MRO Management BVBA, is also Chairman of the Executive Committee.

Messrs. Buttrick, De Wilde, Oosterlinck and Van Miert are considered as being independent from the main shareholders and management, as described in the Corporate Governance Charter. In 2006, or in the two preceding years they did not have any close business, family or other relationship with the Company, its controlling shareholders, its management or any party that could create such a conflict of interest as to affect their independent judgement.

In addition to his tenure on the Board of the Company, Mr. Van Miert also has six other mandates as a director or member of the supervisory board in publicly listed companies. As such he does not comply with the provision in the Lippens Code which recommends a limit on the number of outstanding mandates within publicly listed companies of a maximum of five. The Board of Directors is nevertheless of the opinion that Mr. Van Miert's broad international experience and network offers considerable added value. Mr. Van Miert furthermore explicitly confirmed his commitment to spend sufficient time to fulfil his mandate within Agfa-Gevaert.

CV's of the members of the Board of Directors and other mandates as a director practiced in the past five years

Ludo Verhoeven (°1944) studied chemical engineering at the Catholic University of Louvain (Belgium) where he also obtained his doctorate in Applied Sciences. He undertook further study in management at the University of Antwerp (Belgium) and at the Insead institute in Fontainebleau (France).
He joined Agfa-Gevaert in Mortsel in 1973 and began his career in the Technology R&D department. From 1980 he worked in various areas in Mortsel (Belgium), the United States (from 1985 to 1988) and Leverkusen (Germany) (from 1993 to 1996). At the end of 1996 he returned to Belgium having been appointed a member of the Executive Committee of the Agfa-Gevaert Group on July 1.
In April 26, 1999, he became a member of the Board of Directors and Vice-Chairman of the Executive Committee of Agfa-Gevaert which was listed on the stock exchange on June 1 of the same year. From June 20, 2001 to April 26, 2005, Ludo Verhoeven was CEO and Chairman of the Executive Committee.
Since April 2005 he has been Chairman of the Board of Directors of the Agfa-Gevaert Group.
Office address: Agfa-Gevaert NV, Septestraat 27, B - 2640 Mortsel (Belgium).

Current mandates
Director VOKA Vlaams Economisch Verbond VZW, UZ Leuven, Vanbreda International NV, Vanbreda Risk & Benefits NV, Universiteit Antwerpen Management School and Ons Erfdeel.
Previous mandates
Chairman VOKA Vlaams Economisch Verbond VZW, ADM CVBA.
Director INDAVER NV, AGIF NV, Uitgeversbedrijf Tijd NV, Member Executive Committee VBO.

John Buttrick (°1957) graduated from the Northwestern University and has a legal degree from Villanova University School of Law. In 1985 he began his career with the New York law firm Davis Polk & Wardwell, where he became a partner in 1994. From 1988 to 1990 he has worked at the office in Paris. In 2000, John Buttrick became a partner in LiveWire Ventures, an investment group based in New York that is financed by Blackstone Group and Thomas Lee. Today he is the managing director at Plastic Energy Americas LLC.

Current mandates
Managing Director Plastic Energy Americas LLC and Plastic Energy California LLC.
Shareholder Plastic Energy Americas LLC and Plastic Energy California LLC.
Previous mandates
Director Encoda Systems and HO Systems.

Ferdinand Chaffart (°1936) graduated in applied economic sciences in Antwerp (Belgium) and also studied in the United States (Delaware and Stanford California). During his international career he was active in various sectors, including consumables (P&G), consulting (Glendenning, Cegos), industry (sugar and cement industry) and the financial sector (IPPA, Generale Bank). Ferdinand Chaffart was CEO for the Tiense Suikerraffinaderij, CBR Cement and Generale Bank. The Belgian government made him responsible for dealing with the dioxin crisis in 1999 and in 2001 he became Chairman of the Board of Directors of Sabena. In the past he was also Chairman of the Universiteit Antwerpen Management School and of the European League for Economic Cooperation.

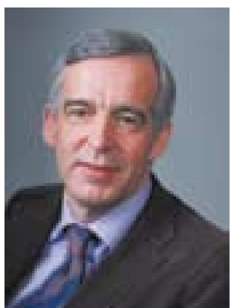
Current mandates
Chairman Finances et Industries NV.
Vice-Chairman Corelio NV.
Director Chaffart NV, Corelio NV, Icos Vision Systems NV, Icos Vision Systems Corporation NV, Spadel NV, Fonds voor Wetenschappelijk Onderzoek and Heilig Hartkliniek Tienen.
Previous mandates
Chairman Compagnie d'Entreprises CFE NV.
Director Gebema NV, Gevaert NV, Hottlet Sugar Trading NV, Tiense Suikerraffinaderij NV, Antwerps Innovatiecentrum NV, Finspa NV, Sabena NV and Xeikon NV.

Jo Cornu (°1944) 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 Committee of Alcatel NV and from 1995 to 1999 he was COO for Alcatel Telecom. Later he became a counselor for the Board of Directors of Alcatel. Since 2005 Jo Cornu has been Chairman of the ISTAG Group (Information Society Technologies Advisory Group) of the European Commission.

Current mandates
Chairman Alcatel Bell NV.
Director KBC Group NV, Alcatel-Lucent (France), Alcatel CIT (France), Barco NV, Arinso International NV, Essentium NV.
Member of the Supervisory Board of Alcatel SEL (Germany).
Business manager BVBA Mercodi.
Previous mandates
Chairman Uitgeversbedrijf De Tijd NV.
Director Alcatel S.A. (France) and Xeikon NV.
Director of a number of subsidiaries of Uitgeversbedrijf De Tijd NV.

Julien De Wilde (°1944) obtained an engineering degree from the Catholic University of Louvain (Belgium). From 1969 onwards he held various managerial positions at Texaco and 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 Committee of Alcatell Bell, where he was responsible for strategy and general services. From 1995 to 1998 Julien De Wilde was CEO of Alcatell Bell and from 1999 to 2002 he was Executive Vice-President and member of the Executive Committee 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.

Current mandates
Chairman Board of Directors Metris Group.
Director Bekaert NV, CTO Group, KBC Bank NV, Vanbreda International NV and Telenet NV.
Member of the Executive Committee for Leuven LRD.
Honorary Chairman Agoria.



Christian Leysen (°1954) obtained the degrees of commercial engineer and master in law at the Vrije Universiteit Brussel. He began his career in 1976 with the international auditing and consulting firm Arthur Andersen & Co. In 1981 he joined GB Inno BM, the largest Belgian retail group, taking responsibility for logistics and the organization of the Maxi division. In 1984 he founded Xylos, which evolved into an international IT service provider. In 1989 he became responsible for the day-to-day management of the maritime company Ahlers. When Ahlers became a privately owned company, Christian Leysen became Chairman of the Board of Directors. From 2000 to 2002, he was a member of the Antwerp city council and Chairman of the Board of Directors of Antwerpse Waterwerken.

Current mandates
Chairman Ahlers NV, Xylos NV, Axe Investments NV and University of Antwerp Management School.
Business manager Anacom BVBA.
Director KBC Group NV, De Post NV, Tradicor NV, Synvest NV, ADM CVBA and Designcenter De Winkelhaak NV.
Shareholder KBC Group NV, Anacom BVBA and subsidiaries Ahlers NV, Axe Investments and Xylos NV.
Previous mandates
Chairman Antwerpse Waterwerken.
Director Gebema NV, Gevaert NV, Telindus Group NV, Mabeco NV, Besalec NV and Ortelius NV.

Marc Olivié (°1954) has a master of science degree in engineering and management from the University of Antwerp (RUCA) (Belgium). He became a member of the Board of Directors and was appointed President and Chief Executive Officer in 2005. Marc Olivié started his career with Ernst Peiniger GmbH, a German construction contractor. In 1980 he joined McKinsey & Co., first based in Düsseldorf and later in Chicago. In 1987 he became General Manager - Europe with Midas, a specialist in car maintenance and repair. In 1990 he joined Sara Lee Corporation as Executive Director for Corporate Development. In 1994 he was appointed President of Sara Lee Champion Europe. From 1996 to 2001 he worked for Armstrong Holdings, first as President of the Building Products division and later as President and CEO of Armstrong Flooring. In 2001 he became President of American Standard Bath & Kitchen, a world leader in the global fixtures and fittings market. Marc Olivié joined Agfa-Gevaert in 2004.
Office address: Agfa-Gevaert NV, Septestraat 27, B - 2640 Mortsel (Belgium).

Current mandates
Director Mastercard Inc.
Director/Business manager MRO Consulting, LLC - MRO Management BVBA - MRO I, Inc - MRO II, Inc.
Shareholder MRO Consulting, LLC - MRO I, Inc - MRO II, Inc.

André Oosterlinck (°1946) is an engineer, specializing in electrotechnology and mechanics. He obtained a PhD and a special PhD in applied sciences from the Catholic University of Louvain (Belgium). In 1984 he became professor at the faculty of applied sciences of the same university. From 1984 to 1994 he was head of the department of electrotechnology (Esat) and from 1990 to 1995 Vice-Rector for exact sciences. In August 1995 André Oosterlinck became Rector of the Catholic University of Louvain and in August 2005 Honorary Rector and Chairman of the Catholic University of Louvain Association. He is also a member of the Academia Europaea.
Office address: Associatie K.U. Leuven, Schapenstraat 34, B - 3000 Leuven (Belgium).

Current mandates
Chairman Essensium NV.
Director Icos Vision Systems NV, Icos Vision Systems Corporation NV, Easics NV, Eyetronics NV, Metris International Holding NV, Fidimec NV and Medicim NV.
Previous mandates
Chairman Intelligent System Modeling and Control NV and Eyetronics NV.
Director UGINE & ALZ Belgium NV, Hypertrust NV and Q-Medit (Business Integration Company NV).

Karel Van Miert (°1942) obtained a degree in diplomatic sciences at Ghent University (Belgium), followed by a postgraduate course at the European University Centre of Nancy. In 1976 he became the national secretary of the Belgian Socialist Party and in 1977 head of the private office of the Belgian Minister of Economic Affairs. From 1978 to 1994 he was a lecturer at the Vrije Universiteit van Brussel and from 1978 to 1988 was the Chairman of the Flemish Socialist Party. Karel van Miert held various political positions, including membership of the European Parliament and membership of the Belgian Chamber of Representatives. From 1989 to 1993 he was a member of the European Commission and from 1993 to 1999 he was Vice-Chairman of the European Commission, responsible for competition policy. From 2000 to 2003 Karel Van Miert was President of Nyenrode University (the Netherlands).

Current mandates
Director Solvay NV, De Persgroep NV, Carrefour Belgium NV, Sibelco NV, Anglo-American Plc.
Member of the Supervisory Board of Vivendi S.A., Royal Philips NV, RWE AG and Münchener Rück AG.
Previous mandates
President Nyenrode University.
Member of the Supervisory Board of Fraport AG, Wolters Kluwer and DVH Amersfoort.

Werner Vanderhaeghe (°1951) has a law degree from Ghent University (Belgium) and a masters degree in law from the University of Texas at Austin school of Law and he studied management at INSEAD. He started his professional career in 1975 as Teaching and Research Assistant at Ghent University. Since 2001 he has been a partner in the law firm Vanderhaeghe De Wolf Boelens & Lambrecht. He was previously General Counsel to the Bekaert Group and Ameritech International and was in private practice in New York and Brussels with Cleary, Gottlieb, Steen & Hamilton and White & Case. He has also worked in various in-house legal functions for Generale Bank, Sidmar and Merck Sharp & Dohme. Werner Vanderhaeghe has been General Counsel to the Agfa-Gevaert Group since 2001 and Company Secretary since early 2005.

Statements regarding directors

The Board of Directors of Agfa-Gevaert NV, represented by Messrs. Ludo Verhoeven, Chairman of the Board, and Marc Olivié (permanent representative of MRO Management BVBA), Managing Director and CEO, certify that to the best of their knowledge:

- none of the directors or members of the Executive Committee has been the subject of any convictions in relation to fraudulent offences for at least the previous five years; any official public incrimination and/or sanctions by statutory or regulatory authorities; and in their capacity of director or member of the Executive Committee, none have been involved in any bankruptcy in the past five years, with the exception of Messrs. Chaffart and Cornu who were directors of Xeikon NV at the time of bankruptcy;

- at present no employment agreements have been entered into with the directors which provide for compensation upon termination of their employment, save as disclosed here above with respect to Mr. Olivié (permanent representative of MRO Management BVBA) under 'Most important recruitment and termination conditions pertaining to directors and members of the Executive Committee' (p. 52);

- Messrs. De Wilde, Leysen, Oosterlinck and Van Miert do not own any shares in the Company. The following directors do own shares in the Company: Mr. Buttrick: 2,500 shares; Mr. Chaffart: 19,100 shares; Mr. Cornu: 8,000 shares; MRO Management BVBA (of which Mr. Olivié is the permanent representative): 10,000 shares; Mr. Verhoeven: 7,500 shares;

- at present no Agfa-Gevaert NV stock options have been granted to non-executive directors, except for the 161,000 options granted in the past to Mr. Verhoeven as former CEO of the Company and previous to that as member of the Executive Committee.

Committees established by the Board of Directors

Audit Committee

The Audit Committee assists the Board of Directors in achieving its mission of control in the broadest sense, including financial reporting, internal controls and risk management, internal audit processes and assistance in the external audit process. Its powers and the way it functions are described extensively in the Corporate Governance Charter.

The Audit Committee includes three non-executive directors of which the majority is independent (see 'Composition of the Board of Directors' p. 42), i.e. Messrs. Chaffart, Chairman, Buttrick and Oosterlinck. The Committee held six meetings in 2006 and all members of the Committee were present at the meetings, except for Mr. Buttrick who was excused at the meeting of March 7, 2006. Amongst other items the following topics were discussed in 2006: the verification of the annual accounts 2005 and the quarterly results of 2006; the follow-up of important legal subjects such as the AgfaPhoto file; the long term share incentive program; the follow-up of the Agfa Transformation Program; the evaluation of the Enterprise Risk Management (ERM) project; the follow-up of the five-year plan, the observation of the code of conduct and of the conclusions of the internal audit department.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has advisory responsibilities relative to the nomination, reappointment or dismissal of directors and members of the Executive Committee and responsibility for the remuneration policies and the individual remuneration of the directors and the members of the Executive Committee. Its powers and the way its functions are described extensively in the Corporate Governance Charter.

The Nomination and Remuneration Committee includes three non-executive directors, which are Messrs. Cornu, Chairman, Van Miert and Verhoeven, and had 5 meetings in 2006. Mr. Van Miert is an independent director, and Mr. Cornu, Chairman, also complied with all criteria of independence at the time of his nomination (see 'Composition of the Board of Directors' p. 42). All members of the Committee were present at the 5 meetings and the following items were, amongst others, discussed in the course of 2006: the organization, the functioning and the remuneration of the Executive Committee and executive management; the long term share incentive program; and the policy concerning People and Performance Development.

Executive Committee

The executive management is entrusted to the Executive Committee, of which the CEO is the chairman. The Executive Committee is responsible for the implementation of the Company's policy and strategy laid down by the Board of Directors. Consequently, it has the most extensive powers regarding the 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 Executive Committee regularly reports about its activities and about the development of the subsidiaries and associated companies.
The Executive Committee meets in principle once every two weeks and more frequently when necessary.

Composition of the Executive Committee

The Executive Committee includes the following five members as of April 27, 2005:

Marc Olivié	Chief Executive Officer and Chairman, as permanent representative of MRO Management BVBA
Anne Vleminckx	Chief Financial Officer
Albert Follens	Chief Operating Officer and President Agfa Specialty Products
Philippe Houssiau	President Agfa HealthCare
Stefaan Vanhooren	President Agfa Graphics

Werner Vanderhaeghe is General Counsel to the Agfa-Gevaert Group and Company Secretary.
He also acts as Secretary to the Executive Committee.

CV's of the members of the Executive Committee

Marc Olivié (°1954) has a master of science degree in engineering and management from the University of Antwerp (RUCA) (Belgium). He became a member of the Board of Directors and was appointed President and Chief Executive Officer in 2005. Marc Olivié started his career with Ernst Peiniger GmbH, a German construction contractor. In 1980 he joined McKinsey & Co., first based in Düsseldorf and later in Chicago. In 1987 he became General Manager - Europe with Midas, a specialist in car maintenance and repair. In 1990 he joined Sara Lee Corporation as Executive Director for Corporate Development. In 1994 he was appointed President of Sara Lee Champion Europe. From 1996 to 2001 he worked for Armstrong Holdings, first as President of the Building Products division and later as President and CEO of Armstrong Flooring. In 2001 he became President of American Standard Bath & Kitchen, a world leader in the global fixtures and fittings market. Marc Olivié joined Agfa-Gevaert in 2004.

Anne Vleminckx (°1954) holds a masters degree in economics from the Catholic University of Louvain (Belgium). She is Chief Financial Officer of Agfa-Gevaert and has been a member of the company's Executive Committee since early 2005. Anne Vleminckx had several assignments at Generale Bank before being appointed Corporate Communication and Investor Relations Manager in 1990. From 1996 to early 1999, she was Vice Chairwoman of the Management Committee of the Brussels Stock Exchange and later Chief Financial Officer of the Catholic University of Louvain. She joined Agfa in 2001 to act as Investor Relations Manager and Secretary-General to the Executive Committee. In 2002 she also became responsible for Corporate Communication.

Albert Follens (°1947) studied electromechanical engineering at Ghent University (Belgium) and Business Administration at the University of Antwerp (Belgium). Albert Follens joined the company's Executive Committee in 2001. He is Chief Operating Officer of the Group and President of the business group Agfa Specialty Products. Albert Follens started his professional career with Philips in 1969 and joined Agfa-Gevaert in 1970. He held several positions in technological research into process automation and coating, headed the Instrumentation Department and became Head of Logistics in 1990. In 1997 Albert Follens was appointed Director of Production and Engineering and Manager of Agfa's site in Mortsel (Belgium). In 1999 he became responsible for Agfa's worldwide Production and Engineering.

Philippe Houssiau (°1962) has chemical engineering and bachelor of science degrees from the University of Brussels (Belgium) and obtained an MBA degree at the University of Ghent (Belgium). At Stanford University he followed the Executive Program in Strategic Marketing. He has been President of the Agfa HealthCare business group since 2003 and is a member of the company's Executive Committee since early 2005. Philippe Houssiau held management positions at Baxter and Raychem. From 1997 to 2002, Philippe was the global leader of a large professional services division within PriceWaterhouseCoopers. He joined Agfa at the end of 2002 as Head of Sales and Services for the healthcare business.

Stefaan Vanhooren (°1964) studied applied economics and obtained an MBA degree from the University of Antwerp (UFSIA) (Belgium). He has been President of the Agfa Graphics business group since 2004 and is a member of the company's Executive Committee since early 2005. Stefaan Vanhooren joined Agfa-Gevaert in 1989. After implementing specific mergers & acquisitions programs in the United States he returned to the company's head office in Belgium to join the Non-Destructive Testing business group, where he held various senior management positions in finance and marketing. He became Head of the business group's global sales and marketing business in 1999. In 2002, Stefaan was appointed Managing Director for Asia Pacific to lead Agfa's regional headquarters based in Hong Kong.

Remuneration

The remuneration policy of the Company pertaining to the directors and members of the executive management is described in the Corporate Governance Charter.

Board of Directors

The annual individual remuneration for the members (executives as well as non-executives) of the Board of Directors for the exercise of their mandate starting from the General Meeting of Shareholders in April 2006, is as follows:

Euro	Board of Directors	Committees	Total
Mr. John Buttrick[(1)]	50,000	12,500	62,500
Mr. Ferdinand Chaffart	50,000	25,000	75,000
Mr. Jo Cornu	50,000	15,000	65,000
Mr. Julien De Wilde[(2)]	33,333	0	33,333
Mr. Monte Haymon	16,667	0	16,667
Mr. Christian Leysen[(3)]	50,000	0	50,000
Mr. Marc Olivié	50,000	0	50,000
Mr. André Oosterlinck	50,000	12,500	62,500
Mr. Karel Van Miert	50,000	7,500	57,500
Mr. Ludo Verhoeven	300,000	7,500	307,500
TOTAL	700,000	80,000	780,000[(4)]

(1) Excluding Mr. Buttrick's travel allowance (USA-Belgium) of 3,000 Euro per meeting in Belgium.
(2) Director as from April 25, 2006.
(3) Director until April 25, 2006.
(4) The total gross remuneration for directorship, membership of the Committees and attendance fees of the directors as accounted for in the financial statements of 2006 amounted to 726,074 Euro, of which 52,166 Euro for the executive director. The differences can be attributed to a) a change in the remuneration methodology since the General Meeting of Shareholders of 2006 and b) differences between the provisioned and the actually disbursed variable remuneration for 2005.

There are no stock options or warrants granted to the non-executive directors. The variable part of the remuneration of non-executive directors has been abolished in compliance with the Lippens Code and the Corporate Governance Charter of the Company with effect from January 1, 2006. The following fringe benefits are linked to the mandate of Chairman of the Board of Directors: a company car, mobile phone and home PC with internet connection plus a number of insurances. The cost of this in 2006 amounted to 5,598 Euro.

Executive Committee

The overall gross remuneration for 2006 paid to those who were members of the Executive Committee in 2006, amounted to 4,175,045 Euro, of which 2,603,700 Euro was as a fixed remuneration and 1,571,345 Euro as a variable amount, 429,903 Euro pension contributions and 46,729 Euro in the form of fringe benefits. These fringe benefits include a home PC and internet connection, a company car, a net cost allowance and various insurances (directors' liability, travel assistance, hospitalization, personal accidents, labor accidents, life).

As part of the above sums the remuneration for the mandate of Managing Director and Chairman of the Executive Committee (CEO) in 2006 amounted to 1,719,431 Euro, of which 984,459 Euro was as a fixed remuneration and 734,972 Euro as a variable sum, 3,106 Euro pension contributions and 10,303 Euro in the form of fringe benefits.

Stock Options granted to the members of the Executive Committee
(at the end of 2006)

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

	1999	2000	2001	2002	2003	2004	2005	2006	Total
strike price (Euro)	22.00	22.00	20.00	18.00	18.27	19.95	22.57	18.60	
Mr. A. Follens	13,000	7,500	11,600	19,000	16,350	20,000	22,000	24,000	133,450
Mr. P. Houssiau	0	0	0	0	8,650	8,500	22,000	30,000	69,150
Mr. S. Vanhooren	0	0	0	6,300	8,650	8,500	22,000	30,000	75,450
Mrs. A. Vleminckx	0	0	3,100	6,300	8,650	8,500	22,000	24,000	72,550
Mr. M. Olivié	0	0	0	0	0	0	42,200	58,700	100,900
TOTAL	13,000	7,500	14,700	31,600	42,300	45,500	130,200	166,700	451,500

At the end of 2006, the members of the Executive Committee (including the CEO) owned a total of 451,500 options or warrants, which were granted to them in different tranches.

Most important recruitment and termination conditions pertaining to directors and members of the Executive Committee

Directors are nominated for a term of 3 years. They may resign at any time if the provisions with respect to the composition of the Board of Directors are respected. They may be dismissed as a director at any time by the Annual General Meeting without notice.

Members of the Executive Committee are appointed for an indefinite(1) term and may be removed from their function at any time, without prejudice to the contractual arrangements of the individuals concerned.

(1) Mr. Olivié has been appointed for a period of three years – April 27, 2005 to April 30, 2008.

The tenure of directors that are appointed to the Executive Committee does not automatically end in the event of termination for whatever reason of their tenure as director.

All members of the Executive Committee are entitled, in conformity with the applicable criteria developed by case law and certain formulae, to a severance payment equal to, on average, twice their gross annual remuneration. Their contracts furthermore include a so-called "change of control" provision whereby they receive compensation equal to twice their annual gross remuneration in the event of termination by them of their contracts following a change of control of the Company (non-cumulative with the above severance payment).

Mr. Olivié (as permanent representative of MRO Management BVBA) in his capacity as CEO and Chairman of the Executive Committee is furthermore entitled in the event of early termination of his contract by the Company to an indemnity equal to the gross amount of his remuneration which is due until the expiry of his contract on April 30, 2008 (non-cumulative with the above change of control provision).

Policy regarding the appropriation of the result

The Board of Directors' proposals to the Annual General Meeting 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 had to comply in case they wished 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 stipulations on this subject. Inter alia the following regulations were included in the Code:

- the description of the persons who should be considered to be primary and secondary insiders and who are forbidden to use inside information to deal in the financial instruments of the Company, to tip off third parties and to share this inside information with third parties;
- the mention that the Company has drawn up a list – which is held at the disposal of the Banking, Finance and Insurance Commission (CBFA) – of people who work at the company based on an employment contract or otherwise and on a regular or occasional basis have access to inside information;
- the mention that persons with executive responsibilities and persons closely related to them should inform the CBFA of the transactions in financial instruments of the Company that they execute for their own accounts.

The adapted version of the Code is available on the Company's website as part of the Corporate Governance Charter. The members of the Board of Directors, the Executive Committee and the other persons involved have been given a copy of this Code.

Main shareholders

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

Nordea Investment Funds S.A. with 4.08% of the outstanding shares as from March 14, 2006,
Blackrock Investment Management (UK) Ltd. with 3.10% of the outstanding shares as from October 2, 2006,
Pioneer Investment Management Ltd. with 3.00% of the outstanding shares as from November 6, 2006,
Sparinvest Fondsmaeglerselskab A/S with 3.39% of the outstanding shares as from November 15, 2006,
Franklin Resources Inc. with 8.01% of the outstanding shares as from March 9, 2007.
Furthermore, Agfa-Gevaert NV had 3.15% of its own stock as treasury stock at the end of 2006.

Auditor

Agfa-Gevaert NV's auditor is Klynveld Peat Marwick Goerdeler represented by Messrs. Theo Erauw and Erik Helsen.

World-wide fees in relation to services provided by the auditor amounted to 4,323,331 Euro in 2006. This sum comprises fees of 3,485,171 Euro for the audit of the annual financial statements and 576,816 Euro for tax services and 261,344 Euro for other audit related services.

At the Annual General Meeting of April 24, 2007 will be proposed to re-appoint the auditor for a period of three years.

General information about the Company

Agfa-Gevaert NV (company number 0404.021.727, Register of Legal Entity 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 commented financial data and statements as from 2003 are available through the website of the Company, www.agfa.com, or at the Company itself.

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

Availability of information

The Company's **bylaws** 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 at 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, the annual report and the report of the statutory auditor with respect to the financial years 2002, 2003, 2004, 2005 and 2006, can be consulted at the website (www.agfa.com) and can be found at the registered office.

The **convocation to the General Meeting of Shareholders** 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 in printed form in Dutch and English, and is furthermore published on the website of the Company, www.agfa.com, in French.

Only the Dutch version of the annual report is valid for purposes of the prospectus and shelf registration procedure. The versions in other languages only represent a translation of the original Dutch version. Conformity between the different versions is the exclusive responsibility of the Company.

Advice of the independent directors of the Board of Directors in accordance with article 524 of the Belgian Code of Companies

In accordance with Article 524 of the Belgian Code of Companies ("BCC"), we are pleased to report to you on the planned transfer of the "Graphics" business group by Agfa Europe NV to Agfa Graphics NV.

In preparing this report, we were assisted by (i) Mr. Roel Nieuwdorp and Mr. Stefaan Deckmyn of Loyens Advocaten for the procedural and legal aspects and (ii) PricewaterhouseCoopers Auditors, represented by Mr. Philippe Rasquin, for the financial and economical consequences, acting as independent experts remunerated by the Company, in accordance with Article 524 §2, 1st paragraph BCC.

1. Background and nature of the transaction

On 10 January 2005 the Agfa Transformation Program (ATP) was launched for the entire Agfa Group. The ATP is a plan to transform the company into an new organization, whereby the business groups can determine and implement their strategies independently ('autonomous functioning') and in which the existing support functions are assigned to the same business groups on the basis of their specific needs and projects.

Within this framework, it was, amongst other items, decided to make the entire graphic division independent and to place it into a separate legal entity, 'Agfa Graphics NV' (previously Agfa Belgium NV), in accordance with the special procedure of the transfer of an industrial branch (overdracht van bedrijfstak) as set out in the Articles 770 iuncto 760 to 762 and 764 to 769 of the Belgian Code of Companies. The "Graphics" industrial branch, including all assets, liabilities and employees related to the said industrial branch, forms an entity that technically and organizationally exercises an autonomous activity and is capable of functioning independently as per Article 680 of the Belgian Code of Companies. The "Graphics" industrial branch was partly located in Agfa-Gevaert NV and partly in Agfa Europe NV, but already functioned operationally under one and the same management.

In a written decision of the Board of Directors of Agfa-Gevaert NV dated 21 September, 2006, the proposal for the transfer of the industrial branch within Agfa-Gevaert NV to Agfa Graphics NV had been approved. The Board of Directors of Agfa Europe NV and Agfa Graphics NV respectively have also agreed upon this transfer of the industrial branch of Agfa Europe NV in the meeting of 14 November 2006.

A copy of the joint proposal concerning the transfer of an industrial branch is attached to this advice.

2. Procedure of Article 524 of the Belgian Code of Companies

In accordance with Article 524 §1 of the Belgian Companies Code, every decision or transaction in execution of a decision of a listed company and relating to "relations between a subsidiary of the listed company and an affiliated company of this subsidiary, the latter not being itself a subsidiary" is subject to the procedure of §§2 and 3 of the Belgian Companies Code. Article 524 §5 further stipulates that "decisions and transactions concerning relations between a non-listed Belgian subsidiary of a listed Belgian company and other affiliated companies of such listed company" can only be taken upon prior approval by the parent company.

Furthermore, this article stipulates that the envisaged transfer, as described, must be preceded by the evaluation by a committee of three independent directors (of the listed company), assisted by one or more independent experts, appointed by the committee but remunerated by the company.

Such committee should describe the nature of the decision or transaction and evaluate the economic benefits or disadvantages for the company and its shareholders. The committee shall estimate the financial consequences and demonstrate whether the decision or transaction is, or is not, detrimental to the company and whether this decision or transaction is manifestly illegitimate in light of the company policy. If the committee does not find the decision or transaction to be manifestly illegitimate, but is of the opinion that it is nevertheless detrimental to the company, the committee will clarify which benefits of the decision or transaction are accounted for to compensate for these disadvantages.

3. Evaluation and recommendation

3.1 The economic benefits for the company and its shareholders of the envisaged transfer are fully described in the mentioned ATP program. These are summarized as follows:

Clear legal separation of the 2 core activities

Bringing Graphics and HealthCare in respectively "Agfa Graphics NV" and "Agfa HealthCare NV" realizes a clear legal separation between the 2 core activities of the Group. The separation of both business groups is already an economic reality. Therefore, it is recommended that this economic reality is legally formalized. The goal is that "Agfa Graphics NV" and "Agfa HealthCare NV" will each focus on their own core activities, being the further development of the services and products primarily intended for the graphic industry and the healthcare market. Pursuant to this operational independence of both business groups, Graphics and HealthCare will be able to function autonomously in the future, with their own responsibility for, and complete control over their own profit and loss accounts and their own balance sheets.

Greater strategic freedom and power for the implementation of their projects

Separating both core activities and constituting two separate legal entities, will give them more strategic freedom and power for the implementation of their projects. The separation of both core activities will contribute to the fact that these will gain more strategic freedom in light of potential takeovers and/or collaborations and therefore will be able to expand their market potential substantially as one centralized legal entity. Persons from the core activities and from the support services will be able to combine forces and focus together on the same goal: the growth of their own core activity.

Social independence and identification

In preparation and in support of the transfer of industrial branches and the incorporation of the new companies, an intensive social deliberation was conducted. In the course of 2005, the personnel were informed to which core activity they would be allocated to. The personnel involved had been allocated to the future companies by December 31, 2005. Approximately 750 employees will work for Agfa Graphics NV in the future. The actual realization of the transfer of the activities to the company Agfa Graphics NV is for the outside world, but more particularly for the staff, a clear realization of the envisaged company program.

Better management of price calculation

Because of the transfer of Graphics and HealthCare to "Agfa Graphics NV" and 'Agfa HealthCare NV" respectively, these activities can be clearly distinguished. The management of the Agfa-Gevaert Group will have a clearer view of the structuring and the evolution of the cost structure of the different core activities. A better price calculation for the different activities, as well as a more consistent and fair accounting of costs will therefore be realized.

Improvement opportunities for company processes

To a large extent, the new organization offers Agfa-Gevaert the possibility to streamline and improve the operating processes within the core activities.

Higher vigilance reacting to changed market circumstances

The new structure will ensure that both core activities will be able to increase the focus on their markets and customers and that they will be able to react in due time to the changed economic market circumstances. As mentioned above, both core activities will have their own support services at their disposal which can be properly employed and directed to meet changing market circumstances.

Increased attraction for international talent and investors and better human resources management

The new structure will have a positive impact on the contacts with other stakeholders such as financial institutions, customers and suppliers as well as personnel through a more transparent, clear and streamlined structure. This will enable the Agfa-Gevaert Group to create even more added value for customers, shareholders and employees. Due to the anticipated growth of both core activities, in Graphics in particular through industrial inkjet, this new structure will be able to better profile itself in a centralized way on international markets. This will offer opportunities to attract more international talent and larger potential investors. Through the clear and transparent organization of the group activities, the Agfa-Gevaert Group attempts to intensify its attraction and transparency with respect to (both the private and the institutional) investors. Internally, this new structure also offers Agfa-Gevaert NV the possibility to improve and synchronize its human resource management.

3.2 The financial parameters, the applied valuation rules and the financial consequences of the envisaged transfer for the company and its shareholders can be summarized as follows:

3.2.1 Description of the assets and liabilities which are part of the industrial branch

The following assets and liabilities shall be transferred by Agfa Europe NV to Agfa Graphics NV:

- *Intangible assets: SAP license;*
- *Tangible fixed assets: demo and testing equipment;*
- *Inventory of finished goods;*
- *Receivables;*
- *Deferred charges and accrued income – Assets;*
- *Provision pension fund;*
- *Suppliers;*
- *Other liabilities (inter alia pre-invoices sent to customers);*
- *Provisions (inter alia bonuses and bad debtors);*
- *Accrued charges and deferred income – Liabilities.*

Contracts with commission-agents and agents will be terminated before the transaction. Agfa Graphics NV will enter into new contracts with the various sales entities.

Based on the non-audited IFRS figures, passed on by Agfa, the net assets of these different elements totalled 283.86 million Euro on September 30, 2006.

3.2.2 Description of the evaluation rules used

The assets and liabilities will be transferred on the basis of the nominal value and/or the estimated market value of those assets and liabilities.

In this specific context, goodwill does not need to be taken into account because of the fact that the functions that are able to generate an intangible asset, know-how or goodwill do not exist on the level of Agfa Europe NV.

Strategic function

The strategy of the graphic division is directed through Agfa-Gevaert NV. Agfa Europe NV has never been able to develop a strategy autonomously without the approval of Agfa-Gevaert NV. Therefore, no goodwill was created.

Sales and Marketing functions

Agfa Europe NV is only responsible for sales and marketing in Europe. However from a tax point of view, the entire customer portfolio remained with the European distribution channels at the time of conversion of the sales organizations from distributor to Agent/Commission-agent. In this respect, reference is made to the relevant provisions in the agent and commission agreements. Therefore, Agfa Europe NV has during past years not generated any intangible assets with respect to marketing or sales and distribution.

Research and development

Agfa Europe NV has never performed any Research & Development activities and thus has not built up any technological intangible assets or know-how. Agfa Europe NV does not own any patents.

Furthermore, based on the historic profitability of the "Graphics" activity of Agfa Europe NV, there has never been a reason to recognize goodwill.

In accordance with acceptable and relevant economic valuation methods, the different transferred assets and liabilities are evaluated against their nominal value as follows:

- *receivables are included against their nominal value;*
- *inventory stock is evaluated against the net market value for Agfa Europe NV;*
- *suppliers are evaluated against their nominal value;*
- *provisions are evaluated against their nominal value since they relate mainly to bonuses that will be paid in February 2007;*
- *other liabilities will be evaluated against their nominal value since they relate mainly to pre-invoices to customers and to products and services that will be delivered within the year.*

The other assets and liabilities have a smaller contribution to the value of the assets and liabilities and for these the nominal or historical purchase price is used.

3.2.3 Possible differences between the price based on the present financial situation at September 30, 2006 and the situation at December 31, 2006

The value of the assets and liabilities to be transferred shall only be determined in a final and definite manner on December 31, 2006. Any value determined before December 31, 2006 could strongly deviate from the value at the end of the year, depending on the evolution of the turnover of the Graphics activity, the evolution of the customer payment terms, the prices and the economic activity.

3.3 *Because of the aforementioned reasons, we are of the opinion that the envisaged transfer is not of a nature to be detrimental to the company in a manifestly non-legitimate manner in the light of the policy of the company. Therefore, we propose to approve this transfer.*

Mortsel, November 14, 2006

Karel Van Miert	*André Oosterlinck*	*Julien De Wilde*
Director	*Director*	*Director*

Excerpt from the minutes of the Board of Directors meeting of November 14, 2006

"By unanimous consent, the Board decides – after discussing the advice of the independent directors of November 14, 2006, in accordance with article 524 of the Belgian Code of Companies regarding the transfer by Agfa Europe NV of its graphic industrial branch to Agfa Graphics NV – to approve the planned transfer as described in the transfer proposal jointly formulated by both subsidiaries. The independent advice, the reports of the Boards of Directors of Agfa Europe NV and Agfa Graphics NV as well as the joint proposals are attached to these minutes as annexes."

Mortsel, November 14, 2006

Werner Vanderhaeghe
Secretary

Ludo Verhoeven
Chairman

Report of the auditor regarding the application of article 524 §5 of the Belgian Code of Companies

In accordance with article 524 §5 of the Code of Companies, the auditor has to express an opinion about the accuracy of the data mentioned in the advice of the committee of independent directors and in the minutes of the Board of Directors, which both are formulated within the framework of the planned transfer of the 'Graphics' industrial branch ('graphic division') by Agfa Europe NV to Agfa Graphics NV.

This transfer is being conducted in accordance with article 524 §5 because Agfa Europe NV as well as Agfa Graphics NV are non-listed subsidiaries of the listed parent company Agfa-Gevaert NV, which initiated the transfer of the graphic division as part of the Agfa Transformation Program, as described in the aforementioned advice of independent directors.

Being the auditor for the parent company involved as well as for the two subsidiaries involved, and also being responsible for controlling the Agfa-Gevaert Group as a whole, we have included the data in the advice of the committee of independent directors; went over and evaluated the underlying reports of independent experts Loyens Advocaten (legal and procedural aspects) and PriceWaterhouseCoopers Bedrijfsrevisoren (financial and proprietary consequences).

Based on our activities, we are of the opinion that the data included in the concerned advice of the committee of independent directors and in the minutes of the Board of Directors draw a faithful picture of the proposed transfer of the graphic division from Agfa Europe NV to Agfa Graphics NV.

Antwerp, November 17, 2006

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren
Represented by E. Helsen

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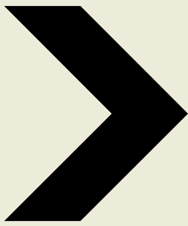
Corporate **Sustainability**



For Agfa, 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, with the fundamental goal to deliver profitable growth. An important criterion for the successful implementation of this mission is the ability to conduct the company's business in line with the environmental and social expectations of its stakeholders.

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.

1. Environment

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

In line with Agfa's environmental targets for the period 2002-2006, Agfa succeeded in significantly reducing the usage of natural resources and in considerably diminishing the emissions to the air. Comparing the situation at the end of 2001 with that of December 2006 resulted in the following observations.
The consumption of water, excluding cooling water, has been reduced by 23.6%, while the consumption of energy decreased 18.6% thanks to the restructuring of global manufacturing. The use of mercury was reduced by more than 97% due to the elimination of the intentional use of that component in Agfa's photographic materials. Volatile organic compounds were cut back by 72.1% due to the closure of the triacetate department in Mortsel and the installation of a regenerative thermal oxidizer in Mortsel and Suzano. CO_2 emissions immensely decreased by 41.0%. The main reason for this success is the global reorganization of Agfa's manufacturing sites.

Although Agfa has made excellent progress in its manufacturing plants in improving the eco-efficiency for many environmental parameters, the company is convinced that there is still room for improvement.
As from 2005, continuous improvement of the above mentioned environmental parameters is the main goal.
The operating plants have defined targets and are pursuing specific local environmental objectives.
The major manufacturing plants are updating and completing their inventory of areas and installations with historical and current risks of soil and/or groundwater contamination. They will also develop plans to monitor and remedy possible contamination.
To maintain or to implement the ISO 14001 standard is a priority for all manufacturing sites. The target is to have all manufacturing sites certified by 2009.

Summary of Environmental Achievements in 2006
The total production volume slightly decreased by 0.5%. The production activities in the graphic sites increased but this growth was overcompensated by a decrease of the production in the film sites.

To a large extent, Agfa reached the target of continuous improvement. The company performed better for all absolute and specific environmental indicators, except for wastewater load.
The total water consumption decreased by 12.8% compared to 2005. This reduction is mainly due to the start-up of two new cooling towers in Pont-à-Marcq and due to the closure of the plate manufacturing site in Sulmona.

Water consumption, excluding cooling water, went down by 12.2%.
Specific water consumption, cooling water excluded, decreased to 14 m^3 per tonne of product, mainly due to improved performances of the Lastra sites.
The total wastewater load went up by 145 tonnes or 6.7% versus 2005. The start-up of a modified waste water process in Leeds and increased COD emissions (Chemical Oxygen Demand) were the main elements responsible for this increase, whereas process changes in Wiesbaden partially countered their impact.

In 2006, total emissions to air decreased by 4.5% compared to 2005.
CO_2 emissions went down by 4.5%, mainly due to energy savings in Mortsel and an overall energy efficiency increase in the graphic plate manufacturing sites.
VOC (Volatile Organic Compounds) emissions in the graphic sites reduced slightly despite increasing production volumes.

The total waste volume in absolute figures went down by 9.0% in 2006.
Non-hazardous waste decreased by 10.4%, mainly due to actions in the graphic sites. Modified waste water treatment in Leeds, the closure of Sulmona and improvements in Branchburg and Wiesbaden were responsible for a significant decrease, which was partially offset by more non-hazardous waste in Manerbio, Pont-à-Marcq, Suzano and Wuxi Printing.
Hazardous waste dropped by 6.5% mainly due to a decrease of production volume in Manerbio and due to increasing internal recycling of waste solvent in Mortsel.
As a result, specific hazardous waste went down by 6.3%.

The total energy consumption was reduced by 6.5% in 2006. Natural gas consumption went down by 10.2% thanks to energy savings in Mortsel within the framework of the energy covenant, targeted actions in the graphic sites and the closure of Sulmona.
Specific energy consumption dropped 6.6% in 2006.

Mortsel, Leeds, Branchburg, Pont-à-Marcq and Wuxi Printing reported minor environmental incidents to the local authorities. Only Mortsel made mention of external complaints, mainly regarding noise, odor and traffic concerns. As part of a regular consultation procedure with the neighbors' council, corrective measures to solve these problems have been discussed and agreed upon.

None of Agfa's production sites reported environmental fines in 2006.

2. 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.

A few examples illustrate the commitment of Agfa and its employees.

- The project 'Música é Imagem' is sponsored by Agfa in Suzano city (Brazil). More than 70 children take choir classes and participate in sports activities and after school tutoring three times a week.
- In Colombia, Agfa donates cash contributions to an institution called 'Colombia Herida' which supports soldiers injured in combat.
- In the US, Agfa matches employee contributions to the 'United Way' project. Contributors to this project can specify which phi lanthropic causes they wish to support.

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.
- Kalutara (Sri Lanka): materials for building houses and a local school.
- Gammol (Gambia): a fish market, dispensary and school.
- 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.

3. 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 in accordance with article 119 of the Companies Code

1. Accounting principles

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

2. Comments on the consolidated financial statements

Agfa's 2006 sales amounted to 3,401 million Euro. This growth of 2.8% compared to 2005 is mainly the result of strong performances in all three business groups. Graphics realized solid volume growth in digital printing plates and implemented price increases. While the traditional film and print market continued to decline, HealthCare's sales growth was driven by its innovative digital portfolio of PACS and IT solutions and by its range of CR/DR systems. Specialty Products reported strong sales in motion picture film and film for non-destructive testing.

The 2006 operating result was 65 million Euro, versus 132 million Euro in the previous year. The financial result was minus 64 million Euro, compared to minus 25 million Euro in 2005. Income before taxes thus reached 1 million Euro, versus 107 million Euro in 2005.

As a result the Group recorded a net profit of 15 million Euro or 12 Eurocents per share, compared to a net loss of 19 million Euro or minus 15 Eurocents per share in 2005.

The notes to the consolidated financial statements are an integral part of the Board of Directors' report and provide detailed information about the developments and the results of the company through financial and – if necessary – non-financial indicators (e.g. environmental and personnel matters), a description of and the measures to control the main risks and uncertainties (e.g. hedging), information concerning research and development and the use of financial instruments by the Group.

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comments.

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 accounts comprise the consolidated balance sheet as of December 31, 2006 and the consolidated statements of 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 notes. The total of the consolidated balance sheet amounts to 3,832 million Euro and the consolidated income statement shows a profit for the year (group share) of 15 million Euro.

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 Reviseurs 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 judgement, 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.

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 December 31, 2006 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 comment

The preparation of the management report and its content, as well as the Company's compliance with the Company Code and their bylaws are the responsibility of the Board of Directors.

Our responsibility is to supplement our report with the following additional comment, 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.

Mortsel, March 20, 2007

Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises
Statutory auditor represented by

Erik Helsen

Theo Erauw

Million Euro	Note	2006	2005
Net sales	4	3,401	3,308
Cost of goods sold		(2,102)	(2,096)
Gross profit		1,299	1,212
Selling expenses		(564)	(583)
Research and development expenses		(193)	(191)
General administration expenses		(281)	(228)
Other operating income	6	312	326
Other operating expenses	7	(508)	(404)
Operating result		65	132
Interest income / (expense) – net	8	(32)	(18)
Other non-operating income / (expense) – net	9	(32)	(7)
Non-operating result		(64)	(25)
Income before income taxes		1	107
Income taxes	10	15	(125)
Net income of consolidated companies		16	(18)
of which attributable to minority interest		1	1
of which attributable to Agfa-Gevaert NV stockholders (net result)		15	(19)
of which discontinued operations	*15*	*(36)*	*(120)*
Basic earnings per share (Euro)	29	0.12	(0.15)
Diluted earnings per share (Euro)	29	0.12	(0.15)
Basic earnings per share from continuing operations (Euro)	29	0.41	0.80
Diluted earnings per share from continuing operations (Euro)	29	0.41	0.80

CONSOLIDATED BALANCE SHEETS

Million Euro	Note	December 31, 2006	December 31, 2005
ASSETS			
Non-current assets		1,407	1,561
Intangible assets	12	856	924
Property, plant and equipment	13	455	502
Investments	14	29	32
Long-term loans receivable	15	65	102
Derivative financial instruments	25	2	1
Non-current assets classified as held for sale	19	3	5
Current assets		2,071	2,129
Inventories	16	624	586
Trade receivables		885	854
Other receivables and other assets	17	456	498
Cash and cash equivalents	18	85	169
Deferred charges		19	20
Derivative financial instruments	25	2	2
Deferred taxes	10	351	287
TOTAL ASSETS		**3,832**	**3,982**
EQUITY AND LIABILITIES			
Shareholders' equity	20	933	1,032
Capital stock of Agfa-Gevaert NV		140	140
Share premium of Agfa-Gevaert NV		109	109
Retained earnings		987	1,069
Reserves		(289)	(301)
Net income		15	(19)
Translation differences		(32)	31
Minority interest		3	3
Non-current liabilities		1,269	1,394
Liabilities for post-employment benefits	21	721	709
Liabilities for personnel commitments		30	29
Financial obligations more than one year	22	445	552
Provisions more than one year	24	72	102
Deferred income		1	2
Derivative financial instruments	25	-	-
Current liabilities		1,517	1,445
Financial obligations less than one year	22	344	296
Trade payables		313	309
Deferred revenue & advance payments		87	66
Miscellaneous liabilities	23	341	365
Liabilities for personnel commitments		93	77
Provisions less than one year	24	319	301
Deferred income		13	15
Derivative financial instruments	25	7	16
Deferred taxes	10	113	111
TOTAL EQUITY AND LIABILITIES		**3,832**	**3,982**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Million Euro	Capital stock of Agfa-Gevaert NV	Share premium of Agfa-Gevaert NV	Retained earnings	Reserve for own shares	Re-valuation reserve	Share-based payment reserve	Hedging reserve	Net income	Trans-lation differ-ences	Minority interest	Total
December 31, 2005	140	109	1,069	(296)	(4)	5	(6)	(19)	31	3	1,032
Changes in shareholders' equity resulting from capital contributions and dividend payments											
Dividend payments	-	-	(63)	-	-	-	-	-	-	-	(63)
Other changes in shareholders' equity not recognized in income											
Warrants exercised	-	-	-	-	-	-	-	-	-	-	-
Stock options exercised	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	3	-	-	-	-	3
Revaluation of available-for-sale financial assets	-	-	-	-	4	-	-	-	-	-	4
Cash flow hedges	-	-	-	-	-	-	5	-	-	-	5
Treasury shares	-	-	-	-	-	-	-	-	-	-	-
Translation differences		-	-	-	-	-	-	-	(63)	-	(63)
Other	-	-	-	-	-	-	-	-	-	-	-
Changes in shareholders' equity recognized in income											
Allocation to retained earnings	-	-	(19)	-	-	-	-	19	-	-	-
Income after taxes for the period January 1 till December 31, 2006	-	-	-	-	-	-	-	15	-	-	15
December 31, 2006	140	109	987	(296)	-	8	(1)	15	(32)	3	933

CONSOLIDATED STATEMENTS OF CASH FLOW

Million Euro	Note	2006	2005
Cash and cash equivalents at beginning of year		168	290
Operating result		65	132
Current tax expense	10	(54)	(106)
Depreciation, amortization and impairment losses		159	161
Changes in fair value of derivative financial instruments		(3)	7
Adjustment for other non-cash income		(1)	-
Movement in long-term provisions		(9)	(50)
(Gains) / losses on retirement of non-current assets	6/7	(21)	(11)
Loss on divestiture	5	4	-
Gross cash provided by operating activities		140	133
of which discontinued operations	*15*	*(51)*	*(55)*
Decrease / (Increase) in inventories		(58)	2
Decrease / (Increase) in trade accounts receivable		(57)	(37)
Increase / (Decrease) in trade accounts payable and deferred revenue		38	(26)
Movement in short-term provisions		37	23
Movement in other working capital		7	(13)
Net cash provided by operating activities		107	82
of which discontinued operations	*15*	*(25)*	*(27)*
Cash outflows for additions to intangible assets	12	(28)	(28)
Cash outflows for additions to property, plant and equipment	13	(77)	(78)
Cash inflows from disposals of property, plant and equipment	13	27	27
Cash inflows from disposals of assets held for sale	19	4	-
Cash inflows from equity and debt instruments		62	12
Cash outflows for taxes paid on previous disposals		-	(42)
Cash outflows for acquisitions	5	-	(361)
Cash outflows for previous acquisitions	5	(53)	-
Cash inflows from divestiture	5	13	-
Cash inflows related to purchase price adjustments of previous acquisitions		-	3
Interests and dividends received		6	21
Net cash used in investing activities		(46)	(446)
of which discontinued operations	*15*	*37*	*21*
Dividend payments to stockholders	20	(63)	(76)
Repurchase of own shares		-	(31)
Capital contributions		-	2
Prefinancing by / (of) AgfaPhoto related to previous CI divestiture		(4)	27
Net issuances of debt		(39)	319
Interest paid		(38)	(28)
Other financial flows		14	36
Net cash provided by / (used in) financing activities		(130)	249
of which discontinued operations	*15*	*(4)*	*27*
Change in cash and cash equivalents due to business activities		(69)	(115)
Change in cash and cash equivalents due to exchange rate movements		(16)	(7)
Cash and cash equivalents at end of year	18	83	168

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 entities.

The consolidated financial statements were authorized for issue by the Board of Directors on March 20, 2007. 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, 2006.

The Group did not apply any European carve-outs from IFRS hence the consolidated financial statements fully comply with IFRS. The Group has not introduced any early applications of any new IFRS requirements that will not become effective until after 2006.

(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 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 and, except for the changes in accounting policies adopted for segment reporting, are consistent with those used in the previous year. Further information is provided in (f) Segment reporting.

(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.

Associates
Associates 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 associates 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 associate, 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 associate.

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 associates are eliminated to the extent of the Group’s interest in the entity. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. 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 have 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) 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 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 in 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 two segment reporting formats. The primary reporting format represents three businesses – Graphics, HealthCare and Specialty Products – reflecting the Group’s management structure. The secondary reporting format represents the Group’s four geographical markets.

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.

As of January 2006, the method of allocating operating assets, liabilities and results to the different business segments has been changed. The changes follow the Agfa Transformation Program (ATP) launched in February 2005 that aims to give the business segments full operational independence.

Mainly the allocation of assets and liabilities that are commonly used by more than one business segment has been changed and can be summarized as follows:

In general, each item of the operating assets is assigned in full to one of the business segments, i.e. a single asset such as an office building is assigned to a single business segment. If a related asset is employed by more than one business segment, one business segment owns the asset and the other business segment(s) rent 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 business segment, related liabilities and provisions are assigned to the business segment to which the employee belongs.

The main exception to the above principle relates to the film and chemicals manufacturing part of the operational unit ‘Materials’ that produces goods for all the business segments. The operational unit Materials is the combination of the dedicated part of the business 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 business segments using allocation keys.

The results, assets and liabilities related to inactive employees are no longer assigned to the business segments but instead are reported under 'Unallocated'. Inactive employees are defined as permanently retired employees, former employees with vested rights, and other inactive employees who are not expected to return to active status e.g. early retirement. Employees who are in principle only temporary 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 balances reported under 'Unallocated' also comprise the outstanding balances resulting from distribution, supply and service agreements concluded between the Group and AgfaPhoto together with liabilities related to the former Consumer Imaging business segment that remain with the Group. It is impracticable to determine the effects of the changed accounting policy for segment reporting to the 2005 comparative information.

(g) Business combinations and related goodwill

Goodwill arising on 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 purchase 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 of associates, the carrying amount of goodwill is included in the carrying amount of the investment of the associate.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized 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. Borrowing costs are not capitalized.

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. 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

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 associate may be impaired, the accounting policy with respect to impairment is applied.

Other investments in equity securities are classified as available-for-sale 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) Loans and receivables

Loans and receivables 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 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 and write-downs 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 selling expenses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(o) Discontinued operations and non-current 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 a non-current 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 IFRSs. Then, on initial classification as held for sale, non-current 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. Non-current 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.

Equity compensation benefits

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 their 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

Interest income / (expense)
Interest income / (expense) comprises of interest payable on borrowings and interest receivable on funds invested. Other non-operating income / (expense) comprises of foreign exchange gains and losses with respect to non-operating activities and gains and losses on hedging instruments with respect to non-operating activities.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.

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 purchase accounting rules 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 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 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 were 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 notes 5 and 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, 2006, the net carrying value of the Group's acquired technology amounted to 162 million Euro. The Group's acquired technology has an estimated weighted average remaining useful life of approximately 12 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, 2006, the net carrying value of the Group's acquired contractual customer relationships amounted to 66 million Euro. The Group's acquired contractual customer relationships have an estimated weighted average remaining useful life of approximately 15 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 notes 5 and 12.

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

Testing cash-generating units 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.

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 operating results if its estimates prove to be inaccurate. However, actual results have not differed materially from the Group's estimates. The Group recorded 43 million Euro and 46 million Euro in inventory write-down charges for the years ended December 31, 2006 and 2005, 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 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. 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, 2006 in certain assumptions for the retirement plans of the Group's material countries (Belgium, Germany, US and UK).

Change in assumption	Effect on 2007 pre-tax expected net periodic pension cost (million Euro)	Effect on December 31, 2006 Defined benefit obligation (million Euro)
One percentage point decrease in discount rate	14	267
One percentage point increase in discount rate	(7)	(232)
One percentage point decrease in expected return on assets	10	-
One percentage point increase in expected return on assets	(10)	-

Further information is provided in note 21A.

(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's activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. Since then the Consumer Imaging business has been operated through a group of companies under the name AgfaPhoto. At the end of May 2005, AgfaPhoto GmbH filed for insolvency, followed by insolvency filings of some of the AgfaPhoto sales organizations. In October 2005, its receiver decided to liquidate the company. Although, AgfaPhoto GmbH and its subsidiaries operate completely independent 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 is 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. To this end, the Group signed an agreement with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH. According to this 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.

In the course of 2006, the Group conducted negotiations with several receivers in various jurisdictions in order to settle the outstanding balances resulting from distribution, supply and service agreements. These negotiations have resulted in a number of settlements, e.g. in Belgium, Spain and France. The negotiations with the receiver of AgfaPhoto GmbH are still ongoing.

For the AgfaPhoto entities that did not file for insolvency, the Group co-operated with all parties concerned, primarily AgfaPhoto management and other creditors, with a view to liquidate the company in an orderly way. AgfaPhoto entities such as in Italy and in the relevant countries in Latin America are in their final stage of liquidation. The process of orderly wind down is still ongoing for a number of these AgfaPhoto entities.

The Group is also confronted with a number of claims by its former employees that transferred to AgfaPhoto. The Group is convinced it has provided all the relevant consultative bodies and all the employees with correct and complete information in due time and that it has acted strictly in accordance with all legal consultation procedures and regulations.

The Group has adequately provided for probable losses related to the distribution agreement 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 notes 15 and 27.

(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 2006 Consolidated Financial Statements of the Group include the Company and 95 consolidated subsidiaries (2005: 102 consolidated subsidiaries) controlled by the Company.
Further information is provided in note 30.

Excluded from the consolidation in 2006 are 9 subsidiaries (2005: 9 subsidiaries) that in aggregate are of minor importance to the net worth, financial position and earnings of the Group. The subsidiaries excluded from the consolidation represent on an aggregate level less than 1 percent of Group Sales.

In 2006 there were no material acquisitions for the Group.

On July 6, 2006, the Group disposed of its logistic operations of Gevaert 8 to the Group H. Essers. These operations relate to the storage and distribution of Agfa-Gevaert's film consumables and equipment.

4. Segment reporting

Segment reporting is based on two segment reporting formats. The Group distinguishes three business segments as its primary reporting format: Graphics, HealthCare and Specialty Products. The secondary reporting format represents the Group's four geographical markets: Europe, NAFTA, Latin America and Asia, Africa and Australia.

The reportable segments match with the responsibility levels of business management i.e. the business segments Graphics, HealthCare and Specialty Products. As of January 1, 2006, the business segments have full responsibility over their income statement, balance sheet and operating cash flow.

Also as of January 1, 2006, an operational unit named “Materials” was formed. The operational unit Materials is the combination of the dedicated part of the business segment Specialty Products and the manufacturing of film consumables worldwide (for all business segments). It should be noted that in 2006, the operational unit ‘Materials’ is not a reportable segment and consequently does not have its own income statement and balance sheet. The film manufacturing part of “Materials” produces goods for all business segments. Its sales are primarily intercompany sales and are consequently eliminated at consolidated level. Its sales, expenses, assets, liabilities and personnel have been allocated to the reportable segments Graphics, HealthCare and Specialty Products.

The business 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 motion picture film, microfilm and film for non-destructive testing. The 2005 comparative information also includes the results, assets and liabilities related to AgfaPhoto, together with liabilities related to the former Consumer Imaging business segment that remain with the Group.

The figures reported under 'Unallocated' comprise items which can not be allocated to one or more of the business segments, i.e.:

- *The results (mainly expenses), assets and liabilities regarding inactive employees*
  Inactive employees are defined as permanently retired employees, former employees with vested rights, and other inactive employees who are not expected to return to active status e.g. early retirement. Employees who are in principle only temporary 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;*
  Further information is provided in note 15.
- *The liabilities related to the former Consumer Imaging business segment that remain with the Group.*

The operating expenses from discontinued operations, amounting to 51 million Euro, are all absorbed by the three business segments.

Key data for business segments and geographical regions have been calculated as follows:

- Margin on sales is the ratio of operating result to sales.
- Gross operating cash flow is the excess of cash receipts over cash disbursements before any application of funds.
- 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.
- Segment result is segment revenue minus segment expenses excluding administrative expenses.

Key data by business and region

Million Euro	Graphics		HealthCare	
	2006	2005	2006	2005
Net sales (external)	1,712	1,733 (1)	1,452	1,405
Change	(1.2)%	3.6%	3.3%	3.2%
Operating result	(12)	53	76	138
Margin on sales	(0.7)%	3.1%	5.2%	9.8%
Segment result	116	167	215	238
Segment assets	1,140	1,246	1,674	1,716
Segment liabilities	532	624	577	765
Gross cash flow	42	56	154	134
Capital expenditures	48	42	53	58
Amortization and depreciation	68	80	78	74
Impairment losses recognized	6	-	1	-
Other non cash expenses	153	107	162	187
R&D expenses	77	73	111	116
Number of employees at year end (Full Heads)	6,534	7,154	7,153	7,197

(1) including 49 million Euro sales from products transferred from Graphics to Specialty Products in 2006

Million Euro	Europe		NAFTA	
	2006	2005	2006	2005
Net sales (external) by market	1,694	1,733	833	815
Net sales (external) by point of origin	1,972	1,916	809	799
Change	2.9%	(11.7)%	1.3%	(14.5)%
Segment assets	2,022	2,062	619	678
Segment liabilities	1,565	1,478	255	307
Operating result	(26)	37	37	57
Margin on sales	(1.3)%	1.9%	4.6%	7.1%
Capital expenditures	90	89	8	7
Amortization and depreciation	120	126	17	18
Impairment losses recognized	7	-	-	-
R&D expenses	153	153	38	36
Number of employees at year end (Full Heads)	9,863	10,308	2,579	2,586
Number of employees at year end (Full time equivalents)				

Specialty Products		Unallocated		Agfa-Gevaert Group	
2006	2005	2006	2005	2006	2005
237[1]	170	-	-	3,401	3,308
39.4%	-	-	-	2.8%	(12.1)%
26	(59)	(25)	-	65	132
11.0%	-	-	-	1.9%	4.0%
35	(45)	(20)	-	346	360
134	126	35	-	2,983	3,088
79	472	699	-	1,887	1,861
37	(57)	(93)	-	140	133
4	6	-	-	105	106
6	7	-	-	152	161
-	-	-	-	7	-
25	83	43	-	383	377
5	2	-	-	193	191
685	488	-	-	14,372	14,839

Latin America		Asia / Africa / Australia		Agfa-Gevaert Group	
2006	2005	2006	2005	2006	2005
201	159	673	601	3,401	3,308
174	136	446	457	3,401	3,308
27.9%	(3.5)%	(2.4)%	(11.4)%	2.8%	(12.1)%
114	97	228	251	2,983	3,088
19	18	48	58	1,887	1,861
19	14	35	24	65	132
10.9%	10.3%	7.8%	5.3%	1.9%	4.0%
4	3	3	7	105	106
5	6	10	11	152	161
-	-	-	-	7	-
-	-	2	2	193	191
608	581	1,322	1,364	14,372	14,839
				14,015	14,442

Reconciliation of segment assets and liabilities with balance sheet totals and reconciliation of segment result with total result of the Group.

Million Euro	2006	2005
Segment result	346	360
General administration expenses	(281)	(228)
Interest income / (expense) – net	(32)	(18)
Other non-operating income / (expense) – net	(32)	(7)
Income taxes	15	(125)
Minority interest	(1)	(1)
Net result for the accounting period	15	(19)
Segment assets	2,983	3,088
Investments	29	32
Long-term loans receivable	65	102
Receivables under finance leases	241	272
Cash and cash equivalents	85	169
Deferred tax assets	351	287
Derivative financial instruments	4	3
Other unallocated receivables	74	29
Total assets	3,832	3,982
Segment liabilities	1,887	1,861
Financial obligations	789	848
Deferred tax liabilities	113	111
Shareholders' equity	933	1,032
Derivative financial instruments	7	16
Other unallocated liabilities	103	114
Total liabilities	3,832	3,982

5. Acquisitions and divestitures

Divestitures 2006

On July 6, 2006, the Group sold its logistic operations of Gevaert 8 to the Group H. Essers. These operations relate to the storage and distribution of Agfa-Gevaert's film consumables and equipment. This divestiture had the following effect on the Group's assets and liabilities as per December 31, 2006:

Million Euro	
Property, plant & equipment	4
Non-current liabilities for personnel commitments	12
Current liabilities for personnel commitments	1
Loss on divestiture	(4)
Net cash inflow	13

Acquisitions 2005

The acquisitions of GWI, Heartlab and Med2Rad had the following effect on the Group's assets and liabilities:

Million Euro	GWI	Heartlab	Med2Rad	TOTAL
Intangible assets with indefinite useful lives				
Trademarks	17	-	-	17
Intangible assets with finite useful lives				
Technology	147	27	1	175
Trademarks	2	1	-	3
Customer related intangible assets	72	7	2	81
Other	1	-	-	1
Goodwill	206	77	3	286
Property, plant & equipment	4	7	-	11
Investments and other securities	1	-	-	1
Inventories	4	3	-	7
Trade receivables	29	6	1	36
Other receivables	7	1	-	8
Cash and cash equivalents	9	1	1	11
Minority interest	(1)	-	-	(1)
Liabilities for post-employment benefits	(1)	-	-	(1)
Personnel commitments	-	(2)	-	(2)
Financial obligations	(21)	(1)	-	(22)
Trade payables	(16)	(3)	(1)	(20)
Tax liabilities	(5)	-	(1)	(6)
Provisions	(4)	-	-	(4)
Other liabilities	(19)	(6)	-	(25)
Deferred tax liabilities	(82)	(6)	(1)	(89)
Consideration paid (including acquisition costs)	350	112	5	467
Consideration already paid in previous periods	-	-	(1)	(1)
Cash acquired	(9)	(1)	(1)	(11)
Earn-out	(90)	(4)	-	(94)
Net cash outflow	251	107	3	361

On January 13, 2005, the Group acquired all of the shares of GWI. The purchase price consisted of an up-front payment of 256.5 million Euro and an earn-out of up to 95 million Euro, discounted over 3 years (discounted value 89.9 million Euro). This earn-out was dependent on the achievement of specific commercial milestones.

In January 2006, part of this earn-out (52.5 million Euro) has been paid upon achievement of particular milestones. During 2006, the amount and timing of the earn-out has been renegotiated. This purchase price adjustment was recorded against goodwill (discounted value 3 million Euro) (Note 12). In January 2007, the remainder of the earn-out (38.5 million Euro) has been paid.

On June 1, 2005, the Group acquired all of the shares of Heartlab Inc., a designer and supplier of image and information networks for cardiology. The purchase price of 112 million Euro contained an earn-out of 4 million Euro. The earn-out was contingent upon achievement of contractually agreed milestones and has been paid.

Acquired technology, trademarks and customer related intangible assets are amortized over 3 to 20 years.

The goodwill on acquisition mainly relates to operating synergies and the assembled workforce.

6. Other operating income

Million Euro	2006	2005
Exchange gains	175	183
Changes in fair value of financial instruments	27	37
Gains on the retirement of fixed assets	23	12
Lease income	18	21
Reversal of unutilized provisions	15	6
Income related to AgfaPhoto Group companies	3	-
Rental income	2	3
Amendment Post Retirement Medical and Life Plan, Agfa Corp. (US)	-	25
Other income	49	39
TOTAL	312	326

7. Other operating expenses

Million Euro	2006	2005
Exchange losses	189	183
Restructuring expenses	137	50
Expenses related to discontinued operations	51	55
Changes in fair value of financial instruments	23	44
Write-downs of receivables	18	13
Provisions	9	2
Loss on the sale of logistic operations to Group H. Essers	4	-
Loss on retirement of fixed assets	2	1
Rent	1	1
Impairment loss on intangible assets & property, plant and equipment	1	-
Other expenses	73	55
TOTAL	508	404

Restructuring charges

In 2006, the Group recorded restructuring charges of 137 million Euro. These charges include employee termination costs of 128 million Euro, inventory write-offs of 1 million Euro and other costs of 8 million Euro.

The major part of the restructuring charges relates to the worldwide savings plan announced by the Group in August 2006. The estimated total restructuring costs for this plan amount to 250 million Euro over the period 2006 through 2008. Key initiatives of the plan may have an impact on the worldwide headcount of almost 2,000 full time equivalents.

8. Interest income (expense)

Million Euro	2006	2005
Interest and similar income	6	20
Interest and similar expenses	(38)	(39)
Income from other securities and loans included in investments	-	1
TOTAL	(32)	(18)

9. Other non-operating income (expense)

Million Euro	2006	2005
Exchange gains (losses)	1	7
Revaluation gains (losses) on financial instruments	1	(5)
Interest portion of interest-bearing provisions	(33)	(34)
Exchange gains (net) related to equity hedge - capital reduction	-	26
Miscellaneous non-operating income (expenses)	(1)	(1)
TOTAL	(32)	(7)

The interest portion of interest-bearing provisions primarily comprises the allocation of interest on provisions for personnel commitments, pensions and other post-employment benefits.

10. Income taxes

Recognized in the income statement

Million Euro	2006	2005
Current tax expense	54	106
Deferred tax expense/(income)	(69)	19
Total income tax expense / (income) in income statement	(15)	125

Relationship between tax expense and accounting profit

Summary 2006

Million Euro	Basis for tax computation	Tax expense/ (tax income)	Tax rate
Accounting profit before tax and before consolidation entries	163	39	23.93%
Consolidation entries (mainly related to intercompany dividends)	(162)	(54)	33.33%
Accounting profit before tax	1	(15)	

Reconciliation of effective tax rate

Million Euro	Before consolidation entries	Consolidation entries	After consolidation entries
Accounting profit before tax	163	(162)	1
Theoretical income tax expense	50	(54)	(4)
Theoretical tax rate (1)	30.67%	33.33%	
Tax effect transfer of investments within the Group	1		1
Disallowed items	10		10
Impact of special tax status: Belgian co-ordination centre	(30)		(30)
Tax expense due to tax audits	7		7
Tax losses of the year for which no deferred tax asset has been recorded	7		7
Tax losses used in 2006 for which no deferred tax asset has been recorded	(10)		(10)
Unrecognized deferred tax assets on temporary differences	56		56
Tax benefit on the loss on investment in Agfa-Gevaert AG recorded in 2004 and partially reversed in 2005 could be fully realized	(54)		(54)
Reversal deferred tax assets recorded in previous years: Other	2		2
Tax credits used for which no deferred tax asset has been recorded	(6)		(6)
Deferred tax liability on tax effect on expected dividends in foreseeable future	1		1
Tax credits for which no deferred tax asset has been recorded	4		4
Impact of changes to tax rates	1		1
Actual income tax expense / (income)	39	(54)	(15)
Effective tax rate	23.93%	33.33%	

(1) the theoretical tax rate is the weighted average tax rate of the Company and all subsidiaries included in the consolidation

Summary 2005

Million Euro	Basis for tax computation	Tax expense/ (tax income)	Tax rate
Accounting profit before tax and before consolidation entries	121	125	103.31%
Consolidation entries (mainly related to intercompany dividends)	(14)		
Accouting profit before tax	107	125	116.82%

Reconciliation of effective tax rate

Million Euro	Before consolidation entries	Consolidation entries	After consolidation entries
Accounting profit before tax	121	(14)	107
Theoretical income tax expense	34	-	34
Theoretical tax rate (1)	28.10%		31.78%
Disallowed items	7		7
Impact of special tax status: Belgian co-ordination centre	(20)		(20)
Taxable write-downs on shares	15		15
Unrecognized deferred tax assets on temporary differences	14		14
Tax expense due to tax audits	4		4
Reversal deferred tax assets recorded last year based on a tax plan (note 15)	54		54
Reversal deferred tax assets recorded in previous years: Other	1		1
Tax losses for which no deferred tax asset has been recorded	7		7
Tax losses used for which no deferred tax asset has been recorded	(1)		(1)
Tax income recorded on losses from previous years	(1)		(1)
Deferred tax liability on tax effect on expected dividends in foreseeable future	3		3
Capital gain on sale of building: for tax purposes recognized in 2005; for reporting purposes in 2006	2		2
Tax credits for which no deferred tax asset has been recognized	6		6
Actual income tax expense / (income)	125		125
Effective tax rate			116.82%

(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, 2006			December 31, 2005		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	217	105	112	61	104	(43)
Property, plant and equipment	7	44	(37)	11	51	(40)
Investments	(2)	-	(2)	(3)	-	(3)
Inventories	24	3	21	30	2	28
Receivables	61	3	58	74	10	64
Provisions and liabilities for post-employment benefits	112	28	84	125	31	94
Other current assets & other liabilities	11	61	(50)	23	85	(62)
Deferred tax assets and liabilities related to temporary differences	430	244	186	321	283	38
Tax loss carry-forwards	41	1	40	112	-	112
Excess tax credits	12	-	12	26	-	26
Deferred tax assets/liabilities	483	245	238	459	283	176
Set off of tax	(132)	(132)	-	(172)	(172)	-
Net deferred tax assets/liabilities	351	113	238	287	111	176

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 therefrom:

- Tax loss carry-forwards: 34 million Euro (2005: 19 million Euro);
- Tax credits: 19 million Euro (2005: 6 million Euro);
- Temporary differences: 56 million Euro (2005: 14 million Euro).

Movement in temporary differences during 2006

Million Euro	December 31, 2005	Recognized in income	Translation differences	December 31, 2006
Intangible assets	(43)	154	1	112
Property, plant and equipment	(40)	4	(1)	(37)
Investments	(3)	1	-	(2)
Inventories	28	(6)	(1)	21
Receivables	64	(6)	-	58
Provisions and liabilities for post-employment benefits	94	(4)	(6)	84
Other current assets & other liabilities	(62)	11	1	(50)
Deferred tax assets and liabilities related to temporary differences	38	154	(6)	186
Tax loss carry-forwards	112	(71)	(1)	40
Excess tax credits	26	(14)	-	12
Deferred tax assets/liabilities	176	69	(7)	238

11. Personnel expenses

Personnel expenses in 2006 amounted to 1,071 million Euro compared to 1,060 million Euro in 2005.
The breakdown of personnel expenses is as follows :

Million Euro	2006	2005
Wages and Salaries	822	839
Social Expenses	249	221
TOTAL	1,071	1,060

The average number of employees in equivalent heads for 2006 amounted to 14,162 (2005: 14,722).
Classified per corporate function, this average can be presented as follows:

	2006	2005
Manufacturing / Engineering	4,834	5,003
R & D	1,555	1,516
Sales & Marketing	5,227	5,443
Administration	2,546	2,760
TOTAL	14,162	14,722

12. Intangible assets

Million Euro	Goodwill	Intangible assets with indefinite useful lives	Capitalized development costs
		Trademarks	
Gross carrying amount			
December 31, 2005	593	17	11
Exchange differences	(32)	-	-
Change in consolidation scope	-	-	-
Capital expenditures	-	-	9
Goodwill adjustment previous year	(3)	-	-
Retirements	-	-	-
Transfers	-	-	-
Gross carrying amount			
December 31, 2006	558	17	20
Accumulated amortization, write-downs and impairment losses			
December 31, 2005	-	-	1
Exchange differences	-	-	-
Change in consolidation scope	-	-	-
Amortization and write-downs during the year	-	-	1
Impairment loss during the year	-	-	-
Retirements	-	-	-
Transfers	-	-	-
Accumulated amortization, write-downs and impairment losses			
December 31, 2006	-	-	2
Net carrying amount			
December 31, 2005	593	17	10
Net carrying amount			
December 31, 2006	558	17	18

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

Intangible assets with finite useful live						Total
Technology	Contractual customer relationships	Trademarks	Management information systems	Industrial property rights and other licences	Advance payments to acquire intangible assets	
202	92	5	87	90	1	1,098
(3)	(1)	-	(5)	(3)	-	(44)
-	-	-	-	-	-	-
6	-	-	7	5	1	28
-	-	-	-	-	-	(3)
-	-	-	-	(8)	-	(8)
-	-	-	-	-	(1)	(1)
205	91	5	89	84	1	1,070
22	14	1	71	65	-	174
-	-	-	(5)	(3)	-	(8)
-	-	-	-	-	-	-
21	11	1	10	12	-	56
-	-	1	-	-	-	1
-	-	-	-	(8)	-	(8)
-	-	-	-	(1)	-	(1)
43	25	3	76	65	-	214
180	78	4	16	25	1	924
162	66	2	13	19	1	856

Impairment tests for goodwill

For the financial statements of the Group, goodwill is tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to its value in use.

In line with the definition of cash-generating units, the management of the Group has identified the business segments as the cash-generating units, i.e. Graphics, HealthCare and Specialty Products.

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 Group calculates the cost of capital according to the WACC-formula. The cost of equity corresponds to the return expected by the stockholders and is computed from capital market information. The cost of debt used in calculating WACC is based on the terms for a ten-year corporate bond issue.

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, 2006, the carrying amount of the CGU ‘Graphics’ comprises goodwill of 31 million Euro.

For the CGU ‘Graphics’, the calculated value in use is higher than its carrying amount. The value in use of the CGU ‘Graphics’ has been determined based on cash flow projections covering the next 4 years. The cash flow projections were based upon a business plan formally approved by the Board of Directors. After 4 years a terminal value is computed using a growth rate of 1%.

Management has determined the following main assumptions based on past performance and its expectations for the market development:
- Pre-tax discount rate: 11.34%;
- Terminal growth rate (after 4 years): 1%;
- Sales: Management assumes normal market growth in the prepress business but strong growth for the inkjet applications;
- Gross margin: Growth in gross margin is expected from the sales in the inkjet business in general and the sale of ink in particular.

CGU ´HealthCare´

At December 31, 2006, the carrying amount of the CGU ‘HealthCare’ comprises goodwill of 526 million Euro.

For the CGU ‘HealthCare’, the calculated value in use is higher than its carrying amount. The value in use of the CGU ‘HealthCare’ has been determined based on cash flow projections covering the next 4 years. The cash flow projections were based upon a business plan formally approved by the Board of Directors. 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 across the globe.

Management has determined the following main assumptions based on past performance and its expectations for the market development:
- Pre-tax discount rate: 11.46%;
- Terminal growth rate (after 4 years): 2%;
- Management assumes strong growth in sales of HealthCare IT.

CGU ´Specialty Products´

At December 31, 2006, 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 4 years. The cash flow projections were based upon a business plan formally approved by the Board of Directors which foresees a growth in ID&S and Advanced Materials that should largely compensate for the expected decrease in other production lines. Management consequently expects an improvement of the gross margin.

13. Property, plant and equipment

Million Euro	Land, buildings and infrastructure	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, 2005	455	1,631	265	20	2,371
Exchange differences	(10)	(26)	(8)	(1)	(45)
Change in consolidation scope	-	-	-	-	-
Capital expenditures	5	38	22	12	77
Retirements	(24)	(48)	(30)	-	(102)
Transfers	1	(52)	67	(15)	1
Gross carrying amount December 31, 2006	427	1,543	316	16	2,302
Accumulated depreciation, write-downs and impairment losses December 31, 2005	286	1,360	223	-	1,869
Exchange differences	(5)	(21)	(7)	-	(33)
Change in consolidation scope	-	-	-	-	-
Depreciation and write-downs during the year	10	64	22	-	96
Impairment loss during the year	3	3	-	-	6
Retirements	(19)	(45)	(28)	-	(92)
Transfers	-	(55)	56	-	1
Accumulated depreciation, write-downs and impairment losses December 31, 2006	275	1,306	266	-	1,847
Net carrying amount December 31, 2005	169	271	42	20	502
Net carrying amount December 31, 2006	152	237	50	16	455

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

The Group leases buildings, infrastructure and 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, 2006 the net carrying amount of fixed assets held under finance leases amounted to 15 million Euro (2005: 17 million Euro). The leased assets secure lease obligations (note 22). 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 2006, the assets subject to operating leases have a total net carrying amount of 11 million Euro (2005: 16 million Euro).
The future minimum lease income under non-cancellable operating leases is presented in note 26.

14. Investments

Million Euro		Investments in other affiliated companies				
	Investments in subsidiaries	Associated companies	Other companies	Other securities	Other loans	Total
Gross carrying amount December 31, 2005	-	2	-	62	10	74
Change in consolidation scope	-	-	-	-	-	-
Exchange differences	-	(1)	-	-	-	(1)
Other additions	-	-	5	1	4	10
Retirements	-	-	-	(9)	(5)	(14)
Transfers	1	3	1	(7)	-	(2)
Gross carrying amount December 31, 2006	1	4	6	47	9	67
Accumulated write-downs and impairment losses December 31, 2005	-	-	-	42	-	42
Exchange differences	-	-	-	-	-	-
Value adjustments	-	-	-	(1)	-	(1)
Impairment losses reversed	-	-	-	(3)	-	(3)
Retirements	-	-	-	-	-	-
Transfers	-	2	-	(2)	-	-
Accumulated write-downs and impairment losses December 31, 2006	-	2	-	36	-	38
Net carrying amount December 31, 2005	-	2	-	20	10	32
Net carrying amount December 31, 2006	1	2	6	11	9	29

15. Divestiture of Consumer Imaging – discontinued operations

Receivables and payables related to discontinued operations

		December 31, 2006	December 31, 2005
ASSETS			
Long term loans receivable	A	65	102
Miscellaneous receivables	B	25	24
LIABILITIES			
Miscellaneous liabilities	B	45	44

A. Vendor Note for the settlement of the divestiture Consumer Imaging

On November 1, 2004, the Group sold all of its Consumer Imaging's activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. In this respect Agfa-Gevaert AG sold its subsidiary, AgfaPhoto Holding GmbH together with its subsidiaries (the Group's former Consumer Imaging division) to NannO Foto GmbH as agreed in the Share Purchase Agreement dated August 18, 2004 as amended by the Amendment to Share Purchase Agreement and Share Transfer Agreement dated November 2 and 3, 2004. NannO Foto GmbH subsequently merged with AgfaPhoto Holding GmbH and the merged entity was renamed as AgfaPhoto Holding GmbH, Leverkusen.

In conformity with the "Share Purchase Agreement", management has prepared Closing Financials (comprising a "Restructuring Balance Sheet" and a "Closing Balance Sheet") in accordance with, "Agfa's Accounting Principles" (based on IAS/IFRS). The Closing Financials have been audited by the Group's statutory auditor KPMG Belgium. Management has determined the purchase price on the basis of the Closing Financials at 112 million Euro.

Agfa-Gevaert AG and NannO Foto GmbH have agreed to settle the purchase price by means of a "Vendor Note" for the same amount. The "Vendor Note" is repayable by AgfaPhoto Holding GmbH in 12 quarterly instalments on February 1, May 1, August 1 and November 1 of each year, beginning on November 1, 2005.
The "Vendor Note" bears 10% interest annually.

The "Vendor Note" is fully secured by a lease portfolio of 175 million Euro. The 175 million Euro is the net book value of the lease receivables that were transferred to AgfaPhoto. Therefore, management has assessed the credit risk related to the "Vendor Note" as low.

The Group manages the "Vendor Note Collateral Account" on which the lease payments by AgfaPhoto customers are collected. The instalment of the "Vendor Note" in 2006, i.e. 37 million Euro as well as the interests accrued during 2006 (i.e. 7 million Euro) have been transferred from the "Vendor Note Collateral Account" to an account owned by the Group. Therefore, the balance sheet as of December 31, 2006 shows a receivable of 65 million Euro (2005: 102 million Euro) against AgfaPhoto Holding GmbH resulting from the aforementioned "Share Purchase Agreement".

The buyer has raised objections (by means of a Disagreement Notice) against the Closing Financials that could impact the purchase price of 112 million Euro. An accounting expert is called upon to review and to decide on the Disputed Items. In response to the inquiries addressed by this Arbitrating Expert to Agfa-Gevaert AG and AgfaPhoto Holding GmbH, both parties submitted additional information and explanations. Additionally, the parties had the opportunity to orally defend their position. The Independent Expert Process is now entering a final phase. Although the outcome of this procedure is uncertain, management reconfirms its opinion that no loss with respect to this purchase price dispute should be recognized.

B. Miscellaneous receivables and payables against AgfaPhoto

Since November 2004, the Consumer Imaging business has been operated through a group of companies under the name of AgfaPhoto.
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, the Group pre-financed AgfaPhoto's working capital, for which it is reimbursed by the collection of trade receivables from customers.
The miscellaneous receivables and payables stated in the overview above mainly result from the distribution and service agreement concluded between the Group and AgfaPhoto.

At the end of May 2005, AgfaPhoto GmbH filed for insolvency, followed by insolvency filings of some of the AgfaPhoto sales organizations. Immediately after the insolvency filing of AgfaPhoto GmbH, the Group has, in order to support the receiver and the new management in the objective to preserve the operations and employment of the AgfaPhoto Group, agreed to continue to perform certain distribution, invoicing and collection activities for the account of AgfaPhoto GmbH and its subsidiaries. To this end an agreement was signed with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH. According to this 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.

In October 2005, the receiver of AgfaPhoto GmbH decided to liquidate the company.
In the course of 2006, the Group conducted negotiations with the receiver of AgfaPhoto GmbH as well as with the local receivers of the AgfaPhoto sales organizations in order to settle the outstanding balances resulting from distribution, supply and service agreements. These negotiations have resulted in a number of settlements, e.g. in Belgium, Spain and France. The negotiations with the receiver of AgfaPhoto GmbH are still ongoing.
For the AgfaPhoto entities that did not file for insolvency, the Group co-operated with all parties concerned, mainly AgfaPhoto management and other creditors, with a view to liquidate the company in an orderly way. AgfaPhoto entities such as in Italy and in Latin America are in their final stage of liquidation. The process of orderly wind down is still ongoing for a number of these AgfaPhoto entities.

The Group has adequately provided for probable losses related to the distribution agreement and the different settlements as well as for other claims and costs, such as employee related claims.

Result of discontinued operations

The table below shows for 2006 a loss from discontinued operations of 51 million Euro before income taxes and 36 million Euro net of income taxes.

Million Euro	2006	2005
	Result of discontinued operations	Result of discontinued operations
Net sales	-	-
Operating expenses	(51)	(72)
Operating result from discontinued operations	(51)	(72)
Non-operating result	-	-
Income (loss) before income taxes	(51)	(72)
Deferred tax assets related to a tax plan (partly reversed in 2005)	-	(54)
Other income taxes	15	6
Income (loss) net of income taxes	(36)	(120)

16. Inventories

Million Euro	2006	2005
Raw materials and supplies	92	89
Work in process, finished goods and goods purchased for resale	530	495
Advance payments	2	2
TOTAL	624	586

Inventories written down to net realisable value amount to 58 million Euro. Accumulated write-downs on inventories decreased by 3 million Euro during 2006 (2005: increase of 5 million Euro).

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

Million Euro	2006	2005
Cost of raw materials, supplies and goods purchased for resale	1,264	1,217
Cost of services purchased	61	65
TOTAL	1,325	1,282

17. Other receivables and other assets

Million Euro	2006	2005
Receivables under finance leases	241	272
Claims for tax refunds	121	131
Receivables against AgfaPhoto Group companies (note 15)	25	24
Accrued interest on loans receivable	1	1
Other	68	70
TOTAL	456	498

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 248 million Euro as of December 31, 2006, (2005: 279 million Euro) and will bear interest income until their maturity dates of 29 million Euro (2005: 32 million Euro). As of December 31, 2006, the write-downs on the receivables under finance leases amounted to 7 million Euro (2005: 7 million Euro).

The receivables under finance leases are as follows:

Million Euro	2006			2005		
	Total future payments	Unearned interest income	Present value	Total future payments	Unearned interest income	Present value
Not later than one year	105	15	90	120	17	103
Between one and five years	169	14	155	187	15	172
Later than five years	3	-	3	4	-	4
TOTAL	277	29	248	311	32	279

The Group leases out its commercial equipment under finance leases mainly via Agfa Finance (i.e. Agfa Finance NV and its subsidiaries) and its entities in North America, i.e. Agfa Corporation (USA) and Agfa Inc. (Canada). Also Agfa Gevaert Ltda. (Chile) and Agfa de Mexico S.A. de C.V. have offered lease contracts to their customers.

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 4 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 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, 2006, the present value of the total future lease payments amounted to 162 million Euro (2005: 170 million Euro).

The leases offered by Agfa Corporation have an average lease term between 54 and 60 months. The options at the end of these contracts are to purchase, to renew or to return the leased equipment at a value which is expected to be the fair value at the date the option becomes exercisable.
As of December 31, 2006, the present value of the total future lease payments amounted to 79 million Euro (2005: 97 million Euro).

Agfa Inc. primarily offers lease contracts related to equipment for the business segment HealthCare. The average lease term for these contracts is 48 months. At the end of the lease term, there is a purchase option for 1 Canadian Dollar on all the lease contracts. As of December 31, 2006, the present value of the total future lease payments amounted to 3 million Euro (2005: 4 million Euro).

As of December 31, 2006, the present value of the total future lease payments with regard to contracts offered by Agfa-Gevaert Ltda. and Agfa de Mexico S.A. de C.V. amounted to 4 million Euro (2005: 8 million Euro).

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	2006	2005
Marketable securities and other instruments	3	3
Cash on hand, demand deposits and checks	82	166
Total Cash and cash equivalents as reported in the Balance Sheet	85	169
Accounts receivable under cash management agreements (reported in the balance sheet as other receivables)	-	-
Liabilities under cash management agreements (reported in the balance sheet as Miscellaneous liabilities)	(2)	(3)
Revaluation financial assets available-for-sale	-	2
Total Cash and cash equivalents as reported in the Cash Flow Statement	83	168

19. Non-current assets classified as held for sale

Million Euro	2006	2005
Property, plant and equipment	1	5
Land, building and infrastructure	-	4
Machinery and technical equipment	1	1
Other securities scheduled for divestment	2	-

20. Shareholders’ equity

The various components of Shareholders’ Equity and the changes therein from December 31, 2005, to December 31, 2006, are presented in the Consolidated Statements of Shareholders’ Equity.

Capital stock and Share premium

The issued capital of the Company as of December 31, 2006, 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, 2006, the Group held 4,102,752 (2005: 4,108,012) of the Company’s shares. During 2006, 5,260 stock options, covered by own shares, were exercised.

Revaluation reserve

In order to manage the price risk on its Long Term Incentive Plan (tranche no. 2) the Company deposited 10.2 million Euro, pledged in favour of an investment banker. During 2006, the Company has requested the early termination of the deposit agreement and the release of the deposit in Agfa-Gevaert shares which have been simultaneously sold on the market. All cumulative gains and losses on this available-for-sale financial asset have been released from the revaluation reserve and recognized in profit and loss. The resulting effect on profit and loss is very minor.

The revaluation reserve comprises the revaluation of the Group's investment in Medivision Medical Imaging Ltd., classified as available-for-sale, and some other small investments.

Share-based payment reserve

According to IFRS 2, the calculated fair value of share-based payment transactions – the Long Term Incentive Plan tranche no. 5, tranche no. 6, tranche no. 6a, tranche no. 7 and tranche no. 8 – is expensed over the vesting period with a corresponding increase in equity (3 million Euro).

Hedging reserve

The Group designated forward exchange contracts as 'cash flow hedges' of its foreign currency exposure in Pounds Sterling related to forecasted sales over the following 12 months. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (December 31, 2006: -1 million Euro).

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

On February 21, 2007, a dividend of 62.4 million Euro (0.5 Euro per ordinary share) has been recommended by the Board of Directors, but has not yet been approved by the General Assembly of Shareholders of Agfa-Gevaert NV and is therefore not provided for.

21. 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, 2006, the Group's total net liability for post-employment and long-term benefit plans amounted to 721 million Euro (709 million Euro at December 31, 2005), comprising of the following:

Million Euro	December 31, 2005	December 31, 2006
Net liability for material countries	517	504
Net liability for termination benefits	144	170
Net liability for non-material countries	48	47
Total net liability	709	721

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 2006, the defined contribution plan expense for the Group's material countries amounted to 10 million Euro (9 million Euro in 2005).

In Germany, employees of Agfa-Gevaert HealthCare GmbH, Agfa-Gevaert Graphic Systems GmbH, and of Agfa Deutschland Vertriebsgesellschaft GmbH & Cie are members of the Bayer Pensionskasse. The Bayer Pensionskasse is a multi-employer plan accounted for as if it were a defined contribution plan (IAS 19 .30 (a)). The plan is a defined benefit plan under control of the Group's former parent company Bayer AG. Sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. In 2003, it was decided that the indexation on the pension benefits provided by the Bayer Pensionskasse would be accounted for as a defined benefit plan under IAS 19.

Defined Benefit Plans

In the UK and the US, the defined benefit retirement plans are closed to new entrants. The defined benefit retirement plan in the US is frozen for current employees, so employees do not accrue future service benefits anymore under this plan.

For the defined benefit plans, the total expense for 2006 for the Group's material countries amounted to 69 million Euro (49 million Euro for 2005):

Million Euro	2005			2006		
	Retirement plans	Other post-employment and long-term benefit plans	Total	Retirement plans	Other post-employment and long-term benefit plans	Total
Service cost, exclusive of employee contributions	29	3	32	32	2	34
Interest cost	88	6	94	86	5	91
Expected return on assets	(66)	0	(66)	(72)	0	(72)
Recognized past service cost	0	(29)	(29)	0	(4)	(4)
Amortization of unrecognized (Gain)/Losses	17	2	19	19	0	19
(Gain)/Losses on settlements or curtailments	(1)	0	(1)	1	0	1
Net periodic pension cost	67	(18)	49	66	3	69

The change in net liability recognized during the years 2005 and 2006 is set out in the table below.

Million Euro	2005			2006		
	Retirement plans	Other post-employment and long-term benefit plans	Total	Retirement plans	Other post-employment and long-term benefit plans	Total
Net liability at January 1	454	72	526	459	58	517
Net periodic pension cost	67	(18)	49	66	3	69
Employer contributions	(65)	(4)	(69)	(68)	(4)	(72)
Currency effects: charge or (credit)	3	8	11	(5)	(5)	(10)
Net liability at December 31	459	58	517	452	52	504

During the next fiscal year 2007, the Group expects to contribute 66 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, 2006, the total defined benefit obligation for the Group amounted to 1,901 million Euro (2,032 million Euro at December 31, 2005). Of this amount, 1,193 million Euro (1,241 million Euro at December 31, 2005) related to wholly or partly funded plans and 708 million Euro (791 million Euro at December 31, 2005) related to unfunded plans.

In 2005, the Agfa Corporation Post Retirement Medical and Life Plan in the US was changed. Under the new plan, active and retired members are entitled to a fixed 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. This plan change was accounted for as a past service cost under IAS 19. Under IAS 19, past service cost is recognized on a straight-line basis over the average period until the changes to the benefit plan become vested. To the extent that the changes to the benefit plan are vested immediately, this past service cost was recognized immediately in 2005.

Million Euro	2005			2006		
	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	1,740	95	1,835	1,935	97	2,032
Service cost, exclusive of employee contributions	29	3	32	32	2	34
Employee contributions	1	0	1	1	0	1
Interest cost	88	6	94	86	5	91
Benefit payments	(102)	(4)	(106)	(93)	(4)	(97)
Past service cost	0	(18)	(18)	0	0	0
Settlement or curtailment	(1)	0	(1)	0	0	0
Actuarial (gains)/losses	110	2	112	(93)	(20)	(113)
Currency effects: charge or (credit)	70	13	83	(39)	(8)	(47)
Defined benefit obligation at December 31	1,935	97	2,032	1,829	72	1,901
Change in Plan Assets						
Fair value of assets at January 1	876	0	876	1,013	0	1,013
Employer contributions	65	4	69	68	4	72
Employee contributions	1	0	1	1	0	1
Actual return on assets	123	0	123	86	0	86
Benefit payments	(102)	(4)	(106)	(93)	(4)	(97)
Currency effects: (charge) or credit	50	0	50	(30)	0	(30)
Fair value of assets at December 31	1,013	0	1,013	1,045	0	1,045
Funded Status at December 31						
Funded status	(922)	(97)	(1,019)	(784)	(72)	(856)
Unrecognized net (gain) or loss	463	38	501	(332)	16	348
Unrecognized past service cost	0	1	1	0	4	4
Net (liability) at December 31	(459)	(58)	(517)	(452)	(52)	(504)

Principal actuarial assumptions at balance sheet date (weighted averages)

	December 31, 2005	December 31, 2006
Discount rate	4.7%	5.0%
Expected return on plan assets	7.3%	7.3%
Future salary increases	3.3%	3.1%

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	Total December 31, 2006
Fair value of plan assets	1,045
Present value of defined benefit obligation	(1,901)
Surplus / (Deficit) in the plan	(856)

Million Euro	2006
Experience gains / (losses) on plan assets	14
Experience gains / (losses) on plan liabilities	37
Gain / (loss) on plan liabilities due to change in assumptions	76

Fair value of assets, split by major asset class

Equity instruments	624
Debt instruments	393
Other	28
TOTAL	1,045

B. Equity compensation benefits

1. 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 Committee) 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 he/she 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, 2006:

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 outstanding at December 31, 2006	55,859

2. 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 Committee) 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 Committee) 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, 2006:

Options granted	416,950
Options forfeited during 2001	15,000
Options forfeited during 2002	-
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 outstanding at December 31, 2006	94,272

3. 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 Committee) 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, 2006:

Options granted	522,940
Options forfeited during 2001	19,000
Options forfeited during 2002	-
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 outstanding at December 31, 2006	260,930

4. 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 Committee) 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, 2006:

Options granted	600,300
Options forfeited during 2002	6,300
Options forfeited during 2003	31,500
Options forfeited during 2004	-
Options exercised during 2005	7,800
Options exercised during 2006	2,460
Options forfeited during 2006	5,800
Options outstanding at December 31, 2006	546,440

For options exercised during 2006, the weighted average share price at date of exercise was 19.28 Euro.

5. 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 Committee) 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	32.4%
Expected dividends / year	0.6
Risk-free interest rate curve 3 months-9 years	2.09%-4.34%

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options vest over 3 years from grant date onwards. The calculated fair value is expensed over the vesting period according to the modified grant date method. Vesting expectations are based on historical data of option forfeitures. For 2006, the expense amounts to 0.5 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2006:

Options granted	567,974
Options forfeited during 2003	-
Options forfeited during 2004	2,800
Options forfeited during 2005	-
Options exercised during 2006	2,800
Options forfeited during 2006	5,600
Options outstanding at December 31, 2006	556,774

The weighted average share price for options exercised during 2006 was 20.39 Euro.

6. 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 Committee) 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
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	0.6	0.56
Risk-free interest rate	3.67%	3%

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options vest over 3 years from grant date onwards. The calculated fair value is expensed over the vesting period according to the modified grant date method. Vesting expectations are based on historical data of option forfeitures. For 2006, the expense amounts to 1 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2006:

	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 outstanding at December 31, 2006	462,700	17,500

7. 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 Committee 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 vest over 3 years from grant date onwards. The calculated fair value is expensed over the vesting period according to the modified grant date method. Vesting expectations are based on historical data of option forfeitures. For 2006, the expense amounts to 1 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2006:

Options granted	589,650
Options forfeited during 2005	-
Options forfeited during 2006	33,200
Options outstanding at December 31, 2006	556,450

8. 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 Committee 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	28.5%
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 vest over 3 years from grant date onwards. The calculated fair value is expensed over the vesting period according to the modified grant date method. Vesting expectations are based on historical data of option forfeitures. For 2006, the expense amounts to 0.5 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2006:

Options granted	733,570
Options forfeited during 2006	-
Options outstanding at December 31, 2006	**733,570**

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

22. Financial liabilities

Million Euro	2006	2005
Non-current liabilities	445	552
Revolving multi-currency credit facility[1]	235	337
Liabilities to Banks[2]	3	3
Debentures[3]	200	200
Liabilities under finance lease agreements[4]	7	12
Current liabilities	344	296
Commercial paper program	277	100
Revolving multi-currency credit facility[1]	-	76
Liabilities to Banks[2]	63	116
Liabilities under finance lease agreements[4]	4	4

[1] Revolving multi-currency committed unsecured credit facilities
The Company negotiated revolving multi-currency committed credit facilities for a total notional amount of 795 million Euro. In general, drawdowns under these lines are made for periods from 1 month up to 1 year. These loan facilities are unsecured.

Interest rates of part of the Euro denominated long-term facilities are capped between 4% (cap) and 3.15% (floor) by the use of an interest rate collar with a notional amount of 100 million Euro, maturing in 2009 (note 25). The Company has designated the interest rate collar as cash flow hedge.

The split over the relevant periods is as follows :

Million Euro

Maturity date	Notional amount		Outstanding amount		Currency	Interest rate	
	2006	2005	2006	2005		2006	2005
2006	-	128	-	6	USD	-	6.22%
			-	40	EUR	-	2.68%
			-	26	RMB	-	4.70%
			-	3	TWD	-	1.95%
			-	1	INR	-	6.95%
2007	40	-	-	-	EUR	-	-
2008	40	40	12	13	AUD	5.88%	5.91%
2009	25	-	2	-	USD	6.03%-6.10%	-
			7	-	RMB	5.02%	-
2010	690*	690	93	103	USD	5.72%-6.08%	4.61%-4.77%
			100	200	EUR	3.88%	2.68%
			21	21	GBP	5.65%	4.89%
TOTAL	795	858	235	413			

* of which 640 million Euro is effectively extended till 2011, with an option to extend through 2012.

[2] Liabilities to banks
Maturities of long-term unsecured facilities were as follows:

Million Euro	2006		2005	
	Outstanding amount	Weighted average interest rate	Outstanding amount	Weighted average interest rate
Maturing in				
< 5 years	2	1.82%	2	1.86%
> 5 years	1	6.62%	1	5.87%
TOTAL	3		3	

Short-term facilities
Short-term liabilities to banks are mainly unsecured. The weighted average interest rate of these facilities is 4.09 % (2005 : 3.58%).

[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.

[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 11 million Euro as of December 31, 2006 and will bear interest until maturity date of 5 million Euro.

The financial liabilities are payable as follows:

Million Euro	2006			2005		
	Total future payments	Unexpired interest expense	Present value	Total future payments	Unexpired interest expense	Present value
Not later than one year	5	1	4	5	1	4
Between one and five years	11	4	7	12	3	9
Later than five years	-	-	-	4	1	3
TOTAL	16	5	11	21	5	16

23. Miscellaneous liabilities

Miscellaneous liabilities can be presented as follows:

Million Euro	2006	2005
Tax liabilities	111	112
Liabilities against AgfaPhoto Group companies (note 15)	45	44
Earn-out GWI (note 5)	38	53
Liabilities for social expenses	35	31
Payroll liabilities	22	49
Accrued interest on liabilities	8	7
Other miscellaneous liabilities	82	69
TOTAL	341	365

Tax liabilities include not only Group companies' own tax liabilities, but also taxes withheld on behalf of third parties.
Liabilities for social expenses include, in particular, social insurance contributions that have not been paid over at the balance sheet date.
Other miscellaneous liabilities comprise of numerous individual items such as guarantees, commissions to customers, liabilities under cash management, etc.

24. Provisions

A. Current

Million Euro	Environ-mental	Trade-related	Taxes	Other	Total
Provisions at December 31, 2005	26	83	81	111	301
Change in consolidation scope	-	-	-	-	-
Provisions made during the year	-	24	37	120	181
Provisions used during the year	(13)	(22)	(42)	(49)	(126)
Provisions reversed during the year	-	(8)	(3)	(16)	(27)
Translation differences	(1)	(4)	(2)	(3)	(10)
Transfers	1	(2)	1	-	-
Provisions at December 31, 2006	13	71	72	163	319

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 7). 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 litigations with respect to environmental contamination.

B. Non-current

Million Euro	
Provisions at December 31, 2005	102
Provisions made during the year	23
Provisions used during the year	(50)
Provisions reversed during the year	(2)
Translation differences	-
Transfers	(1)
Provisions at December 31, 2006	72

25. Derivative financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates and interest rates.
The use of derivative financial instruments is subject to internal controls and uniform guidelines set up by a central Treasury Committee, which has authority over all third party banking and financing operations in the Group. Derivatives used are over-the-counter instruments, particularly forward exchange contracts, option contracts and interest rate swaps concluded with banks having an excellent credit rating.

Foreign currency risk

Recognized assets and liabilities

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 Group incurs foreign currency risk on receivables, payables and borrowings that are denominated in a currency other than the company's functional currency. The currencies giving rise to this risk are primarily US Dollar and Pounds Sterling.

Such risks may be naturally covered when a receivable in a given currency is matched by one or more payables having the same amount, and having an equivalent term, in the same currency. They may also be managed by the use of derivative financial instruments. Exposure to currency risk is monitored and managed by our central Treasury department.

The Group uses forward exchange contracts to manage, on a net basis, its foreign currency risk arising from recognized trade receivables, trade payables and borrowings. These forward exchange contracts have maturities of 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.

As of December 31, 2006 the Group was exposed to the following foreign currency risk relating to primary financial instruments forming part of working capital and financial debt:

Million Euro	December 31, 2006		December 31, 2005	
	Assets	Liabilities	Assets	Liabilities
Foreign currency risk	453	416	513	414
Natural covered positions	(126)	(126)	(108)	(108)
Outstanding derivative financial instruments	(268)	(209)	(262)	(213)
Net residual foreign currency risk	59	81	143	93

On the assets side the residual exposure relates to Pounds Sterling (29%) and a number of currencies outside the dollar and pound zone. On the liabilities side, 21 percent of the foreign currency risk relates to Pounds Sterling and 15 percent relates to US Dollar.

Forecasted transactions

The Group designated forward exchange contracts (notional amount 90 million Euro) as ‘cash flow hedges’ of its foreign currency exposure in Pounds Sterling related to forecasted sales over the following 12 months. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (December 31, 2006: - 1 million Euro).

Hedge of net investment in foreign subsidiary

The Group utilizes US Dollar denominated bank loans in order to hedge the foreign currency exposure of the Group’s net investment in its subsidiary in the United States (Agfa Corporation).

Million Euro	December 31, 2006	December 31, 2005
USD denominated bank loans	119	119
TOTAL	119	119

As of December 31, 2006 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 gain on the hedging instruments has been recognized directly in equity (27 million Euro).

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. Part of the interest rate risk of the Group as of December 31, 2006 was hedged via an interest rate collar having a total notional amount of 100 million Euro, maturing in 2009. The interest rate collar is designated as ‘cash flow hedge’, hedging the variability in interest rates on Euro denominated long term bank loans. The interest rates are capped between 4% (cap) and 3.15% (floor). The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (December 31, 2006: 0 million Euro).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not require collateral in respect of financial assets, except for the long-term loans receivable against AgfaPhoto Holding GmbH (note 15). Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Transactions involving derivative financial instruments are only allowed with counterparties that have high credit ratings.

At the balance sheet date there were no significant concentrations of credit risk. The carrying amounts of the financial assets, including derivative financial instruments, in the balance sheet reflect the maximum exposure to credit risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

In 2001, the Company negotiated an Equity Swap transaction in order to partially hedge the potential price exposure relating to the shares subject to its stock option plan (Long Term Incentive Plan tranche no. 3; note 21B). This transaction was designated as a fair value hedge with changes in the fair value of both the hedged item and the hedging instrument recognized in the income statement.

Fair values – Notional amounts

The fair values are the current market values (quoted market prices or calculated based on estimation techniques) of the derivative financial instruments, disregarding any opposite movements in the value of the respective hedged/covered transactions.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date. 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 notional amounts indicate the volume of outstanding derivatives at the balance sheet date and therefore do not reflect the Group's exposure to risks from such transactions.

The notional or contractual amounts and respective fair values of derivative financial instruments are as follows:

Million Euro	Notional or contractual amount		Fair value	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Forward exchange contracts	771	1,250	(5)	(14)
Interest rate instruments	100	1	-	-
Other derivative financial instruments	6	4	2	1
TOTAL			(3)	(13)

26. 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	2006	2005
Not later than one year	34	32
Between one and five years	62	50
Later than five years	7	6
TOTAL	103	88

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	2006	2005
Not later than one year	7	8
Between one and five years	7	6
Later than five years	1	-
TOTAL	15	14

27. Commitments and contingencies

Million Euro	2006	2005
Issuance and endorsement of bills	1	3
Guarantees	39	36
Other	2	6
TOTAL	42	45

Total purchase commitments in connection with major capital expenditure projects for which the respective contracts have already been awarded or orders placed amounted to 3 million Euro as of December 31, 2006 (2005: 4 million Euro).

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 has entered into various contractual relationships with AgfaPhoto Holding GmbH and AgfaPhoto GmbH, Leverkusen, Germany, and its subsidiaries in various jurisdictions (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, Agfa-Gevaert AG became engaged in an expert arbitrator proceeding in connection with a purchase price dispute against AgfaPhoto Holding GmbH. As of this date, the expert proceedings are ongoing. The Group is vigorously defending its position in this dispute.

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 jurisdictions. The Group has been named as a defendant in lawsuits or other actions in various jurisdictions 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 trademark license dispute with AgfaPhoto Holding GmbH. In the course of this dispute, the Group has received a number of counterclaims. The Group has rejected all of the counterclaims as without merit. As of this date, the arbitration proceedings are ongoing. The Group believes that it has meritorious defenses with respect to these counterclaims and is defending itself vigorously.

Also with respect to this divestment, AgfaPhoto Holding GmbH initiated an arbitration proceeding before the ICC International Court of Arbitration in Paris and claims 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.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.

Patent Disputes: Further legal risks for the Group exist with regard to patent disputes in the United States. Agfa-Gevaert NV and Agfa Corporation are engaged as either plaintiff or defendant in patent infringement suits involving Eastman Kodak Company. These cases are either in the final stages of discovery or appeal. The Group believes that it has meritorious defenses in all of these lawsuits and is defending itself vigorously.

28. Related party transactions

Transactions with Directors and members of the Executive Committee
(Key management personnel)

Key management personnel compensation included in the income statement can be detailed as follows:

Million Euro	2006		2005	
	Directors	Executive Committee	Directors	Executive Committee
Short-term employee benefits	0.8	4.2	0.8	3.0
Post-employment benefits		0.4	-	1.2
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	0.5	-	0.9
TOTAL	0.8	5.1	0.8	5.1

As of December 31, 2006 there were no loans outstanding to members of the Executive Committee nor to members of the Board of Directors.
Pension provisions for members and retired members of the Executive Committee, amounting to 17.5 million Euro, are reflected in the balance sheet of the Group at December 31, 2006.

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.

29. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at December 31, 2006 was based on the net profit attributable to ordinary shareholders of 15 million Euro (2005: net loss of 19 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2006 of 124,781,170 (2005: 125,603,444).

The weighted average number of ordinary shares is calculated as follows:

Number of ordinary shares at January 1, 2006	124,780,270
Effect of own shares held	900
Weighted average number of ordinary shares at December 31, 2006	124,781,170

	2006	2005
Basic earnings per share (Euro)	0.12	(0.15)

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at December 31, 2006 was based on the net profit attributable to ordinary shareholders of 51 million Euro (2005: net profit of 101 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2006 of 124,781,170 (2005: 125,603,444).

	2006	2005
Basic earnings per share from continuing operations (Euro)	0.41	0.80

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2006 was based on the net profit attributable to ordinary shareholders of 15 million Euro (2005: net loss of 19 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2006 of 124,781,170 (2005: 125,902,342).

The weighted average number of ordinary shares (diluted) is calculated as follows:

Weighted average number of ordinary shares at December 31, 2006	124,781,170
Effect of stock options on issue (note 21)	-
Weighted average number of ordinary shares (diluted) at December 31, 2006	124,781,170

The average fair value of one ordinary share during 2006 was 17.38 Euro.

	2006	2005
Diluted eranings per share (Euro)	0.12	(0.15)

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share from continuing operations at December 31, 2006 was based on the net profit attributable to ordinary shareholders of 51 million Euro (2005: net profit of 101 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2006 of 124,781,170 (2005: 125,902,342).

	2006	2005
Diluted earnings per share from continuing operations (Euro)	0.41	0.80

30. Group companies

The ultimate parent of the Group is Agfa-Gevaert NV, Mortsel/Belgium. The Company is the parent company for the following significant subsidiaries:

Investments in subsidiaries and other companies - Agfa-Gevaert Group

Consolidated Companies, December 31, 2006

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.	Sta. Clara Ecatepec/Mexico	99.80
Agfa Deutschland Vertriebsgesellschaft mbH & Cie	Cologne/Germany	100
Agfa Europe NV	Mortsel/Belgium	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 Ltd.	Leeds/United Kingdom	100
Agfa Graphics NV	Mortsel/Belgium	100
Agfa HealthCare Corporation	Ridgefield Park/United States	100
Agfa HealthCare Enterprise Solutions S.A.	Artigues près Bordeaux/France	100
Agfa HealthCare Germany GmbH	Bonn/Germany	100
Agfa HealthCare Inc.	Ontario/Canada	100
Agfa Hong Kong Ltd.	Hong Kong/PR China	100
Agfa Hungaria Kft.	Budapest/Hungaria	100
Agfa Inc.	Toronto/Canada	100
Agfa India private Ltd.	Bombay/India	100
Agfa Industries Korea Ltd.	Kyunggi-do/South Korea	100
Agfa Korea Ltd.	Seoul/South Korea	100
Agfa Limited	Dublin/Ireland	100
Agfa NDT Ltd.	Coventry/United Kingdom	100
Agfa NDT S.A.	Limonest/France	100
Agfa OOO Ltd.	Moscow/Russian federation	100
Agfa s.r.o. (Czechia)	Prague/Czech Republic	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 (Denmark)	Glostrup/Denmark	100
Agfa-Gevaert AB (Sweden)	Kista/Sweden	100
Agfa-Gevaert AG/SA	Dübendorf/Switzerland	99.12
Agfa-Gevaert Aktiengesellschaft für Altersversorgung	Munich/Germany	100
Agfa-Gevaert Argentina S.A.	Buenos Aires/Argentina	100
Agfa-Gevaert B.V.	Rijswijk/Netherlands	99.99
Agfa-Gevaert Colombia Ltda.	Bogota/Colombia	99.99
Agfa-Gevaert de Venezuela S.A.	Caracas/Venezuela	100
Agfa-Gevaert do Brasil Ltda.	Sao Paulo/Brazil	100

Agfa-Gevaert GmbH	Vienna/Austria	100
Agfa-Gevaert Graphic Systems GmbH	Wiesbaden/Germany	100
Agfa-Gevaert HealthCare GmbH	Munich/Germany	100
Agfa-Gevaert International Holding S. à r.l.	Luxemburg/Luxemburg	100
Agfa-Gevaert International NV	Mortsel/Belgium	100
Agfa-Gevaert International S. à r.l.	Luxemburg/Luxemburg	100
Agfa-Gevaert Investment Fund NV	Mortsel/Belgium	100
Agfa-Gevaert Japan, Ltd.	Tokyo/Japan	100
Agfa-Gevaert Limited (Australia)	Nunawading/Australia	100
Agfa-Gevaert Limited (England)	Brentford/United Kingdom	100
Agfa-Gevaert Ltda. (Chili)	Santiago De Chile/Chile	100
Agfa-Gevaert NV & Co. KG	Leverkusen/Germany	100
Agfa-Gevaert NZ Ltd.	Glenfield/New Zealand	100
Agfa-Gevaert S.A. (France)	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
Autologic Information International Inc.	Thousand Oaks/United States	100
Autologic Information International Ltd.	Ramat-Gan/Israel	100
Autologic Information International, Ltd.	Thousand Oaks/United States	100
BOSS AG	Bremen/Germany	100
BOSS VertriebsGmbH	Bremen/Germany	100
Cea AB	Strängnäs/Sweden	100
CEA GmbH	Hamburg/Germany	100
GWI AG	Trier/Germany	100
GWI Medica AG	Steinmaur/Switzerland	100
GWI Medica Ges.mbH	Vienna/Austria	100
GWI Medica GmbH	Bonn/Germany	100
GWI Research Ges.mbH	Vienna/Austria	100
GWI Research GmbH	Trier/Germany	100
Heartlab Holding Co.	Westerly/USA	100
Heartlab Inc.	Westerly/USA	100
Lastra America Corporation	Jacksonville/United States	100
Lastra Attrezature S.r.l.	Manerbio/Italy	60
Lastra Deutschland GmbH	Hainburg/Germany	100
Lastra S.r.l.	Manerbio/Italy	100
Luithagen NV	Mortsel/Belgium	100
Med2Rad S.r.l.	Macerata/Italy	100
New ProImage America Inc.	Ridgefield Park/United States	100
New ProImage Ltd.	Or Akiva/Israel	100
OY Agfa-Gevaert AB	Espoo/Finland	100
PlanOrg Medica GmbH	Jena/Germany	63.50
Plurimetal do Brasil Ltda.	Rio de Janeiro/Brasil	100
Printing Techniques, Ltd.	Northampton/United Kingdom	100
Quadrat NV	Mortsel/Belgium	100
Shanghai Agfa Imaging Products Co., Ltd.	Shanghai/PR China	100
Tiani Medgraph GmbH	Bühl/Germany	100
Tiani Nordic ApS	Aalborg/Denmark	100
Western Lithotech Canada Ltd.	Ontario/Canada	100
Xitron Europe Ltd.	Swindon/United Kingdom	100
Xitron, Inc.	Ann Arbor/United States	100

Subsidiaries not included in the consolidated financial statements, December 31, 2006

Name of the company	Location	Effective Interest %
Agfa Argentina S.A.C.I.	Buenos Aires/Argentina	100
Agfa Deutschland Vertriebsverwaltungsgesellschaft mbH	Cologne/Germany	100
Agfa Holding Germany GmbH	Cologne/Germany	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	Leverkusen/Germany	100
GST Grafic Service Team GmbH & Co.	Leverkusen/Germany	100
Mortselse Immobiliënvennootschap NV	Mortsel/Belgium	100

Associated Companies, December 31, 2006

Name of the company	Location	Effective Interest %
ADM C.V.	Antwerp/Belgium	12.50
GWI Klinik Management GmbH	Feldafing/Germany	50
Idoc NV	Brussels/Belgium	33.33
Lastra Imaging UK Ltd.	Hertfordshire/United Kingdom	10
Lastra Niraj Pvt. Ltd.	Bombay/India	39
Medicalis Corp.	Waterloo/Canada	23
Medivision Medical Imaging Ltd.	Yokneam Elit/Israel	19.43
PlanOrg Informatik GmbH	Jena/Germany	25.50
SIEDA GmbH	Kaiserslautern/Germany	25.18
Smart Packaging Solutions SAS	Rousset/France	30
Tecnografica S.r.l.	Brugherio/Italy	10
ZTG	Krefeld/Germany	6

31. Events subsequent to the balance sheet date

On February 27, 2007, the Board of Directors has decided that the Group will be split into three independent, listed companies – representing the activities of the business groups Agfa Graphics, Agfa HealthCare and Agfa Materials – by the end of 2007. Upon completion of this demerger, shareholders of Agfa-Gevaert will instead of holding one Agfa-Gevaert share, hold shares in three separately listed companies.

This demerger represents a transaction with shareholders and should be accounted for accordingly. According to the Group's accounting policies, transactions among entities under common control are accounted for using book values.

The demerger will take place by means of carve-outs. The carved-out assets and liabilities for Agfa Graphics, Agfa HealthCare and Agfa Materials will materially differ from the segment assets and liabilities for the business segments as presented in note 4 Segment Reporting. In particular, there will be material differences in the following areas: (a) the Group's segment reporting does not include a separate business segment 'Materials', (b) the post employment liabilities with respect to former employees (so called 'inactives') actually are reported as 'Unallocated', (c) segment assets and liabilities do not include investments, long-term loans receivable, receivables under finance leases, cash and cash equivalents, derivative financial instruments and financial liabilities, and (d) segment assets and liabilities do not include income tax assets and income tax liabilities.

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Statutory Accounts

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, 2006 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

INCOME STATEMENTS

Million Euro		2006	2005
I.	Operating income		
A.	Turnover	2,018	1,821
B.	Increase, decrease, in stocks of finished goods, work and contracts in progress	3	39
C.	Own construction capitalised	144	103
D.	Other operating income	724	60
TOTAL OPERATING INCOME		2,889	2,023
II.	Operating charges		
A.	Raw materials, consumables and goods for resale		
	1. Purchases	1,300	1,211
	2. Increase (-); decrease (+) in stocks	61	(3)
B.	Services and other goods	342	300
C.	Remuneration, social security costs and pensions	355	371
D.	Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	152	128
E.	Increase (+); Decrease (-) in amounts written off stocks, contracts in progress and trade debtors	0	1
F.	Increase (+); Decrease (-) in provisions for liabilities and charges	83	(12)
G.	Other operating charges	24	19
TOTAL OPERATING CHARGES		2,317	2,015
III.	Operating profit/Loss	572	8
IV.	Financial income	240	100
V.	Financial charges	(221)	(274)
VI.	Profit/Loss on ordinary activities before taxes	591	(166)
VII.	Extraordinary income	84	276
VIII.	Extraordinary charges	(6)	(1)
IX.	Profit/ Loss for the period before taxes	669	109
IXbis.	B Transfer to deferred taxation	0	0
X.	Income taxes	0	(2)
Xl.	Profit for the period	669	107
Xll.	Transfer to untaxes reserves	0	0
Xlll.	Profit/Loss for the period available for appropriation	669	107

Result appropriation

		2006	2005
A.	Profit to be appropriated	714	107
	1. Profit/Loss for the period available for appropriation	669	107
	2. Profit brought forward	45	0
B.	Transfer from capital and reserves	0	0
C.	Transfers to other reserves	0	0
D.	1. Profit to be carried forward	(652)	(45)
F.	Distribution of profit	(62)	(62)

Million Euro		Dec. 31, 2006	Dec. 31, 2005
Assets			
II.	Intangible assets	192	174
III.	Tangible assets	43	73
IV.	Financial assets	3,894	3,566
V.	Receivables over 1 year	73	8
VI.	Stocks and contracts in progress	165	223
VII.	Amounts receivable within one year	896	291
VIII.	Investments	79	74
IX.	Cash at bank and in hand	10	5
X.	Deferred charges and accrued income	2	10
		5,354	**4,424**
Liablilities			
I.	Capital	140	140
II.	Share premium account	109	109
IV.	Reserves	412	412
V.	Profit carried forward	652	45
VI.	Investment grants	3	2
		1,316	**708**
VII.	Provisions and deferred taxation	218	135
VIII.	Amounts payable after more than one year	322	922
IX.	Amounts payable within one year	3,392	2,606
X.	Accrued charges and deferred income	106	53
		5,354	**4,424**

Mortsel, February 21, 2007

Comments on the annual accounts
The annual accounts, which will be presented to the General Meeting of Shareholders of April 24, 2007, were approved by the Board of Directors.

The profit to be appropriated for the financial year 2006 amounted to 669,070,925.51 Euro.

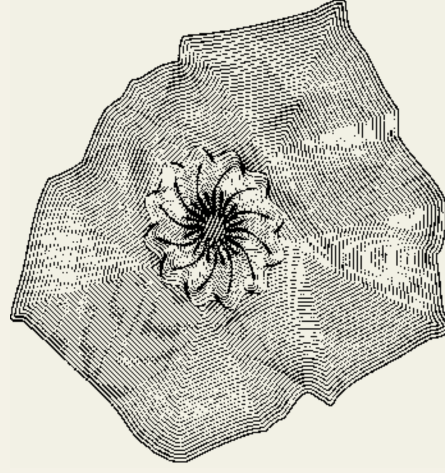
Before formulating the proposal for profit distribution, the Board of Directors records that on December 31, 2006 Agfa-Gevaert NV possessed a total of 4.1 million of its own shares. As these shares do not qualify for a dividend, the proposed dividend payment takes into account 124,780,430 shares.

It is proposed to distribute the profit to be appropriated as follows:
- A dividend payment of 62,394,215.00 Euro, or 50 Eurocents gross per ordinary share (coupon N° 8), payable as of April 25, 2007. For the Belgian shareholders this equals a net dividend of 37.5 Eurocents per share, after 5% withholding tax payment.
  For the non-resident shareholders the net dividend can be codetermined by the double tax treaties between Belgium and the different countries. The relevant certificates have to be in our possession not later than May 7, 2007.
- A transfer of 606,676,710.51 Euro to the profit to be carried forward.

On June 21, 2006, the Board of Directors decided to issue a stock option plan for the management, taking into account art. 523 of the Code of Companies. Excerpts from the Minutes of the Board of Directors Meeting:
"The Board unanimously decides, yet with the exception of Mr. Olivié who abstained from the deliberation and vote, to approve the issue of stock options under the stock option plan of the Company in accordance with the terms and conditions as set out at this meeting."

The fees charged by KPMG to the Company with regard to the financial year 2006 were included in full in the notes to the financial statements.

Important post balance sheet date events and information that might influence the development of the company
During the month February 2007, a social plan was agreed within the framework of the restructuring program announced on August 24, 2006. The information and consultation procedures with respect to this program were closed on February 13, 2007. The necessary provisions were 67.6 million Euro.



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Glossary

Aerial Photography
A Specialty Products product group which includes films, chemicals, photo paper and software for airborne image capture. The images are used in civil and military mapping applications. Aerial photography is a small but profitable niche market. In addition to traditional applications, Agfa's aerial photography film is also suitable for use in security cameras and speed cameras.

cardiovascular
This term relates to the human heart and blood vessels. Agfa HealthCare supplies cardiology departments with IT systems for managing digital images and data and for workflow planning.

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 Musica) 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, ...) and are ready for archiving on a *PACS* system.
see also Direct Radiography

Computer Assisted Detection (CAD)
Software system that assists radiologists in detecting abnormalities on digital medical images using pattern recognition and image analysis capabilities. Often used for breast cancer detection.

computer-to-film
A process whereby the pages or artwork of printed matter from the computer – 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.

computer-to-plate
A process whereby the pages or artwork of printed matter from the computer – e.g. the pages of newspapers or magazines – are digitally imaged onto printing plates directly from computer files without the intermediate step of films.

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 contain 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.

digital proofing
see proofing

digitizer
see Computed Radiography

Direct Radiography (DR)
The 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 exists 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

:Dotrix
:Dotrix is Agfa's digital inkjet press for printing packaging, labels and point-of-purchase materials. The :Dotrix press uses Agfa's :Agorix ink and is driven by Agfa's :ApogeeX for packaging production software.

EBIT
Earnings before Interest and Tax.

EBITDA
Earnings before Interest and Tax, Depreciation and Amortization.

Electronic Patient Record (EPR) / Electronic Medical Record (EMR)
The electronic alternative to a patient's paper file. The EPR/EMR 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 desired, elsewhere.

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.

Film for Non-Destructive Testing
Product group of Specialty Products. Agfa divested its *non-destructive testing* business to General Electric Company (GE) in 2003. Both parties signed a long-term agreement according to which Agfa will continue the supply of X-ray film for non-destructive testing to GE. Non-destructive testing technologies make it possible to check the structure and tolerance of materials without damaging or deforming them.

GWI
Gesellschaft für Wirtschaftliche Informatik, founded in 1990 and headquartered in Bonn, Germany. Provider of hospital information systems. Acquired by Agfa in January 2005.

hardcopy printer
Device used for printing medical images from various sources: *Computed Tomography (CT)* scans, *Magnetic Resonance Imaging (MRI)* scans, *Computed Radiography*, *Direct Radiography* 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.

Heartlab
Leading designer and supplier of digital image and information networks for cardiology. Founded in 1994 and headquartered in Westerly, Rhode Island (USA). Acquired by Agfa in June 2005.

IMPAX
see Picture Archiving and Communication System

inkjet printer
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.

inkjet print head
The core of an inkjet printer, containing a series of nozzles that are used to emit drops of ink.

JDF
JDF (Job Definition Format) is a standard developed to facilitate process automation and the integration of applications and systems from different vendors in the graphic arts industry. JDF enables communication between different devices, not only in production, but also between production and administration.

JMF
JMF (Job Messaging Format) is part of the *JDF* standard in the graphic arts industry. JMF allows workflow systems to control devices and to give them commands to start and stop jobs.

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/60 cm 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.

Microfilm

A Specialty Products product group, Agfa's microfilm is known for its high sensitivity and exceptional image quality. Microfilm is still an excellent medium for long-term data storage, with clear advantages over digital storage with regard to cost efficiency and reliability. Museums and libraries therefor often put their entire collections on (color) microfilm.

modalities

In this report this term is used for the various imaging systems, including radiology equipment, *PET* scanners, *MRI* scanners and *CT* scanners. These systems can be connected to an Agfa PACS system.

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 contain 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.

non-destructive testing

To check the structure and tolerance of materials without damaging or deforming them.

PET (Positron Emission Tomography)

A radioactive substance is administered to the patient before he/she is examined with the PET scanner. The substance will accumulate 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 contain PET scanners, but its PACS systems are used to manage and to visualize the digital images.

photopolymer plate

Photopolymer plates are exposed using *lasers* operating on visible light.
see also printing plate

phototooling film

A film offering the extreme line sharpness required for miniaturization in *printed circuit board* manufacturing.

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 the diagnostic images produced by radiology departments. Due to specific software developments IMPAX is also suitable to be used by other departments in the hospital, such as Cardiology, Orthopaedics 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 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.

Polyethylene terephthalate

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.

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).

prepress

The preparation and processing of content and document files for final output to either analog or digital 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

- analog

Printing plate consisting 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.

- digital

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 analog plates, the digital plates are chemically processed to create a press-ready plate, though some digital plate technologies are effectively process-free.

proofing

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)

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).

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 sound-tracks, such as analog, Dolby, Digital, DTS (Digital Theater Systems) and SDDS (Sony Dynamic Digital Sound).

Specialty Foils & Components

A Specialty Products product group which includes state-of-the-art PET film bases, chemical materials and high-tech semi-finished materials to third parties for the production of imaging products. If so desired, these materials can be custom designed in cooperation with the customer.

Symphonie On Line
Leader in hospital IT solutions in France founded in 1984 and headquartered in Bordeaux, France. Acquired by Agfa in October 2004.

TalkStation
TalkStation is Agfa's voice recognition system used by diagnosticians to efficiently add comments to medical images. TalkStation, PACS and RIS are often integrated into one complete system.

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 (platesetter)
Platesetter using thermal energy to expose the printing plates.
see also laser

ThermoFuse
ThermoFuse 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 (laser) technology
Violet (laser) technologies expose or image plates using the violet band of the visible-light spectrum, allowing fast output, convenient plate handling and high reliability.
see also laser

virtual colonoscopy
Exam using CT scans to detect polyps and cancerous tumors in the colon. Agfa's software combines the CT images into a 3D reproduction of the interior of the colon. The radiologist has the possibility to virtually navigate through the colon to detect irregularities in the wall of the intestine. Contrary to conventional colonoscopy, this technology does not require the insertion of a tube into the patient's colon.

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 :Ampio Thermal plates using :Sublima screening technology (280lpi)
Imposition and contract proofing with :SherpaProof
Workflow management :ApogeeX

Lay-out, production and co-ordination: Rudy Van Hoey/Agfa Graphics and Miller Graphics
Photography: Jaap van den Beukel, Agfa Publishing Library
Lithography: Miller Graphics, Roeselare
Printing: Albe De Coker, Hoboken

CONSOLIDATED STATEMENTS OF INCOME 2002-2006

Million Euro	2006	2005	2004 [1]	2003	2002
Net sales	3,401	3,308	3,762	4,215	4,683
Cost of goods sold	(2,102)	(2,096)	(2,265)	(2,449)	(2,705)
Gross profit	1,299	1,212	1,497	1,766	1,978
Selling expenses	(564)	(583)	(701)	(790)	(902)
Research and development expenses	(193)	(191)	(191)	(233)	(248)
General administration expenses	(281)	(228)	(269)	(297)	(277)
Other operating income	312	326	540	661	318
Other operating expenses	(508)	(404)	(1,005)	(579)	(476)
Operating result	65	132	(129)	528	393
Interest income (expense) – net	(32)	(18)	(19)	(28)	(40)
Other non-operating income (expense) – net	(32)	(7)	(37)	(43)	(57)
Non-operating result	(64)	(25)	(56)	(71)	(97)
Income before income taxes	1	107	(185)	457	296
Income taxes	15	(125)	39	(135)	(99)
Net income of consolidated companies (before share of results of associated companies)	16	(18)	(146)	322	197
Share of results of associated companies	-	-	-	-	(3)
Net income of consolidated companies	16	(18)	(146)	322	194
of which attributable to minority interest	1	1	(1)	(1)	-
of which attributable to Agfa-Gevaert NV stockholders (net result)	15	(19)	(145)	323	194
of which discontinued operations	(36)	(120)	(340)	(61)	
Basic Earnings per share (Euro)	0.12	(0.15)	(1.15)	2.44	1.39
Diluted Earnings per share (Euro)	0.12	(0.15)	(1.15)	2.44	1.39

(1) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

CONSOLIDATED BALANCE SHEETS 2002-2006

Million Euro	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004[1]	Dec. 31 2003	Dec. 31 2002
Assets					
Non-current assets	1,407	1,561	1,011	976	1,174
Intangible assets	856	924	338	325	456
Property, plant and equipment	455	502	519	616	672
Investments	29	32	38	32	40
Long-term loans receivable	65	102	112	-	-
Derivative financial instruments	2	1	4	3	6
Non-current assets classified as held for sale	3	5	-	-	-
Current assets	2,071	2,129	2,035	2,652	2,717
Inventories	624	586	576	813	948
Trade receivables	885	854	744	826	959
Other receivables and other assets	456	498	391	569	630
Cash and cash equivalents	85	169	293	397	145
Deferred charges	19	20	18	18	30
Derivative financial instruments	2	2	13	29	5
Deferred taxes	351	287	310	211	268
Total assets	**3,832**	**3,982**	**3,356**	**3,839**	**4,159**
Equity and liabilities					
Shareholders' equity	933	1,032	1,082	1,373	1,386
Capital stock of Agfa-Gevaert NV	140	140	140	140	140
Share premium of Agfa-Gevaert NV	109	109	107	107	107
Retained earnings	987	1,069	1,284	1,056	962
Reserves	(289)	(301)	(262)	(260)	(20)
Net income	15	(19)	(145)	323	194
Translation differences	(32)	31	(44)	5	-
Minority interest	3	3	2	2	3
Non-current liabilities	1,269	1,394	1,052	1,424	1,598
Liabilities for post-employment benefits	721	709	727	799	843
Liabilities for personnel commitments	30	29	35	36	39
Financial obligations more than one year	445	552	247	558	665
Provisions more than one year	72	102	43	27	37
Deferred income	1	2	-	-	-
Derivative financial instruments	-	-	-	4	14
Current liabilities	1,517	1,445	1,185	1,010	1,119
Financial obligations less than one year	344	296	239	72	53
Trade payables	313	309	323	259	266
Deferred revenue & advance payments	87	66	46	45	56
Miscellaneous liabilities	341	365	211	205	249
Liabilities for personnel commitments	93	77	72	85	105
Provisions less than one year	319	301	282	327	380
Deferred income	13	15	5	7	9
Derivative financial instruments	7	16	7	10	1
Deferred taxes	113	111	37	32	56
Total equity and liabilities	**3,832**	**3,982**	**3,356**	**3,839**	**4,159**

(1) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

CONSOLIDATED STATEMENTS OF CASH FLOW 2002-2006

Million Euro	2006	2005	2004 [1]	2003	2002
Cash and cash equivalents at beginning of year	168	290	394	528	223
Operating result	65	132	(129)	528	393
Current tax expense	(54)	(106)	(84)	(102)	(70)
Depreciation, amortization and impairment losses	159	161	291	216	270
Changes in fair value of derivative financial instruments	(3)	7	4	3	(8)
Adjustment for other non-cash income	(1)	-	-	-	-
Movement in long-term provisions	9	(50)	(11)	(86)	(76)
(Gains) / losses on retirement of non-current assets	(21)	(11)	(17)	2	(27)
Gains on disposals	-	-	(126)	(231)	-
Loss on Consumer Imaging net assets carved-out	-	-	270	-	-
Tax expense on disposals	-	-	46	63	-
Loss on divestiture	4	-	-	-	-
Gross cash provided by operating activities	140	133	244	393	482
of which discontinued operations	(51)	(55)	(138)	(59)	
Decrease / (Increase) in inventories	(58)	2	81	80	70
Decrease / (Increase) in trade accounts receivable	(57)	(37)	(58)	62	125
Increase / (Decrease) in trade accounts payable and deferred revenue	38	(26)	83	7	(17)
Movement in short-term provisions	37	23	(34)	(9)	14
Movement in other working capital	7	(13)	(13)	(11)	(63)
Net cash provided by operating activities	107	82	303	522	611
of which discontinued operations	(25)	(27)	(117)	48	
Cash outflows for additions to intangible assets	(28)	(28)	(12)	(28)	(41)
Cash outflows for additions to property, plant and equipment	(77)	(78)	(100)	(150)	(126)
Cash inflows from disposals of intangible assets	-	-	1	-	1
Cash inflows from disposals of property, plant and equipment	27	27	55	8	58
Cash inflows from disposals as held for sale	4	-	-	-	-
Cash inflows (outflows) from equity and debt instruments	62	12	6	6	(72)
Cash outflows for taxes paid on previous disposals	-	(42)	-	-	-
Cash outflows for acquisitions	-	(361)	(122)	-	(178)
Cash outflows for previous acquisitions	(53)	-	-	-	-
Cash inflows from divestiture	13	-	129	241	-
Cash inflows related to purchase price adjustments of previous acquisitions	-	3	-	-	-
Interests and dividends received	6	21	18	24	48
Net cash provided by / (used in) investing activities	(46)	(446)	(25)	101	(310)
of which discontinued operations	37	21	59	51	
Dividend payments to stockholders	(63)	(76)	(95)	(67)	(32)
Repurchase of own shares	-	(31)	-	(253)	(12)
Capital contributions	-	2	-	-	-
Prefinancing by / (of) AgfaPhoto related to previous CI divestiture	(4)	27	-	-	-
Net issuances of debt	(39)	319	(231)	19	(261)
Interest paid	(38)	(28)	(39)	(56)	(87)
Other financial flows	14	36	(20)	(1)	16
Net cash provided by/(used in) financing activities	(130)	249	(385)	(358)	(376)
of which discontinued operations	(4)	27	-	-	
Change in cash and cash equivalents due to business activities	(69)	(115)	(107)	265	(75)
Change in cash and cash equivalents due to change in consolidation scope	-	-	-	-	1
Change in cash and cash equivalents due to exchange rate movements	(16)	(7)	3	(12)	(8)
Cash and cash equivalents at end of year	83	168	290	394	141

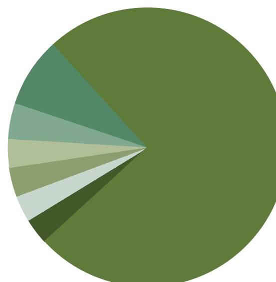
(1) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

Shareholder Information

Listing	Brussels Stock Exchange
Reuters ticker	AGFAt.BR
Bloomberg ticker	AGFB BB/AGE GR
Datastream	B:AGF

Shareholder structure (March 19, 2007)

- 8.01% Franklin Resources Inc.
- 4.08% Nordea Investments Funds
- 3.39% Sparinvest Fondsmaeglerselskab
- 3.15% Treasury Shares
- 3.10% BlackRock Group
- 3.00% Pioneer
- 75.27% Free Float

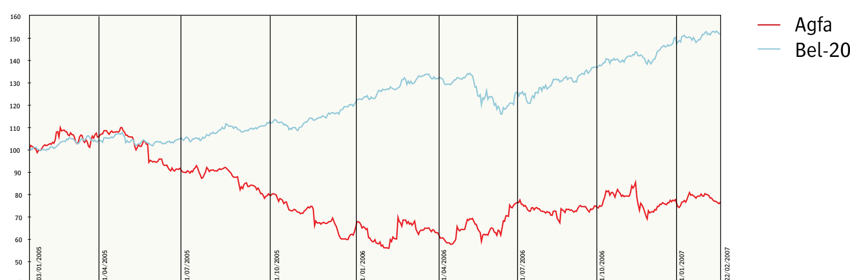


Share information

First day of listing	June 1, 1999
Number of shares outstanding on Dec. 31, 2006	124,785,530
Market capitalisation on Dec. 31, 2006	2,495 million Euro

In Euro	2006	2005	2004	2003	2002
Earnings per share (net result)	0.12	(0.15)	(1.15)	2.44	1.39
Net operating cash flow per share	0.86	0.65	2.40	3.95	4.38
Gross dividend	0.50	0.50	0.60	0.75	0.50
Year end price	19.36	15.41	24.96	22.60	21.25
Year's high	21.35	27.50	25.90	22.71	21.41
Year's low	13.95	14.92	18.24	16.35	12.95
Average volume of shares traded/day	851,267	471,175	364,220	207,507	156,681
Weighted average number of ordinary shares	124,781,170	125,603,444	126,008,540	132,045,438	139,611,425

Agfa share price against BEL-20



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Financial calender 2007-2008

Annual General Meeting	April 24, 2007 at 11 a.m.
Payment of Dividend 2006	April 25, 2007
First quarter 2007 results	May 3, 2007
Half year 2007 results	July 31, 2007
Third quarter 2007 results	October 31, 2007
Annual General Meeting	April 22, 2008

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