



(Public limited liability company under Belgian law with registered office at Septestraat 27, 2640 Mortsel, Belgium)

Offering of 42,962,760 New Shares with VVPR Strips at an issue price of EUR 3.45 per New Share

1 for 3 Rights Offering

Agfa-Gevaert NV, listed on the regulated market of Euronext Brussels under the trading symbol AGFB ("Agfa-Gevaert", the "Company" or the "Issuer") is offering 42,962,760 new Agfa-Gevaert Shares without nominal value (the "New Shares") with VVPR Strips. The issue price for the New Shares is EUR 3.45 (the "Issue Price"). The New Shares with VVPR Strips are offered in priority to the Existing Shareholders. To determine the entitlement to subscribe to the New Shares with VVPR Strips on the conditions set out in this Prospectus, the Shareholders of Agfa-Gevaert as at the closing of Euronext Brussels on 20 October 2010 will be given one preferential subscription right per existing Share they hold on 20 October 2010 (each a "Preferential Right"). The Preferential Rights will be represented by coupon no 9, which will be separated from the underlying share on 20 October 2010, and are expected to trade on the regulated market of Euronext Brussels between 21 October 2010 and 4 November 2010. The Preferential Rights will be listed on the regulated market of Euronext Brussels under the ISIN code BE0970119229 and trading symbol AGFB9. The New Shares and the VVPR Strips will be listed under ISIN code BE0003755692, trading symbol AGFB and ISIN code BE0005638128, trading symbol AGFS, respectively. The offering of New Shares issued upon exercise of the Preferential Rights is referred to in this Prospectus as the "Rights Offering".

Subject to limitations that may apply under applicable securities laws, the holders of Preferential Rights are entitled to subscribe to the New Shares in the ratio of 1 New Share for 3 Preferential Rights (the "Ratio"). The subscription period for the New Shares is expected to be from 21 October 2010 until 4 November 2010 (the "Rights Subscription Period"). Once exercised, the holders of Preferential Rights cannot revoke the exercise of their Preferential Rights, except as set out in section 4.5.6. Holders of Preferential Rights who have not exercised their Preferential Rights during the Rights Subscription Period will no longer be able to exercise their Preferential Rights. Preferential Rights that are not exercised during the Rights Subscription Period will be converted into scrips (the "Scrips"). The Scrips will be offered for sale in a private placement that is expected to start on 8 November 2010 and end on the same date (the "Scrips Private Placement"). The net proceeds of the sale of the Scrips (if any) accrue to the holders of Preferential Rights that have not exercised their Preferential Rights. Purchasers of Scrips in the Scrips Private Placement shall irrevocably undertake to subscribe to a number of New Shares equal to the number of Scrips purchased by them multiplied by the Ratio at the Issue Price. The Joint Bookrunners have agreed to subscribe for any New Shares not subscribed to during the Rights Subscription Period or as a result of the Scrips Private Placement under the conditions set out in more detail in section 4.7. The results of the Rights Offering are expected to be announced on 5 November 2010. The results of the Rights Offering and the Scrips Private Placement as well as, as the case may be, the amount payable to the holders of unexercised Preferential Rights are expected to be announced on 8 and 9 November 2010. An application has been made to admit the New Shares and VVPR strips to trading on the regulated market of Euronext Brussels. It is expected that payment for and delivery of the New Shares will be made on 12 November 2010.

This Prospectus was prepared in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offering of securities and the admission of securities to be traded on a regulated market and approved by the Commissie voor het Bank-, Financie-, en Assurantiewezen (the "CBFA") on 19 October 2010. Agfa-Gevaert is not taking any action to permit a public offering of the Preferential Rights, the New Shares, the Scrips or the VVPR Strips in any jurisdiction outside Belgium. The distribution of this Prospectus outside Belgium may in certain jurisdictions be restricted by law. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any circumstances in which such offer or solicitation is unlawful. Neither the New Shares, the Preferential Rights, nor the Scrips have been and they will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (as that term is defined in Regulation S under the Securities Act ("Regulation S")) unless the New Shares, the Preferential Rights or the Scrips are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The New Shares, the Preferential Rights and the Scrips are only being offered and sold in offshore transactions outside the United States in accordance with Regulation S.

Investing in the New Shares and the Scrips and trading in the Preferential Rights involve certain risks. See section 1 "Risk Factors" beginning on page 24 of this Prospectus to read about factors you should carefully consider before investing in the New Shares or trading in the Preferential Rights.

Sole Global Coordinator and Joint Bookrunner



BNP PARIBAS
FORTIS

Joint Bookrunners



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SUMMARY

The words written in capital letters shall – in singular or in plural – have the meaning as defined in the Section “Definitions” or assigned to them below.

This summary should be read as an introduction to the Prospectus. It includes certain important information contained in this Prospectus. It does not contain all the information that may be important for investors. This summary must be read together with the more detailed information and the appendices of this Prospectus. No civil liability will attach to any person solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent with the other parts of this Prospectus. Any decision to invest in the Preferential Rights, the Scrips and the New Shares or to trade in the Preferential Rights or the Shares should be based on a thorough review of the Prospectus as a whole by the prospective investor. Where a claim relating to the information contained in this Prospectus is filed with a court, a plaintiff investor might, under the applicable legislation, be required to bear the costs of translating the Prospectus before legal proceedings are initiated.

Information about the Issuer and its activities

Agfa-Gevaert develops, manufactures and distributes analogue and digital products and systems for capturing, processing and reproducing images in various markets such as the printing industry, the healthcare sector and other general image related applications. In addition Agfa-Gevaert has developed several software services and information systems for its main markets.

The operational activities of the Group are divided among three divisions:

- (i) Agfa Graphics offers integrated pre-press and industrial inkjet solutions to the printing and graphics industries;
- (ii) Agfa HealthCare is a global provider of diagnostic imaging and healthcare IT solutions; and
- (iii) Agfa Specialty Products supplies consumables and systems to a variety of industrial markets. Its portfolio contains classic film as well as innovative products and systems for completely new markets.

Reasons for the Offering

Notwithstanding a deep economic crisis, the performance of Agfa-Gevaert has significantly improved over the last two years. Due to the improved efficiency of its operations and the strong reduction of its selling and general administration expenses, the Group has been able to improve its profitability even in a very adverse market environment. At the same time, better control of working capital and capex has allowed to strongly reduce the Group's net debt.

The board of directors and the executive management are now clearly focused on the future and on the challenges ahead.

One of the main challenges is to return to top line growth. In nearly all of its businesses, the Group has a strong market position. However, a number of the Group's traditional film markets are declining. The new businesses – which were developed or acquired in the past years – have not yet been able to fully compensate for this decline. Therefore, the Group has to look for new opportunities to exploit its strong market presence. In its two main fields of activity – Agfa Graphics and Agfa HealthCare – the Group expects further changes in the competitive environment.

The economic crisis has destabilised a number of players in the graphics market. This will certainly lead to further consolidation. The acquisition of most of the assets of Gandi Innovations and Harold M. Pitman Company has demonstrated that the Group is ready to take advantage of such opportunities.

Agfa HealthCare has a strong presence in a large part of the hospitals in the world and it has to feed its direct and indirect distribution channels with new products. Through the acquisition of Insight Agents, Agfa HealthCare has added an important consumable, contrast media, to its portfolio. The Group expects that more opportunities will arise in the future.

In many of its businesses the Group also sees significant opportunities for growth in the developing world: Asia, Latin America, Africa and the Middle East. For Agfa Graphics, these areas already represent one third of total turnover and the same trend exists for Agfa HealthCare. The recent creation of the Agfa Graphics Asia joint venture in China is only just one step in the Group's efforts to further reinforce the Group's presence in these areas of the world.

During the last year, the acquisition investments have been small or medium size. The Group has been able to fully finance all acquisition using its existing financial resources.

At present, the Group's two main sources of financing are the revolving credit with a consortium of banks which terminates in July 2012 and the EUR 200 million bond (of which already EUR 5 million has been redeemed) which matures in June 2015.

As far as the renewal of the revolving credit is concerned, the Group is working on a larger diversification of its sources of financing.

In view of the before mentioned external opportunities, and in order to realise the wider diversification of sources of financing, the Group is looking for a capital increase under the form of a rights issue which reinforces at the same time the Group's balance sheet. The proceeds of the Offering will not be used for the payment of pension obligations. After the Offering, the net proceeds of the Offering will be used to repay the drawn amount under the existing credit facility. As a result, the undrawn amount will increase and remain available in order to fund the Group's growth.

In general, this operation will offer the board of directors the possibility to exploit opportunities or to immediately face challenges in order to give a permanent boost to further develop the Group.

Risk Factors

An investment in the Preferential Rights, the Scrips and the New Shares involves substantial risks. Such risks and uncertainties include, but are not limited to, the risk factors described below and in section 1 "Risk factors". The order in which the risk factors are presented below is not indicative of their likelihood of occurrence or of the potential magnitude of their financial consequence. The below risk factors, as well as certain other risk factors, are described more fully in section 1 "Risk factors" of the Prospectus.

The main risks related to the Company's business include:

- As a result of the global financial crisis (sparked by uncertainty in credit markets and deteriorating consumer confidence) experienced worldwide during 2008 and which continued through 2009, the Group experienced a contraction in the demand for its products, primarily for investment goods, but the crisis also negatively affected the demand for consumables. Although there are signs of improvement since late 2009, the global economy remains fragile. If there would be a stall in the current recovery cycle or if the global economy were to take another significant downturn, depending upon the length, duration and severity of such a so-called "double-dip" recession, the Group's results

of operations, financial condition and cash flow, would almost certainly be materially adversely affected again.

- Although the Group takes all possible measures to ensure the continuous operation of its processes, a major disruption of production can never be excluded and could have a significant impact on the Group's results. The Group's insurance policies provide that most damage to installations will be covered by insurance. Production loss or loss of profits due to such an event are not covered though.
- The Group is continually confronted with market and competition risks. All of the Group's businesses (the graphics business, healthcare business and specialty products business) are characterised by price erosion. The markets in which the Group operates, are highly competitive, and the Group encounters aggressive price competition for all its products and services from numerous companies globally. Many of the Group's competitors are large, well-known companies with substantial financial, technical and human resources and with strong brand names. To remain competitive, the Group must continue to invest significant resources (financial, human and otherwise) in, among other things, research and development, sales and marketing, and customer support. The Group cannot be sure that it will be able to make the technological advances necessary for its products to remain competitive. Increased competition could result in further price reductions, fewer or smaller customer orders, reduced margins and loss of market share.
- The Group is introducing many new technologies, such as industrial inkjet for Agfa Graphics, computed and direct radiography as well as information systems for Agfa HealthCare, and new materials such as synthetic paper, printable foil, membranes and smart card materials for Agfa Specialty Products. The Group competes in industries that are changing and becoming more complex. The Group's ability to make a successful transition of its existing products to new offerings requires that accurate predictions of the product development schedule as well as volumes, product mix, customer demand, sales channels, and configuration are made. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications. If the Group is unable to commit the necessary research, engineering, programme management or is otherwise unable to successfully develop products as required, its customers might cancel their contracts, the Group may not be entitled to recover any costs that it incurred for research and development, sales and marketing, production and otherwise, and the Group may be subject to additional costs such as contractual penalties.
- In the field of its analogue pre-press activities of Agfa Graphics as well as the traditional imaging activities of Agfa HealthCare and its "classic film" activities of Agfa Specialty Products, the Group feels a decline in market demand as a result of the ongoing move from analogue to digital alternatives. A faster than expected rate of digitalisation will have a material adverse effect on the Group's business, financial condition and results of operation.
- The Group relies on other companies to supply certain key raw materials. The most important of these are aluminium and silver. Fluctuating raw material prices and any failure to obtain the needed raw materials on a timely basis and compliant with the agreed quality specifications could adversely affect the Group's business, operational result and financial status.

Silver and aluminium are traded internationally on several metal exchanges. The price generally reflects the worldwide demand and supply balance and various US and international macroeconomic

and political conditions. Prices are also sometimes influenced significantly by numerous other factors, including speculative actions.

The Group's commodity price risk – i.e. the risk that its future cash flows and earnings may vary because of changed material prices – is highly connected with other factors such as the Group's competitive position within an industry, its relationship with customers and suppliers. The Group has concluded silver and aluminium clauses with some large customers, which cover only partly its exposure to price fluctuations.

Furthermore, in order to prevent negative effects from potential future price rises or price volatility of silver and aluminium, the Group applies a strategy of partly purchasing at spot rates combined with a system of 'Rolling layered forward buying'. This 'Rolling layered forward buying' is generally achieved by means of forward contracts that are entered into with commodity suppliers for the delivery of commodities in accordance with the entity's expected usage requirements. Exceptionally, the Group uses derivatives such as metal swap agreements that are concluded with investment banks, hedging the Group's exposure to commodity price volatility related to highly probable forecasted purchases of commodities. However, the Group's strategies in this field may not be successful and any of its unhedged commodity payment requirements will continue to be subject to market volatility.

Given the historic experience, the volatility in the silver prices and the speculative element of silver on the market, the Group's management has currently opted neither to buy silver forward nor to conclude any derivative financial instrument on silver.

Based on total 2010 volumes, each USD 1/troz change in the purchase price of silver – with all other variables held constant – would hypothetically impact the EBITDA for the full year 2010 by EUR 12 million.

The Group's raw material supply, including but not limited to silver and aluminium, is for a major part secured under contracts. These contracts are considered important insofar as they enhance stability and provide a base for the Group's growth strategy. However, the risk of a delivery disruption cannot be excluded, amongst others due to a major accident or incident in the supplier's processing plant, due to a problem in the transport or any other fact that can give origin to a force majeure situation. Neither can it be excluded that a decrease in volumes of raw material procurement (e.g. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter forcing the Group to search for other suppliers at less favourable terms.

Other risks related to the Company's business include:

- Risks related to the Group's pension obligations.
- The Group could be held to account for impairment of assets which may negatively affect its results.
- The Group's products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences.
- The Group's activities are subject to environmental regulation. Compliance with these regulations may entail significant costs and failure to comply may lead to environmental claims.
- In conducting its activities the Group relies on the protection of its intellectual property rights (patents, trademarks, know-how and others) and failure to enforce such protection may have a significant impact on the Group's business.
- The Group may be in a situation where it violates third parties' intellectual property rights. Failure to continue to use such intellectual property rights may have a significant impact on the Group's business.

- As the Group conducts business in a number of foreign currencies (other than euro) it is exposed to changes in currency exchange rates which, if not adequately hedged, may affect its operating results.
- Acquisitions have been and are likely to remain a part of the Group's growth strategy, which entails the risk that acquired businesses cannot be integrated successfully or as expected. Acquisitions may also disrupt the Group's business or harm its financial condition and results of operation.
- The Group realises a material part of its revenues with a relatively small number of customers. If top customers would decide to cease their relationship with the Group, its revenues may be impacted significantly. Furthermore, in order to retain and win customers, the Group should be able to finance such customer's investments in the Group's products.
- The Group depends on its suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices. For some components and products the Group depends on sole source suppliers.
- The Group currently relies on third parties to manufacture some products, which exposes it to a number of risks and uncertainties outside its control.
- The Group is subject to the risks of its worldwide presence and particularly its presence in emerging markets.
- The Group's operational and financial flexibility is limited by restrictions in its revolving credit facility. The Group's credit facility contains a change of control clause, which may discourage a take-over bid.
- Fluctuation in EURIBOR and LIBOR interest rate may increase the Group's financial expenses.
- The Group may not be able to refinance its existing financing sources.
- For the Group's healthcare business, failure to obtain approvals under applicable government regulations on technology exports could materially adversely affect its ability to make international sales.
- The Group's healthcare business depends on the development and implementation rate of private and governmental programmes for the transformation of the healthcare sector towards increased efficiency and better quality of care. Furthermore, the Group faces regulatory constraints for its healthcare business.
- The Group's success depends on its ability to attract and retain management and key personnel.
- The Group's inability to implement an adequate distribution model for its products and services may harm its business.
- Disruption of the Group's IT infrastructure may negatively affect its business.
- Risk related to the partially project-driven nature of the Group's business model.
- Risk related to seasonality of the business.
- Risk related to exposure to credit risk on accounts receivable.

Risks related to the offering include:

- Agfa-Gevaert cannot assure that an active trading market will develop for the Preferential Rights, the Shares or the VVPR Strips.

- Existing Shareholders will experience dilution as a result of the Rights Offering if they do not or cannot exercise their Preferential Rights in full.
- The market price of Agfa-Gevaert's Shares will fluctuate and may decline below the Issue Price.
- Future sales of a significant number of Shares or Preferential Rights could have a material adverse effect on the price of the Shares or Preferential Rights.
- If the Rights Offering is discontinued or there is a substantial decline in the price of the Shares, the Preferential Rights may become void or worthless.

Key Financial Data

The key figures below are a summary of the figures illustrated in Chapter 9 of this Prospectus. The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the board of directors. The consolidated financial statements of the years 2007, 2008 and 2009 have been fully audited by KPMG Bedrijfsrevisoren and this has resulted in unqualified audit opinions (with an explanatory paragraph for the years 2007 and 2008). The condensed consolidated interim financial statements for the period ended 30 June 2010 have been prepared in accordance with IAS 34 and were subject to a limited review by KPMG Bedrijfsrevisoren, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Consolidated income statement

	30 June		31 December		
	2010	2009	2009	2008	2007
	<i>(in millions of EUR)</i>				
Revenue	1,400	1,339	2,755	3,032	3,283
Result from operating activities	120	63	170	(23) ⁽¹⁾	125
Net finance costs.....	(45)	(57)	(114)	(83)	(63)
Income tax expense.....	(18)	(24)	(49)	(60)	(19)
Profit (loss) attributable to the owners of the Company	57	(18)	6	(167)	42

(1) During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortisation of unrecognised losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information 2007 has not been restated, as it is not considered to be material.

Revenue decreased from EUR 3,283 million in 2007 to EUR 3,032 million in 2008 and EUR 2,755 million in 2009. Revenue in 2007 was affected by the strong Euro and the economic slowdown in the US. The economic slowdown became apparent worldwide in the course of 2008, affecting the Group's three business segments. Both Graphics and Healthcare reported in 2008 a considerable impact on their revenue from investment goods. The economic crisis, which persisted in the first half year of 2009, started to bottom-out in the second half of the year. The Group's revenue in the first half year of 2010 grew 4.6 per cent versus the first half year of 2009 to EUR 1,400 million. The increase is largely attributable to the Graphics segment. The evolution of currency rates also had a beneficial impact on the Group's revenue.

The Group's 2007 Result from Operating Activities amounted to EUR 125 million. Next to the economic slowdown in the US and a strong Euro, high raw material costs also impacted 2007 results. The Group could partly offset its decreased revenue by reduced selling and administrative expenses as a result of the savings plan announced in the course of the third quarter 2006. The Group succeeded to further downsize its selling and administrative expenses in 2008 and 2009 by respectively EUR 121 million and EUR 94 million. In 2008, the Group accounted for an impairment loss on goodwill and other intangible assets of its HealthCare segment in the amount of EUR 119 million. The Group's 2008 Result of Operating Activities in the amount of EUR (23) million was negatively impacted by the worldwide economic crisis and the impairment loss on goodwill and other intangibles, partly offset by the positive impact of the reduced selling and administrative expenses. In spite of a further sales decline, the Group could improve its gross profit margin in 2009, mainly due to successful efficiency improvement programs, lower raw material prices and certain one-off effects. Considering also the Group's efforts in reducing its selling and administrative expenses, the 2009 Result from Operating Activities amounted to EUR 170 million. All three business segments performed strongly in the first half year of 2010, resulting in a Result from Operating Activities of EUR 120 million compared to EUR 63 million for the same period last year. This positive evolution was mainly the result of favourable raw material effects, efficiency improvement programmes and the increased use of the manufacturing capacity as well as the continued reduction of selling and administrative expenses.

Net finance costs increased from EUR 63 million in 2007 to EUR 83 million in 2008 and EUR 114 million in 2009. Other finance income of 2007 comprised income from the sale of other investments in the amount of EUR 16 million which explains the increase by EUR 20 million in 2008 of the net finance costs. In 2009, other finance costs increased significantly because of increased pension costs as a result of the financial crisis in 2008.

The evolution of the Result from operating activities primarily explains the significant changes form year-to-year in the Profit attributable to the owners of the Company. For the first semester of 2010, the Profit attributable to the owners of the Company amounted to EUR 57 million compared to a loss of EUR (18) million for the same period last year.

Consolidated balance sheet

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>(in millions of EUR)</i>			
Total Assets	3,058	2,852	3,160	3,559
Equity attributable to equity holders of the Company.....	874	721	700	888
Net financial debt.....	391	445	673	721

The total assets decreased from EUR 3,559 million in 2007 to EUR 3,160 million in 2008 and EUR 2,852 million in 2009. The decrease of total assets in 2008 by EUR 399 million was mainly due to a reduction of the working capital and the impairment loss on goodwill and other intangible assets. Furthermore, the deferred tax asset balance decreased significantly in 2008, mainly resulting from an exceptional reversal amounting to EUR 34 million. In 2009 total assets further decreased by EUR 308 million as a result of a continuous focus on reducing working capital. Trade receivables and inventory accounted in aggregate for EUR 250 million of this decrease, the remaining EUR 58 million was mainly attributable to a further downsizing of the deferred tax assets and the cash and cash equivalents. During the first half year of 2010, total assets increased by EUR

206 million, mainly due to the evolution of currency rates, particularly impacting the outstanding balance of intangible assets of the HealthCare segment and the working capital of both the Graphics and HealthCare segment. The acquisition of Gandi Innovations further explained the increase of the total assets during the first semester of 2010.

The Equity attributable to equity holders of the Company decreased significantly in 2008 from EUR 888 million in 2007 to EUR 700 million in 2008 due to the loss of EUR 167 million that was attributable to the owners of the Company. An adverse evolution in equity took place during the first semester of 2010 from EUR 721 million as of 31 December 2009 to EUR 874 million as of 30 June 2010 primarily resulting from the profit of the period amounting to EUR 57 million and the evolution of currency rates, impacting the Translation differences by EUR 99 million compared to year-end 2009.

The net debt position continuously decreased over the period 2007 until 30 June 2010 from EUR 721 million as of 31 December 2007 to EUR 391 million as of 30 June 2010. This evolution primarily resulted from management's continuous focus on reducing working capital and the successful implementation of various savings plans.

Outlook for Q3 and Q4 2010

Since 30 June 2010 no significant change in the financial or trading position of the Group has occurred. Therefore, the Company believes that the outlook for the full year 2010 is still valid.

Provided that the exchange rates and macro-economic conditions remain stable, the Group expects a full year revenue growth of about EUR 200 million versus 2009. The revenue increase is expected to come from Graphics, as the business group's internal growth will be supplemented by the impact of the recently announced acquisitions and joint venture. Graphics' full year EBIT to revenue ratio is expected to be higher than average because of the favourable raw material costs, the stronger than anticipated recovery of the graphic industry in the US and the IP related one-off effect. HealthCare anticipates a better top line performance in the second half of the year. The HealthCare business group expects its full year EBIT to revenue ratio to be closer to 11 per cent than to 10 per cent.

Graphics sticks to its 7 per cent medium term EBIT target. HealthCare will continue its programmes to improve service efficiency. Furthermore, the business group's profitability will gradually become less exposed to the fluctuations of the silver price. For HealthCare, the medium term EBIT to revenue ratio is expected to be between 10.5 per cent and 11 per cent.

Specialty Products continues to invest in new businesses, which will only gradually start to compensate for the ongoing decline in the demand for some of the traditional film products.

Main Terms of the Offering

Issue amount

Offering of New Shares for an amount of EUR 148,221,522.

The gross proceeds of the Offering are expected to be EUR 148,221,522. The expenses related to the Offering are estimated at up to EUR 4,200,000.

Issue Price and Ratio

The Issue Price is equal to EUR 3.45 per New Share.

The holders of Preferential Rights can subscribe to the New Shares in the Ratio of 1 New Share for 3 Preferential Rights held in possession.

Rights Subscription Period

The Rights Offering will be open from 21 October 2010 up to and including 4 November 2010.

Rights Offering

Subject to restrictions under applicable securities laws (see section 2.3 and section 4.6 below), the holders of Preferential Rights will have the right to subscribe to the New Shares in accordance with the Ratio at the Issue Price as follows:

- Existing Shareholders whose holding of Shares is registered in the shareholders' register of the Issuer, will receive, at the address indicated in the shareholders' register, communications from the Issuer informing them of the aggregate number of Preferential Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Preferential Rights;
- Existing Shareholders whose holding of Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Preferential Rights; and
- Existing Shareholders holding bearer Shares can participate in the Rights Offering by submitting their Preferential Rights, represented by bearer coupon no. 9, free of charge at the counters of BNP Paribas Fortis, KBC Bank and ING or at the counters of any other financial intermediary in Belgium, it being understood that such other financial intermediaries shall subsequently transmit the coupons to BNP Paribas Fortis. When submitting the coupons, they may be requested to open a securities account, and, as the case may be, a cash account. The Shareholders are requested to inform themselves about any costs charged by these financial intermediaries which will be for their own account.

During the Rights Subscription Period, Existing Shareholders and other persons who have acquired Preferential Rights, who do not hold the exact number of Preferential Rights to subscribe to a round number of New Shares, may elect either to purchase the missing Preferential Rights in order to subscribe to an

Scrips Private Placement

additional New Share, to sell their extra Preferential Rights, or elect not to do anything in attendance of the receipt of the Unexercised Rights Payment (if any).

Preferential Rights can no longer be exercised or traded after 4 November 2010, the Closing date of the Rights Offering.

The unexercised Preferential Rights at the time of the Closing date of the Rights Offering will be converted automatically into an equal number of Scrips.

The Scrips will be sold in a private placement to institutional investors. Through such a procedure, a book of demand will be built to find a single market price for the Scrips. Investors who acquire Scrips will enter into the irrevocable commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issue Price and in accordance with the Ratio.

The Scrips Private Placement is expected to last for one day and is expected to take place on 8 November 2010.

The net proceeds from the sale, after deducting all reasonable expenses, charges and all forms of expenditure which the Company has to incur for the sale of the Scrips (the “Net Scrips Proceeds”), will be divided proportionally between all holders of Preferential Rights who have not exercised them (rounded down to a whole eurocent per unexercised Preferential Right). The Net Scrips Proceeds will be made available to the Existing Shareholders upon presentation of coupon no. 9. Please consult your financial intermediary if you have any questions concerning this payment.

Settlement

The payment of the subscriptions with Preferential Rights will be made by debiting the subscriber’s account on the value date 12 November 2010. The payment of the subscriptions in the Scrips Private Placement will be made by delivery against payment.

The New Shares and VVPR Strips will be delivered in the form of dematerialised securities booked in the securities account of the subscriber, or as registered Shares recorded in the Company’s shareholders’ register.

Announcement of the results of the Offering

An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about 5 November 2010.

The results of the subscription with Preferential Rights and with Scrips, the results of the sale of Scrips and the amount due to holders of unexercised Preferential Rights will be published on or about 9 November 2010 via an official advertisement in the Belgian Financial Press.

Admission to trading

The Preferential Rights (coupon no. 9) will be separated on 20

October 2010 after the closing of Euronext Brussels. A request for admission to trading of the Preferential Rights has been made and the Preferential Rights will be negotiable on the regulated market of Euronext Brussels under ISIN code BE0970119229 during the Rights Subscription Period, i.e. from 21 October 2010 to 4 November 2010 inclusive.

The Existing Shares will therefore be traded ex-rights as from 21 October 2010.

A request for admission to trading on the regulated market of Euronext Brussels of the New Shares and the VVPR Strips has been submitted. The admission is expected to take place on 12 November 2010.

Listing place

The New Shares shall be listed on the regulated market of Euronext Brussels, on the same line as the Existing Shares.

The New Shares and the VVPR Strips will be listed under ISIN code BE0003755692, trading symbol AGFB and ISIN code BE0005638128, trading symbol AGFS, respectively.

The Preferential Rights are expected to be listed under ISIN code BE0970119229, trading symbol AGFB9.

Dividend entitlement

The New Shares will be of the same class as the Existing Shares. The New Shares will be entitled to a share in the profits in the same way as the Existing Shares.

Underwriting Agreement

On 19 October 2010, the Company and the Joint Bookrunners entered into an Underwriting Agreement.

Under the terms of this Underwriting Agreement each of the Joint Bookrunners, severally and not jointly, agree to underwrite the Offering by procuring subscribers and payment for all Scrips offered in the Scrips Private Placements or (if unable to procure subscribers for all such Scrips) by subscribing and paying for any New Shares not taken up in the Offering. The Underwriting Agreement entitles the Joint Bookrunners to terminate the Underwriting Agreement in certain limited circumstances.

Each of the Joint Bookrunners has undertaken to underwrite following percentages:

- BNP Paribas Fortis 31.5 per cent
- HSBC 31.5 per cent
- ING 18.5 per cent
- KBC Securities 18.5 per cent

Standstill and decision with regard to treasury Shares

Pursuant to the Underwriting Agreement, from the date of the Underwriting Agreement until 180 days from the Closing date of the Offering, the Issuer may not, except with the prior written consent of the Global Coordinator (acting on behalf of all Joint Bookrunners), (i) issue or sell, or attempt to dispose of, or solicit any offer to buy any Shares, warrants or other securities or grant any options, convertible securities or other rights to subscribe

for or purchase Shares or enter into any contract (including derivative transactions) or commitment with a similar effect or (ii) purchase any of its securities or otherwise reduce its share capital with repayment to the Shareholders, except within the framework of employee incentive plans in line with past practice.

Agfa-Gevaert will sell all Preferential Rights in respect of the 4,099,852 treasury Shares it currently holds.

Form of the Shares

Dematerialised Shares or registered Shares.

Dilution

There is no dilution for the Existing Shareholders of the Company as long as they fully exercise their Preferential Rights.

The dilution for the Existing Shareholders (in percentage terms) who do not exercise any of their Preferential Rights is 25 per cent and can be calculated as follows:

$$\frac{(S-s)}{S}$$

S = total amount of Shares after the capital increase, i.e. 171,851,042

s = total amount of Shares before the capital increase, i.e. 128,888,282

Dilution simulations

The tables below provide a simulation of the dilutive effect in two scenarios, each assuming an Issue Price of EUR 3.45 and a Ratio of 1/3.

Shareholding before the Offering*

	(In #)	(In%)
Classic Fund Management AG	7,307,775	5.67%
UBS**	4,721,105	3.66%
JP Morgan Securities Ltd.	3,995,315	3.10%
Blackrock Group	3,898,194	3.02%
Agfa-Gevaert	4,099,852	3.18%
Other	104,866,041	81.37%
Total	128,888,282	100.0%

* based on the transparency declarations as published on the Issuer's website.

** UBS AG and UBS O'Connor LLC

Scenario 1

Existing Shareholders exercise all their Preferential Rights (including Preferential Rights attached to Agfa-Gevaert treasury Shares sold to and exercised by other parties).

Shareholder	After capital increase	
	<i>(in #)</i>	<i>(in %)</i>
Classic Fund Management AG	9,743,700	5.67%
UBS	6,294,806	3.66%
JP Morgan Securities Ltd.	5,327,087	3.10%
Blackrock Group	5,197,592	3.02%
Agfa-Gevaert	5,466,469	3.18%
Joint Bookrunners.....	0	0.0%
Other.....	139,821,388	81.37%
Total	171,851,042	100.0%

Scenario 2

Existing Shareholders exercise no Preferential Rights.

Shareholder	After capital increase	
	<i>(in #)</i>	<i>(in%)</i>
Classic Fund Management AG	7,307,775	4.25%
UBS	4,721,105	2.75%
JP Morgan Securities Ltd.	3,995,315	2.32%
Blackrock Group	3,898,194	2.27%
Agfa-Gevaert	4,099,852	2.39%
Joint Bookrunners.....	42,962,760	25%
Other.....	104,866,041	61.02%
Total	171,851,042	100.0%

Interest of Natural and Legal Persons

The Joint Bookrunners entered into an Underwriting Agreement with the Company on 19 October 2010.

Furthermore, the Joint Bookrunners (or their affiliates) have provided, and will in future provide, various banking services to the Group or the Company. In that respect, reference is made to section 4.2.2.

As stated in the section on the reasons for the Offering, the net proceeds of the Offering will be used to repay the drawn amount under the existing credit facility granted by the banking syndicate (which includes the Joint Bookrunners (or their affiliates)), pro rata their respective funding commitments.

Calendar

Publication in the Belgian Financial Press and in the Belgian State Gazette of the notice required by article 593 of the Companies Code	T-8	12 October 2010
Determination of the Issue Price and Ratio	T-1	19 October 2010
Separation of coupon no. 9 (representing the Preferential Right) after closing of the markets	T	20 October 2010
Availability to the public of the Prospectus	T+1	21 October 2010
Trading of Shares ex-Right	T+1	21 October 2010
Opening date of the subscription with Preferential Rights	T+1	21 October 2010
Listing of the Preferential Rights on the regulated market of Euronext Brussels	T+1	21 October 2010
Closing date of the subscription with Preferential Rights	T+15	4 November 2010
End of listing of the Preferential Rights on the regulated market of Euronext Brussels	T+15	4 November 2010
Announcement via press release of the results of the Rights Offering	T+16	5 November 2010
Accelerated private placement of the Scrips	T+19	8 November 2010
Pricing and allocation of the Scrips	T+19	8 November 2010
Announcement via press release of the results of the Scrips Private Placement	T+19	8 November 2010
Publication in the Belgian Financial Press of the results of the Offering and of the amount due to holders of unexercised Preferential Rights	T+20	9 November 2010
Payment of the Issue Price by or on behalf of the subscribers	T+23	12 November 2010
Realisation of the capital increase	T+23	12 November 2010
Delivery of the New Shares with VVPR Strips to the subscribers	T+23	12 November 2010
Listing of the New Shares and of the VVPR Strips on the regulated market of Euronext Brussels	T+23	12 November 2010
	as of	as of
Payment to holders of unexercised Preferential Rights	T+26	15 November 2010

Definition of the main terms used in the Prospectus

Agfa-Gevaert, Company or Issuer	Agfa-Gevaert NV, with registered office located at Septestraat 27, 2640 Mortsel, Belgium, and registered with the register of legal entities of Antwerp under number 0404.021.727.
Agfa Graphics	Agfa-Gevaert's graphics business group.
Agfa HealthCare	Agfa-Gevaert's healthcare business group.
Agfa Specialty Products	Agfa-Gevaert's specialty products business group.
Belgian Financial Press	L'Echo and De Tijd.
CBFA	Commissie voor Bank-, Financie-, en Assurantiewezen.
Closing date of the Offering	The day on which the capital increase is realised. This date is expected to be 12 November 2010.
Closing date of the Rights Offering	Last day on which the Existing Shareholders and the other investors with Preferential Rights can subscribe to the New Shares. This date is expected to be 4 November 2010.
Companies Code	The Belgian Companies Code of 7 May 1999.
Existing Shareholders	The holders of Existing Shares.
Existing Shares	The existing 128,888,282 Shares in Agfa-Gevaert.
Global Coordinator	Fortis Bank NV, with registered office at Warandeborg 3, 1000 Brussels, Belgium (BNP Paribas Fortis).
Group	Agfa-Gevaert and all its direct and indirect subsidiaries.
Issue Price	The price in euro at which each New Share is offered, i.e. 3.45 per New Share.
Joint Bookrunners	Fortis Bank NV, with registered office at Warandeborg 3, 1000 Brussels, Belgium (BNP Paribas Fortis); HSBC Bank plc, 8 Canada Square, Canary Wharf, London E14 5HQ, United Kingdom (HSBC); ING Belgium NV with registered office at Marnixlaan 24, 1000 Brussels, Belgium (ING) and KBC Securities NV, with registered office at Havenlaan 12, 1080 Brussels, Belgium (KBC Securities).
Net Scrips Proceeds	The net proceeds from the sale of the Scrips, after deducting all reasonable expenses, charges and all forms of expenditure which the Company has to incur for the sale of the Scrips.
New Shares	The Shares with VVPR Strips to be issued within the framework of the Offering.
Offering	The Rights Offering and the Scrips Private Placement.
Opening date of the Rights Offering	The date from which the Existing Shareholders and the holders of Preferential Rights can submit their subscription orders for the New Shares. This date is expected to be 21 October 2010.
Preferential Rights	The preferential subscription rights of the holders of Existing Shares which entitles them to subscribe to the New Shares in accordance with the Ratio at the Issue Price. 3 Preferential Rights give the right to subscribe to 1 New Share as part of the Offering.

	The Preferential Rights, represented by coupon no. 9 of the Existing Shares, will be separated from the underlying Shares on 20 October 2010 after the closing of Euronext Brussels and will be negotiable during the entire Rights Subscription Period on Euronext Brussels under the ISIN code BE0970119229.
Prospectus Directive	Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading.
Prospectus Regulation	Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
QIB	Qualified institutional buyers (as defined in Rule 144A under the Securities Act).
Ratio	The Ratio 1/3, in which 3 Preferential Rights or Scrips give the right to subscribe to 1 New Share as part of the Offering.
Rights Offering	The public offering by Agfa-Gevaert for subscription to New Shares as part of a capital increase with Preferential Rights.
Rights Subscription Period	The period of minimum 15 calendar days during which the holders of Preferential Rights can subscribe to New Shares; the Rights Offering is expected to start on 21 October 2010 and to close on 4 November 2010.
Scrips	The Preferential Rights that are not exercised at the time of the Closing date of the Rights Offering will be converted automatically into an equal number of Scrips. Investors who acquire Scrips enter into the irrevocable commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issue Price and in accordance with the Ratio.
Scrips Private Placement	After the Rights Offering has ended, the Scrips, if any, will be sold in a private placement to institutional investors in the European Economic Area. Through such a procedure, a book of demand will be built to find a single market price for the Scrips. The holders of unexercised Preferential Rights will receive the Unexercised Rights Payment (if any). The Scrips Private Placement is expected to last for one day and is expected to be on 8 November 2010.
SEC	The US Securities and Exchange Commission.
Securities Act	The US Securities Act of 1933, as amended.
Shares	The Shares that represent the capital, with voting rights and without designation of nominal value, issued by Agfa-Gevaert from time to time.
Takeover Law	The Belgian Law on public takeover bids of 1 April 2007.
Takeover Royal Decree	The Belgian Royal Decree of 27 April 2007 on public takeover bids.
Transparency Law	The Belgian Law of 2 May 2007 on the disclosure of significant

shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions.

Underwriting Agreement

The underwriting agreement relating to the Offering entered into by the Joint Bookrunners and the Issuer on 19 October 2010.

Unexercised Rights Payment

The Net Scrips Proceeds divided proportionally between all holders of Preferential Rights who have not exercised them.

VVPR Strips

VVPR Strips give certain holders the right to a reduced withholding tax on dividends (15 per cent instead of 25 per cent). The VVPR Strips will be traded separately.

1 Risk Factors

An investment in the Preferential Rights, the Scrips and New Shares involves substantial risks. You should carefully consider the following information about certain of these risks, together with the other information contained in this Prospectus, before deciding to invest in the Preferential Rights and to subscribe to the New Shares. If any of the following risks actually occur, the Issuer's business, results of operations, financial condition and prospects could be adversely affected. In that case, the trading price and the value of the Shares could decline and investors in the Preferential Rights, the Scrips and the New Shares could lose all or part of their investment. An investment in the Preferential Rights, the Scrips and the New Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Prospective investors should carefully review this entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the Preferential Rights, the Scrips and the New Shares in the light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Preferential Rights and the New Shares.

The risks and uncertainties that the Issuer believes to be material are described below. However, these risks and uncertainties may not be the only ones faced by the Issuer. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above. The order in which the risk factors are presented below is not indicative of their likelihood of occurrence or of the potential impact of their financial consequence.

1.1 Risks related to the Company's businesses

- **Although the global economy showed signs of recovery in late 2009, a further downturn could - if not appropriately addressed including, as the case may be, with further cost cutting programmes - materially impact the Group's main markets and, consequently, its results of operations, financial condition and cash flows again.**

As a result of the global financial crisis (sparked by uncertainty in credit markets and deteriorating consumer confidence) experienced worldwide during 2008 and which continued through 2009, the Group experienced a contraction in the demand for its products, primarily for investment goods, but the crisis also negatively affected the demand for consumables. Although there are signs of improvement since late 2009, the global economy remains fragile. If there would be a stall in the current recovery cycle or if the global economy were to take another significant downturn, depending upon the length, duration and severity of such a so-called "double-dip" recession, the Group's results of operations, financial condition and cash flow would almost certainly be materially adversely affected again.

Furthermore, in the past, the Group has addressed market fluctuations (including fluctuations resulting from the global financial crisis in 2008) by adjusting the cost base of the particular businesses and it intends to adopt a similar strategy towards the future. However, the Group cannot guarantee that such programmes will be effective or sufficient. Failure to adjust the Group's cost base in an effective manner in declining market circumstances may have a material adverse effect on its business, financial condition and results of operation.

- **The Group cannot exclude major disruptions of production, which may significantly impact its results**

Although the Group takes all possible measures to ensure the continuous operation of its processes, a major disruption of production can never be excluded and could have a significant impact on the Group's results. The Group's insurance policies provide that most damage to installations will be covered by insurance. Production loss or loss of profits due to such an event are not covered though.

- **The Group operates in highly dynamic and competitive markets, which feature substantial pricing pressure**

The Group is continually confronted with market and competition risks. All of the Group's businesses (the graphics business, healthcare business and specialty products business) are characterised by price erosion.

The markets in which the Group operates, are highly competitive, and the Group encounters aggressive price competition for all its products and services from numerous companies globally. Many of the Group's competitors are large, well-known companies with substantial financial, technical and human resources and with strong brand names. These competitors, for example, may be able to respond more rapidly or more effectively than the Group can to new or emerging technologies, changes in customer requirements, supplier related developments, or a shift in the business landscape. They also may devote greater or more effective resources than the Group does to the development, promotion, sale, and post-sale support of their respective products and services.

The Group expects its competitors to continue to improve the features and performance of their current products and to introduce new products, services and technologies. Successful new product introductions or enhancements by its competitors could reduce the Group's sales and the market acceptance of its products, cause intense price competition and make its products obsolete. To remain competitive, the Group must continue to invest significant resources (financial, human and otherwise) in, among other things, research and development, sales and marketing, and customer support. The Group cannot be sure that it will be able to make the technological advances necessary for its products to remain competitive. Increased competition could result in further price reductions, fewer or smaller customer orders, reduced margins and loss of market share. There can be no assurance that the Group's competitors will not succeed in developing and introducing products that are less costly or more efficient than the Group's, or that customers will not prefer solutions, technologies or products offered by the Group's competitors.

The Group's failure to compete successfully could seriously harm its business, financial condition and results of operations.

In the Group's markets, aggressive pricing tactics have intensified in the contract negotiations as competitors fight for customers and market share. The Group's results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures. If the Group is unable to obtain pricing or programmes sufficiently competitive with current and future competitors, the Group could also lose market share, adversely affecting its revenue and gross margins.

- **If the Group fails to face technology changes and develop and introduce new products and services successfully it may lose key customers or product orders and its business could be harmed**

The Group is introducing many new technologies, such as industrial inkjet for Agfa Graphics, computed and direct radiography as well as information systems for Agfa HealthCare, and new materials such as synthetic paper, printable foil, membranes and smart card materials for Agfa Specialty Products.

The Group competes in industries that are changing and becoming more complex. The Group's ability to make a successful transition of its existing products to new offerings requires that accurate predictions of the product development schedule as well as volumes, product mix, customer demand, sales channels, and configuration are made. The process of developing new products and services is complex and often uncertain due to the frequent introduction of new products by competitors that offer improved performance and pricing. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. Further, in the face of intense industry competition as set out above, any unanticipated delay in implementing certain product strategies (including as regards Agfa Graphics, digital pre-press products and inkjet products, as regards Agfa HealthCare imaging IT and clinical information systems and hospital information systems and, as regards Agfa Specialty Products the new business set forth in section 8.4.3(c)) or in the development, production or marketing of a new product could decrease any advantage the Group may have to be the first or among the first to market and could adversely affect the Group's revenues.

The Group has invested significantly in the development of new products. These heavy investments are subject to a number of risks, including: difficulties and delays in the development, production, testing and marketing of products; customer acceptance of products; resources to be devoted to the development of new technology; and the ability to differentiate the Group's products and compete with other companies in the same markets.

The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications. Its ability to maximise the benefits of these products is subject to the following risks:

- the Group has priced the products to be sold based on its estimated development, production, and warranty costs. If these or other related development, production or support costs are actually higher than its estimated costs, its gross margins and operating margins on the corresponding products sold will be less than anticipated.
- If the Group is unable to commit the necessary research, engineering, programme management or is otherwise unable to successfully develop products as required, its customers might cancel their contracts, the Group may not be entitled to recover any costs that it incurred for research and development, sales and marketing, production and otherwise, and the Group may be subject to additional costs such as contractual penalties.

- **A faster than expected move from analogue to digital may negatively impact demand for some of the Group's products and may have a material adverse effect on the Group's business, financial condition and results of operation**

In the field of its analogue pre-press activities of Agfa Graphics as well as the traditional imaging activities of Agfa HealthCare and its "classic film" activities of Agfa Specialty Products, the Group feels a decline in market demand as a result of the ongoing move from analogue to digital alternatives (see sections 7.1.3(b), 7.2.2(c) and 7.3.1). A faster than expected rate of digitalisation will have a material adverse effect on the Group's business, financial condition and results of operation.

- **Fluctuating raw materials prices and any failure to obtain the needed raw materials could adversely affect the Group's business, operational result and financial status**

The Group relies on other companies to supply certain key raw materials. The most important of these are aluminium and silver. Fluctuating raw material prices and any failure to obtain the needed raw materials on a timely basis and compliant with the agreed quality specifications could adversely affect the Group's business, operational result and financial status.

Fluctuating raw material prices

Silver and aluminium are traded internationally on several metal exchanges. The price generally reflects the worldwide demand and supply balance and various US and international macroeconomic and political conditions. Prices are also sometimes influenced significantly by numerous other factors, including speculative actions.

The Group's commodity price risk – i.e. the risk that its future cash flows and earnings may vary because of changed material prices – is highly connected with other factors such as the Group's competitive position within an industry, its relationship with customers and suppliers. The Group has concluded silver and aluminium clauses with some large customers, which cover only partly its exposure to price fluctuations.

Furthermore, in order to prevent negative effects from potential future price rises or price volatility of silver and aluminium, the Group applies a strategy of partly purchasing at spot rates combined with a system of 'Rolling layered forward buying'. This 'Rolling layered forward buying' is generally achieved by means of forward contracts that are entered into with commodity suppliers for the delivery of commodities in accordance with the entity's expected usage requirements. Exceptionally, the Group uses derivatives such as metal swap agreements that are concluded with investment banks, hedging the Group's exposure to commodity price volatility related to highly probable forecasted purchases of commodities. However, the Group's strategies in this field may not be successful and any of its un-hedged commodity payment requirements will continue to be subject to market volatility. Also, there are risks associated with hedging or forward buying policies including, among other things, default by counterparties or interruption of production, any or all of which could have a material adverse effect on the Group's results.

Given the historic experience, the volatility in the silver prices and the speculative element of silver on the market, the Group's management has currently opted neither to buy silver forward nor to conclude any derivative financial instrument on silver.

For the purpose of assessing the Group's exposure to commodity price risk, below table comprises the estimated production requirements for 2010 as well as the volumes for previous years, presented in Tonnes for silver and in thousands of Tonnes for aluminium.

	2010	2009	2008
Silver.....	475 T	507 T	565 T
Aluminium.....	125 kT	105kT	122kT

For silver, part of the production volumes are excluded from the volumes stated in the table above because these volumes are not subject to purchase price fluctuations, as these can be fully passed on to the customer based on the contract terms with the customers. Due to the agreement with Shenzhen Brothers, effective as from 1 September 2010, the consumption of silver in 2011 is expected to be above the level of 2009. But the long-term trend is expected to be a 10 per cent year-on-year decrease.

Rising raw material prices are assumed to be reflected in the Group's 'Cost of Goods Sold' within a timeframe of six months from the purchase date. If raw material prices would significantly increase, the Group's management would however mitigate this impact with a series of actions such as sales price adaptations and cost efficiency measures. The extent to which such increased raw material prices could be charged to customers depends on commercial negotiations and competition in the market. Moreover, the evolution of commodity prices is monitored in conjunction with currency evolutions and considering general market circumstances.

However, based on total 2010 volumes, each USD 1/troz change in the purchase price of silver – with all other variables held constant – would hypothetically impact the EBITDA for the full year 2010 by EUR 12 million.

As a result of the Group's current policy of 'Rolling layered forward buying' for aluminium, the price of a major part of the estimated production volume of 2010 has been fixed. Based on the float volumes of aluminium as at the end of August 2010, a EUR 100/T change in the purchase price of aluminium – with all other variables held constant - would result in a EUR 1 million EBITDA impact for the second half of 2010. The other information on the sensitivity analysis requested by IFRS 7 'Financial Instruments': Disclosures' paragraph 40 is not disclosed due to the fact that the Group only exceptionally uses derivative instruments that compared to the amount of purchases throughout the year of related commodity are not considered significant.

Failure to obtain the needed raw materials

The Group's raw material supply, including but not limited to silver and aluminium, is for a major part secured under contracts. These contracts are considered important insofar as they enhance stability and provide a base for the Group's growth strategy. However, the risk of a delivery disruption cannot be excluded, amongst others due to a major accident or incident in the supplier's processing plant, due to a problem in the transport or any other fact that can give origin to a force majeure situation. Neither can it be excluded that a decrease in volumes of raw material procurement (e.g. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter forcing the Group to search for other suppliers at less favourable terms.

- **Risks related to the Group's pension obligations**

The funding status of the Group's pension plans as described in Note 9 of section 10.3.2 may significantly deteriorate, should global equity markets record a negative performance and/or interest rates decrease substantially over an extended period of time. Furthermore, improvement in mortality tables assuming employees would live longer, could significantly impact the Group's defined benefit obligations.

The expected cash outflow with regard to the Group's material post-employment pension and similar plans (as described in the annual report in note 20 (A)) can vary over time. These cash flows may decrease or increase due to changed parameters such as interest rates or mortality tables and/or due to changes in local statutory funding rules. However, the Group cannot guarantee it will be able to fund these plans at any moment in time. The Group's failure to fund the required cash contributions out of its normal operations would severely harm its business and financial position.

- **The Group could be held to account for impairment of assets which may negatively affect its results**

The Group regularly undertakes impairment tests in respect to the economic value of its assets in order to evaluate the need to adjust their carrying value. It cannot be excluded that non-cash impairment charges may be necessary in the future, depending on the long-term forecasts of certain external factors such as currencies and raw material prices. Such impairment charges may have a significant negative impact on the Group's results.

In this respect it should be noted that an impairment test is to be carried out once a year, and this at the same time, unless indicators would trigger an impairment loss on an earlier moment. The Group performs its impairment test during the fourth quarter. The increase of the silver price since 31 December 2009 and the comparison of the market capitalisation of Agfa-Gevaert per 30 June 2010 with the net asset value of the Company at the same moment are both indicators of a possible impairment in accordance with IAS 36.12. In accordance with IAS 36.8 and 9 these indicators require to carry out an impairment test. Based on IAS 36.99 the Company decided not to carry out a formal impairment test at 30 June 2010 since the annual impairment test performed at the Cash Generating Unit level had not revealed any impairment loss at 31 December 2009 and that the following criteria were met at 30 June 2010:

- The assets and liabilities making up the units have not changed significantly since the fourth quarter 2009;
- The recoverable amount calculation dated from the fourth quarter 2009 resulted in an amount that exceeded the carrying amount of the units by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the fourth quarter 2009, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the units is remote.

- **The Group's products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences.**

The activities of the Group may expose it to product liability claims. Particularly with respect to its healthcare activities, the Group needs to comply completely with regulatory systems in many different countries including the US, China and European Union member states. Furthermore,

Agfa Graphics' products are becoming increasingly sophisticated and complicated to design and build as advancements in technologies occur. Thus the Group's products must meet stringent industry, regulatory and customer requirements.

Products as sophisticated as the ones produced by the Group may contain undetected errors or defects, especially when first introduced or when new models or versions are released. Its products may not be free from errors or defects at the time commercial shipments begin.

To further mitigate product liability risks, the Group has implemented a strict quality policy and control and has concluded a general insurance policy. Although the Group has never suffered significant losses with respect to product liability, there can be no assurance that this will not occur in the future nor is there any guarantee that the present insurance coverage is sufficient to meet potential product liability claims or that the Group will be able to obtain or maintain insurance on acceptable terms or at appropriate levels in the future.

In case a product liability claim is made, the Group may incur expenses and losses in connection with, for example, product recalls, increased customer service and support, the payment of monetary damages to customers, lawsuits and the loss of customers. Also the Group's brand image and reputation as a producer of high-quality products could suffer, which in turn could have a material impact on its sales and financial situation.

- **The Group's activities are subject to environmental regulation. Compliance with these regulations may entail significant costs and failure to comply may lead to environmental claims**

The Group is subject to many environmental regulations and requirements imposed by various national, regional and local authorities in the various countries in which it operates, including air and wastewater emissions, hazardous materials and spill prevention and clean up. As result of these regulations, the Group may incur liability which can have a significant impact on its activities and/or financial condition. Significant operating and capital expenditures might be required to comply with applicable standards. Provisions have been made for current and reasonably foreseeable compliance and remediation costs. However, if regulations change and become more strict (which increasingly is the case), the Group may have to change its current policies which may impact both the required capital expenditures and its operating results.

As regards the Group's environmental policies and status of environmental issues reference is made to section 8.8.

- **In conducting its activities the Group relies on the protection of its intellectual property rights (patents, trademarks, know-how and others) and failure to enforce such protection may have a significant impact on the Group's business**

The Group owns, has applications pending for and is licensed under many patents relating to a variety of products as well as software. The Group relies on a combination of patent, copyright, trademark and trade secret legislation, trade secrets, confidentiality procedures, contractual provisions and licence arrangements to establish and to protect its proprietary rights.

The Group has made substantial investments in technologies and has filed patent applications and obtained patents to protect its intellectual property rights as well as the interests of its licensees. The execution and enforcement of licensing agreements protects the Group's intellectual property rights and provides a revenue stream that enables further innovation and

development of new products and services. There is no assurance that such measures alone will be adequate to protect the Group's intellectual property.

Furthermore, the Group's success will depend in part on its ability to obtain, maintain and enforce its patents and other intellectual property rights. Several patent families cover the Group's current products. There is no guarantee that the Group will be able to obtain new patents and intellectual property rights or that it will be able to maintain these patents and rights against third-party challenges to their validity, scope and enforceability, although the Group currently has no knowledge of third parties challenging any of its intellectual property rights.

The Group also relies on trade secrets and proprietary know-how to protect its products. Despite the fact that trade secrets are difficult to maintain and protect, the Group uses reasonable efforts to maintain its trade secrets, but it cannot assure that its partners, employees, consultants, advisors or other third parties will not wilfully or unintentionally disclose proprietary information to competitors. Furthermore, the Group's competitors may independently develop equivalent knowledge and know-how, which could diminish or eliminate the Group's competitive advantages.

The enforcement of patents, trade secrets, know-how and other intellectual property rights is costly, time consuming and highly uncertain. The Group cannot guarantee that it will be successful in preventing the misappropriation of its patents, trade secrets, know-how and other intellectual property rights. Failure to do so could impair the ability of the Group to compete which could have a significant impact on the its financial situation.

- **The Group may be in a situation where it violates third parties' intellectual property rights. Failure to continue to use such intellectual property rights may have a significant impact on the Group's business**

The Group has a policy of strictly respecting third parties intellectual property rights and it 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.

Third parties may claim that the Group or customers indemnified by the Group are infringing upon their intellectual property rights. In recent years, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from large companies like the Company. Even if the Company believes that the claims are without merit, the claims can be time-consuming and costly to defend and distract management's attention and resources. Claims of intellectual property infringement also might require the Group to redesign affected products, enter into costly settlement or licence agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting the Group from marketing or selling certain of its products. Even if the Group has an agreement to indemnify it against such costs, the indemnifying party may be unable to uphold its contractual agreement. If the Group cannot or does not license the infringed technology at all or on reasonable terms or substitute similar technology from another source, its revenue and earnings could suffer.

For certain technologies used in the Group's product offering, the Group relies on licences from third parties. Some of those licences contain restrictions that could limit the Group's ability to do business. Furthermore, while most licence agreements contain specific warranties and indemnification provisions protective to the Group, it cannot be guaranteed that the underlying

intellectual property rights that are licensed to the Group do not infringe the intellectual property rights of third parties or that the licences themselves are attacked by third parties. While the Group believes its reliance on third-party licences or third-party intellectual property rights is not substantial and that alternative technology could be sourced elsewhere, it cannot be guaranteed that the Group can continue to rely on the current in-licensed intellectual property rights or that such intellectual property rights or additional technology will be made available at acceptable terms or at all. If the Group is not in a position to use such third party technology or acquire or develop its own technology, this could harm its business.

- **As the Group conducts business in a number of foreign currencies (other than euro) it is exposed to changes in currency exchange rates which, if not adequately hedged, may affect its operating results**

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

In monitoring the foreign currency risk exposures, the Group's central treasury department focuses on the transaction and translation risk exposures whereas business management seeks to manage the foreign economic risk through natural hedges. Furthermore the Group has in the past and may in the future implement currency hedges or forward buying intended to reduce its exposure to changes in foreign currency exchange rates. However, the Group's strategies in this field may not be successful and any of its un-hedged foreign exchange payment requirements will continue to be subject to market volatility. In addition there are risks associated with hedging or forward buying policies including, among other things, default by counterparties, any or all of which could have a material adverse effect on the Group's result.

- **Acquisitions have been and are likely to remain a part of the Group's growth strategy, which entails the risk that acquired businesses cannot be integrated successfully or as expected. Acquisitions may also disrupt the Group's business or harm its financial condition and results of operation**

Acquisitions have been and are likely to remain a part of the Group's growth strategy. The Group's failure to timely and effectively integrate the recent and future acquisitions and joint ventures could adversely affect its results. The Group has carefully investigated its acquisitions, and believes that so far the acquired businesses have been or can be integrated successfully. The risk remains however for acquisitions which have not been integrated entirely yet or for future acquisitions, amongst others, that corporate cultures do not match, expected synergies do not fully realise, restructurings prove to be more costly than initially anticipated, and acquired companies prove to be more difficult to integrate than foreseen. Furthermore, as the Group grows through acquisitions, it may have to recruit additional personnel and improve its managerial, operational, reporting and financial systems. If the Group fails to address these challenges, this could adversely impact its operations and financial position.

If the Groups makes any acquisitions in the future, it could take any or all of the following actions, any one of which could adversely affect its business, financial condition, results of operations or share price:

- use a portion of its funding facilities;
 - incur substantial debt, which may not be available to the Group on favourable terms and may adversely affect its liquidity;
 - issue equity or equity-based securities that would dilute existing stockholders' percentage ownership; and/or
 - assume contingent liabilities.
- **The Group realises a material part of its revenues with a relatively small number of customers. If top customers would decide to cease their relationship with the Group, its revenues may be impacted significantly. Furthermore, in order to retain and win customers, the Group should be able to finance such customer's investments in the Group's products.**

The top ten customers of each of the Group's business groups accounted for following percentages of such business group's revenues in the first semester of 2010:

- Agfa Graphics: 15.8 per cent;
- Agfa HealthCare: 19 per cent; and
- Agfa Specialty Products: 69 per cent.

The reduction, delay or cancellation of orders, or a delay in shipment of products to such major customers, or the inability of the Group to develop additional customers, could and likely would have a material adverse effect on its business, financial condition and results of operations. Moreover, should any of these customers decide to source its products from another supplier, this might have a material adverse effect on the Group's financial results.

The competitive environment in which Agfa Graphics and Agfa HealthCare operate may require the Group to provide financing to a customer in order to win a contract. Customer financing arrangements may include all or a portion of the purchase price for the Group's products and services, as well as working capital. In some circumstances, these loans may be significant. The Group may also assist customers in obtaining financing from banks and other sources and may also provide financial guarantees on behalf of its customers. The Group's success may be dependent, in part, upon its ability to provide customer financing on competitive terms and on its customers' creditworthiness. If the Group is unable to provide competitive financing arrangements to its customers or if it extends credit to customers that are not creditworthy, this could adversely impact its revenues, profitability and financial position.

- **The Group depends on its suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices. For some components and products the Group depends on sole source suppliers**

The Group's operations depend on its ability to anticipate the needs for components, products and services and its suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices in time for the Group to meet its schedules. Given the wide variety of products, services and systems that the Group offers, the large number of

suppliers and contract manufacturers that are dispersed across the globe, and the long lead times that are required to manufacture, assemble and deliver certain components and products, problems could arise in planning production and managing inventory levels that could seriously harm the Group. Other supplier problems that the Group could face include component shortages, excess supply, product discontinuations and risks related to terms of its contracts with suppliers.

As regards Agfa HealthCare it should be taken into account that delivery of software solutions may depend on the availability of third party standard hardware components such as monitors and servers. Furthermore Agfa Specialty Products' products consist of materials and components sourced from several different suppliers. In order to be in a position to manufacture, sell and deliver products and services, the Group must rely on timely and correct deliveries from third parties. Erroneous, late or no deliveries at all by the Group's suppliers can have as a result that deliveries in turn are delayed or faulty, which can lead to reduced sales and a negative impact of the Group's reputation.

For some key raw materials Agfa Specialty Products sources products from single suppliers. The availability and sale of finished products would be harmed if any of these suppliers is not able to meet the Group's demand and production schedule and alternative suitable products are not available on acceptable term, if at all.

- **The Group currently relies on third parties to manufacture some products, which exposes it to a number of risks and uncertainties outside its control**

The Group has outsourced a portion of its overall worldwide manufacturing operations of equipment to third parties and various service providers. To the extent that the Group relies on third party manufacturing relationships, it faces the risk that those manufacturers may not be able to develop manufacturing methods appropriate for its products, they may not be able to quickly respond to changes in customer demand for its products, they may not be able to obtain supplies and materials necessary for the manufacturing process, they may experience labour shortages and/or disruptions, manufacturing costs could be higher than planned and the reliability of Group's products could decline. If any of these risks were to be realised, and assuming similar third-party manufacturing relationships could not be established, the Group could experience interruptions in supply or increases in costs that might result in the Group being unable to meet customer demand for its products, damage relationships with its customers, and reduce its market share, all of which could adversely affect the Group's results of operations and financial condition.

If any of the Group's important third-party manufacturers were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to its customers could be delayed or rejected or its customers could consequently elect to cancel the underlying product purchase order, which would negatively impact its revenues and its competitive position and reputation. Further, if the Group is unable to manage successfully its relationship with a manufacturer, the quality and availability of its products may be harmed. The Group's third-party manufacturers could under some circumstances decline to accept new purchase orders from the Company or otherwise reduce their business with the Group. If a manufacturer stopped manufacturing its products for any reason or reduced manufacturing capacity, the Group may be unable to replace the lost manufacturing capacity on a timely and comparatively cost effective basis, which would adversely impact its operations. The cost, quality and availability of third-party manufacturing

operations are essential to the successful production and sale of the Group's products. Its reliance on third-party manufacturers exposes the Group to a number of risks which are outside its control, including:

- unexpected increases in manufacturing costs;
 - interruptions in shipments if a third-party manufacturer is unable to complete production in a timely manner;
 - inability to control quality of finished products;
 - inability to control delivery schedules;
 - inability to control production levels and to meet minimum volume commitments to its customers;
 - inability to control manufacturing yield;
 - inability to maintain adequate manufacturing capacity; and
 - inability to secure adequate volumes of acceptable components, at suitable prices or in a timely manner.
- **The Group is subject to the risks of its worldwide presence and particularly its presence in emerging markets**

The breakdown of the Group's revenues by region for financial year 2009 is as follows:

- Europe (including Belgium): 51.4%
- North America: 18.9%
- Latin America: 7.9%
- Asia/Oceania/Africa: 21.7%

Such breakdown shows that the Group has substantial international sales activities and is therefore subject to risks relating to general economic conditions, and/or unfavourable political, regulatory, labour and/or tax conditions in other countries.

Risks inherent in international operations include, amongst others, the following:

- changes in a specific country's or region's political or economic conditions may occur, particularly in emerging markets, and changes in diplomatic and trade relationships;
- agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system. Furthermore such foreign legal system may provide for less effective protection of intellectual property and general exposure to different legal processes, standards and expectations;
- unexpected adverse changes in foreign laws or regulatory requirements may be adopted, (including those regarding export duties and quotas) which may result in unanticipated costs and delays;
- foreign countries may impose additional withholding taxes or otherwise tax the Group's foreign income, impose tariffs or adopt other restrictions on foreign trade or investment, including currency exchange controls;

- the continued transfer of dividends and other income from the Group's subsidiaries may be limited by various tax constraints;
- the Group may face difficulty in managing sales, research and development operations and post-sales logistics and support across these continents;
- trade protection measures and import or export licensing requirements may affect the Group's ability to do business;
- products in transit may get lost or damaged.

Any disruption in its ability to obtain products from its foreign manufacturers or in its ability to conduct international operations and sales could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group conducts business in emerging markets with economies that tend to be more volatile than those in the United States and Western Europe. The risk of doing business in developing markets such as China, India, Brazil, Argentina, Mexico, Russia and other economically volatile areas could adversely affect the Group's operations and earnings, as approximately 29.6% of the Group's revenues are generated in these countries. Such risks include the financial instability among customers in these regions, political instability and potential conflicts among developing nations and other non-economic factors such as irregular trade flows that need to be managed successfully with the help of the local governments. The Group's failure to successfully manage economic, political and other risks relating to doing business in developing countries and economically and politically volatile areas could adversely affect its business.

- **The Group's operational and financial flexibility is limited by restrictions in its revolving credit facility. The Group's credit facility contains a change of control clause, which may discourage a take-over bid.**

As set forth in section 4.2.2(c), the Group's EUR 690 million revolving credit facility contains a leverage ratio as well as a debt service coverage ratio and is secured by a negative pledge. Such clauses impose operational and financing restrictions on the Group and in some respects limit or prohibit, among other things, the Group's ability to incur additional indebtedness or grant securities and, consequently, to make investments, without the consent of its lenders.

If (i) on a covenant testing date, the Group breaches any of the abovementioned ratios, or if (ii) the Group is in default under any other indebtedness or if (iii) a third party gains control over the Issuer, the Group's lenders may accelerate the maturity of indebtedness and require immediate repayment of the outstanding amount under the credit facility. Such change of control clause may have the effect of substantially discouraging a take-over bid by a third party. Such provisions may thus also have the effect of depriving the Shareholders of selling their Shares with a premium.

- **Fluctuation in EURIBOR and LIBOR interest rate may increase the Group's financial expenses**

The interest rate paid on the Group's EUR 690 million revolving credit facility is based on the EURIBOR interest rate and the Group's securitisation programme is based on the EURIBOR and the LIBOR interest rate. A future increase in the EURIBOR and/or LIBOR interest rate may significantly increase the Group's financial expenses.

- **The Group may not be able to refinance its existing financing sources**

As set forth in section 4.2.2(c), the Group's EUR 690 million revolving credit facility matures in July 2012 and its bond (with a nominal value of EUR 200 million of which EUR 5 million has been redeemed by the Company in 2009) in June 2015. Furthermore, the Groups securitisation programme's initial term runs until 2011. In the coming years the Group will thus have to refinance its existing financing sources.

Although the Group is already working on a larger diversification of its sources of financing, there is no guarantee that (re)financing, if needed, will be available or will be available at attractive conditions. Furthermore, each debt financing, if available, may contain covenants limiting the Group's freedom to do business. If the Group is unable to obtain debt financing at favourable conditions when needed, the activities, revenues and financial condition of the Group may be materially adversely impacted.

- **For the Group's healthcare business, failure to obtain approvals under applicable government regulations on technology exports could materially adversely affect its ability to make international sales**

Agfa HealthCare's international sales and operations are subject to risks such as the imposition of government controls, new or changed export licence requirements, restrictions on the export of critical technology, trade restrictions and changes in tariffs. If the Group becomes unable to obtain foreign regulatory approvals on a timely basis, its healthcare business in those countries could be impacted and its revenues could decrease. Some of Agfa HealthCare's products are subject to export controls, in particular under UK and US law, mainly in view of the fact that some of the products can also have a non-civil use or could be used in the military industry. The list of products and countries for which export approval is required, and the regulatory policies with respect thereto, may be revised from time to time. The Group's inability to obtain required approvals under these regulations could materially adversely affect its ability to make international sales.

- **The Group's healthcare business depends on the development and implementation rate of private and governmental programmes for the transformation of the healthcare sector towards increased efficiency and better quality of care. Furthermore, the Group faces regulatory constraints for its healthcare business**

Agfa HealthCare is active in the global healthcare imaging and IT sector, offering departmental and enterprise solutions to hospitals and other care providing institutions. Agfa HealthCare's future results will partially be dependent upon the development and implementation rate of private and governmental programmes for the transformation of the healthcare sector towards increased efficiency and better quality of care. The need and urgency for such transformation is present on a global scale and is expressed in scientific research reports. It is a recurring topic on healthcare industry and medical conferences, and is often a public theme of importance on political agendas in various countries.

All medical devices produced and marketed by Agfa HealthCare are subject to pre- and post-sales inspections by regulatory bodies in the respective markets where they are sold. Specifically for the US, the US Food and Drug Administration maintains very stringent criteria for the approval of medical devices. Although the Group continuously strives to comply with all requirements, it cannot guarantee that it will always get regulatory approval on its products and solutions in the future.

Delay in regulatory approval of Agfa HealthCare's products and solutions related to diagnostics may extend the time-to-market. As some of these solutions, especially the enterprise and workflow software solutions, represent substantial investments and changes in business operations for their users, serious defects or errors could harm the Group's reputation. In addition, its users may also compel the Group to carry out expensive and time-consuming repairs. Manufacturing or functional defects could also cause losses to customers, in which case customers could attempt to seek compensation.

Furthermore, the Group cannot anticipate the effect that changes in domestic or foreign government regulations may have on its ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for its products could materially adversely affect the Group's business, financial condition and results of operations or cash flows.

- **The Group's success depends on its ability to attract and retain management and key personnel**

Given the fact that the businesses in which the Group is active are mainly technology driven, the Group needs highly skilled staff with in-depth technological and market knowledge. The Group therefore operates in a competitive labour market and its success will continue to depend in part on the management team and other key personnel. Although the Group believes that it is well positioned to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so.

- **The Group's inability to implement an adequate distribution model for its products and services may harm its business**

The Group uses a variety of different distribution methods to sell its products and services, including local agents and distributors and both direct and indirect sales. Successfully managing the interaction of direct and indirect channel efforts to reach various potential customer segments for the Group's products and services is a complex process. Moreover, since each distribution method has distinct risks and costs, the Group's failure to implement the most advantageous balance in the delivery model for its products and services could adversely affect the Group's revenue, gross margins and earnings.

- **Disruption of the Group's IT infrastructure may negatively affect its business**

Sections of the Group's IT infrastructure may experience interruptions, delays or cessations of service or product errors in connection with systems integration or migration work that takes place from time to time; in particular, installation of SAP modules. The Group may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruption could adversely affect the Group's ability to fulfil orders and interrupt other processes. Delayed sales, higher costs or lost customers resulting from these disruptions could adversely affect the Group's financial results, stock price and reputation.

- **Risk related to the partially project-driven nature of the Group's business model**

The Group's business (and primarily Agfa HealthCare's business) is project-driven, which leads to uncertainties related to the recurrence and growth of revenues and results. The success of the Group's business model and the resulting growth profile will be dependent upon its ability to

win new projects or renew existing projects, which at times may require freeing up significant resources in order to apply to a call for tender.

- **Risk related to seasonality of the business**

In the past, the Group has generally experienced higher revenues in the second half of its fiscal year than in the first half of the fiscal year, whereby the third quarter is generally the weakest and the fourth quarter the strongest. This seasonality causes fluctuations in the Group's financial results and working capital needs. Furthermore, as a result, the Group's quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future operating results.

- **Risk related to exposure to credit risk on accounts receivable**

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 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.

As per 30 June 2010 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 and amounted to EUR 1,098 million as at 30 June 2010.

However, there is no assurance that the Group will be able to limit its potential loss of proceeds from clients who are unable to pay in a timely manner.

1.2 Risks related to the Offering

- **Agfa-Gevaert cannot guarantee that an active trading market will develop for the Preferential Rights, the Shares or the VVPR Strips**

Agfa-Gevaert cannot guarantee the extent to which a liquid market for the Shares will develop or be sustained. If such a liquid market for the Shares fails to develop, this could influence the price of the Shares.

Furthermore, it is possible that the market for Preferential Rights and for VVPR Strips will offer limited liquidity. There is no assurance that an active market will develop for the Preferential Rights and VVPR Strips, or, if such a market develops, there is no assurance regarding the nature of such a market. The price of the Preferential Rights and for VVPR Strips will depend on multiple factors, including but not limited to the Share price, but may also be subject to greater price volatility than the Shares.

- **Existing Shareholders will experience dilution as a result of the Offering if they do not or could not exercise their Preferential Rights in full**

Any Preferential Rights not exercised by the closing of Euronext Brussels on the last day of the Subscription Period will become null and void. To the extent that Existing Shareholders do not exercise their Preferential Rights to subscribe for New Shares, their proportionate ownership and voting interest in Agfa-Gevaert will be reduced, and the percentage that Existing Shareholders' Shares held prior to the Offering represents of the increased share capital after the Offering will be reduced accordingly. Each holder of a Preferential Right that is not exercised by the last day of the Rights Subscription Period will be entitled to receive a proportional part

of the proceeds of the sale of Scrips, if any (as described in section 4.5 “Terms and conditions of the Offering”). There is, however, no assurance that any or all Scrips will be sold during the Scrips Private Placement (as described in section 4.7 “Placing and underwriting”) or that there will be any such proceeds.

Within the framework of the planned issue of New Shares, Existing Shareholders who do not exercise their Preferential Rights or who do not transfer them could be exposed to dilution, as set out in section 4.10.

- **The market price of Agfa-Gevaert’s Shares will fluctuate and may decline below the Issue Price**

Over the past few years, the stock markets have been subject to wide price variations which are not always an accurate reflection of financial performance of the companies whose shares are traded. Fluctuations in the stock markets, economic cycles and ongoing financial transactions can increase the volatility of the price of the Shares.

The Issue Price may not be indicative of the price of the Shares on the stock exchange after the Offering. The trading price of the Shares could be subject to fluctuations in response to changes, developments or publications concerning Agfa-Gevaert, including as a result of short selling. In addition, stock market prices and trading volumes could be materially affected by economic, monetary and financial factors, many of which are beyond Agfa-Gevaert’s control.

Fluctuations in the Share price may be influenced by, without being limited to, the following factors:

- (a) Anticipated or actual fluctuations in the Group’s operational results and financial situation.
- (b) Changes in the estimates of securities analysts with regard to the Group’s operating profits and financial situation.
- (c) Perception of investors relating to the impact of the Offering on Agfa-Gevaert and its Shareholders.
- (d) Potential or actual sales of blocks of Shares in the market or short selling of Shares.
- (e) Investors’ perceptions of the sector or the Group’s competitors.
- (f) The arrival of new competitors or products in the markets on which the Group operates.
- (g) Volatility in the stock markets as a whole or in investors perception of the market and the Group’s competitors.
- (h) The risk factors mentioned above under 1.1.

Such volatility can significantly affect the share price of many companies, regardless of their actual performance. These factors could also have an impact on the market price for VVPR Strips, which may also be influenced by the fact that VVPR Strips have no intrinsic value for institutional investors, which also affects the supply of VVPR Strips.

Agfa-Gevaert cannot make any predictions about the Share price after the New Shares are issued under the present Offering.

- **Future sales of a significant number of Shares or Preferential Rights could have a material adverse effect on the price of the Shares or Preferential Rights**

A future sale of a significant number of Shares or Preferential Rights on the stock market, or the perception that such a sale could occur during the Offering, as far as the Preferential Rights are concerned, or while or after the realisation of the Offering, as far as the Shares are concerned, could adversely affect the Share price or the price of the Preferential Rights. Agfa-Gevaert cannot predict the effect on the Share price or the price of the Preferential Rights if the Shareholders were to decide to sell their Shares.

In general, any fluctuation the Share price will influence the price of the Preferential Rights.

The Share price would drop considerably if the Shareholders of Agfa-Gevaert were to sell substantial numbers of Shares at the same time. Such sales could make it more difficult for Agfa-Gevaert in the future to issue or sell Shares at a certain point in time and at a price that it finds appropriate.

- **If the Rights Offering is discontinued or there is a substantial decline in the price of the Shares, the Preferential Rights may become void or worthless**

If there is a substantial decline in the price of the Shares, including as a result of short selling of Agfa-Gevaert's stock, this may have a material adverse effect on the value of the Preferential Rights. Any volatility in the price of Shares will also affect the price of the Preferential Rights, and the Preferential Rights could become void or worthless as a result. Further, the obligations of the Joint Bookrunners pursuant to the Underwriting Agreement may be terminated in certain circumstances (see section 4.7 "Placing and underwriting"). If the Rights Offering is discontinued, the Preferential Rights will become worthless. Accordingly, investors who have acquired any such Preferential Rights in the secondary market will suffer a loss, as trades relating to such Preferential Rights will not be unwound once the Rights Offering is terminated.

2 About the Prospectus

2.1 Approval of the Prospectus

The CBFA approved the English version of this Prospectus on 19 October 2010 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offering of investment instruments and the admission to trading of investment instruments on a regulated market.

The CBFA's approval does not imply any opinion by the CBFA on the suitability and the quality of the Offering or on the status of the Issuer.

This Prospectus has been prepared in English and has been translated into Dutch. The Issuer is responsible for the consistency between the Dutch and the English version of this Prospectus. The summary of this Prospectus has been translated into French. Furthermore, in connection with the public offering in Belgium, both the English and the Dutch version of this Prospectus are legally binding. The Offering and the Prospectus have not been submitted for approval to any supervisory body or governmental authority outside of Belgium.

2.2 Availability of information

The Prospectus is available only in English and Dutch.

The summary of the Prospectus will also be available in French.

Subject to certain restrictions described in section 4.6, copies of the Prospectus are available to investors without charge, as from 21 October 2010, in Belgium, at the registered office of the Issuer at Septestraat 27, 2640 Mortsel, and can be obtained on request from BNP Paribas Fortis on the phone number +32(0)2/433.40.32 (French) or +32(0)2/433.40.31 (Dutch), from the KBC Telecenter on the phone number +32(0)3/283.29.70, from the CBC Banque Telecenter on the phone number +32(0)800.92.020, from ING on the phone number +32(0)2/464.60.04 (English) or +32(0)2/464.60.01 (Dutch) or +32(0)2/464.60.02 (French).

Subject to certain restrictions, the Prospectus may be accessed on the following websites: www.agfa.com, www.bnpparibasfortis.be/saveandinvest (English version), www.bnpparibasfortis.be/sparenenbeleggen (Dutch version), www.bnpparibasfortis.be/epargneretplacer (French version of the summary), www.kbc.be, www.kbcsecurities.be, www.bolero.be and www.ing.be.

Posting the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Preferential Rights, Scrips and New Shares to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Issuer or any other website does not form part of the Prospectus except for the following documents which are incorporated by reference in the Prospectus in accordance with article 30 of the Law of 16 June 2006 on the public offering of investment instruments and the admission to trading of investment instruments on a regulated market (as set out in section 9), and which are available at the registered office of the Company.

This includes (i) the auditor's report, (ii) the full set of audited consolidated financial statements, (iii) the significant accounting policies and (iv) the notes to the consolidated audited financial statements that can be found in:

- the annual report for the financial year 2009 (p. 44 up to p. 109);
- the annual report for the financial year 2008 (p. 48 up to p. 111); and
- the annual report for the financial year 2007 (p. 54 up to p. 116).

In addition, this includes (i) the condensed interim financial statements for the period ended 30 June, (ii) the selected explanatory notes to the condensed consolidated interim financial statements and (iii) the auditor's limited review report that can be found in the half-year report for the first half of the financial year 2010 (p. 1 up to p. 17).

All information incorporated by reference in this Prospectus will be available at the Issuer's website www.agfa.com as well as at the Issuer's registered office.

2.3 Notices to Investors

2.3.1 General

The Offering is conducted as a public offering in Belgium and a private placement to certain Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction and, in respect of Belgium, investors that meet the definition of "qualified investors", as defined in Article 10 of the Law of 16 June 2006 regarding the public offering of investment instruments and the authorisation of investment instruments to trade on a regulated market ("*Loi du 16 juin 2006 relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*" / "*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating*

van beleggingsinstrumenten tot de verhandeling op een gereguleerde markt”) (the “Prospectus Law”), and as extended by the Belgian Royal Decree of 26 September 2006 regarding the extension of the term qualified investor and the term institutional or professional investor (“*Arrêté royal du 26 septembre 2006 portant extension de la notion d’investisseurs qualifiés et de la notion d’investisseurs institutionnels ou professionnels*” / “*Koninklijk Besluit van 26 september 2006 tot uitbreiding van het begrip gekwalificeerde belegger en het begrip institutionele of professionele belegger*”) outside the United States in reliance on Regulation S under the Securities Act.

The Offering and this Prospectus have not been and will not be submitted for approval to any supervisory authority outside Belgium. Therefore, no steps may be taken that would constitute or result in a public offering of the New Shares, the Preferential Rights, the Scrips and VVPR Strips outside Belgium. The distribution of this Prospectus, the exercise of the Preferential Rights and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the New Shares, the Preferential Rights or the Scrips and VVPR Strips may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other documents related to the Offering may be distributed or published in any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Investors must inform themselves about, and observe, any such restrictions and neither the Issuer nor the Joint Bookrunners assume any responsibility in respect thereof.

Investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer or sell the New Shares, the Preferential Rights, the Scrips and VVPR Strips or possess or distribute this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale of the New Shares, the Preferential Rights or the Scrips under the laws and regulations in force in any jurisdiction in which any purchase, offer or sale is made. Neither the Issuer nor the Joint Bookrunners are making an offer to sell the New Shares, the Preferential Rights, the Scrips and VVPR Strips or soliciting an offer to purchase any of the New Shares, the Preferential Rights or the Scrips to any person in any jurisdiction where such an offer or solicitation is not permitted.

The Issuer and the Joint Bookrunners reserve the right to reject any offer to purchase the New Shares, the Preferential Rights, the Scrips and VVPR Strips which the Issuer or the Joint Bookrunners believe may give rise to a breach of any laws, rules or regulations.

2.3.2 Decision to invest

Notwithstanding the fact that the Issuer attests that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import, investors must, in making an investment decision, rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved as described in this Prospectus. Investors should rely only on the information contained in this Prospectus. Neither the Issuer nor the Joint Bookrunners have authorised any other person to provide investors with different information. If anyone provides different or inconsistent information, it should not be relied upon. The information appearing in this Prospectus should be assumed to be accurate as of the date on the front cover of this Prospectus only. The Issuer’s business, financial condition, results of operations and the information set forth in this

Prospectus may have changed since that date. In accordance with Belgian law, if a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the New Shares and which arises or is noted between the time when this Prospectus is approved and the final closure of the Offering, or as the case may be, prior to the start of the trading of the New Shares on the relevant market, such will be set out in a supplement to this Prospectus (see section 4.5.6). Any supplement is subject to approval by the Belgian Banking, Finance and Insurance Commission (*“Commission bancaire, financière et des assurances”* / *“Commissie voor het Bank-, Financien en Assurantiewezen”*, the “CBFA”), in the same manner as this Prospectus and must be made public, in the same manner as this Prospectus.

The Joint Bookrunners and their affiliates are acting in their capacity of joint bookrunner exclusively for the Issuer and no one else in connection with the Offering and will in that capacity not be responsible to any other person for providing the protections afforded to their client or for providing advice in relation to the Offering.

None of the information in this Prospectus should be considered investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the New Shares, Preferential Rights and Scrips. Neither the Issuer nor the Joint Bookrunners make any representation to any offeree or purchaser regarding the legality of an investment in the New Shares, Preferential Rights and Scrips by such offeree or purchaser under applicable investment or similar laws.

2.3.3 Notice to prospective investors in the United States

The Preferential Rights, Scrips, New Shares and VVPR Strips have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Preferential Rights, the Scrips, the New Shares and the VVPR Strips may not be offered or sold in the United States, provided that Existing Shareholders (as defined below) that are qualified institutional buyers (as defined in Rule 144A under the US Securities Act of 1933, as amended (the “Securities Act”)) (each a “QIB”) may exercise Preferential Rights in transactions exempt from registration under the US Securities Act, provided that any such QIB that exercises Preferential Rights executes and delivers an investor letter satisfactory to the Issuer and the Global Coordinator. Any Preferential Rights, Scrips, New Shares or VVPR Strips offered or sold in the United States will be subject to certain transfer restrictions as set forth under section 4.6.

The Preferential Rights, the Scrips, the Shares and the VVPR Strips have not been approved or disapproved by the US Securities and Exchange Commission (“SEC”), any state securities commission in the United States or any other US regulatory authority, nor have any of them passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In the United States this Prospectus is being furnished on a confidential basis solely for the purpose of enabling Existing Shareholders that are QIBs to consider subscribing for the particular securities described herein. The information contained in this Prospectus has been provided by the Issuer and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Joint Bookrunners or their representatives, and

those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of the Issuer, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the New Shares.

2.3.4 Notice to prospective investors in the United Kingdom

This Prospectus is directed solely at persons in the United Kingdom who (i) have professional experience in matters relating to investments and falling within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) are high net worth entities and other persons falling within Article 49(2)(A) to (D) of the Order (all such persons together being referred to as “Relevant Persons”). This Prospectus must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

2.3.5 Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, other than Belgium (each a “Relevant Member State”), an offer of any New Shares, Scrips or Preferential Rights contemplated by this Prospectus may not be made to the public in that Relevant Member State, except that an offer of any Preferential Rights, Scrips or New Shares may be made to the public in that Relevant Member State at any time:

- to qualified investors within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than EUR 43 million and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the Company to publish a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of any Preferential Rights, Scrips or New Shares to the public” in relation to any Preferential Rights, Scrips or New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Preferential Rights, Scrips or New Shares so as to enable an investor to decide to purchase any Preferential Rights, Scrips or New Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

2.4 Forward-looking statements

There are statements in this Prospectus, such as statements that include the words or phrases “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “project” or similar expressions, that are “forward-looking statements”. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those suggested by these statements due to risks or uncertainties associated with the Issuer’s expectations with respect to, among others, to general

economic conditions, including changes in interest rates and exchange rates, the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environments, regional or general changes in asset valuations, the inability to reinsure certain risks economically. See section 1 Risk factors for further discussion of risks and uncertainties that could impact the Issuer's business.

Although based on reasonable assumptions, these forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Issuer and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied from the forward-looking statements.

The Issuer cautions that these statements are further qualified by the risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. Without prejudice to its obligations under Belgian law in relation to disclosure and ongoing information, including the obligation to publish a supplement to this Prospectus as set out in section 4.5.6 below, the Issuer undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2.5 Market information, industry data and rounding off

Market information (including market share, market position and industry data for the operating activities of the Group) or other statements presented in this Prospectus regarding the position of the Group relative to its competitors largely reflect the best estimates of the Company's management. These estimates are based upon internal studies, information obtained from customers, brokers, trade or business organisations and associations, other contacts within the industries in which the Group operates and, in some cases, upon published statistical data or information from independent third parties.

The information sourced from third parties has been accurately reproduced and as far as the Issuer is aware and from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain numerical figures included in this Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

2.6 Legal responsibility for the information and the auditing of the accounts

2.6.1 Person responsible for the Prospectus

The Issuer, represented by its board of directors, assumes responsibility for the content of this Prospectus.

Having taken all reasonable care to ensure that this is the case, the Issuer attests that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Joint Bookrunners, nor their affiliates or any person acting on their behalf make any representation or warranty, express or implied, as to the accuracy or completeness of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as a promise or representation by the Joint Bookrunners.

This Prospectus is intended to provide information to potential investors in the context of and for the sole purpose of evaluating a possible investment in the Preferential Rights, Scripts or New Shares. It contains selected and summarised information, does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied towards anyone other than a potential investor. It cannot be used except in connection with the Offering. The content of this Prospectus is not to be construed as an interpretation of the rights and obligations of the Issuer, of the market practices or of contracts entered into by the Issuer.

2.6.2 Statutory auditor

The statutory auditor of the Issuer KPMG Bedrijfsrevisoren CVBA, Prins Boudewijnlaan 24d, 2550 Kontich, currently represented by Mr Erik Clinck and Mr Filip De Bock (both members of the “*Institut des Réviseurs d’Entreprises*” / “*Instituut der Bedrijfsrevisoren*”):

- has audited the Issuer’s consolidated financial statements for the financial years ended on 31 December 2007 and 31 December 2008 and has delivered an unqualified opinion thereon with an explanatory paragraph. Reference is made to pages 54 and 55 of the 2007 Annual Report and pages 48 and 49 of the 2008 Annual Report for the full text of these audit opinions;
- has audited the Issuer’s consolidated financial statements for the financial year ended on 31 December 2009 and has delivered an unqualified opinion thereon. Reference is made to pages 44 and 45 of the 2009 Annual Report for the full text of this audit opinion;
- has performed a limited review of the half-yearly consolidated financial statements for the period ended 30 June 2010. Reference is made to the section Investor Relations on the Issuer’s website.

3 Information about the New Shares

3.1 Type, class and dividend entitlement

All New Shares will be issued as ordinary Shares representing the capital of the same category as the Existing Shares of the Issuer, and that are freely tradable, with voting rights and without nominal value. All New Shares will have the same rights as the Existing Shares.

The New Shares will participate in the results in the same way as the Existing Shares.

The New Shares will be traded under the same ISIN code as the Existing Shares, which have been assigned the following code: BE0003755692.

The New Shares will be issued with VVPR Strips. The VVPR Strips will be assigned the following ISIN code BE0005638128 and trading symbol AGFS.

3.2 Applicable law and jurisdiction

The New Shares will be issued in accordance with Belgian law and the Offering is governed by Belgian law.

The Courts of Antwerp (Belgium) shall have the jurisdiction to hear all disputes in relation to the New Shares.

3.3 Form of the New Shares and VVPR Strips

The investors are requested to indicate whether they want to receive their New Shares (i) in a dematerialised form or (ii) in a registered form.

For those Shareholders who opt for dematerialised New Shares, the New Shares will be deposited on issue, through Euroclear Belgium, on to the Shareholder's securities account.

For those Shareholders who opt for registered New Shares, the New Shares will be registered in the Issuer's shareholders' register on issue.

In accordance with the Act of 14 December 2005 concerning the abolition of bearer securities, securities issued after 1 January 2008 can only be registered or dematerialised. On 1 January 2008, the bearer Shares listed on a regulated market and registered on a securities account, were automatically converted into dematerialised securities.

The owners of bearer Shares that have not been automatically converted must request conversion to registered or dematerialised securities by 31 December 2013 at the latest.

The request for conversion to dematerialised securities must be submitted to a recognised account holder or a settlement institution selected by the issuer of the securities. However, this request will only be admissible if the securities, for which the conversion is requested, are handed over to the recognised account holder or settlement institution. The conversion will take place by registration of the securities on a securities account by the recognised account holder or the settlement institution. On the expiration date of the above-mentioned term, the bearer Shares for which no conversion was requested, will be automatically converted by the Issuer into dematerialised Shares, and be registered as a credit in a securities account under the name of the Issuer, until the titleholder makes itself known. The rights associated with these Shares will be deferred.

As of 1 January 2015 and after the publication of an announcement in the Annexes to the Belgian Official Gazette and in the Belgian financial press, the Issuer must offer all Shares that do not have a known owner by that date for sale. The proceeds of the sale (after the deduction of certain costs of the Issuer) will be deposited at the Deposit and Consignment Office until the owner has demonstrated its rights to the sold securities and demands repayment. This person is entitled to the proceeds of the sale of its securities or to the unsold Shares, but must pay a penalty of 10 per cent on the proceeds of the securities for each year of delay from 31 December 2015.

3.4 Currency of the issue

The currency of the issue is the euro.

3.5 Rights attached to the New Shares

3.5.1 Voting rights

Each Shareholder has the right to one vote per Share. Shareholders can vote by proxy.

The voting rights can be suspended in regard to Shares:

- (a) which are not fully-paid, notwithstanding a request to this effect by the Issuer's board of directors;
- (b) to which more than one person is legally entitled, except if a sole representative is designated to execute the voting right;
- (c) that give their holder the right to voting rights above the 3 per cent threshold, 5 per cent or a multiple of 5 per cent of the total number of voting rights attached to the Shares of the Issuer on the date of the relevant general shareholders' meeting, unless the Issuer and the CBFA have been informed at least 20 days prior to the date of the relevant general shareholders' meeting in which the holder wishes to vote; and

(d) where the voting right has been suspended by an authorised court or the CBFA.

In general, the general shareholders' meeting is exclusively authorised to resolve on:

- the approval of the annual accounts of the Issuer;
- the appointment and resignation of directors and the statutory auditor of the Issuer;
- the granting of discharge of liability to the directors and the statutory auditor;
- the determination of the remuneration of the directors and of the statutory auditor for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other re-organisations of the Issuer; and
- the approval of amendments to the articles of association.

3.5.2 Right to attend and vote at general shareholders' meetings

The annual general shareholders' meeting is held at the Issuer's registered office or at the location indicated in the notice convening the meeting. This meeting is held annually on the last Tuesday of April at 11:00 a.m. (Central European Time). If this day is a legal holiday, the meeting is held on the next business day.

The board of directors or the statutory auditor (or, as the case may be, the liquidators) can convene a special or extraordinary general shareholders' meeting at any time if the interests of the Issuer so require. Such general meetings must also be convened whenever requested by the Shareholders who together represent a fifth of the Issuer's share capital within three weeks of their request, provided that the reason of convening a special or extraordinary general shareholders' meeting is given.

(a) Notices convening the general shareholders' meeting

The convening notices must state the items on the agenda which need to be discussed and any proposals for resolutions. The convening notices must be published in the Belgian Official Gazette at least 24 days prior to the meeting or, as the case may be, the record date. In the event a second convening notice is necessary and the date of the second meeting is mentioned in the first convening notice, that period is 17 days before the meeting or, as the case may be, the record date. The convening notice must also be published in a national newspaper at least 24 days prior to the meeting or, as the case may be, the record date, if this is provided for in the articles of association and if this is specified in the notice unless the meeting concerns an annual general shareholders' meeting, which is held in the municipality and at the location, date and time stated in the articles of association of the Issuer and at which the agenda is restricted to the presentation of the annual accounts, the annual report of the board of directors and the report from the statutory auditor on the annual accounts and the discharge of the directors and the statutory auditor. The annual accounts and the reports of the board of directors and the statutory auditor on the annual accounts must also be made available to the Shareholders at least 15 days prior to the date of the annual general shareholders' meeting.

Convening notices have to be sent to the holders of registered Shares, the holders of registered bonds, the holders of registered warrants, the holders of registered certificates issued with the cooperation of the Issuer, if any, and to the directors and the statutory auditor of the Issuer 15 days prior to the general shareholders' meeting. This communication must be sent by ordinary post unless the addressees have agreed individually, expressly and in writing to receive the convening notice via another means of communication, without having to present proof of the fulfilment of such formalities.

(b) Formalities to attend the general shareholders' meeting

All holders of Shares, warrants or bonds (if in existence) issued by the Issuer and all holders of certificates that were issued with the cooperation of the Issuer (if any) may attend the general shareholders' meetings. However, only Shareholders can vote at the general shareholders' meeting.

In order to be admitted to the general shareholders' meeting the owners of registered Shares must inform the board of directors by ordinary letter at least three business days before the date of the shareholders' meeting of their intention to attend the meeting, indicating the number of shares with which they will participate in the voting. Furthermore the owners of registered shares can only be admitted to the general shareholders' meeting if their Shares are registered in the Issuer's Share register at least 3 business days before the shareholders' meeting. No transfer of registered Shares shall be recorded in the Share register during such 3 day period.

The holders of bearer Shares must deposit their titles at the registered office of the Issuer or at the institutions mentioned in the convocation notice within the same period of time. They will be admitted to the general shareholders' meeting on presentation of proof of their identity and the attestation which confirms that their bearer securities were deposited on time.

The holders of dematerialised Shares must deposit, at the registered office of the Issuer or in the institutions mentioned in the convocation notice, within the same period of time, an attestation drawn up by the recognised account holder or by the settlement institution certifying the unavailability of the dematerialised Shares up to the date of the general shareholders' meeting.

The board of directors can decide not to apply the conditions for admission specified above and to require each shareholder to fulfil the formalities in respect of the record date (the fifth business day prior to the general shareholders' meeting) in order to be admitted to the general shareholders' meeting. In such case, Shareholders can be admitted to the general shareholders' meeting and are entitled to exercise their voting right if they can demonstrate that they were Shareholders at midnight on the record date, irrespective of the number of Shares that they hold on the day of the general shareholders' meeting. The convocation notice shall mention the record date and the procedures to be followed by the shareholders.

For the purpose of the admission of Shareholders to the general shareholders' meetings, Saturdays shall not be considered working days.

(c) Power of attorney

Every Shareholder can give a power of attorney in writing so that it can be represented at the general shareholders' meeting by an authorised representative, whether Share holder or not.

The board of directors is entitled to define the formula of the proxies and to request that the proxies be deposited at the place it indicates and within the period it fixes.

The joint owners, usufructuaries and bare owners, the pledges and the pledgors must respectively be represented by one and the same person.

(d) Quorum and majority

In general, there is no quorum requirement for the general shareholders' meeting and decisions are taken with a simple majority of the votes, except as provided by law on certain matters.

Capital increases which are not decided by the board of directors within the scope of the authorised share capital, decisions with regard to the dissolution, merger, demerger and certain other reorganisations of the Issuer, amendments to the articles of association (other than a change of the corporate purpose) and certain other decisions set out in the Companies Code require the presence or representation of at least 50 per cent of the share capital of the Issuer, and also the approval of at least 75 per cent of the votes cast. If the quorum requirements are not satisfied during the first meeting, a second general shareholders' meeting may be convened. This second general meeting can validly discuss and decide on the matter irrespective of the number of Shares that are in attendance or represented. However, the special majority requirement remains applicable.

The change of the corporate purpose of the Issuer and the buyback of own Shares requires the approval of at least 80 per cent of the votes cast at a general shareholders' meeting that, in principle, can only validly make this decision if at least 50 per cent of the share capital of the Issuer and at least 50 per cent of the profit-participating certificates, if any, are present or represented. If these quorum requirements are not satisfied during the first meeting, a second general meeting may be convened. The second general meeting can validly discuss and decide on any matter, irrespective of the number of Shares that are in attendance or represented. However, the special majority requirement remains applicable.

3.5.3 Dividends

All Shares participate in equal amounts in the profit of the Issuer (if any). The New Shares will participate in the results in the same way as existing Shares. Pursuant to the Companies Code, the Shareholders can, in principle, decide on the profit allocation by a simple majority of votes cast at the general shareholders' meeting, and this on the basis of the most recently audited annual accounts that were drawn up in accordance with the generally accepted accounting principles in Belgium and on the basis of a (non-obligatory) proposal from the board of directors of the Issuer. The articles of association of the Issuer also authorise the board of directors to pay out interim dividends on the profit of the current financial year in accordance with the provisions of the Companies Code.

Dividends may only be paid out if, after the payment of the dividends, the amount of the net assets of the Issuer on the closing date of the last financial year according to the annual accounts (i.e. the amount of the assets as stated on the balance sheet, decreased by provisions and debts, determined in accordance with Belgian accounting rules), decreased by any establishment and expansion costs not yet deducted and any research and development costs not yet deducted, does not fall below the amount of the paid-up capital (or, if this is higher, the subscribed capital) increased by the amount of the non-distributable reserves. Furthermore, prior to paying out the dividend, 5 per cent of the net profit (shown in the Issuer's statutory accounts) must be allocated to the legal reserve until this legal reserve amounts to 10 per cent of the share capital.

The dividends are paid at the time and place indicated by the board of directors. The board of directors may decide upon the distribution of interim dividends, subject to the conditions set out in the Companies Code.

In accordance with article 2277 of the Belgian Civil Code, with regard to registered Shares, the right to the payment of each dividend expires five years after the declaration of the board of directors that this dividend is payable, whereupon the Issuer is no longer obliged to pay out such dividends. With regard to bearer Shares, the Act of 24 July 1921 (as amended by the Act of 22 July 1991) determines that, if the dividend payment on bearer Shares is not claimed by the legal holder of these Shares, the Issuer has the right to deposit these dividends with the Deposit and Consignment Office. The right to claim these deposited dividend payments expires after 30 years, after which the dividends become the property of the Belgian State.

3.5.4 Rights regarding dissolution and liquidation

The Issuer may only be dissolved by a resolution of the general shareholders' meeting adopted by at least 75 per cent of the votes issued at the general shareholders' meeting, where at least 50 per cent of the capital is present or represented.

If, as a result of accrued losses, the ratio of net assets of the Issuer (determined in accordance with Belgian legal and accountancy rules) to its share capital is less than 50 per cent, the board of directors must convene, within two months following the date on which the said undercapitalisation was detected or should have been detected, an extraordinary general shareholders' meeting. At this meeting, the board of directors must propose either the dissolution of the Issuer or its continuation. The board of directors must justify its proposals in a special report to the shareholders' meeting. If the board proposes to continue the Issuer's business, it must propose measures to redress the Issuer's financial condition. Shareholders representing at least 75 per cent of the votes validly cast at such meeting, can decide to dissolve the Issuer provided that at least 50 per cent of the share capital is present or represented.

If, as a result of accrued losses, the ratio of the net assets of the Issuer to its share capital is less than 25 per cent, the same procedure must be followed, it being understood that the motion for the dissolution can be implemented, if it is adopted by 25 per cent of votes cast at the meeting. If the net assets of the Issuer fall below EUR 61,500 (the minimum share capital of limited liability companies) any interested party may request the court to dissolve the Issuer. The court can order the dissolution of the Issuer, or grant the Issuer some time to regularise its situation.

If the Issuer is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the general shareholders' meeting and whose appointment has been ratified by the commercial court. Any balance remaining after discharging all debts, liabilities and liquidation costs must first be applied to reimburse, in cash or in kind, the paid-up capital of

Shares not yet reimbursed. Any remaining balance shall be equally distributed amongst all Shareholders. If the net proceeds are insufficient to reimburse all the Shares, the liquidators shall first reimburse those Shares paid-up to a greater extent to equalise them with the Shares paid-up to a lesser extent, or shall call for an additional payment by the holders of Shares paid-up to a lesser extent.

3.5.5 Modifications of share capital

(a) Modifications of share capital by resolution of Shareholders

The general shareholders' meeting can, at any time, decide to increase or decrease the share capital. This resolution must meet the quorum and majority requirements governing an amendment to the articles of association.

(b) Capital increases by the board of directors

The general shareholders' meeting can authorise the board of directors by the same quorum and the same majority of votes to increase the share capital within set limits without requiring the approval of the Shareholders. This is the authorised capital. This authorisation must be limited in time (for a renewable period of no longer than five years) and in scope (the sum of the authorised capital must not exceed the sum of share capital of the Issuer at the time of the authorisation). On 21 May 2010 the extraordinary general shareholders' meeting authorised the board of directors to increase the share capital in the context of the authorised capital. This authorisation and power are described in section 5.4.2.

3.5.6 Preferential subscription right

In the event of an increase of capital in cash through the issue of new Shares, or in the case of the issue of convertible bonds or warrants, the (Existing) Shareholders shall have a preferential subscription right with regard to new Shares, convertible bonds or warrants, pro rata to their existing shareholding. This preferential subscription right is transferable during the period of subscription and within the limits of transferability of the securities to which they relate. The general shareholders' meeting can resolve to limit or cancel the preferential subscription right. The same quorum and majority requirements apply to such a resolution as to a resolution for any amendment to the articles of association and is subject to special reporting requirements.

The general shareholders' meeting may also decide to authorise the board of directors to restrict or cancel the preferential subscription right in the context of the authorised capital (see section 5.4.2 below).

3.5.7 Form and Transferability of Shares

Every Shareholder may request conversion of its Shares, at its own cost, either into registered Shares, or into dematerialised Shares. Conversion of dematerialised Shares into registered Shares will be done by entering them in the related register of registered Shares.

A dematerialised Share is represented by an entry in the name of the owner or holder with an approved account holder or a settlement agency. A Share entered on the account will be transferred by transfer from account to account. The number of dematerialised Shares in circulation at any given time will be registered in the related register of Shares in the name of the settlement agency.

The Shareholders may consult the relevant shareholders' registers, kept at the registered office of the Issuer.

After registration in the register, the Shareholder will be provided with a certificate as evidence. All Shares have a serial number.

The register of registered Shares may also be maintained electronically if the law so permits.

As long as all bearer Shares have not been converted into dematerialised or registered Shares, and up to when the legal limit time has been reached (see section 3.3), the three types of Shares can co-exist.

3.5.8 Purchase and sale of the Issuer's Shares

In accordance with the Issuer's articles of association and the Companies Code, the Issuer can purchase and sell its own Shares pursuant to a resolution of the extraordinary general shareholders' meeting that is taken by at least 80 per cent of votes cast at a general shareholders' meeting, at which at least 50 per cent of share capital and at least 50 per cent of profit-sharing certificates, if any, are present or represented. If the quorum is not reached, a second meeting may be convened at which no attendance quorum shall apply. Such prior approval by Shareholders is not required if the Issuer purchases the Shares in order to offer them to its employees.

The voting rights attached to Shares held by the Issuer will be suspended.

In accordance with the Companies Code, an offer to purchase Shares must be made to all Shareholders on the same conditions. This does not apply to the acquisition of Shares with the unanimous approval of Shareholders during a meeting at which all Shareholders are present or represented or the acquisition of Shares which is made in such a way that the equal treatment of all Shareholders is ensured through the equality of the price offered for such Shares. Shares can be purchased only using resources that would otherwise be available to pay a dividend to the Shareholders. The total number of purchased Shares held by the Issuer may not, at any given time, represent more than 20 per cent of the share capital.

3.6 Restrictions on negotiating the New Shares

There are no provisions limiting the free transferability of the New Shares in the articles of association of the Issuer.

However, please see section 4.6 on restrictions applicable to the Offering.

3.7 Notification of significant shareholdings

Pursuant to the Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "Transparency Law"), a notification to the issuer and to the CBFA is required in the following circumstances:

- An acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities.
- The passive reaching of a threshold.
- The reaching of a threshold by persons acting in concert or a change in the nature of an agreement to act in concert.
- Where a previous notification concerning financial instruments that are treated as voting securities is updated.

- The acquisition or disposal of the control of an entity that holds a participating interest in an issuer.
- Where the issuer introduces additional notification thresholds in the articles of association.

In each case where the percentage of voting rights attached to voting securities reaches, exceeds or falls below the legal threshold set at 5 per cent of the total voting rights, as well as 10 per cent, 15 per cent, 20 per cent and so on at intervals of 5 percentage points or, as the case may be, the additional thresholds provided in the issuer's articles of association. The Issuer's articles of association provide for an additional threshold of 3 per cent of the voting rights (but no multiples of 3 per cent).

The notification must be made as soon as possible and at the latest within four trading days from the trading day following the acquisition or disposal of the voting rights triggering the reaching of the threshold. Where the Issuer receives a notification of information regarding the reaching of a threshold, it has to publish such information within three trading days following the receipt of the notification.

No one may cast a greater number of votes at a general shareholders' meeting than those attached to the voting rights it has notified in accordance with the Transparency Law at least 20 days before the date of the general shareholders' meeting, subject to certain exceptions.

3.8 Belgian regulations on takeover bids, squeeze-out and sell-out rules

3.8.1 Public takeover bids

Public takeover bids for Shares and other securities giving access to voting rights are subject to supervision by the CBFA. Public takeover bids must be made for all of the voting securities, as well as for all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, which has been approved by the CBFA prior to publication.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) in the Belgian Law on public takeover bids of 1 April 2007 (the "Takeover Law") and the Belgian Royal Decree of 27 April 2007 on public takeover bids (the "Takeover Royal Decree"). The Takeover Law provides that a mandatory bid will be triggered if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30 per cent of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Takeover Decree. The mere fact of exceeding the relevant threshold through the acquisition of one or more shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of the Companies Code and certain other provisions of Belgian law, such as the obligation to disclose significant shareholdings and merger control, that may apply to Agfa-Gevaert and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that other Shareholders may consider to be in their best interests and could adversely affect the market price of the Shares. These provisions may also have the effect of depriving the Shareholders of the opportunity to sell their Shares at a premium.

3.8.2 Squeeze-out

Pursuant to Article 513 of the Companies Code, as amended by Article 60 of the Takeover Law, and the regulations promulgated thereunder, a person or legal entity, or different persons or

legal entities acting alone or in concert, who own together with the company 95 per cent of the voting securities in a public company, can acquire the totality of the voting securities or securities giving access to voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must represent the fair value so as to safeguard the interests of the transferring shareholders.

3.8.3 Sell-out right

Holders of voting securities or of securities giving access to voting rights may require the offeror, acting alone or in concert, who owns 95 per cent of the voting capital and 95 per cent of the voting securities in a public company following a takeover bid to buy its securities from it at the price of the bid, on the condition that the offeror has acquired, through the acceptance of the bid, securities representing at least 90 per cent of the voting capital subject to the takeover bid.

3.9 Takeover bids instigated by third parties during the previous financial year and the current financial year

No takeover bid has been instigated by third parties in respect of Agfa-Gevaert's equity during the previous financial year and the current financial year.

3.10 Taxation in Belgium

The following is a general summary of the Belgian federal tax treatment of the acquisition, ownership and disposal of Shares by an investor that purchases such Shares in connection with this Offering. The summary is based on Belgian tax laws, regulations and administrative interpretations in effect on the date of this Prospectus. Any changes in Belgian tax law, regulations and administrative interpretations, including changes that could have a retrospective effect may affect the validity of this summary.

This summary does not purport to address all tax consequences of the ownership and disposal of the Shares, and does not take into account the specific circumstances of particular investors, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, Shares as a position in a straddle, share-repurchase transaction, conversion transaction, synthetic security or other integrated financial transaction.

For the purposes of this summary, a Belgian resident is either an individual subject to Belgian personal income tax (i.e., an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident), a company subject to Belgian corporate income tax (i.e., a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium) or a legal entity subject to the Belgian income tax on legal entities (i.e., a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisers regarding the tax consequences of an investment in the Shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

3.10.1 Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid issue premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

Belgian withholding tax of 25 per cent is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions. Under certain circumstances, the 25 per cent rate is reduced to 15 per cent for certain qualifying Shares (VVPR Shares). Shares eligible for this reduced rate may carry VVPR Strips which are securities representing the right to benefit from the reduced withholding tax rate of 15 per cent. The New Shares offered in the framework of this Offering will meet the conditions for entitlement to this reduced withholding tax rate of 15 per cent.

In the case of a redemption of Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will be treated as a dividend which, in certain circumstances, may be subject to a Belgian withholding tax of 10 per cent. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions. In the event of liquidation of the Issuer, a withholding tax of 10 per cent will be levied on any distributed amount exceeding the fiscal capital.

(a) Belgian resident individuals

For Belgian resident individuals who acquire and hold the Shares as a private investment, the Belgian withholding tax generally constitutes the final tax in Belgium on dividend income and the dividend need not be reported in the annual income tax return.

If a Belgian resident individual nevertheless elects in such an event to report the dividend income in his or her personal income tax return, this income will be taxed at the separate rate of 25 per cent (or 15 per cent for VVPR Shares) or at the progressive personal income tax rates applicable to the taxpayer's overall declared income, whichever rate is lower. In both cases, the amount of income tax to be paid will be increased by local surcharges. If the dividends are reported, the Belgian withholding tax paid can be credited against the final income tax liability of the investor and may also be refunded to the extent that it exceeds the final income tax liability, provided that the dividend distribution does not result in a reduction in value of, or capital loss on, the Shares. This condition is not applicable if the Belgian individual can demonstrate that he has had full ownership of the Shares during an uninterrupted period of 12 months prior to the attribution of the dividends.

For Belgian resident individuals who acquire and hold the Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends must be reported by the individual and will be taxable at the individual's personal income tax rate. Withholding tax withheld at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed, and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The

latter condition is not applicable if the individual can demonstrate that he has held the full legal ownership of the Shares for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

(b) Belgian resident companies

For Belgian resident companies, the dividend withholding tax does not fully discharge the corporate income tax liability. The gross dividend income (including the withholding tax) must be reported and will be subject to a corporate income tax rate of 33.99 per cent, unless the reduced corporate income tax rates for SMEs apply.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable: (a) if the company can demonstrate that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment of or attribution on the dividends or (b) if, during that period, the Shares never belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

No withholding tax will be due on dividends paid to a resident company if at the time of the payment or distribution of the dividend, the resident company owns at least 10 per cent of the share capital of the Issuer for an uninterrupted period of at least one year and subject to certain formalities. If the investor holds the Shares for less than one year at the time the dividends are paid on or attributed to the Shares, the Issuer must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Issuer or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Issuer's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be refunded to the investor.

Belgian resident companies can generally deduct up to 95 per cent of the gross dividend received from the taxable income ("dividend received deduction"), provided that at the time of a dividend payment or attribution: (1) the Belgian resident company holds Shares representing at least 10 per cent of the share capital of the Issuer or a participation in the Issuer with an acquisition value of at least EUR 2,500,000; (2) the Shares in the company qualify and are recorded as "fixed financial assets" under Belgian GAAP; (3) the Shares have been held or will be held in full ownership for an uninterrupted period of at least one year; and (4) the conditions relating to the taxation of the underlying distributed income, as described in article 203 of the Belgian Income Tax Code are met (together the "Conditions for the application of the dividend received deduction regime").

The conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

(c) Other taxable legal entities

For taxpayers subject to the Belgian income tax on legal entities, the Belgian dividend withholding tax, in principle, fully discharges its income tax liability.

(d) Belgian non-residents

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment.

If the Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable non-resident individual or corporate income tax rate, as appropriate. Withholding tax levied at source may be credited against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if (1) the non-resident individual or the non-resident company can demonstrate that the Shares were held in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (2) with regard to non-resident companies only, if, during the relevant period, the Shares have not belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

For non-resident companies whose Shares are invested in a fixed base in Belgium or Belgian permanent establishment the dividend received deduction will apply on the same conditions as apply for Belgian resident companies.

(e) Belgian withholding tax relief

Under Belgian tax law, withholding tax is not due on dividends paid to a non-resident organisation that is not engaged in any business or other profit making activity and that is exempt from income taxes in its country of residence, provided that it is not contractually bound to redistribute the dividends to any beneficial owner of such dividends for whom it is required to manage the Shares. The exemption will only apply if the organisation provides a certificate confirming that it is a qualifying entity, that it is the full legal owner or usufruct holder of the Shares and that it has no contractual redistribution obligations. The organisation must then forward that certificate to the Issuer or its paying agent.

Dividends distributed to non-resident companies that (i) are either established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty, where that treaty or any other treaty concluded between Belgium and that jurisdiction includes a qualifying exchange of information clause; and (ii) qualify as a parent company, will be exempt from Belgian withholding tax provided that the Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10 per cent of the Issuer's share capital and are held or will be held during an

uninterrupted period of at least one year. A company qualifies as a parent company if: (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EC), as amended, or, for companies established in a country with which Belgium has concluded a double tax treaty and where that treaty or any other treaty concluded between Belgium and that country includes a qualifying exchange of information clause, it has a legal form similar to the ones listed in such annex, (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Issuer or its paying agent with a certificate confirming its qualifying status and the fact that it satisfies the required conditions. If the investor holds the Shares for less than one year, at the time the dividends are paid on or attributed to the Shares, the Issuer must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Issuer or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Issuer's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be paid to the investor.

Belgium has concluded tax treaties with more than 95 countries, reducing the dividend withholding tax rate to 15, 10, 5 or 0 per cent for residents of those countries, depending on conditions, among others, relating to the size of the shareholding and certain identification formalities.

Prospective holders should consult their own tax advisors as to whether they qualify for reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for claiming reimbursement.

3.10.2 Capital gains and losses

(a) Belgian resident individuals

Belgian resident individuals acquiring the Shares as a private investment should not be subject to Belgian capital gains tax on the disposal of the Shares and capital losses are not tax deductible.

However, capital gains realised by a private individual are taxable at 33 per cent (plus local surcharges) if the capital gain is deemed to be realised outside the scope of the normal management of the individual's private estate.

Capital gains realised by Belgian resident individuals on the disposal of the Shares for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign state (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5 per cent (plus local surcharges) if, at any time during the five years

preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Issuer (i.e., a shareholding of more than 25 per cent in the Issuer). This rule does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the European Economic Area (EEA).

(b) Belgian resident companies

Belgian resident companies are normally not subject to Belgian capital gains taxation on gains realised upon the disposal of the Shares provided that the conditions relating to the taxation of the underlying distributed income in the framework of the dividend received deduction, as described in article 203 of the Belgian Income Tax Code are satisfied. Capital losses are, in principle, not tax deductible.

(c) Other taxable legal entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of the Shares, except in the case of the transfer of a substantial shareholding to an entity established outside the EEA (see the sub-section regarding Belgian resident individuals above).

Capital losses on Shares incurred by Belgian resident legal entities are not tax deductible.

(d) Belgian non-residents

(I) Non-resident individuals

Capital gains realised on the Shares by a non-resident individual that has not acquired the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment are generally not subject to taxation, unless the gain is deemed to be realised outside the scope of the normal management of the individual's private estate and the capital gain is obtained or received in Belgium. In such an event the gain is subject to a final professional withholding tax of 30.28 per cent. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

Capital gains will be taxable at the ordinary progressive income tax rates and capital losses will be tax deductible, if those gains or losses are realised on Shares by a non-resident individual that holds Shares in connection with a business conducted in Belgium through a fixed base in Belgium.

Capital gains realised by non-resident individuals on the transfer of a substantial shareholding to an entity established outside the EEA are generally subject to the same regime as Belgian resident individuals. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

(II) Non-resident companies or entities

Capital gains realised on the Shares by non-resident companies or non-resident entities that have not acquired the Shares in connection with a business conducted

in Belgium through a Belgian permanent establishment are generally not subject to taxation and losses are not tax deductible.

Capital gains realised by non-resident companies or other non-resident entities that hold the Shares in connection with a business conducted in Belgium through a Belgian permanent establishment are generally subject to the same regime as Belgian resident companies.

3.10.3 Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration of existing Shares (secondary market) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions of 0.17 per cent of the purchase price, capped at EUR 500 per transaction and per party. Upon the issue of new Shares (primary market), no tax on stock exchange transactions is due.

No tax on stock exchange transactions is due by (1) professional intermediaries described in Article 2, 9° and 10° of the Belgian Law of 2 August 2002 where they act their own account, (2) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975 acting on their own account, (3) professional retirement institutions referred to in Article 2, 1° of the Belgian Law of 27 October 2006 concerning the supervision of institutions for occupational pension acting on their own account and (4) collective investment institutions acting for their own account.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, existing Shares in Belgium (secondary market) on their own behalf through a professional intermediary may be exempt from the tax on stock exchange transactions if they deliver a sworn affidavit to the intermediary confirming their non-resident status.

3.10.4 VVPR Strips

The New Shares meet the conditions for entitlement to a reduced withholding tax rate of 15 per cent and can therefore benefit from the reduced withholding tax regime. They will be issued with VVPR strips.

The coupons representing the right to dividends taxed at the normal withholding tax rate of 25 per cent are attached to each New Share. The New Shares will, additionally, be accompanied by a second sheet of coupons, entitling their holders to benefit from dividends carrying a reduced withholding tax rate of 15 per cent. The coupons in this second sheet should carry the same serial numbers as the ordinary coupons and should mention in French “strips-PR” or, in Dutch “strips-VV” (together “VVPR Strips”). The VVPR Strips will be listed on the regulated market of Euronext Brussels and can be traded separately. Payment of withholding tax at the reduced 15 per cent rate is possible only if two coupons carrying the same number are handed over to the Issuer or one of its paying agents before the end of the third year starting on 1 January of the year during which the dividend is declared.

(a) Capital gains and losses on the Strips

Belgian resident individuals and non-residents holding VVPR Strips as a private investment are generally not subject to Belgian capital gains tax on the disposal of the VVPR Strips, unless the gain is deemed to be realised outside the scope of the normal management of the individual's private estate. Capital losses are generally not tax deductible.

Any capital gains realised on VVPR Strips by Belgian resident individuals who hold the VVPR Strips for professional purposes, or by non-Belgian resident investors who have acquired them in the framework of a professional activity undertaken in Belgium through a fixed base or a Belgian permanent establishment are taxable as ordinary income and any capital losses on the VVPR Strips are tax deductible.

The capital gains realised by Belgian resident companies will be taxable while the capital losses will, in principle, be tax deductible.

The capital gains realised on VVPR Strips by Belgian resident legal entities subject to the legal entities tax will not be taxable while the capital losses will, in principle, not be tax deductible.

(b) Tax on stock exchange transactions

The rules regarding the tax on stock exchange transactions apply equally to the VVPR Strips.

3.10.5 Unexercised Rights Payment and sale of the Preferential Rights prior to the closing of the Rights Subscription Period

The Unexercised Rights Payment should not be subject to Belgian withholding tax.

The Unexercised Rights Payment will, in principle, not be taxable in the hands of Belgian resident or non-resident individuals except for resident individuals who hold the Preferential Rights for professional purposes or for non-resident individuals who hold the Preferential Rights for a business conducted in Belgium through a fixed base. In these cases, the gains realised upon the receipt of the Unexercised Rights Payment will be taxed at the progressive income tax rates, increased by local surcharges.

The gain realised upon the receipt of the Unexercised Rights Payment will be taxable at the ordinary corporate tax rate for Belgian resident companies. Non-resident companies holding the Preferential Rights through a Belgian permanent establishment will also be taxed at the ordinary non-resident income tax rate on the gain realised upon the receipt of the Unexercised Rights Payment.

Legal entities subject to Belgian tax on legal entities are not subject to tax on the Unexercised Rights Payment.

The same Belgian tax analysis applies to gains realised upon the sale of the Preferential Rights prior to the closing of the Rights Subscription Period. For professional investors, losses realised on the Preferential Rights are, in principle, deductible.

The rules regarding the tax on stock exchange transactions equally apply to the Unexercised Rights Payment and to the sale of the Preferential Rights prior to the closing of the Rights Subscription Period.

4 Information on the Offering

4.1 Reasons for the Offering and the use of proceeds

Notwithstanding a deep economic crisis, the performance of Agfa-Gevaert has significantly improved over the last two years. Due to the improved efficiency of its operations and the strong reduction of our selling and general administration expenses, the Group has been able to improve its profitability even in a very adverse market environment. At the same time, better control of working capital and capex has allowed to strongly reduce the Group's net debt.

The board of directors and the executive management are now clearly focused on the future and on the challenges ahead.

One of the main challenges is to return to top line growth. In nearly all of its businesses, the Group has a strong market position. However, a number of the Group's traditional film markets are declining. The new businesses – which were developed or acquired in the past years – have not yet been able to fully compensate for this decline. Therefore, the Group has to look for new opportunities to exploit its strong market presence. In its two main fields of activity – Agfa Graphics and Agfa HealthCare – the Group expects further changes in the competitive environment.

The economic crisis has destabilised a number of players in the graphics market. This will certainly lead to further consolidation. The acquisition of most of the assets of Gandi Innovations and Harold M. Pitman Company has demonstrated that the Group is ready to take advantage of such opportunities.

Agfa HealthCare has a strong presence in a large part of the hospitals in the world and it has to feed its direct and indirect distribution channels with new products. Through the acquisition of Insight Agents, Agfa HealthCare has added an important consumable, contrast media, to its portfolio. The Group expects that more opportunities will arise in the future.

In many of its businesses the Group also sees significant opportunities for growth in the developing world: Asia, Latin America, Africa and the Middle East. For Agfa Graphics, these areas already represent one third of total turnover and the same trend exists for Agfa HealthCare. The recent creation of the Agfa Graphics Asia joint venture in China is only just one step in the Group's efforts to further reinforce the Group's presence in these areas of the world.

During the last year, the acquisition investments have been small or medium size. The Group has been able to fully finance all acquisitions using its existing financial resources.

At present, the Group's two main sources of financing are the revolving credit with a consortium of banks which terminates in July 2012 and the EUR 200 million bond (of which already EUR 5 million has been redeemed) which matures in June 2015.

As far as the renewal of the revolving credit is concerned, the Group is working on a larger diversification of its sources of financing.

In view of the before mentioned external opportunities, and in order to realise the wider diversification of sources of financing, the Group is looking for a capital increase under the form of a rights issue which reinforces at the same time the Group's balance sheet. The proceeds of the Offering will not be used for the payment of pension obligations. After the Offering, the net proceeds of the Offering will be used to repay the drawn amount under the existing credit facility. As a result, the undrawn amount will increase and remain available in order to fund the Group's growth.

In general, this operation will offer the board of directors the possibility to exploit opportunities or to immediately face challenges in order to give a permanent boost to further develop the Group.

4.2 Key information

4.2.1 Working capital statement

The Issuer is of the opinion that its working capital is sufficient to cover working capital requirements in the period of 12 months following the date of this Prospectus.

4.2.2 Capitalisation and indebtedness

The information below on capitalisation and indebtedness should be read in combination with the financial information in chapter 9 and the operating and financial review in chapter 10.

(a) Equity capital on 31 August 2010

Total Equity – Excluding Retained Earnings*	31 August 2010	Movements	30 June 2010
		<i>(in millions of EUR)</i>	
Share Capital	140		140
Share Premium	109		109
Reserves:			
Reserve for own shares.....	(296)		(296)
Share based payment reserve	12		12
Revaluation reserve	0		0
Hedging reserve	(2)	(1)	(1)
Translation differences	13	(20)	33
Minority interest	3		3
Total Equity, excluding retained earnings	(21)	(21)	0
Retained Earnings			877
Total Equity			877

* Retained earnings as per 31 August 2010 are not included in the capitalisation table as this is not required following the CESR's recommendation (par 127) for the consistent implementation of the European Commission's regulations on prospectuses (n°809/2004). The movement in retained earnings from 30 June 2010 to 31 August 2010 is only impacted by the result for the 2 months from 1 July until 31 August 2010.

(b) Net financial debt on 31 August 2010

	<i>(in millions of EUR)</i>
Net Financial debt	
Debentures	195
Revolving multi-currency credit facility, unsecured and unguaranteed.....	338
Liabilities to banks, unsecured and unguaranteed	14
Total financial debt	547
Cash and cash equivalents	131
Net financial debt	416

The debentures and revolving multi-currency credit facility (totalling EUR 533 million) are long term liabilities while the other liabilities to banks in the amount of EUR 14 million are considered short term liabilities.

(c) Financing arrangements

(I) General Overview

The Group's principal financing arrangements are as follows:

- a bond issue, with a nominal value of EUR 200 million of which EUR 5 million has been redeemed by the Issuer in 2009;
- a revolving multi-currency credit facility with a nominal value of EUR 690 million;
- a non-recourse securitisation programme in respect of the trade receivables of the graphics business and a non-recourse securitisation programme in respect of the trade receivables of the healthcare business granting the Group a maximum funding capacity of EUR 160 million.

(II) Bond with a nominal value of EUR 200 million

In May 2005, the Issuer issued a bond with nominal value of EUR 200 million. During 2009, part of the bond (EUR 5 million) was redeemed by the Issuer. The bonds bear interest at a rate of 4.375 per cent per annum. Interest is payable annually in arrear. The bonds mature in June 2015.

The bonds are unsecured, meaning that they do not have the benefit of any pledge or security over the Group's assets. The terms of the bonds provide, however, that, if other creditors who are also holders of bonds or securities with a duration of more than one year were to be granted the benefit of security, the same security in equal rank would need to be extended to the holders of the bonds.

(III) Revolving multi-currency credit facility in an aggregate amount of EUR 690 million.

The Issuer disposes of a revolving multi-currency committed credit facility dated 8 July 2005 with a nominal value of EUR 690 million between the Issuer and Agfa-Gevaert Internationaal NV as borrowers and guarantors, BNP Paribas Fortis, HSBC France, ING Belgium NV/SA and KBC Bank NV as mandated lead arrangers, KBC Bank NV as agent and the lenders named therein.

These loan facilities are unsecured. The syndicated facility agreement contains representations, covenants and events of default which are customary for this type of agreement. These include a negative pledge clause which restricts the possibility of the Issuer to grant security interests over its assets and those of its material subsidiaries. In addition, the agreement contains a cross-default clause, as a result of which an event of default with respect to other financial indebtedness would trigger the acceleration and/or termination under the syndicated facility agreement.

The syndicated facility agreement provides for the following financial covenants which are tested semi-annually:

- a leverage ratio, measured as net financial debt to last 12-months EBITDA (before restructuring and non recurring items), which may not exceed 3.0; and
- a debt service coverage ratio, measured as the ratio of the last 12-months EBITDA (before restructuring and non recurring items) to net interest expenses, which may not be less than 5.0.

The syndicated facility agreement matures on 6 July 2012. If a third party would gain control over the Issuer, the lenders would have the ability to require a termination and repayment of the syndicated facility agreement prior to its maturity.

Interest under the syndicated facility agreement is payable at the end of each interest period, which can be one, two, three or six months, or such other period agreed between the Issuer and the lenders. Interest payable under the syndicated facility agreement is equal to EURIBOR plus a margin which depends on the applicable leverage ratio and mandatory costs, if any.

As at 31 August 2010, EUR 338 million was drawn under the syndicated facility agreement and the applicable margin was 35 base points above EURIBOR.

(IV) Securitisation programme with a nominal value of EUR 160 million

In the course of 2009, the Group entered into two non-recourse securitisation programmes in respect of its trade receivables: one for the Agfa Graphics business and another for the Agfa HealthCare business. As part of these programmes, the Group entered into various agreements with a consortium of three banks, comprised of ING Belgium NV/SA, KBC Bank NV and Dexia Bank Belgium NV/SA.

Under the securitisation programmes, the Group disposes of a maximum funding capacity of EUR 160 million, depending on certain receivables eligibility criteria. As at 31 August 2010, EUR 37 million was drawn under the programmes. The programmes are of a revolving nature, enabling Agfa Graphics and Agfa HealthCare to sell trade receivables on a daily basis. Receivables sold under the programmes qualify as true sale for accounting purposes. The original term of the programmes runs until June 2011. The interest rate payable under the programmes is equal to EURIBOR plus a margin of 2.35%, in case of EUR, and LIBOR plus a margin of 2.50%, in case of GBP. The Group bears certain fees under the securitisation programmes (administration fee, programme availability fee, programme maintenance fee, servicing fee and back-up servicing fee).

The various agreements concluded for each of the securitisation programmes comprise a receivables purchase agreement, a servicing agreement and certain agreements in relation to the funding. Receivables sold under the programmes have the benefit of a credit insurance provided by Coface.

4.3 Interest of natural and legal persons

The Joint Bookrunners entered into an Underwriting Agreement with the Issuer on 19 October 2010.

Furthermore, the Joint Bookrunners (or their affiliates including companies belonging to the same group of which the Joint Bookrunners form part) have provided, and will in the future provide, various banking services to the Group or the Issuer. In that respect reference is made to section 4.2.2.

Bank	Committed amount under loans	Principal amount outstanding on 31 August 2010
<i>(in millions of EUR)</i>		
BNP Paribas Fortis	170	83.21
HSBC	100	48.95
ING	100	48.95
KBC Bank.....	100	48.95
Total	470	230.05

As stated in the section on the reasons for the Offering, the net proceeds of the Offering will be used to repay the drawn amount under the existing credit facility granted by the banking syndicate (which includes the Joint Bookrunners (or their affiliates)), pro rata their respective funding commitments.

4.4 Decisions of the Issuer

4.4.1 Decisions with regard to the Offering

The extraordinary shareholders' meeting of the Issuer has granted the authorisation to the board of directors to increase the issued capital in one or several times with an amount up to EUR 140,000,000, allowing the board of directors to issue up to 128,794,848 Shares. This authorisation is granted for a term of five years commencing from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Belgisch Staatsblad — Moniteur belge*) on 7 June 2010, i.e. until 6 June 2015.

On 18 October 2010 the board of directors has within the framework of the authorised capital decided to increase the capital of the Issuer with preferential subscription right for the Existing Shareholders. The decision to increase the share capital was made subject to the condition precedent that the Underwriting Agreement would not be terminated in accordance with its terms.

On 19 October 2010, the Issuer determined the Issue Price in consultation with the Joint Bookrunners, as well as the effective number of New Shares to be offered, the Ratio and the Rights Subscription Period as set out in this Prospectus.

4.4.2 Standstill and decision with regard to treasury Shares

Pursuant to the Underwriting Agreement, from the date of the Underwriting Agreement until 180 days from the Closing date of the Offering, the Issuer may not, except with the prior written consent of the Global Coordinator (acting on behalf of all Joint Bookrunners), (i) issue or sell, or attempt to dispose of, or solicit any offer to buy any Shares, warrants or other securities or grant any options, convertible securities or other rights to subscribe for or purchase Shares or enter into any contract (including derivative transactions) or commitment with a similar effect

or (ii) purchase any of its securities or otherwise reduce its share capital with repayment to the Shareholders, except within the framework of employee incentive plans in line with past practice.

The Issuer will sell all Preferential Rights in respect of the 4,099,852 treasury Shares it currently holds.

4.5 Terms and conditions of the Offering

4.5.1 Conditions governing the Offering

(a) Preferential Rights

Existing Shareholders and the other investors holding Preferential Rights can subscribe to the New Shares in the ratio of 1 New Share for 3 Preferential Rights held in possession.

(b) VVPR Strips

All New Shares will be accompanied by one VVPR Strip which enables their holders, subject to certain conditions, to benefit from a reduced Belgian withholding tax rate. The VVPR Strips will be traded on the regulated market of Euronext Brussels.

(c) Revocation or suspension of the Offering

The Issuer has a right to proceed with a capital increase in a reduced amount. The actual number of the New Shares subscribed for will be confirmed in the Belgian Financial Press.

The Issuer reserves the right to revoke or suspend the Rights Offering, upon the occurrence after the beginning of the Rights Subscription Period of an event allowing the Joint Bookrunners to terminate the Underwriting Agreement (see under Section 4.7 “Placing and underwriting”), subject to the condition that the effect of any such event is likely to significantly and adversely affect the success of the Rights Offering or the dealings in the New Shares in the secondary markets.

If the Issuer decides to revoke or suspend the Rights Offering, a press release will be published and, to the extent such event would legally require the Issuer to publish an addendum to the Prospectus, an addendum will be published.

4.5.2 Amount of the capital increase

The total amount of the capital increase (including issue premium) will be EUR 148,221,522.

4.5.3 Issue Price and Ratio

The Issue Price is EUR 3.45 per New Share.

The holders of Preferential Rights can subscribe to the New Shares in the Ratio of 1 New Share for 3 Preferential Rights held in possession.

4.5.4 Subscription periods and procedure

(a) Rights Offering

The Rights Offering shall be open from 21 October 2010 up to and including 4 November 2010 *i.e.* the Rights Subscription Period.

Subject to restrictions under applicable securities laws, the holders of Preferential Rights will have an irreducible right to subscribe to the New Shares in the ratio of 1 New Share for 3 Preferential Rights held in possession.

The Preferential Rights will be represented by coupon no. 9 of the Existing Shares. The Preferential Rights will be separated from the underlying Shares on 20 October 2010 after market close on Euronext Brussels and will be negotiable during the entire Rights Subscription Period on such regulated market under the ISIN code BE0970119229.

Subject to restrictions under applicable securities laws, Existing Shareholders whose holding of Shares is registered in the shareholders' register of the Issuer, will receive, at the address indicated in the shareholders' register, a letter from the Issuer informing them of the aggregate number of Preferential Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Preferential Rights.

Subject to restrictions under applicable securities laws, Existing Shareholders whose holding of Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Preferential Rights.

Subject to restrictions under applicable securities laws (see section 2.3 and section 4.6 below), Existing Shareholders holding bearer Shares can participate in the Rights Offering by submitting their Preferential Rights, represented by bearer coupon no. 9, free of charge at the counters of BNP Paribas Fortis, KBC Bank and ING or at the counters of any other financial intermediary in Belgium, it being understood that such other financial intermediaries shall subsequently transmit the coupons to BNP Paribas Fortis. On submitting the coupons, they may be requested to open a securities account, and, as the case may be, a cash account. The Shareholders are requested to inform themselves about any costs charged by these financial intermediaries which they will need to bear.

During the Rights Subscription Period, Existing Shareholders and other persons who have acquired Preferential Rights, who do not hold the exact number of Preferential Rights to subscribe to a round number of New Shares, may elect either to purchase the missing Preferential Rights in order to subscribe to an additional New Share or to sell their extra Preferential Rights, or elect not to do anything in attendance of the receipt of the Unexercised Rights Payment (if any).

Preferential Rights can no longer be exercised or traded after 4 November 2010, the Closing date of the Rights Offering.

An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about 5 November 2010.

(b) Scrips Private Placement

The Preferential Rights that are not exercised at the Closing date of the Rights Offering will be converted into an equal number of Scrips.

After the Rights Subscription Period has ended, the Scrips will be sold in a private placement. Through such a procedure, a book of demand will be built to find a single market price for the Scrips. Investors who acquire Scrips enter into an irrevocable

commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issue Price and in accordance with the Ratio.

The Scrips Private Placement is expected to last for one day and is expected to take place on 8 November 2010.

The Scrips Private Placement will only take place if not all of the Preferential Rights have been exercised during the Rights Subscription Period. Neither the Issuer nor the Joint Bookrunners nor any other person procuring a sale of the Scrips will be responsible for any lack of Net Scrips Proceeds arising from the sale of the Scrips in the Scrips Private Placement.

The net proceeds from the sale, after deducting all reasonable expenses, charges and all forms of expenditure which the Issuer has to incur for the sale of the Scrips (such an amount, the “Net Scrips Proceeds”), will be divided proportionally between all holders of Preferential Rights who have not exercised their Preferential Rights during the Rights Subscription Period (rounded down to a whole eurocent per unexercised Preferential Right). The Net Scrips Proceeds will be made available to the Existing Shareholders upon presentation of coupon no. 9. Please consult your financial intermediary if you have any questions concerning this payment. There is, however, no assurance that any or all Scrips will be sold during the Scrips Private Placement or that there will be any Net Scrips Proceeds.

If the Issuer announces that Net Scrips Proceeds are available for distribution to holders of unexercised Preferential Rights and such holders have not received payment thereof within a reasonable time following the closing of the Scrips offering, such holders should contact their financial intermediary, except for registered Shareholders who should contact the Issuer.

The results of the subscription with Preferential Rights and with Scrips, the results of the sale of Scrips and the amount due to holders of unexercised Preferential Rights will be published on or about 9 November 2010 via an official advertisement in the Belgian Financial Press. Such advertisement shall be considered as a supplement to this Prospectus insofar as this Prospectus is to be considered as a prospectus for the admission to trading of the New Shares.

(c) Rules for subscription

Subscription requests and the necessary coupons no. 9 representing the Preferential Rights can be submitted free of charge during the Rights Subscription Period at the counters of BNP Paribas Fortis, KBC Bank and ING or of any other financial intermediary in Belgium, it being understood that such other financial intermediaries shall subsequently transmit the coupons to BNP Paribas Fortis. When submitting bearer coupons, the holder of the Preferential Right may be requested to open a securities account and, as the case may be, a cash account. The Shareholders are requested to inform themselves about the costs charged by these other financial intermediaries which they will need to bear.

Subject to the Ratio, there is no minimum or maximum amount that may be subscribed to pursuant to the Offering.

Investors should be aware that all Shares they have subscribed to will be fully allocated to them. All subscriptions are binding and may not be revoked except as described in section 4.5.6 below.

Subscriptions via the exercise of Preferential Rights cannot be reduced.

4.5.5 Shares held by the Issuer

The Issuer will sell all Preferential Rights in respect of the 4,099,852 treasury Shares it currently holds.

4.5.6 Supplement to the Prospectus

The Issuer will update the information provided in this Prospectus by means of a supplement hereto in the event of important new developments, material errors or inaccuracies that could affect the assessment of the Shares, and which occurs prior to the Closing date of the Offering. Any prospectus supplement will be subject to approval by the CBFA and will be made available in the same manner as the Prospectus (see section 2.2) published in the Belgian Financial Press.

If a supplement to the Prospectus is published on or prior to the realisation of the capital increase in the framework of the Offering, subscribers in the Rights Offering and, as the case may be, subscribers in the Scrip Private Placement, shall have the right to withdraw their subscriptions made prior to the publication of the supplement. Such withdrawal must be done within the time limits set forth in the supplement (which shall not be shorter than two business days after publication of the supplement). If, however, a supplement to the Prospectus is published in relation to the termination of the Underwriting Agreement, subscriptions in the Rights Offering and subscriptions in the Scrips Private Placement will automatically be withdrawn.

Subscribers in the Rights Offering or in the Scrip Private Placement withdrawing their subscription after the close of the Scrips Private Placement shall nevertheless be deemed to have exercised their Preferential Rights or Scrips and, accordingly, will not share in the Net Scrips Proceeds and will not be compensated in any other way, including for the purchase price (and any related cost) paid in order to acquire any Preferential Rights or Scrips.

4.5.7 Payment of funds and terms of delivery of the New Shares

The payment for the New Shares subscribed with Preferential Rights will be made by debiting the subscriber's account with value date 12 November 2010. The payment for the New Shares subscribed in the Scrips Private Placement will be made by delivery against payment.

The New Shares and VVPR Strips will be delivered in the form of dematerialised securities booked in the securities account of the subscriber, or as registered Shares recorded in the Issuer's shareholders' register.

4.5.8 Publication of the results of the Offering

An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about 5 November 2010.

The results of the subscription with Preferential Rights and with Scrips, the results of the sale of Scrips and the amount due to holders of unexercised Preferential Rights will be announced by a press release on or about 8 November 2010 and published on or about 9 November 2010 via an official advertisement in the Belgian Financial Press.

4.5.9 Dividend entitlement

The New Shares will be entitled to a share in the profits in the same way as the Existing Shares.

4.5.10 Expected timetable of the Offering

Publication in the Belgian Financial Press and in the Belgian State Gazette of the notice required by article 593 of the Companies Code	T-8	12 October 2010
Determination of the Issue Price and Ratio	T-1	19 October 2010
Separation of coupon no. 9 (representing the Preferential Right) after closing of the markets.....	T	20 October 2010
Availability to the public of the Prospectus	T+1	21 October 2010
Trading of Shares ex-Right.....	T+1	21 October 2010
Opening date of the subscription with Preferential Rights	T+1	21 October 2010
Listing of the Preferential Rights on the regulated market of Euronext Brussels	T+1	21 October 2010
Closing date of the subscription with Preferential Rights.....	T+15	4 November 2010
End of listing of the Preferential Rights on the regulated market of Euronext Brussels.....	T+15	4 November 2010
Announcement via press release of the results of the Rights Offering.....	T+16	5 November 2010
Accelerated private placement of the Scrips	T+19	8 November 2010
Pricing and allocation of the Scrips	T+19	8 November 2010
Announcement via press release of the results of the Scrips Private Placement	T+19	8 November 2010
Publication in the Belgian Financial Press of the results of the Offering and of the amount due to holders of unexercised Preferential Rights	T+20	9 November 2010
Payment of the Issue Price by or on behalf of the subscribers	T+23	12 November 2010
Realisation of the capital increase.....	T+23	12 November 2010
Delivery of the New Shares with VVPR Strips to the subscribers	T+23	12 November 2010
Listing of the New Shares and of the VVPR Strips on the regulated market of Euronext Brussels	T+23	12 November 2010
	as of	as of
Payment to holders of unexercised Preferential Rights	T+26	15 November 2010

The Issuer may amend the dates and times of the share capital increase and periods indicated in the above timetable and throughout the Prospectus. If the Issuer decides to amend such dates, times or periods, it will notify Euronext Brussels and inform investors through publication in the Belgian Financial Press. Any material alterations to this Prospectus will be published in a press release and an advertisement in the Belgian Financial Press by way of a supplement to this Prospectus in accordance with section 4.5.6.

4.6 Plan for the distribution and allocation of securities

4.6.1 Categories of potential investors

The Rights Offering will only be open to the public in Belgium.

The Rights Offering is made on the basis of Preferential Rights. The Preferential Rights are allocated to all Existing Shareholders of the Issuer.

Subject to the applicable securities regulations, the following categories of investors are able to subscribe to the New Shares: (i) the initial holders of Preferential Rights; (ii) persons outside the United States who have acquired Preferential Rights on Euronext Brussels during the Rights Subscription Period; and (iii) investors who have acquired Scrips in the context of the Scrips Private Placement. In the United States, Preferential Rights may be exercised only by Existing Shareholders who are QIBs that execute and deliver an investor representation letter that is satisfactory to the Issuer and the Global Coordinator.

The Preferential Rights are granted to all Existing Shareholders and may only be exercised by Shareholders who can lawfully do so under any law applicable to those Shareholders. The New Shares to be issued upon the exercise of Preferential Rights are being offered only to holders of Preferential Rights to whom such offer can be lawfully made under any law applicable to those holders. The Issuer has taken all necessary action to ensure that Preferential Rights, and New Shares to be issued upon the exercise of Preferential Rights, may be lawfully exercised and offered to the public (including Existing Shareholders and holders of Preferential Rights) in Belgium. The Issuer has not taken any action to permit any offering of Preferential Rights or New Shares to be issued upon the exercise of Preferential Rights (including a public offering to Existing Shareholders or holders of Preferential Rights) in any other jurisdiction.

The Scrips Private Placement will only take place by way of an exempt private placement in Belgium and the other countries of the European Economic Area.

The distribution of this Prospectus, the acceptance, sale, purchase or exercise of Preferential Rights, the purchase and the exercise of Scrips and the subscription for and acquisition of New Shares may, under the laws of certain countries other than Belgium, be governed by specific regulations. Individuals in possession of this Prospectus, or considering the acceptance, sale, purchase or exercise of Preferential Rights, the purchase or exercise of Scrips or the subscription for, or acquisition of, New Shares, must inquire about those regulations and about possible restrictions resulting from them, and comply with those restrictions. Intermediaries cannot permit the acceptance, sale or exercise of Preferential Rights, the purchase or exercise of Scrips or the subscription for, or acquisition of, New Shares, for clients whose addresses are in a country where such restrictions apply.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Preferential Rights, the Scrips and New Shares to which they relate or an offer to sell or the solicitation of an offer to buy Preferential Rights, Scrips or New Shares in any circumstances in which such offer or solicitation is unlawful.

4.6.2 Pre-allocation information

Not applicable.

4.6.3 Over-allocation and “green shoe”

Not applicable.

4.7 Placing and underwriting

On 19 October 2010, the Issuer and the Joint Bookrunners have entered into an Underwriting Agreement.

Under the terms of this Agreement each of the Joint Bookrunners, severally but not jointly, agree to underwrite the Offering by procuring subscribers and payment for all Scrips offered in the Scrips Private Placement or (if unable to procure subscribers for all such Scrips) by subscribing and paying for any New Shares not taken up in the Offering. For the avoidance of doubt, the Joint Bookrunners' commitment does not extend to any Scrips that would remain unsold at the end of the Scrips Private Placement. The Joint Bookrunners shall not purchase the unsold Scrips, but will, to the extent that any Scrips remain unsold at the end of the Scrip Private Placement, directly subscribe and pay for the New Shares to which such Scrips relate.

Each of the Joint Bookrunners has undertaken to underwrite an amount as follows:

Joint Bookrunner	Underwriting commitment
	(%)
BNP Paribas Fortis.....	31.5%
HSBC.....	31.5%
ING.....	18.5%
KBC Securities	18.5%

The Underwriting Agreement entitles the Joint Bookrunners to terminate the Underwriting Agreement on or before the Closing date of the Offering by the Global Coordinator (acting on behalf of all Underwriters) giving a termination notice to the Issuer if one of the following events occurs:

- any of the conditions to the Underwriting Agreement (except to the extent waived by the Global Coordinator (acting on behalf of the Underwriters)) is not satisfied on the Closing Date or ceases to be satisfied before the Closing Date (including, for the avoidance of doubt, if there is a material adverse change or prospective material adverse change in or affecting the market for, or the value of, the Shares, the condition (financial, operational, legal or otherwise), senior management, financial position, prospects, results of operations, business of the Group or the ability of the Group to perform its obligations under the Underwriting Agreement or to consummate the transactions contemplated in the Prospectus);
- the Issuer fails to comply with any of its obligations under the Underwriting Agreement which fail to be performed before the Closing Date;
- one or more Underwriters fails to comply with its/their underwriting commitment to subscribe to the New Shares for an aggregate amount equal to EUR 148,221,522 in accordance with the terms and conditions of the Underwriting Agreement;
- there is a breach or reasonably alleged breach of any of the warranties given by the Issuer under the Underwriting Agreement or an event occurs which, if those warranties were repeated immediately after that event, would make any of those warranties untrue, incorrect or misleading (including, for the avoidance of doubt, if any statement in the Prospectus has become or been discovered to be untrue, inaccurate or misleading) unless the fact or event underlying the breach or reasonably alleged breach is remedied before the Closing Date without

adversely affecting the placement of the New Shares within the framework of the Rights Offering;

- trading in any securities of the Issuer has been suspended or limited by Euronext Brussels or if trading generally on the New York Stock Exchange, the London Stock Exchange or Euronext Brussels has been suspended or limited, or minimum or maximum prices for the trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of any governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, the United Kingdom or Belgium, in each case the effect of which is such as to make it, in the judgement of the Global Coordinator (acting on behalf of the Underwriters), impracticable or inadvisable to market the Preferential Subscription Rights or the New Shares or to enforce contracts for the sale of the Preferential Subscription Rights or the New Shares or which may materially and adversely affect dealings in the New Shares following the Closing Date;
- a banking moratorium has been declared by New York, the United States, the United Kingdom or Belgium authorities or the European Central Bank; or
- any outbreak or escalation of hostilities or acts of terrorism involving the United States, Belgium, any EEA Member State, any declaration of war by the United States or governmental body of an EEA Member State.

If the Underwriting Agreement is terminated in accordance with its terms, the Joint Bookrunners shall be released from their obligation to subscribe for any New Shares not taken up in the Offering. In such event, the Issuer shall (even after the Rights Subscription Period) publish a prospectus supplement that will be subject to approval by the CBFA. In case of termination of the Underwriting Agreement subscriptions in the Rights Offering and subscriptions in the Scrips Private Placement will automatically be annulled. If relevant or applicable, such supplement may contain further information on the amended structure, terms and conditions of the Offering.

The Issuer has made certain representations, warranties and undertakings to the Joint Bookrunners. In addition, the Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the Rights Offering.

4.8 Admission to trading and dealing arrangements

4.8.1 Admission to trading and listing places

The Preferential Rights (coupon no. 9) will be separated on 20 October 2010 after market close on Euronext Brussels and will be negotiable on the regulated market of Euronext Brussels under ISIN code BE0970119229 during the Rights Subscription Period, i.e. from 21 October 2010 to 4 November 2010 inclusive.

The Existing Shares will therefore be traded ex-rights as from 21 October 2010. Any sale of Shares prior to market close on Euronext Brussels on 20 October 2010 and to be settled after 20 October 2010 will be settled “cum rights”. Any Shares sold after the closing of the regulated market of Euronext Brussels on 20 October 2010 will be sold and settled “ex rights”.

A request for admission to trading on the regulated market of Euronext Brussels of the New Shares and the VVPR Strips has been submitted. The admission is expected to take place on 12 November 2010.

The New Shares and the VVPR Strips will be listed under ISIN code BE0003755692, trading symbol AGFB and ISIN code BE0005638128, trading symbol AGFS respectively.

4.8.2 Liquidity contract and financial service

The Issuer has not entered into a contract with entities to act as intermediaries in secondary trading or providing liquidity through bid and offer rates.

4.9 Expenses incurred with the Offering

The costs related to the Offering have been estimated at EUR 4,200,000 and include, among other things, the fees due to CBFA and Euronext Brussels, the remuneration of the financial intermediaries, the costs of printing and translating the Prospectus, legal and administrative costs and publication costs. The remuneration of the Joint Bookrunners has been determined at approximately EUR 2,593,877.

The total gross proceeds of the Offering will be a maximum EUR 148,221,522.

The net proceeds of the Offering may therefore be estimated at a maximum of EUR 144 million to be increased with the proceeds of the sale of Preferential Rights attached to the 4,099,852 treasury Shares.

4.10 Dilution

There will be no dilution in terms of share capital participation and in terms of dividend rights for the Existing Shareholders of the Issuer as long as they exercise all their Preferential Rights.

The dilution for the Existing Shareholders (in percentage terms) who do not exercise any of their Preferential Rights can be calculated as follows: 25 per cent, i.e.

$$\frac{(S-s)}{S}$$

S = total amount of Shares after the capital increase, i.e. 171,851,042

s = total amount of Shares before the capital increase, i.e. 128,888,282

Dilution simulations

The tables below provide a simulation of the dilutive effect in two scenarios, each assuming an Issue Price of EUR 3.45 and a Ratio of 1/3.

Shareholding before the Offering*

	(In #)	(In%)
Classic Fund Management AG	7,307,775	5.67%
UBS**	4,721,105	3.66%
JP Morgan Securities Ltd.....	3,995,315	3.10%
Blackrock Group.....	3,898,194	3.02%
Agfa-Gevaert	4,099,852	3.18%
Other	104,866,041	81.37%
Total	128,888,282	100.0%

* based on the transparency declarations as published on the Issuer's website.

** UBS AG and UBS O'Connor LLC.

Scenario 1

Existing Shareholders exercise all their Preferential Rights (incl. Preferential Rights attached to Agfa-Gevaert treasury Shares sold to and exercised by other parties).

Shareholder	After capital increase	
	<i>(in #)</i>	<i>(in%)</i>
Classic Fund Management AG	9,743,700	5.67%
UBS	6,294,806	3.66%
JP Morgan Securities Ltd.....	5,327,087	3.10%
Blackrock Group.....	5,197,592	3.02%
Agfa-Gevaert	5,466,469	3.18%
Joint Bookrunners	0	0.0%
Other	139,821,388	81.37%
Total	171,851,042	100.0%

Scenario 2

Existing Shareholders exercise no Preferential Rights.

Shareholder	After capital increase	
	<i>(in #)</i>	<i>(in%)</i>
Classic Fund Management AG	7,307,775	4.25%
UBS	4,721,105	2.75%
JP Morgan Securities Ltd.....	3,995,315	2.32%
Blackrock Group.....	3,898,194	2.27%
Agfa-Gevaert	4,099,852	2.39%
Joint Bookrunners	42,962,760	25%
Other	104,866,041	61.02%
Total	171,851,042	100.0%

5 Information about Agfa-Gevaert

This section summarises the corporate profile, the structure and the share capital of the Issuer and is partially based on the Issuer's articles of association. The description provided hereinafter is a summary only and does not purport to give a complete overview of the Issuer's articles of association, nor of the relevant provisions of Belgian law, nor should it be considered as legal advice regarding these matters.

5.1 Corporate purpose

The corporate purpose of the Issuer is the manufacture and sale of products and the provision of services in the field of photochemical and digital forming, recording, processing, display and reproduction of images, texts and drawings.

The Issuer will be able to carry out all industrial, commercial and financial operations which have any direct or indirect connection with the above-described purpose.

It may pursue its purpose, either directly in its own hand or indirectly through participation in other companies or enterprises, or through the purchase, incorporation, inscription, merger, money lending or any other form of industrial, commercial or financial interest, provided such companies and enterprises have a purpose that corresponds to its own purpose, as described above, or presents any direct or indirect connection therewith or which is likely to promote, facilitate or hasten the achievement of its own purpose.

5.2 Corporate profile

5.2.1 Corporate name

The Issuer's legal name is Agfa-Gevaert.

5.2.2 Registered Office

The Issuer's registered office is located at Septestraat 27, 2640 Mortsel, Belgium. The Issuer's place of business is also at Mortsel. Telephone: +32(0)3/444.21.11. The publicly available documents related to the Issuer and quoted in this Prospectus can be reviewed or obtained at its registered office.

The board of directors is authorised to move the registered office to any other place within Belgium within the borders of the Flemish region or the Brussels-Capital Region. The transfer of the registered office will be made public by the board of directors in the Annexes to the Belgian Official Gazette.

The Issuer may also by resolution of the board of directors set up branches and company offices, affiliates, subsidiaries, agencies, depots and representations in Belgium and abroad.

5.2.3 Incorporation, amendment to the articles of association and term

The Issuer was founded in 1964 as "Gevaert-Agfa". It is established for an indefinite period of time.

The articles of association have been amended on numerous occasions and most recently by the extraordinary general shareholders' meeting of the Issuer held on 21 May 2010, published in the Annexes to the Belgian Official Gazette ("*Belgisch Staatsblad*" / "*Moniteur Belge*") under number 10081165 dated 7 June 2010.

The articles of association are available for inspection at the Issuer's registered office and the Issuer's website: www.agfa.com.

5.2.4 Register of Legal Entities

The Issuer is registered with the Register of Legal Entities of Antwerp under enterprise number 0404.021.727.

5.2.5 Legal Form

The Issuer (Agfa-Gevaert) is a "*naamloze vennootschap/société anonyme*", a public company with limited liability organised and existing under the laws of Belgium. It has the capacity of a corporation that solicits public funds.

5.2.6 Financial year

The financial year of the Issuer runs from 1 January through 31 December.

5.3 Group Structure

Listed below are the Issuer's subsidiaries and the companies in which the Group has a stake.

Subsidiaries (held directly or indirectly by the Issuer)

Name of the company	Location	Ownership interest%
Agfa (Pty.) Ltd.	Isando, Rep. of South Africa	100
Agfa (Wuxi) Imaging Co., Ltd.	Wuxi, PR China	99.16
Agfa Argentina S.A.C.I.	Buenos Aires, Argentina	100
Agfa Corporation	Ridgefield Park, United States	100
Agfa de Mexico S.A. de C.V.	Del. Benito Juarez, Mexico	100
Agfa Finance Corp.	Wilmington, United States	100
Agfa Finance Inc.	Toronto, Canada	100
Agfa Finance Italy S.p.A.	Milan, Italy	100
Agfa Finance NV	Mortsel, Belgium	100
Agfa Finance Poland Sp.z.o.o.	Warsaw, Poland	100
Agfa Finance Pty. Ltd.	Burwood Victoria, Australia	100
Agfa Finco Holding S.à r.l.	Luxembourg, Luxembourg	100
Agfa Graphics Argentina S.A.	Buenos Aires, Argentina	100
Agfa Graphics Austria GmbH	Vienna, Austria	100
Agfa Graphics Czech Republic S.r.o.	Prague, Czech Republic	100
Agfa Graphics Germany GmbH & Co. KG	Cologne, Germany	100
Agfa Graphics Germany Verwaltungsgesellschaft mbH	Cologne, Germany	100
Agfa Graphics Ireland Ltd.	Dublin, Ireland	100
Agfa Graphics Ltd.	Leeds, United Kingdom	100
Agfa Graphics Netherlands B.V.	Amstelveen, the Netherlands	100
Agfa Graphics Norway AS	Oslo, Norway	100
Agfa Graphics NV	Mortsel, Belgium	100
Agfa Graphics Portugal, Unipessoal Lda.	Fregesia de Pago d'Arcos, Portugal	100
Agfa Graphics S.r.l.	Milano, Italy	100
Agfa Graphics Sp. z.o.o.	Warsaw, Poland	100
Agfa Graphics Switzerland AG	Dübendorf, Switzerland	99.34
Agfa HealthCare AG	Dübendorf, Switzerland	100
Agfa HealthCare AG	Trier, Germany	100
Agfa HealthCare Argentina S.A.	Buenos Aires, Argentina	100
Agfa HealthCare Australia Limited	Scoresby (Victoria), Australia	100
Agfa HealthCare Brasil Importacao e ServicosLtda.	Sao Paulo, Brazil	100
Agfa HealthCare Chile Ltda.	Santiago de Chile / Chile	100
Agfa HealthCare Colombia Ltda.	Bogota, Colombia	100
Agfa HealthCare Corporation	Greenville, United States	100
Agfa HealthCare Czech s.r.o.	Prague, Czech Republic	100

Name of the company	Location	Ownership interest%
Agfa HealthCare Denmark A/S	Holte, Denmark	100
Agfa HealthCare Enterprise Solutions S.A.	Artigues près Bordeaux, France	100
Agfa HealthCare Equipments Portugal Lda.	Oeiras, Portugal	100
Agfa HealthCare Finland Oy AB	Espoo, Finland	100
Agfa HealthCare Germany GmbH	Bonn, Germany	100
Agfa HealthCare Ges.mbH	Vienna, Austria	100
Agfa HealthCare GmbH	Bonn, Germany	100
Agfa HealthCare HELLAS A.E.B.E.	Peristeri, Greece	100
Agfa HealthCare Hong Kong	Hong Kong, PR China	100
Agfa HealthCare Hungary Kft.	Budapest, Hungary	100
Agfa HealthCare Inc.	Ontario, Canada	100
Agfa HealthCare India Private Ltd.	Thane, India	100
Agfa HealthCare International NV	Mortsel, Belgium	100
Agfa HealthCare Korea Ltd.	Seoul, South Korea	100
Agfa HealthCare Luxembourg S.A.	Bertrange, Luxembourg	100
Agfa HealthCare Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100
Agfa HealthCare Mexico S.A. de C.V.	Mexico, Mexico	100
Agfa HealthCare Norway AS	Oslo, Norway	100
Agfa HealthCare NV	Mortsel, Belgium	100
Agfa HealthCare Shanghai Ltd.	Shanghai, PR China	100
Agfa HealthCare Singapore Pte. Ltd.	Singapore	100
Agfa HealthCare Solutions LLC	Dubai, United Arab Emirates	100
Agfa HealthCare South Africa Pty. Ltd.	Isando, Rep. of South Africa	100
Agfa HealthCare Spain S.A.U.	Barcelona, Spain	100
Agfa HealthCare Sweden AB	Kista, Sweden	100
Agfa HealthCare Systems Taiwan Co. Ltd.	Taipei, Taiwan	100
Agfa HealthCare UK Limited	Brentford, United Kingdom	100
Agfa Hong Kong Ltd.	Hong Kong, PR China	51
Agfa Inc.	Toronto, Canada	100
Agfa India Private Ltd.	Thane (West), India	100
Agfa Industries Korea Ltd.	Seoul, South Korea	100
Agfa Korea Ltd.	Seoul, South Korea	100
Agfa Limited	Dublin, Ireland	100
Agfa Materials Corporation	Wilmington, United States	100
Agfa Materials GmbH	Düsseldorf, Germany	100
Agfa Materials Hong Kong Ltd.	Hong Kong, PR China	100
Agfa Materials Japan Ltd.	Tokyo, Japan	100
Agfa Materials Ltd.	Brentford, United Kingdom	100
Agfa Materials Taiwan Co. Ltd.	Taipei, Taiwan	100
Agfa Solutions SAS	Rueil-Malmaison, France	100

Name of the company	Location	Ownership interest%
Agfa Sp. z.o.o.	Warsaw, Poland	100
Agfa-Dotrix NV	Ghent, Belgium	100
Agfa-Gevaert A.E.B.E.	Athens, Greece	100
Agfa-Gevaert A/S	Birkerød, Denmark	100
Agfa-Gevaert AB	Kista, Sweden	100
Agfa-Gevaert Aktiengesellschaft für Altersversorgung	Cologne, Germany	100
Agfa-Gevaert Argentina S.A.	Buenos Aires, Argentina	100
Agfa-Gevaert B.V.	Rijswijk, the Netherlands	100
Agfa-Gevaert Colombia Ltda.	Bogota, Colombia	100
Agfa-Gevaert de Venezuela S.A.	Caracas, Venezuela	100
Agfa-Gevaert do Brasil Ltda.	Sao Paulo, Brazil	100
Agfa-Gevaert Graphic Systems GmbH	Cologne, Germany	100
Agfa-Gevaert HealthCare GmbH	Cologne, Germany	100
Agfa-Gevaert International NV	Mortsel, Belgium	100
Agfa-Gevaert Investment Fund NV	Mortsel, Belgium	100
Agfa-Gevaert Japan, Ltd.	Tokyo, Japan	100
Agfa-Gevaert Limited	Scoresby (Victoria), Australia	100
Agfa-Gevaert Limited (England)	Brentford, United Kingdom	100
Agfa-Gevaert Ltda.	Santiago De Chile, Chile	100
Agfa-Gevaert NV & Co. KG	Cologne, Germany	100
Agfa-Gevaert NZ Ltd.	Auckland, New Zealand	100
Agfa-Gevaert S.A.	Rueil-Malmaison, France	99.99
Agfa-Gevaert S.A.U.	Barcelona, Spain	100
Agfa-Gevaert SKK	Teheran, Iran	76
Agfa-Gevaert S.p.A.	Milan, Italy	100
Agfa-Gevaert Unterstützungskasse GmbH	Leverkusen, Germany	100
Agfa Imaging (Shenzhen) Co Ltd.	Shenzhen, China	100
Agfa II Acquisition Corp.	Ridgefield Park, US	100
CAWO Photochem. Werk GmbH	Schrobenhausen, Germany	100
Gandi Innovations BVBA	Mechelen, Belgium	100
Gandi Innovations FZCO	Dubai, UAE	100
Insight Agents France S.r.l.	Marcq en Baroeul, France	100
Insight Agents Ges.mbh	Vienna, Austria	100
Insight Agents GmbH	Heidelberg, Germany	100
Lastra Attrezzature S.r.l.	Manerbio, Italy	60
Luithagen NV	Mortsel, Belgium	100
Mortselse Immobiliënvennootschap NV	Mortsel, Belgium	100
New ProImage America Inc.	Ridgefield Park, United States	100
New ProImage Ltd.	Tel Aviv, Israel	100
OOO Agfa Ltd.	Moscow, Russian Federation	100

Name of the company	Location	Ownership interest%
OY Agfa-Gevaert AB	Espoo, Finland	100
Plurimetel do Brasil Ltda.	Rio de Janeiro, Brasil	100

Subsidiaries of the joint venture company Agfa Hong Kong Ltd.

Name of the company	Location	Ownership interest%
Agfa (Wuxi) Printing Plate Co., Ltd.	Wuxi, PR China	100
Agfa ASEAN Sdn. Bhd.	Petaling Jaya, Malaysia	100
Agfa Imaging (Shenzhen) Co., Ltd	Shenzhen, PR China	100
Agfa Singapore Pte. Ltd.	Singapore	100
Agfa Taiwan Co. Ltd.	Taipei, Taiwan	100
Shanghai Agfa Imaging Products Co., Ltd.	Shanghai, PR China	100

The companies in which the Group has a stake

Name of the company	Location	Ownership interest%
ADM CV	Antwerp, Belgium	12.50
Digital Illustrate Inc.	Gyeonggi-do, South Korea	20
GW KlinikManagement GmbH	Munich, Germany	50
IDOC	Brussels, Belgium	33.34
Innovatie & Incubatiecentrum	Leuven, Belgium	8.77
Medicalis Corp.	Waterloo, Canada	20.78
Medivision Medical Imaging Ltd	Yokneam Elit, Israel	15.59
PlanOrg Informatik GmbH	Jena, Germany	24.50
Sieda GmbH	Kaiserlautern, Germany	8.39
Smart Packaging Solutions SAS	Rousset, France	30
ZTG	Krefeld, Germany	6

5.4 Share capital

5.4.1 Share capital

The issued share capital amounts to EUR 140,095,959, and is represented by 128,888,282 Shares without nominal value. The capital is paid up in full.

5.4.2 Authorised share capital

The board of directors is, by resolution of the general shareholders' meeting held on 21 May 2010, granted the authority to increase the capital, in one or more steps, in the manner and on terms determined by the board.

This authority is granted for a period of five years from the date of publication of that resolution which occurred on 7 June 2010. This amount constitutes the authorised capital, to be distinguished from the previously mentioned issued capital.

5.4.3 Shareholders

(a) Overview

Based upon the latest the transparency declarations as published on the Issuer's website, the Shareholders' structure is as follows:

	Shares	Percentage
Classic Fund Management AG.....	7,307,775	5.67
JP Morgan Securities Ltd.	3,995,315	3.10
Blackrock Group	3,898,194	3.02
Agfa-Gevaert.....	4,099,852	3.18
Third parties	109,587,146	85.03
Total	128,888,282	100.00%

(b) Voting rights of Shareholders

Each Shareholder of the Issuer is entitled to one vote per Share. Shareholders may vote by proxy.

The rights and obligations attached to a Share remain with the Share in no matter whose possession it may be. The Issuer recognises only one owner for each Share.

In case several persons own a Share, the Issuer is entitled to suspend the exercising of the rights attached thereto until one person has been appointed to act as the owner of the Share in respect of the Issuer.

The heirs, assignees, or creditors of a Shareholder can under no circumstances cause the sealing of the goods and valuables of the Issuer, nor interfere in any way in its management. In order to exercise their rights they must abide by the Issuer's articles of association and by the decisions of the general shareholders' meeting.

Generally, the shareholders' meeting has sole authority with respect to:

- the approval of the annual accounts of the Issuer;
- the appointment and resignation of directors and the statutory auditor of the Issuer;

- the granting of discharge of liability to the directors and the statutory auditor;
- the determination of the remuneration of the directors and of the statutory auditor for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other re-organisations of the Issuer; and
- the approval of amendments to the articles of association.

(c) Shareholder agreement

The Issuer has no knowledge of any agreements made between Shareholders.

5.4.4 Stock options

Stock options on Existing Shares are offered to a number of employees of the Agfa-Gevaert Group. Overview:

Date of offer	Number of options outstanding per 30 June 2010	Period in which options can be exercised	Exercise price in euro
26 August 2002	534,840	Between 26 August 2005 and 27 August 2011	18.00
28 July 2003	539,724	Between 28 July 2006 and 27 July 2013	18.27
10 August 2004	445,800	Between 10 August 2007 and 10 August 2011	19.95
15 December 2004	5,000	Between 15 December 2007 and 14 December 2011	24.02
15 July 2005	434,000	Between 15 July 2008 and 15 July 2012	22.57
17 July 2006	642,500	Between 17 July 2009 and 17 July 2013	18.60

The terms of the Long Term Incentive Plan provide that in the event that a corporate action (such as a capital increase) reduces the advantages allocated to the options by the conditions of issuance or by law, the terms and conditions of the options shall be adapted by the board of directors. Hence, as a result of the Offering the board of directors intends to amend the strike price for the outstanding options and to grant additional options to the current option holders.

5.4.5 Purchase and sale of treasury Shares

In accordance with the articles of association and the Companies Code, the Issuer can only purchase and sell its own Shares by virtue of a special Shareholders' resolution approved by at least 4/5 of the votes validly cast at a general shareholders' meeting where at least 50 per cent of the share capital are present or represented.

5.4.6 Dividend policy

All Shares participate in the same manner in the Issuer's profits. Pursuant to the Companies Code, the Shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent audited annual accounts, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the Issuer's board of directors. The Issuer's articles of association also authorise the board of directors to declare interim dividends on the result of the financial year subject to the provisions of the Companies Code.

The amount of the dividend is decided by the general assembly of shareholders after a proposal of the board of directors. As a general rule, the board of directors will propose to the Shareholders to pay out a dividend equivalent to 35% to 40% of the net result.

The Issuer has not declared dividends for the financial year 2007, 2008 and 2009.

6 Management and governance

6.1 General

This section summarises the rules and principles by which the corporate governance of the Issuer is organised pursuant to Belgian company law, the Issuer's articles of association and the Issuer's corporate governance. It is based on the Issuer's articles of association and on the Issuer's corporate governance charter. The board of directors of the Issuer has adopted its corporate governance charter and will review it from time to time and make such changes as it deems necessary and appropriate. A copy of this charter is available free of charge on the Issuer's website and at the registered office of the Issuer.

The Issuer's corporate governance charter has been adopted in accordance with the recommendations set out in the Belgian Corporate Governance Code issued on 12 March 2009 by the Belgian Corporate Governance Committee (the "Corporate Governance Code"). The Corporate Governance Code is based on a "comply or explain" system: Belgian listed companies should follow the Corporate Governance Code, but may deviate from its provisions and guidelines (though not from the principles) provided they disclose the justification for such deviation.

The Issuer complies with the Corporate Governance Code.

6.2 Board practices

6.2.1 General provisions

As ultimate management body of the Issuer, the board of directors is empowered to do and perform whatever shall be necessary or useful for the achievement of the purpose of the Issuer, save to the extent of the powers reserved by law to the general meeting of shareholders (such as amendments of the corporate articles of association, capital increases otherwise than through the authorised capital, capital decreases, etc.).

While the board of directors has delegated the management of the Issuer to the CEO, whom is being supported for this task by the executive committee, the board remains solely responsible for:

- (i) the supervision of the execution of the management tasks,

- (ii) the definition of the Issuer's values, the strategy, risk appetite and key policies, including the verification that the necessary financial and human resources are in place for the Issuer to meet its objectives,
- (iii) general powers expressly allocated to the board of directors, such as
 - the powers provided in the Companies Code, e.g. the approval of the annual budget and the financial accounts, the convening of the general meetings of shareholders, the sale and purchase of own shares, the proposing of modifications to the by-laws, the setting-up of advisory committees such as the audit committee and the nomination and remuneration committee, etc.;
 - the setting of selection criteria and procedures for the appointment, dismissal and remuneration of the Chairman and the other directors;
 - the decisions on the structure, powers and duties of the executive management, including the division of responsibilities between the board and the executive management and between the Chairman and the CEO;
 - the appointment, dismissal and remuneration of the CEO and the members of the executive committee;
 - the issuance of a policy for the prevention of conflict of interests;
 - the appointment of the Company Secretary;
 - the adapting of the Issuer's governance structure to its evolving needs;
 - the maintaining of a sound system of internal control, including adequate identification and management of risks (including those relating to compliance with existing legislation and regulations);
 - the taking of all necessary measures to ensure the integrity and timely disclosure of the Issuer's financial statements and other financial and non-financial information that needs to be disclosed to the Shareholders and investors;
 - the review of executive management performance;
 - the supervision of the performance of the external auditor and of the internal audit function.
- (iv) certain specific powers.

The executive management of the Issuer is entrusted to the CEO. The CEO is supported by the executive committee. Together, the CEO and the executive committee form the executive management. Except for the competencies reserved to the board of directors, the CEO, supported by the executive committee is:

- (i) entrusted with the running of the Issuer;
- (ii) responsible to put internal controls in place (i.e. systems to identify, assess, manage and monitor financial and other risks);
- (iii) responsible and accountable vis-à-vis the board for the complete, timely, reliable and accurate preparation of the Issuer's financial statements, in accordance with the accounting standards and policies of the Issuer;

- (iv) responsible and accountable vis-à-vis the board for the preparation of the Issuer's adequate disclosure of the financial statements and other material financial and non-financial information;
- (v) to present the board of directors with a balanced and understandable assessment of the Issuer's financial situation;
- (vi) to provide the board in due time with all information necessary for the board to carry out its duties.

6.2.2 Composition of the board of directors

The board of directors of the Issuer currently has 8 members. No changes to the composition of the board of directors have been made since the last general shareholders' meeting of 27 April 2010.

The composition of the board of directors is currently as follows:

Name	Function	Date of first appointment	Term expires
De Wilde J Management BVBA, represented by Julien De Wilde	Chairman	25 April 2006	2012
Pamica NV, represented by Michel Akkermans	Independent Director	28 April 2009	2011
Mercodi BVBA, represented by Jo Cornu	Non-Executive Director	28 April 2009*	2013
Willy Duron.....	Independent Director	30 January 2008	2011
Value Consult Management- und Unternehmensberatungsgesellschaft mbH, represented by Horst Heidsieck	Independent Director	28 April 2009	2011
Roland Junck	Independent Director	29 April 2008	2011
Christian Leysen.....	Independent Director	29 April 2003	2012
CRBA Management BVBA, represented by Christian Reinaudo...	President and Chief Executive Officer	27 April 2010	2013

* Mercodi BVBA represented by Jo Cornu qualifies as non-executive director since 27 April 2010

The business address for all directors is Septestraat 27, 2640 Mortsel, Belgium.

De Wilde J Management BVBA, represented by Julien De Wilde (1944)

Julien De Wilde, permanent representative of De Wilde J Management BVBA, obtained an engineering degree from the Catholic University of Leuven (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 Alcatel Bell, where he was responsible for strategy and general services. From 1995 to 1998 Julien De Wilde was CEO of Alcatel Bell and from 1999 to 2002 he was Executive Vice-President and member of the

Executive Committee of Alcatel in Paris, responsible for Europe, the Middle-East, Latin America, India and Africa. From 1 July 2002 to May 2006, he was CEO of the Bekaert Group.

He is chairman of Nyrstar NV, board member of KBC Bank NV, Telenet and J&L Partners, member of the executive committee of LRD and honorary chairman of Agoria. In the previous five years, he was also board member of Metris (until 2009), Bekaert (until 2009), CTO Group (until 2009) and Vanbreda International NV (until 2010).

Pamica NV, represented by Michel Akkermans (1960)

Michel Akkermans, permanent representative of Pamica NV, holds an M.Sc. in electronic engineering and computer sciences and a degree in economics and finance from the Catholic University of Louvain (Belgium). He held management positions in a series of international banks and consulting companies before founding FICS, a leading software provider in the field of online banking and regulatory financial reporting, in 1989.

In 1999, FICS, together with Edify and Vertical One, merged with Security First Technologies, creating S1 Corporation, the market leader in internet banking with Michel Akkermans as its Chairman. In 2001, Michel Akkermans became and still is Chairman and CEO of Clear2Pay, an innovative e-finance company focused on delivering globally applicable solutions for secure electronic payments. In addition, he is Chairman of the board of directors of Enqio and Realdolmen and is member of the board of directors of Approach SA, Citymesh NV and Quest for Growth NV. Previously, he was director of Financial Transactions Experts NV and VanBreda International.

Mercodi BVBA, represented by Jo Cornu (1944)

Jo Cornu, permanent representative of Mercodi BVBA, graduated as an engineer specialising in electrotechnology and mechanics from the Catholic University of Leuven (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 Mfg Co until 1987.

From 1988 to 1995 he was member of the Board of Management of Alcatel NV and from 1995 to 1999 he was COO of Alcatel Telecom. Later he became an advisor of the Chairman of Alcatel and member of the Board of Directors.. Jo Cornu has been Chairman of the ISTAG Group (Information Society Technologies Advisory Group) of the European Commission from 2005 to 2006 and Chairman of Medea+ (the Eureka research program for Microelectronics) in 2007. As from 1 December 2007 until 27 April 2010 Jo Cornu has been President and CEO of Agfa-Gevaert. He is a director of KBC Groep, Belgacom and Electrawinds and previously was director of Barco, Arinso International, Alcatel SA / Alcatel-Lucent SA and Thales SA.

Willy Duron (1945)

Willy Duron has a master of mathematics from Ghent University (Belgium) and a master of actuarial science from the Catholic University of Louvain (Belgium). He started his career in 1970 as an actuary for ABB Insurance (*Assurantie van de Belgische Boerenbond*).

After the merger of Kredietbank, CERA Bank and ABB Insurance, he became chairman of the Executive Committee of KBC Insurance and director of KBC Asset Management in 2000. He was appointed president of the Executive Committee of KBC Bank and Insurance Holding Company in 2003 and he was CEO and member of the board of directors of KBC Group NV from 2005 until he retired at the end of 2006.

Currently, he is member of the supervisory board of Van Lanschot Bankiers and member of the board of directors of Ravago, Van Breda Risk & Benefits, Tigenix, Amonis, Katholieke Universiteit Leuven, Universitair Centrum St Jozef, Universitaire Ziekenhuizen Leuven and Hogeschool W&K.

Value Consult Management – und Unternehmensberatungsgesellschaft mbH, represented by Horst Heidsieck (1947)

Horst Heidsieck, permanent representative of Value Consult Management- und Unternehmensberatungsgesellschaft mbH, holds a PhD in physics. During his studies at the University of Bonn (Germany) and the Technical University of Aachen (Germany), he focused on solid state physics, solid state electronics as well as metal science. From 1980 to 1991, he held various managerial positions – including a position in the Executive Board – within the Degussa Group. In 1990, he became CEO of the Leybold technology group and from 1995 to 1998 he successfully integrated the former competitors Leybold and Balzers into the newly established Balzers und Leybold Group.

In the following years, Horst Heidsieck was a member of the Advisory Board and later CEO of Heraeus Holding, a highly diversified technology group. From 2003 to the end of 2006, he was CEO of Demag Holding, a portfolio of 7 companies which had been acquired from Siemens by Kohlberg Kravis Roberts in 2002. As from January 2007, he is a managing shareholder of the newly founded consulting company Value Consult, acting as a member of advisory boards, advising senior management to materialise improvement potentials in their companies.

Currently, he is president of Mauser Holding GmbH and Coperion GmbH, director of the Supervisory Board at HOMAG Group AG. He has been chairman of the Advisory Board of Rail. One Holding GmbH until early 2010.

Roland Junck (1955)

Roland Junck graduated from the Federal Polytechnic Institute in Zurich (Switzerland) and earned an MBA from Sacred Heart University of Luxembourg. He started his career with Arbed. At TrefilARBED Bissen he was named General Manager in 1993 and Managing Director in 1996.

After having held various other managerial positions at Arbed, he became Senior Vice President of Aceralia (Spain) in 1998. He was a member of the Arbed Group Management Board from 1999 to 2002, when he was appointed Senior Executive Vice President of the newly created Arcelor after the merger of Aceralia, Arbed and Usinor. In August 2006, he became CEO of ArcelorMittal and a member of the Group's Management Board. Following the reorganisation of the company's senior management structure in November 2006, he became an advisor to the CEO while he remained a member of the board until July 2007.

As of February 2009, Mr Junck (acting through Value Enhancement Luxembourg SA) is the CEO and Managing Director of Nyrstar NV. Furthermore he holds directorship positions in Interseroh (since 2008), Samwha Steel (since 2008) and Talvivaara (since 2010).

Christian Leysen (1954)

Christian Leysen obtained the degrees of commercial engineer and master in law at the Vrije Universiteit Brussel (both in 1976). He began his career as auditor in 1976 with Arthur Andersen & Co. In 1981 he joined the Belgian retail group GB Inno BM.

In 1984 he founded Xylos, an ICT service provider, where he is chairman. In 1989 he became responsible for the day-to-day management of the maritime logistics company Ahlers. When Ahlers became a privately owned company, Christian Leysen became and still is Chairman of the Board of Directors and director in various of its subsidiaries. From 2000 to 2002, he was a member of the Antwerp city council and Chairman of the Board of Directors of Antwerpse Waterwerken. He is currently chairman of the Antwerp Management School, Designcenter De Winkelhaak and Axe Investments and board member of bpost (the Belgian Postal Group), director of ADM, Astra Immo, Astros Immo, Astros Logistic Center, BIM NV and ALC International.

In the previous five years, he was also director of Besalec NV (until November 2007) , Sea Lloyd NV (until May 2008), Synvest NV (until May 2010) and Tradicor NV (until September 2010).

CRBA Management BVBA, represented by Christian Reinaudo (1954)

Christian Reinaudo, permanent representative of CRBA Management BVBA, is a graduate from the 'Ecole de Physique et de Chimie Industrielles de Paris' and holds a doctorate from the 'University of Paris' (France). He started his career with Alcatel (formerly named 'Compagnie Générale d'Electricité') in 1978 in the Research and Development Centre of Marcoussis (France). During his Alcatel period he managed several multi billion euro businesses and international sales and services organisations.

From 1984 to 1996, he held several positions in the Cable Group of Alcatel (now Nexans), from research and development, to manufacturing, procurement, sales support and services. He took the position of President of the Submarine Networks Division in early 1997. Appointed President of the whole Optics Group in 1999, he entered the Executive Committee of Alcatel early 2000 as Executive Vice-President. In 2003, he was appointed President of Alcatel Asia Pacific and moved to Shanghai (China) until 2006. During this period he was also the Vice-Chairman of the Board of Directors of Alcatel Shanghai Bell, the Chinese joint venture of Alcatel with the Chinese government.

In 2006, he returned to Paris to manage the integration and the transition process associated with the merger of Alcatel and Lucent Technologies. He also became Director in the Board of Directors of Draka Comteq (The Netherlands). In 2007, he was appointed President Northern and Eastern Europe of Alcatel-Lucent, he joined the Board of Directors of Alcatel-Lucent Bell (Belgium). Early 2008, he joined Agfa-Gevaert to be President of Agfa HealthCare. Since 27 April 2010, he additionally has been appointed President and CEO of Agfa-Gevaert.

6.2.3 Board Committees

In order to be able to fulfil its tasks and responsibilities efficiently, the board of directors has set up specialised committees to analyse specific matters and to advise the board of directors. The board of directors has currently set up an audit committee, a nomination and remuneration committee and a strategic committee. Below, the main tasks of each of the board committees are described. For more detailed and comprehensive information reference is made to part 5 of the Issuer's Corporate Governance Charter.

(a) Audit committee

The board of directors has appointed an audit committee. Willy Duron is the current chairman of the audit committee.

The audit committee has the following tasks:

- monitoring the integrity of the financial information provided by the Issuer, in particular by reviewing the relevance and consistency of the accounting standards used by the Group;
- annually reviewing the internal control and risk management systems set up by the executive management, with a view to ensure that the main risks (including those relating to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- reviewing the internal auditor's work programme, having regard to the complementary roles of the internal and external audit functions;
- reviewing the effectiveness of the internal audit;
- monitoring the responsiveness of the executive management to the audit committee's findings and recommendations;
- making recommendations to the board of directors on the selection, appointment and reappointment of the external auditor and the terms of his engagement;
- monitoring the fulfilment of the independence requirements applicable to the external auditor and the monitoring of the nature and the extent of non-audit services performed by the external auditor; and
- reviewing the effectiveness of the external audit process, and the responsiveness of the management to the recommendations made in the external auditor's management letter.

The audit committee currently comprises the following members: Willy Duron, Value Consult Management- und Unternehmensberatungsgesellschaft mbH represented by Horst Heidsieck, Roland Junck and Mercodi BVBA represented by Jo Cornu.

(b) *Nomination and remuneration committee*

The board of directors has appointed a nomination and remuneration committee. Christian Leysen is the current chairman of the nomination and remuneration committee.

The nomination and remuneration committee has the following tasks:

- the combined advisory responsibilities concerning the nomination for appointment, reappointment or dismissal of directors and members of the executive management;
- the combined advisory responsibilities concerning the remuneration policies and the individual remuneration of the directors;
- making recommendations to the Issuer's board of directors to ensure that the Issuer has a competent and dedicated board of directors that constitutes as a whole, a well balanced and dynamic decision making group;
- making recommendations to the Issuer's board of directors to ensure that the Issuer is managed by a highly qualified and committed executive management team, chaired by a CEO and composed of capable and dedicated executives;

- making recommendations to the Issuer's board of directors to ensure that the members of the board of directors and members of the executive management, are compensated in ways that motivate optimum performance, that are externally competitive and that are internally consistent and equitable; and
- making recommendations to the Issuer's board of directors to ensure that retirement and pension plans are in place that are properly funded and efficiently managed.

The nomination and remuneration committee currently comprises the following members: Christian Leysen, Pamica NV represented by Michel Akkermans, De Wilde J Management BVBA represented by Julien De Wilde and Mercodi BVBA represented by Jo Cornu.

(c) Strategic committee

The board of directors has appointed a strategic committee. De Wilde J Management BVBA represented by Julien De Wilde is the current chairman of the committee.

The strategic committee has the following tasks:

- advising the Issuer's board of directors about strategic policy options and, in particular, about strategic developments in the areas where the Issuer operates;
- advising the Issuer's board of directors about the five-year plan which the executive management submits every year; and
- advising the Issuer's board of directors about strategic matters such as material acquisitions, divestments, strategic partnerships and their follow up.

The strategic committee currently comprises the following members: De Wilde J Management BVBA represented by Julien De Wilde, Willy Duron, Christian Leysen and Mercodi BVBA represented by Jo Cornu.

6.2.4 Independent Directors

As to independent directors, a director can only be considered an independent director if he or she meets at least the criteria set out in Article 526ter of the Companies Code, which can be summarised as follows:

- independent directors must not have exercised duties as an executive director, member of the executive committee or as CEO for the Issuer or a related company or person for a period of five years before their first appointment;
- independent directors must not have exercised the mandate of non-executive director for more than three terms of office (and for a period of more than 12 years);
- independent directors must not be a senior management employee of the Issuer or a related company or person and having been in such a position for the previous three years before their nomination;
- independent directors must not receive a remuneration or other important advantage from the Group, with the exception of a remuneration received as a non-executive director or member of the supervisory body;

- independent directors must not have at least a 10 per cent shareholding in the Issuer (directly or indirectly), or 10 per cent of a class of Shares (or represent a Shareholder falling under this condition);
- independent directors must not, if they have a shareholding of less than 10 per cent in the company (or of a class of Shares), have subjected their acts of disposal of those Shares or the exercise of rights connected with those Shares to agreements or unilateral undertakings concluded by them (or represent a Shareholder falling under this condition);
- independent directors must not have or have had during the past business year a significant business relationship with the Issuer or a related company or person either directly or indirectly as a Shareholder, director or manager of a company or person with such a relationship;
- independent directors must not have been a partner or employee of the current or previous statutory auditor of the Issuer or a related company or person;
- independent directors must not be an executive director in another company where an executive director of the Issuer is a non-executive director or member of the supervisory body, and may not have significant ties with the executive directors as a result of functions exercised with other companies or bodies; and
- independent directors must not have a close relative exercising management duties in the group or falling under one of the other situations listed above.

Independent directors appointed before 8 January 2009 (the date of entry into force of the new independence criteria set out in article 526ter of the Companies Code), can, until 1 July 2011, be deemed independent if they comply with the (old) independence criteria set out in the old article 524, §3 of the Companies Code.

In considering a director's independence, the criteria set out in the Code will also be taken into consideration. The board of directors will disclose in its annual report which directors it considers to be independent directors. An independent director who ceases to satisfy the requirements of independence must immediately inform the board of directors.

The current independent directors of the Issuer are:

- De Wilde J Management BVBA, represented by Julien De Wilde;
- Pamica NV, represented by Michel Akkermans;
- Willy Duron;
- Value Consult Management- und Unternehmensberatungsgesellschaft mbH, represented by Horst Heidsieck;
- Roland Junck; and
- Christian Leysen.

6.2.5 The CEO and the executive committee (day-to-day management)

The CEO of the Issuer (CRBA Management BVBA, represented by Christian Reinaudo) is in charge of the day-to-day management, supported by an executive committee.

In addition, the CEO continues to act as President of Agfa HealthCare. Currently the executive committee is comprised of the following members:

Name	Function
Albert Follens	Vice-President, Agfa-Gevaert
Kris Hoornaert	Chief Financial Officer
Luc Delagaye	President Agfa Materials
Stefaan Vanhooren	President Agfa Graphics

For a resume of CRBA Management BVBA, represented by Christian Reinaudo (1954), reference is made to section 6.2.2.

Albert Follens (1947)

Albert Follens studied electromechanical engineering at the Ghent University, Belgium and business administration at the University of Antwerp. He started his career with Philips in 1969 and joined Agfa-Gevaert in 1970. He had several positions in technological research of process automation and coating, headed the Instrumentation Department and later Logistics.

In 1997, he was appointed Director of Production & Engineering and in 1999 he became responsible for Agfa-Gevaert's worldwide Photochemical Production & Engineering. In September 2001, he was appointed to the executive committee of Agfa-Gevaert. In December 2007, he was appointed Vice-President of Agfa-Gevaert.

Kris Hoornaert (1964)

Kris Hoornaert graduated as a commercial engineer from the Catholic University of Leuven and later obtained an MBA degree from the University of Louvain-La-Neuve. He held various managerial positions at SES Europe (now Advanta) before joining InBev in 2000.

At InBev (now AB Inbev), Kris Hoornaert was Corporate Controller and subsequently Director Mergers and Acquisitions. In 2003 he was appointed VP Finance/IT Central Europe, in 2004 VP Finance Central & Eastern Europe and in 2006 VP Finance Western Europe. He held various board mandates in their local subsidiaries until March 2007.

He joined Agfa-Gevaert as Group Controller in April 2008. In June 2008, the Issuer's board of directors appointed Kris Hoornaert as Chief Financial Officer. In addition, he is Chairman of the Board of Yokriphar NV.

Luc Delagaye (1960)

Luc Delagaye holds an MSc degree from the University of Ghent (Belgium). He has worked 12 years at Bekaert in several functions, of which more than 7 years in Chile as Manager Operations of Bekaert's joint venture. He joined the Copper unit of Union Minière – now Umicore – at the end of 1996. Since 2004, he has been business unit manager of Umicore's Copper division and Managing Director of Umicore Copper NV.

With the de-merger of the Copper division from Umicore and its introduction on Euronext Brussels, Luc Delagaye has been Chief Executive Officer and Director of Cumerio (and various subsidiaries) from 28 April 2005 until 24 April 2008. He was appointed a member of the Group's executive committee in May 2008.

He is member of the board of directors of Ingenieursbureau Stockman NV, SIM (Strategisch Initiatief Materialen) and Essenscia. In the previous five years, he was member of the board of directors of NFI - Non-Ferrous International (until 2006), ICA - International Copper Association (until 2008), ECI - European Copper Institute (until 2008) and Eurométaux (until 2008).

Stefaan Vanhooren (1964)

Stefaan Vanhooren studied applied economics and obtained an MBA from the UFSIA University of Antwerp, Belgium. He began his career as controller in 1989 with Agfa's Medical Systems Division in Mortsel. After implementing specific mergers & acquisitions programmes for the Group in the United States, he returned in 1991 to headquarters to join the Non-Destructive Testing Division (NDT) where he held various global management positions in finance, sales and marketing.

In 1999, he became General Manager Sales & Marketing for NDT. In 2002, he moved to Hong Kong where he was appointed General Manager for the Asia Pacific Region. In 2004 he became General Manager of the business group Graphic Systems and in February 2005, he was appointed President of Agfa Graphics and became member of the Group's executive committee.

Currently, he is Vice-Chairman of FCCC (Flanders-China Chamber of Commerce) and member of the board of Hifferman NV, UBCA (Universitair Bedrijvencentrum Antwerpen) and Regoria NV. In the previous five years, he was also member of the board of Plantin Vennootschap (until June 2009).

6.2.6 Litigation statement concerning the members of the board of directors, the CEO and the executive committee

As at the date of this Prospectus and during at least the five-year period preceding the date of this Prospectus, none of the Issuer's directors, the CEO or members of the Issuer's executive committee:

- has been convicted in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

6.3 General meetings

The duly constituted general shareholders' meeting represents the whole of the Shareholders. Its decisions are binding upon all of them, even upon the absent or dissenting Shareholders.

The ordinary general shareholders' meeting is held on the last Tuesday of the month of April, at 11:00 a.m., at the location mentioned in the convening notices. If that day is a legal holiday, the meeting will be held on the first following business day. The board of directors or the auditors may convene an extraordinary shareholders' meeting as often as required by the company's interest. It must

be convened at the request of Shareholders who represent one fifth of the share capital provided that the reason of convening an extraordinary shareholders' meeting is given.

In order to be admitted to the general shareholders' meeting, Shareholders should take into account certain rules and procedures which are described in Section 3.5.2.

6.4 Remuneration and benefits

6.4.1 Remuneration policy for the CEO and the members of the executive committee

The Issuer applies the following principles for the remuneration of executive managers:

- The level and structure of the remuneration should be such that qualified and expert professionals can be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities;
- If an executive manager is also an executive director, the remuneration is taking into account the compensation received in that person's capacity as board member;
- An appropriate portion of the executive managers' remuneration package is structured so as to link rewards to corporate and individual performance, thereby aligning the executive managers' interest with the interest of the Company and its shareholders;
- Where executive managers are eligible for incentives, their grant is subject to the outcome of the individual performance review;
- Schemes under which executive managers are remunerated in shares, share options or any other right to acquire shares are subject to prior shareholder approval by way of a resolution at the annual general meeting; such approval relates to the scheme itself and not the grant to individuals of sharebased benefits under the scheme;
- As a rule, shares should not vest and options should not be exercisable within less than three years.

6.4.2 Remuneration of the board of directors in 2009

A fix, annual standard remuneration is foreseen, which is different for the board meetings on the one hand and the Committee meetings on the other hand. There is also a distinction between the remuneration of the Chairman and that of the members. The remuneration covers a predetermined number of meetings. When this number is exceeded on an individual basis, an additional fee per additional meeting is foreseen. There is no automatic adjustment of the remuneration levels, but they are being reviewed on a regular basis in order to verify whether they are still in line with the policy. The remuneration levels were not adjusted in 2009.

The following standard remunerations are provided:

Board of Directors (for a maximum of 7 meetings per calendar year):

Chairman*	EUR 180,000
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Members	EUR 50,000
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Audit Committee (for a maximum of 5 meetings per calendar year)

Chairman	EUR 25,000
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Members	EUR 12,500
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Nomination and remuneration committee (for a maximum of 3 meetings per calendar year)

Chairman	EUR 15,000
Members	EUR 7,500
Strategic committee	
Chairman	no remuneration provided
Members	no remuneration provided

Variable remuneration

- of EUR 2,500 for every meeting exceeding the set maximum of 7, 5 or 3 meetings per calendar year, for respectively the fixed remuneration for the board of directors, audit committee or nomination and remuneration committee;

- given the special efforts made by the members of the board of directors, as announced during the annual general meeting of 2009, they exceptionally also qualify for a non-recurrent variable fee of maximum EUR 446,250 for the board as a whole (with pay-out in 2011), depending on certain objectives.

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

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

	Board of directors	Committees	Total
	<i>(EUR)</i>		
Mr Michel Akkermans ⁽¹⁾	44,166.66	8,750.00	52,916.66
Mr John Buttrick	17,333.33	2,083.33	19,416.66
Mr Jo Cornu	46,666.66	—	46,666.66
Mr Julien De Wilde ⁽²⁾	150,000.00	—	150,000.00
Mr Willy Duron	46,666.66	23,333.34	70,000.00
Mr Horst Heidsieck ⁽³⁾	46,666.66	12,916.66	59,583.32
Mr Roland Junck	41,666.66	10,416.66	52,083.32
Mr Christian Leysen	46,666.66	15,000.00	61,666.66
Mr Karel Van Miert	16,666.66	2,500.00	19,166.66
Total	<u>456,499.95</u>	<u>74,999.99</u>	<u>531,499.94</u>

Notes:

- (1) Permanent representative of Pamica NV.
- (2) Permanent representative of De Wilde J Management BVBA.
- (3) Permanent representative of Value Consult Management- und Unternehmensberatungsgesellschaft mbH.

6.4.3 Remuneration of the CEO and the members of the executive committee in 2009

(a) CEO

Mercodi BVBA, represented by Mr Jo Cornu, was the CEO of the Issuer throughout 2009 until 27 April 2010. The fix annual remuneration of the CEO, Mercodi BVBA, represented by Mr Jo Cornu, amounted to EUR 1,300,000 in 2009.

His variable remuneration 'on target' amounted to EUR 550,000. The variable remuneration depended on the following parameters: for 20% individual targets and for 80% financial targets. For 2009, the variable remuneration amounted to EUR 464,676.67.

In the period May until December 2009, like the employees, the previous CEO continued working on a full-time basis, but with a decrease of 5% of his fix and variable remuneration.

In addition to this remuneration, the previous CEO received benefits in kind for an amount of EUR 1,616 in 2009. No social contributions or pension contributions were to be made by the Issuer for the remunerations paid to the former CEO.

The current CEO, CRBA Management BVBA represented by Mr Christian Reinaudo, was appointed on 27 April 2010. In addition, the CEO continues to act as President of Agfa HealthCare. In the course of 2009 and until his appointment as permanent representative of the CEO, Christian Reinaudo was a member of the executive committee. His remuneration in 2009 is included in the overall remuneration of the executive committee.

(b) Executive committee

There is no automatic adjustment of the remuneration levels, but they are being reviewed on a regular basis in order to verify whether they are still in line with the policy.

The remuneration of the CFO was adjusted in 2009, in accordance with the arrangements made at the time of his hiring. The overall gross fix remuneration for the Exco in 2009 (composed of 5 members during 2009) amounted to EUR 1,979,846.67 (excluding employers' social contributions).

The total annual 'on target' variable remuneration amounts to EUR 957,576, which generally represents 50 per cent of the gross fix remuneration. The members of the executive committee also contributed in the framework of the special plan on Part Time Working. Like other employees that continued to work on a full-time basis, the members of the executive committee contributed 5 per cent of their fix and variable remuneration during the last eight months of 2009.

The payment of this variable fee is depending on the following parameters:

- (i) for 20 per cent: individual targets;
- (ii) for 80 per cent: financial targets.

For 2009 the global variable compensation for the executive committee (composed of 5 members during 2009) amounted to EUR 813,151.71 (excluding employers' social security contributions). For some members of the executive committee, depending on

their personal situation, part of this compensation was converted into a pension allowance.

The pension contributions paid for these members amounted to EUR 333,850 and EUR 77,917.68 as benefits in kind. The benefits in kind, which may vary from member to member, include a home PC, a company car, the provision of housing (apartment), a representation allowance and various insurances (directors' liability, travel and medical insurance, private accidents).

In 2009 no severance payments were made to the executive management.

6.5 Shares and options held by the CEO and the members of the executive committee

The total numbers of options allocated to the CEO and the members of the executive committee are as follows:

Name	Number of options
CRBA Management BVBA	0
represented by Christian Reinaldo	0
Albert Follens.....	101,350
Kris Hoornaert	0
Luc Delagaye	0
Stefaan Vanhooren	75,450

At the date of this Prospectus, the number of Shares held by the CEO and the members of the executive committee are as follows:

Name	Number of Shares
CRBA Management BVBA	0
represented by Christian Reinaldo	1,000
Albert Follens.....	7,350
Kris Hoornaert	1,100
Luc Delagaye	0
Stefaan Vanhooren	50

6.6 Shares held by members of the board of directors

At the date of this Prospectus, the number of Shares held by members of the board of directors are as follows:

Name	Number of Shares
De Wilde J Management BVBA	0
represented by Julien De Wilde.....	0
Pamica NV	0
represented by Michel Akkermans	100,000
Mercodi BVBA	0
represented by Jo Cornu.....	20,000
Willy Duron	5,000
Value Consult Management- und Unternehmensberatungsgesellschaft mbH.....	0
represented by Horst Heidsieck	0
Roland Junck.....	0
Christian Leysen	0*
CRBA Management BVBA	0
represented by Christian Reinaudo	1,000

* Axe Investments, a company in which Christian Leysen is shareholder and board member, holds 150,000 Shares.

6.7 Statutory Auditor

The statutory auditor of the Issuer KPMG Bedrijfsrevisoren CVBA, Prins Boudewijnlaan 24d, 2550 Kontich, currently represented by Mr Erik Clinck and Mr Filip De Bock (both members of the “*Institut des Réviseurs d’Entreprises*” / “*Instituut der Bedrijfsrevisoren*”):

- has audited the Issuer’s consolidated financial statements for the financial years ended on 31 December 2007 and 31 December 2008 and has delivered an unqualified opinion thereon with an explanatory paragraph. Reference is made to pages 54 and 55 of the 2007 Annual Report and pages 48 and 49 of the 2008 Annual Report for the full text of these audit opinions;
- has audited the Issuer’s consolidated financial statements for the financial year ended on 31 December 2009 and has delivered an unqualified opinion thereon. Reference is made to pages 44 and 45 of the 2009 Annual Report for the full text of this audit opinion;
- has performed a limited review of the half-yearly consolidated financial statements for the period ended 30 June 2010. Reference is made to the section Investor Relations on the Issuer’s website.

With respect to the financial year ended on 31 December 2009, the total statutory audit fee amounted to EUR 2,680,453.

6.8 Related party transactions

6.8.1 General

Each director and each member of the executive management is encouraged to arrange their personal and business interests so that there is no direct or indirect conflict of interest with the Issuer. The Issuer has no knowledge of any potential conflict of interest affecting the members of the board of directors and the executive management between any of their duties to the Issuer and their private and/or other duties.

6.8.2 Directors' conflicts of interest

Article 523 of the Companies Code provides for a special procedure within the board of directors to be followed in the event that one or more directors potentially have a financial interest that is in conflict with one or more decisions or transactions that are within the authority of the board of directors.

In the event of a conflict of interest, the director concerned must notify the other directors prior to the board of directors resolving on the issue to which the conflict relates. Moreover, the director with the conflicting financial interest cannot participate in the discussion and vote on the item that gives rise to the potential conflict of interest.

The minutes of the meeting of the board of directors must include the declarations of the director with the conflicting financial interest as well as a description by the board of directors of the conflicting interest and the nature of the decision or transaction involved. Furthermore, the minutes must include a justification of the decision or transaction by the board of directors and a description of its financial consequences for the Issuer.

The minutes must be included in the board of directors' annual report. The director with the conflicting interest must also inform the statutory auditor of the conflict. The statutory auditor must describe in his annual report the financial consequences of the decision that gave rise to the potential conflict of interest. In the event of non-compliance with the foregoing, the Issuer can declare that the decision or transaction that took place in breach of these provisions is invalid if the counterparty was aware of such breach.

The procedure is not applicable when the decisions or transactions are deemed to be the usual transactions that are made under the terms and under the guarantees that usually apply in the market for such transactions. It is also not applicable to decisions or transactions that arise between companies where one, directly or indirectly, holds at least 95 per cent of the votes associated with the total number of the securities issued by the other or, as the case may be, between companies where at least 95 per cent of the votes associated with the total number of the securities issued by each are, directly or indirectly, held by another company.

In 2007, conflicts of interest were reported twice to the board of directors regarding the grant of an indemnification obligation against certain imputations and claims initiated by AgfaPhoto Holding. As a potential beneficiary, Mr Ludo Verhoeven (then chairman of the board of directors) had a conflict of interest and each time abstained from the deliberation and vote concerning this item.

Also in 2007, article 523 of the Companies Code was applied in respect of the contemplated grant of stock options to the members of the executive committee and senior management under the "Long Term Incentive Plan 2007". At this occasion, Mr Marc Olivié, (Chairman of the executive committee as permanent representative of MRO Management BVBA) as a potential beneficiary had a conflict of interest and therefore abstained from the deliberation and vote

concerning this item. The board of directors decided not to issue Tranche IX of the Long Term Incentive Plan.

During its meeting of 30 July 2007, the board of directors discussed a number of possible strategic options that could lead to the divestiture of one of the Group's divisions. When the board of directors started the discussions about this item, Mr Karel Van Miert left the meeting and consequently did not participate in the deliberation and the vote. The board of directors resolved not to accept the proposal concerned.

In addition, the board of directors (in its meeting of 29 October 2007) discussed the item concerning the additional compensation for the board members Messrs Cornu, Verhoeven and Chaffart in accordance with the additional tasks the board of directors allotted to them in the various committees. The board of directors resolved unanimously, with Messrs Verhoeven and Cornu absent from the deliberation and the vote and Mr Chaffart abstaining, to approve a recommendation by the nomination and remuneration committee to grant this additional compensation.

In 2008, 2009 and 2010 (until the date of the Prospectus), no conflicts of interest in the sense of Article 523 of the Companies Code or item 14 of Annex I of the Prospectus Regulation have arisen.

6.8.3 Transactions with affiliated companies

Article 524 of the Companies Code provides a special procedure that applies to intragroup transactions or transactions with affiliated companies. The procedure applies to decisions and transactions between the Issuer and affiliated companies of the Issuer that are not subsidiaries.

Prior to such decisions or transactions the board of directors of the Issuer must appoint a special committee of three independent directors, supported by one or more independent experts. This committee must determine the commercial advantages and disadvantages of the decision or transaction for the Issuer and its Shareholders. It must also calculate and establish the economic consequences of the decision or transaction, irrespective of whether it is of such a nature so as to involve the Issuer in a loss, that is evidently wrong in light of the policy pursued by the Issuer. If the committee does not find the decision or transaction to be wrong, but believes it will be to the Issuer's disadvantage, it must clarify what benefits the decision or transaction will provide to compensate for the stated loss. All these elements must be explained in the committee's recommendation. The board of directors must then make a decision, taking into account the committee's recommendation. Any deviation from the committee's recommendation must be justified. Directors with a conflict of interest may not participate in the discussion or vote. The recommendation of the committee and the decision of the board of directors must be communicated to the Issuer's statutory auditor, who must issue a separate opinion. The decision of the committee, an excerpt from the minutes of the board of directors and the opinion of the statutory auditor must be included in the annual report of the board of directors. This procedure does not apply to normal decisions or transactions made or occurring under the conditions and under the guarantees normally applying to the market for similar transactions, or to decisions or transactions that represent less than 1 per cent of the Issuer's consolidated net assets. Apart from the procedure described above, the Issuer must, in its annual report, report on the material restrictions or obligations, if any, that the parent company took on, or requested continuation of, in the previous financial year.

No transactions for which Article 524 of the Companies Code had to be applied, have occurred in the last 3 years.

6.8.4 Other related party transactions

The Group has not engaged in other related party transaction to be reported under IFRS.

7 Agfa-Gevaert's operating markets

7.1 Graphics market

7.1.1 General market description

(a) The printing industry is large by any standard

The printing industry is estimated at USD 1.4 trillion end-user value per annum and is still characterised by a low level of digitalisation. This industry is also characterised by its labour and capital intensity and has many diversified players both in size and profile.

The graphics market can be divided by printing technologies or by application segments. Some printing technologies are applied in several application segments and the other way around. In the table below, estimates on the total market values are given by different technology.

Total market value – USD 1.4 trillion					
Market & Value	Offset € 427 billion	Flexo €179 billion	Screen €589 billion	Gravure €50 billion	Digital €191 billion
Technology	 Ink and water are separated on the metal plate and passed to a blanket and then offset to the paper	 Ink is picked up by the raised image on the plate and pressed on to the substrate	 Ink is pressed through a screen (mesh) on to the substrate	 Ink is passed from the indentations in the cylinder to the substrate	 Toner or ink is jetted or attracted directly to the substrate without any interim image holder
Application	• Magazines • Books • Newspapers • Brochures • Catalogues • Posters	• Packaging	• Packaging • Fabrics • Decoration • Posters	• Magazines • Packaging • Decoration	• Short run printing • Variable Data • Posters • Wide format

Source: Pira study “the future of global printing to 2012”

Printing can be split into six basic technologies, of which four technologies are grouped into traditional printing and two are grouped into digital printing.

The main technologies applied in traditional printing are offset-, flexo-, gravure- and screen-printing. In these technologies, images are put on the image carrier by transferring ink, by using a master printing form. This master printing form is typically a

metal plate in offset printing, a flexible polymer plate in flexo printing, a mesh in screen printing, or an etched metal cylinder in gravure printing.

In digital printing, the main technologies are xerographics toner based systems and inkjet systems. Xerographic toner based systems use a photoconductor imaging system and dry or liquid toner instead of inks to produce the image. Inkjet systems use an inkjet head with several hundreds of fine nozzles each separately controllable to selectively deposit ink droplets to form the image on the substrate.

The printing industry has two major application segments, namely infoprint and industrial print. The table below provides an overview on the subsegment of each application segment, the applications and the estimated end-user value.

Segment Characteristics	Info Print		Industrial Print	
	Office Print	Commercial Print	Graphics Print	Industrial Print
Size & Digitalization	\$ 110 billion 99%	\$ 300 billion 5% - 10%	\$ 125 billion 20% - 25%	\$ 900 billion 0% - 1%
Business model	"flat fee per click" Hardware, maintenance & consumables are tied	Presses, Plates, Ink, Paper sold by separate channels	Presses, Screens, Ink, substrates sold by separate channels	Presses, Plates, Screens, Cylinders, Ink, substrates sold by separate channels
Applications	• Desktop printers • Workgroup printers • Corporate print rooms	• Mail (print on demand, transaction printing ...) • Publishing (books, newspaper, magazines) • Commercial (brochures, catalogues ...)	• Billboard • Point of Sales/Purchase • Signage & decoration	• Packaging • Labels • Textiles • Products
End market	• Main end market is large corporates	• Main end markets are sme's in commercial and large newspaper printers • >75% of end users have less than 20 FTE	• Main end markets are publishers, commercial print rooms and the financial industry	• Main end markets are packaging, textiles, membranes, industrial products, pcb,garments
Printed medium	Printed medium is mainly paper		Printed medium is diversified with more expensive substrates	

Source: Pira study "the future of global printing to 2012" and Agfa Graphics estimates

These two application segments differ in size, degree of digitisation, business model, end market and printed medium. The major difference between infoprint and industrial print is the nature of the substrate. In infoprint the substrate is basically paper, in industrial print the substrate can be of different material and be very diverse (e.g. pvc, carton, polyester, glass, wood, plastic). Hence, industrial print is usually more expensive than infoprint.

Infoprint can be subdivided into office printing and commercial printing.

The office printing segment is estimated at USD 110 billion, of which 99 per cent is digital. Its business model is mainly based on bundling sales (fee per click). Typical applications for this segment include desktop printers, workgroup printers and corporate print rooms mainly based on xerographic technology. Its end market consists of large corporations. The supplier market is dominated by large companies (such as HP, Xerox) and is well consolidated.

The commercial printing segment is estimated at USD 300 billion, of which only 5 to 10 per cent is fully digitised. The different parts of the business such as presses, inks, pre press systems are sold separately through different channels. Typical applications for this

segment are mailings (transaction print), publishing (newspapers and magazines) and commercial applications such as brochures or catalogues. Main end-user markets are small and medium sized print production sites with limited number of employees. The supplier market is dominated by large companies and is also well consolidated.

Industrial printing can be subdivided into graphics printing and industrial printing. The graphics printing is estimated at USD 125 billion, of which 20 per cent to 25 per cent is digitised. The different parts of the printing system are sold through separate channels. Typical applications for this segment are billboards, point of sales, signage and decoration. Its main markets are publishers, commercial printers and the financial industry. The supplier market is very fragmented.

The industrial printing segment is estimated at USD 900 billion of which only about 1 per cent is digitised. The different parts of the printing systems are sold through separate channels. Typical applications in this segment are packaging, label, carton, textile and various industrial products printing. The end-user markets are typically mass consumer markets (supermarkets) and markets for industrial products. With the exception of packaging applications, the market is highly fragmented and not consolidated.

(b) The printing industry has many players which differ in background, size and profile.

In the value chain of the printing industry, there are numerous players that differ considerably in background, size and, profile such as:

- Brand owners and publishers (e.g. P&G, Sanoma, etc.)
- Image and information creators (e.g. PR and publishing offices)
- Pre-press systems suppliers (workflow software, printing plates, plate imaging systems, etc.) (e.g. Agfa Graphics, Kodak, Fuji, etc.)
- Basic consumables suppliers (paper, carton, inks, etc.) (e.g. Stora-Enso, Sun chemicals, etc.)
- Press manufacturers (e.g. Heidelberg, Manroland, KBA, etc.)
- Digital print equipment suppliers (e.g. Agfa Graphics, HP, EFI, etc.)
- Printing companies (e.g. Bertelsmann, RR Donnelley, etc.)
- Post-press systems suppliers (Wifag, Hunkeler, etc.)

(c) Positioning of Agfa Graphics: active in both infoprint and industrial print

- Agfa Graphics is active in the infoprinting segment with its pre-press offering for offset technology. This is a mature relevant market of approximately EUR 5 billion, which is highly consolidated. The infoprinting industry is cyclical and suffers pressure from digital and non print electronic media for certain applications. The major suppliers in this segment are large companies such as Heidelberg, Manroland, KBA, Komori, Screen, Kodak, Fuji, Screen.
- Within the industrial print segment, Agfa Graphics is active in the graphics print segment with its pre-press offering, yet only for a limited part active in pre-press offering in the traditional screen and flexo technology for industrial printing. The major suppliers in these segments are Dupont, Asahi, Sun, Flint, Kodak,

McDermid, Esko Graphics. Agfa Graphics is also active in the graphics printing market with its portfolio of wide format inkjet printers and its high-speed flatbed inkjet printing press.

In the industrial print segment, Agfa Graphics is mainly active with its industrial inkjet offering. This is a solid, fragmented market of USD 1 billion and growing rapidly thanks to the digitisation of the traditional screen and flexo printing technologies. Major players in this market segment include HP, Indigo, Durst, Screen, Epson, Screen, EFI and Fuji.

7.1.2 Key graphics market drivers and trends

(a) *Key graphics market drivers*

- **Information and communication media support print**

It is not expected that the printing industry will disappear following the upcoming of new technologies, it is expected that it will co-exist with other media channels. Print as medium for communication and information will never be entirely replaceable.

Various trends in electronic media influence the end-users' behaviour towards printed information in terms of print on demand (which reduces both the lead time and the quantity of the prints. The natural tendency towards shorter production runs results from lower demand in working capital requirements, tendency towards personalisation and requests for more and specific colours. The pace of these trends will differ per region in the world.

Moreover, through the evolution towards different digital media, more information becomes available to more people, leading to an increase in the demand for print as the traditional distribution platform for information. Print will also grow in new sectors as well as in emerging markets and will continue to deliver added value.

- **Printing follows the economy**

Global GDP is projected to increase by 3.3 per cent in 2010 and 2011, and by 3.5 per cent in 2012 according to the World Bank. Concurrently, global economic influence and power is expected to spread from the current G-7 countries of North America, Europe, and Japan to a more multipolar global economic system in which Brazil, India, China, and South Korea will be increasingly important players in the world economy. As such, overall output from emerging markets / advanced developing countries is likely to rise from 45 per cent to around 60 per cent of global GDP by 2015.

As GDP increases, the printing industry will grow as well, driven by increased communication needs on the one hand and the increase of industrial output on the other hand.

Recently, Pira International reported “despite harsh economic realities dominating the headlines, particularly since the 2008/09 recession, the world print industry actually grew by USD 21 billion to USD 644 billion between 2003 and 2009 and is predicted to reach USD 676 billion by 2014. However, this steady growth will be characterised by a shift within the industry, with packaging

accounting for 31 per cent share of the market by 2014 and the digital print sector rising 6.4 per cent to 19.4 per cent between 2009 and 2014.”

- **Advertising remains important engine of print**

The primary income stream for newspapers and magazine publishers is driven by advertising, which is heavily related to the economy. Increasingly, advertising funds have been reallocated to what marketers deem to be more effective and measurable channels. Newspapers and advertisers have got to refine and communicate their value proposition. The days of mass and generalised communications are gone. The new rules of marketing communications require more targeted approaches. Time sensitive communication, regionalised messaging and outreach to niche markets is critical for marketers. So while marketers are increasingly relying on internet marketing and social media, there is still a place for print as they are also integrating their marketing efforts and relying on outdoor advertising, customized printed pieces, packaging, POP (point of purchase) and other in-store marketing tools.

- **Population growth and literacy rate improvement lead to more demand for printed documents**

For example, in India alone, the percentage of literates will increase steeply in the years to come. It has increased from 48.2% in 1991 to 62.8% in 2006 (for youths, the increase is from 61.9% to 81.1% - source: <http://stats.uis.unesco.org>). Together with population and GDP growth this will be an additional driver for the growth of the Indian printing industry.

(b) Market and customer trends

- **Focus on return on investment**

Market budgets were slashed as a result of the global recession and now necessity is the mother of invention and innovation. Now more than ever, marketers and print services providers are focused on return on investment. Going forward, print service providers will need to move to newer, efficient and productive printing technologies. They will require the printing technologies that can produce higher-return printed pieces for their customers. These more measurable printed pieces should also yield higher-margin, which is good for print service providers.

- **New end-user requirements**

Various trends in electronic media influence the end user's requirements towards printed information. There will be more print on demand (which reduces both the lead time and the quantity of the prints). The natural tendency towards shorter production runs results from lower demand and working capital requirements, personalization, short print production and requests for more and specific colours.

- **Ecology & Efficiency**

Ecology and efficiency are becoming increasingly important in the Western World. This is combined with the necessity to continuously bring down the cost per page printed as to keep margins up and/or compete with other electronic media. Manufacturers can help print service providers achieve their internal

ecological goals, improve efficiencies and cut costs. Ways to reach this are a reduction in chemistry usage/costs, in water consumption, in energy use and in maintenance cost, and an improvement of workflow efficiency.

- **Margin pressure**

Overall, there is margin pressure in the printing industry due to overcapacity, globalisation and digital revolution both in traditional and electronic media. As a result, the commercial and technological competition increases. Printing jobs can be done with different technologies each having their own advantages and disadvantages in terms of speed and quality and return on investment. Some printing jobs become obsolete due to the competition with the non print media.

- **Consolidation**

A new wave of consolidation of printing companies and distribution is expected, although slowly and merely concerning the biggest companies. The majority of the printing companies are still small to medium sized businesses, however, in the mid-term it is expected that these companies will merge with larger companies or cease to exist. It is expected that this consolidation will take place throughout the whole printing value chain and will not be limited to the printers as such: suppliers, printing press manufacturers, distribution channels. In order to cope with the increasing pricing pressure and to increase their marketing power, most companies will need to consolidate. It is also expected that offset press manufacturers are integrating vertically and will also become a distributor of consumables, thereby competing directly in the pre-press market.

- **Growth in emerging markets**

Substantial growth is expected in emerging markets such as China, Russia, India and Brazil thanks to (1) GDP growth as such (2) the shift of non time sensitive print jobs to China and (3) the fact that printing production follows the delocalisation of the industry.

- **Continuing shift to digital technologies**

Today, all traditional printing technologies are challenged by digital alternatives. Key parameters which drive this transition are quality, speed, operating cost and return on investment. Of all traditional printing technologies, offset technology is expected to remain well ahead of digital technologies. Every fundamental technology change takes time to be widely adopted. For instance, it required 15 years to convert from traditional Prepress to Computer to Film systems, 10 years from Computer to Film to Computer to Plate and it will probably take more than 15 years to move the majority of traditional printing technologies towards inkjet.

7.1.3 Pre-press market

(a) *What is pre-press?*

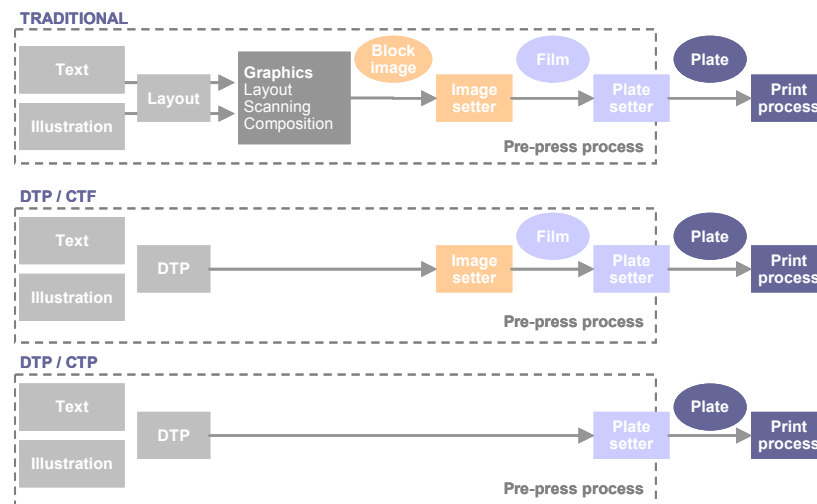
In conventional printing, the pre-press activities begin after the print layout decisions are made and end with the printing process itself. The pre-press procedure includes among others the formatting of the information, the layout of textual and image information, the colour corrections, the screening process and the imaging and production of a printing master, ready for mounting on a printing press. Products needed in conventional pre-

press are workflow software, imaging equipment, master materials, chemicals, processing equipment to make the master printing form ready for print.

Pre-press offset is the whole process to prepare the aluminium offset plates to become a ready-to-print plate. Typical products used in the pre-press offset process are workflow software, aluminium offset plates, offset plate imaging equipment, offset plate processing equipment. Top 3 players, active in offset pre-press are Agfa Graphics, Kodak and Fuji.

Computer to plate (CtP) is an imaging technology used in modern printing processes. In this technology, an image created in a Desktop Publishing (DTP) application is output directly to a printing plate.

Computer to Film (CtF) is a print workflow involving the printing from a computer, straight to film. This film is then exposed onto a lithographic plate, using a platesetter. The plate is then put on an offset printing press to make a product (usually thousands of copies).



(b) **Technology trends within pre-press**

- **Shift from analogue pre-press to digital pre-press**

The trend of digital technologies replacing its analogue equivalent is ongoing. The market for analogue pre-press processes such as Computer-to-Film (CtF) is declining rapidly. In North America and Western Europe, most printers already made the transition from the Computer-to-Film (CtF) to the Computer-to-Plate (CtP) technology. In emerging markets on the other hand, the technology shift from Computer-to-Film (CtF) to Computer-to-Plate (CtP) is only starting to accelerate. With offset printing growing strongly in emerging markets in general and the BRIC countries (Brazil, Russia, India and China) in particular, important growth opportunities still exist. This means that worldwide growth in the graphic pre-press industry is partly dependent on the technological shift from CtF to CtP in the emerging markets and more specifically in China.

- **Shift toward more efficiency and environment-friendly solutions**

During the last years, many innovative solutions have been introduced to improve the pre-press and plate-making operations (1) more efficient and much faster software systems to prepare the pre-press data, (2) faster plate-setters and more sensitive plates to increase the speed of plate-making, (3) chemical and processing free plate systems for increased sustainability. As is the case in other industries, the pressure on the printing sector to reduce its environmental impact is increasing. Graphic companies are now developing environment-friendly imaging technologies that reduce the ecological footprint of the printing industry by eliminating toxic chemicals, reducing waste, lowering ink and water consumption and saving energy.

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

7.1.4 Inkjet market

(a) Market description

Agfa Graphics is also active in industrial inkjet. This is the printing technology whereby the ink is directly transferred on the substrate without an intermediate ink holder. Industrial inkjet entails wide-format printing systems and inkjet presses which differ from office inkjet due to the size and substance of the substrate.

The wide format graphic market addresses the display graphics, outdoor advertising and signage sectors. This market traditionally used screen printing technology but has moved rapidly to adopt inkjet technology, therefore many of the products being produced today are only compliant with inkjet technology. Typical examples of these applications include: advertising billboards, architectural building mesh covers, fleet graphics, POP (point of purchase) displays, signage, flags, banners and trade show displays. The customers in the wide format graphic sector are largely dedicated display production companies. They have evolved from traditional screen printing companies or have started as a new exclusive digital business. A more recent customer base, which is a growth sector, exists of commercial printing businesses diversifying their business into display graphics to offer a broader service to their customers and replace the declining traditional revenue streams.

The inkjet presses address the packaging and production markets where shorter runs and images on products are required. This market has traditionally used a range of technologies, Gravure, Offset, Flexo and Screen printing. The unique capabilities of inkjet to print directly on to a product or substrate, proves to be more economical for short runs and constantly varying image contents. These advantages are leading to new uses for the inkjet technology and systems. Typical examples of these markets are: bags, white goods, metal cans, flooring, ceramic tiles, glass, industrial labels and folding carton packaging.

- The industrial inkjet market can also be described by the type of ink that the various systems apply:

Aqueous

Aqueous inks are water based and are typically used for indoor applications and for small home or office printers.

Aggressive Solvent

Solvent inks replace the water used in aqueous inks with a low boiling point solvent. The solvent is usually aggressive enough to allow good adhesion to vinyl and other synthetic substrates.

Eco or Mild Solvent

Eco solvent inks are similar to solvent inks but use low boiling point solvents which are eco friendly and have low odour. The inks are more expensive and do not have the same adhesion characteristics.

UV

UV inks cure by a reaction initiated by exposure to UV light. The UV inks have very good adhesion characteristics to a huge range of substrates, enabling the image to be printed directly on to the final product. UV inks are also very resistant to UV light and weathering, making them ideal for external displays.

(b) Technology trend in inkjet

The first 5 years, industrial inkjet presses are not expected to challenge the mainstream of offset technology in terms of speed, quality combination. Some offset applications such as variable data, personalisation and low volume print jobs however may face pressure of inkjet presses. In any case, industrial inkjet will continue to cannibalise the traditional screen and printing and (short run) flexo printing applications where speed and image quality are not of the same set of requirements as offset.

Important technology trends in inkjet are focused on performance (quality and speed combination), ecology and return on investment. In ink technology there is a trend toward environmental friendly inks, UV and special inks for food applications. Ink technology is also oriented towards a wider range of substrates and environmental LED curing. Ink head technology is oriented towards speed and costs as well as image quality resolution (dot size). For equipment, operating costs and reduction of initial investment costs are key points of attention.

• **Inks**

The market traditionally used aggressive solvent and aqueous inks to image flexible materials that were then laminated to boards for rigid displays and signage. This introduced an additional step and cost in the manufacturing process.

The advent of UV inks has enabled wide format printers to image directly to board and rigid substrates. The aggressive solvent inks used in large roll to roll printers used in billboard and poster printers have also been challenged by government regulatory limits on the VOC (volatile organic compounds) that can

be emitted by businesses in western markets, this has led to UV (with no VOCs) replacing solvent printers in this segment.

An alternative to solvent inks, aggressive and mild or eco, has recently been developed by some companies. This ink, based on latex or other aqueous solvent resins, has also been proposed as a replacement ink technology for roll-to-roll inkjet printers. This technology still has a high solvent content, typically more than 50 per cent and requires significantly higher power consumption to dry the image than solvent or UV printers.

- **UV-LED curing**

UV cured inkjet systems dominate the flatbed inkjet printer market because of their ability to print directly to rigid boards, metal, wood, glass and other substrates. A trend in the UV segment is the move from traditional mercury-based arc lamps that have dominated the market, to new more efficient and environment-friendly UV-LED technology. UV-LED technology is mercury-free, does not generate ozone, and has lower production costs and reduced energy usage compared to traditional lamps. Typically, a UV-LED curing system will use between 50 and 70 per cent less energy than a tradition UV bulb.

This new technology did not have the UV power density to replace traditional UV bulbs until recently. Today we see the first UV-LED curing systems coming to market from Agfa Graphics and other companies such as Gerber and Mimaki. It is anticipated that as UV-LED component costs come down that this technology will gradually replace traditional UV bulbs in the industrial inkjet market on both UV roll to roll and UV flatbed printers.

- **Quality and speed**

Inkjet printers are improving image quality and speed on a continuous basis. The quality and speed is driven by inkjet head technology. Early piezo inkjet heads such as the Spectra S class heads, had 128 nozzles and produced drops of 80 picolitres with a native resolution of 50 dpi. The latest generations of heads, such as the Ricoh Gen 4 head, has 384 nozzles and produces drops as low as six picolitres with a native resolution of 300 dpi. The Kyocera KJ4 printhead has even more nozzles, 2,656 and a native resolution of 600 dpi with drops down to three picolitres.

This increase in the number of nozzles allows manufacturers to build head carriages and page wide arrays, with more nozzles at a higher native resolution, therefore increasing the speed and quality of printing. The decrease in the smallest of drop also allows greater detail to be achieved at higher resolutions enabling “photo” quality images to be printed on the latest industrial inkjet printers. It is expected that the trend to smaller drops and more nozzles at higher resolutions will continue. It is this continuous increase in speed and quality that will enable future generations of industrial inkjet printers to displace more and more of the printing in traditional offset, flexo, screen and gravure printing markets.

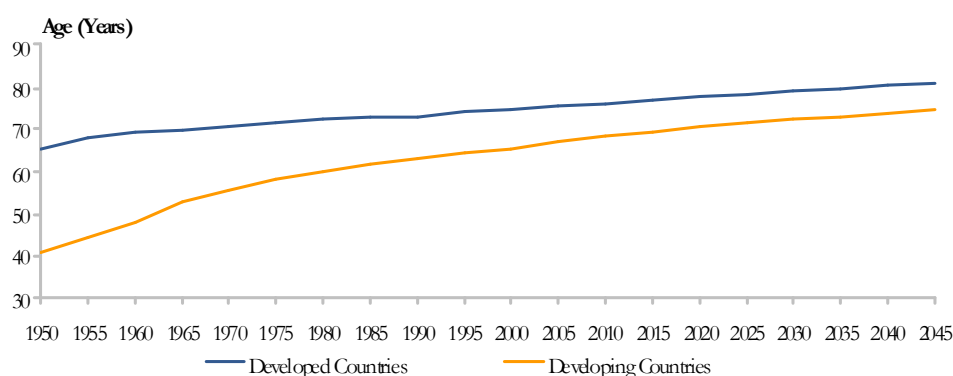
7.2 Healthcare market

7.2.1 Key healthcare market drivers

(a) Expanding and ageing world population

According to statistics from the United Nations (“UN”)¹, the world population is forecast to increase from 6.9 billion in 2010 to about 8 billion in 2015 and 9.1 billion in 2025 and at the same time, the percentage of people aged 65 or above in developed regions is expected to increase from approximately 15.9 per cent today to 26.2 per cent by 2050 compared with 5.8 per cent to 14.6 per cent in less developed regions.

Global life expectancy at birth (both sexes combined)



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp>

Such ageing population provides an enormous potential for healthcare providers as the need for care – and related spending – is highly correlated with age. The World Health Organization indicates that people over the age of 65 consume on average four times the number of diagnostic tests than those under 65. As life expectancy increases worldwide, ageing patients will require continuous and repeated medical scrutiny (e.g. doctor visits, examinations, etc.) requiring efficient and timely co-ordination from the healthcare community that only modern information systems can ensure. In addition, ageing population will also impact public finances: less tax receipts and increased public healthcare spending.

As a result, the demographic shift - growing and ageing population - exemplifies the need for the development of existing and new healthcare structures in order to increase productivity to manage a growing patient flow in a cost efficient way.

(b) Increase in chronic diseases

Dramatic changes in people's lifestyles are leading to the rapid development of chronic diseases. Diseases such as cancer, obesity, chronic heart failure, diabetes or asthma are becoming major causes of morbidity in the population. Without action to address the

¹ Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp>.

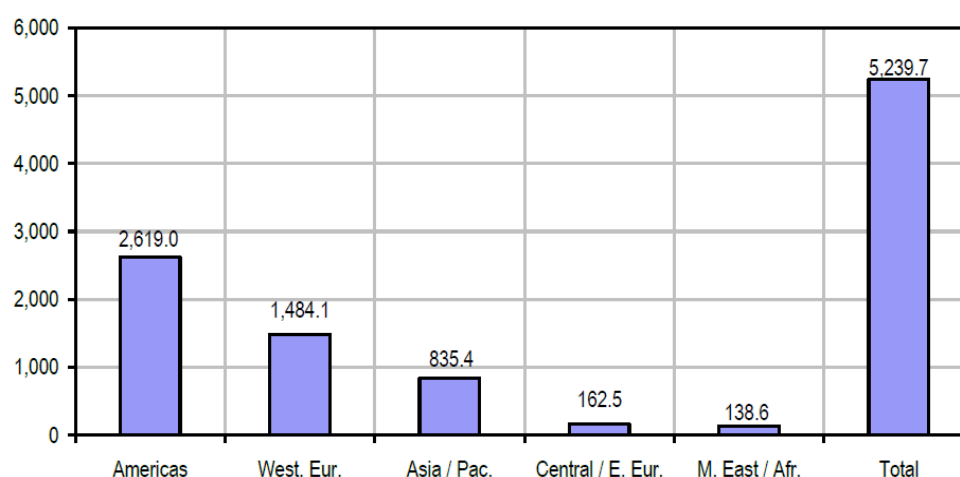
causes, deaths from chronic diseases will increase by about 17 per cent over the next 10 years².

Early detection and diagnostic of possible chronic disease risk is critical to ensure patient treatment and recovery and alleviate the related financial burden for the community (in the United States, approximately 85 per cent of all hospital costs and approximately 70 per cent of all physician costs are already spent for treating chronic diseases.³). In parallel, medical progress has significantly lengthened the life expectancy, which extends the need for regular monitoring of patients suffering from chronic diseases.

(c) Growing demand for healthcare

According to Espicom Business Intelligence annual global healthcare spending represented over 5 per cent of global Gross Domestic product (GDP) in 1970, 7 per cent in 1990, 9 per cent in 2006 and is expected to represent 11 per cent in 2015. In 2009, annual global healthcare spending was estimated at about USD 5.2 trillion. Healthcare spending nowadays absorbs a large share of total resources in the economy and this share continues to grow, driven by factors such as technological change, population expectations, ageing population and changing disease patterns.

World Overview, Health Expenditure by Region (USD Billions)



Source: Espicom Business Intelligence 2009, Medical Markets Fact Book 2009

The United States have consistently been the largest spender on health goods and services since 1980⁴. Despite a recent slowdown in spending growth, the most recent OECD projections suggest that total spending on healthcare is rising faster than economic growth. The share of health and long-term care expenditures in GDP could

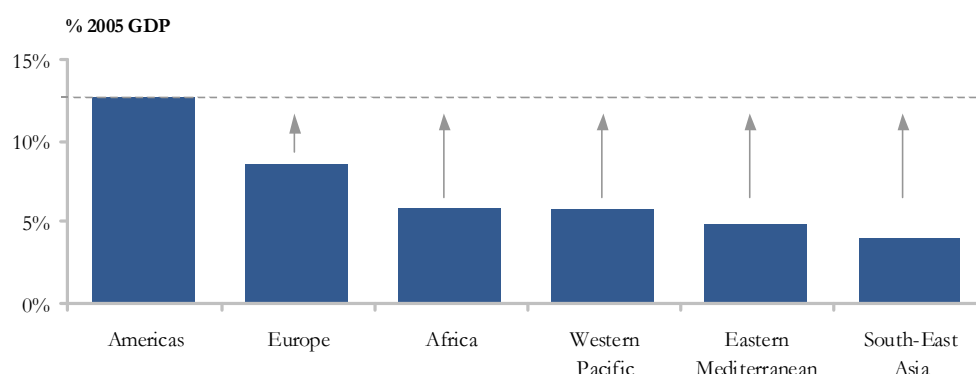
² World Health Organization ('WHO'), 2005 – Preventing chronic diseases: a vital investment: WHO Global report – http://www.who.int/chp/chronic_disease_report/full_report.pdf

³ Centers for Disease control (2003); American Heart Association, American Diabetes Association, National Heart, Lung, Blood Institute, American Lung Association, National Center for Health Statistics; WHO (2005).

⁴ Organisation for Economic Co-operation and Development ('OECD'), 2009, OECD Health Policy Studies Achieving Better Value for Money in Health Care.

increase by between 3.5 to more than 6 per cent of GDP on average across OECD countries between 2005 and 2050⁵.

World Overview, Global healthcare spending (% GDP, 2005)



Source: WHO – Global healthcare spending

Emerging economies such as China, India and Latin America are bound to invest a share of the public wealth into public healthcare. As an example of this trend, the Chinese government now starts to stimulate investment in healthcare as a means of achieving long-term public health, social and economic objectives. The China's State Council, or Cabinet, passed a major medical reform plan in January 2009, which promised to spend 850 billion yuans (USD 123 billion) by 2011 to provide universal medical service to the country's 1.3 billion population⁶.

As those emerging economies rapidly develop, it is expected that emerging markets' spending will reach the same proportion of GDP as their developed counterparts, rising in both absolute and relative terms. Many experts believe that growth in healthcare spending is unsustainable in the long term⁷. Increasing healthcare needs leading to soaring costs are driven by social, macro-economic fundamentals and force healthcare industry participants to respond to an ambitious challenge: improve healthcare provision while reducing costs. They use sector-specific drivers to drive these costs down by targeting efficiencies and taking a holistic approach to patient care.

It is also expected that healthcare IT spending will attract a considerable portion of the increased global healthcare expenditure, in particular as healthcare IT is designed to improve efficiency and hence reduce costs, a key focus in today's healthcare budgeting processes.

⁵ Organisation for Economic Co-operation and Development ('OECD'), 2009, OECD Health Policy Studies Achieving Better Value for Money in Health Care.

⁶ Reuters, 2009.

⁷ Organisation for Economic Co-operation and Development ('OECD'), 2009, OECD Health Policy Studies Achieving Better Value for Money in Health Care.

7.2.2 Medical diagnostic imaging

(a) Market description

The global market for medical equipment⁸ in general is expected to grow from USD 234 billion in 2009 to USD 310 billion in 2015 on a global scale, according to Espicom Business Intelligence. This market encompasses many different consumables and equipments, i.e. consumables, diagnostic imaging, dental products, orthopaedic & implantable as well as other products (medical & surgical sterilisers, wheelchairs, contact lenses, ophthalmic instruments & appliances, mechano-therapy apparatus, therapeutic respiration apparatus, etc.).

Within this global medical equipment market, the medical diagnostic imaging market is estimated at USD 57 billion in 2009 and USD 59 billion in 2010, representing roughly one fourth of the global medical equipment market.

World Summary: Total Medical Equipment Market By Category (USD millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR
Medical diagnostic imaging											
Electrodiagnostic apparatus...	30,513.9	33,412.4	35,786.8	34,921.2	36,269.5	37,421.2	38,871.7	40,306.4	41,787.1	43,120.9	3.9
X-ray apparatus	19,156.0	20,293.8	22,775.8	22,025.3	23,112.5	24,121.4	25,415.1	26,689.6	27,997.8	29,174.0	4.8
Subtotal	49,671.9	53,706.2	58,562.5	56,946.5	59,382.0	61,542.5	64,286.3	66,996.1	69,784.9	72,294.9	4.3

Source: Espicom Business Intelligence, 2010, Worldwide Medical Market Forecasts to 2015

For the next few years, the medical diagnostic imaging market is projected to grow from USD 57 billion in 2009 to USD 72.3 billion in 2015 on a global scale or a CAGR of 4.1 per cent for the period 2009-2015.

The medical diagnostic imaging market has been hit hardest by the economic slowdown in 2008. Governments and other healthcare providers have indeed reduced or delayed expenditure on expensive investments. That being said, emerging markets' growth enjoyed a boom prior to 2009, as many emerging countries invested heavily in first time equipment installation.

Following Espicom Business Intelligence's classification, medical diagnostic imaging consists of two main segments⁹: (1) electrodiagnostic apparatus; (2) X-ray apparatus. The latter segment, X-Ray apparatus, in which Agfa HealthCare operates (see reference 8.4.2.), is projected to grow from USD 22 billion to USD 29.2 billion in 2015 on a global scale or a CAGR of 4.8 per cent for the period 2009-2015.

⁸ Figures for the medical equipment markets are Espicom estimates, in current US dollars. All market data is at manufacturer prices. This report uses a wide definition of medical equipment, similar to that used by the US FDA or EU regulatory authorities. In short it is defined as any piece of equipment or apparatus used to treat or diagnose an illness, which comes into direct contact with the patient. Pharmaceuticals, IV diagnostics and laboratory equipment are not within the scope of this report.

Espicom has rearranged the data from its original code order, to create five major subcategories: Consumables, Diagnostic Imaging, Dental Products, Orthopaedic & Implantable Products, and Others.

⁹ Following Espicom Business Intelligence's classification: electrodiagnostic apparatus consists of: electrocardiographs, ultrasonic scanning apparatus, magnetic resonance imaging apparatus, scintigraphic apparatus, other electrodiagnostic apparatus, and UV/IR apparatus; X-ray apparatus consists of: computed tomography apparatus, medical X-ray apparatus, medical alpha beta, gamma ray apparatus, x-ray tubes, and parts & accessories for radiation apparatus.

(b) Market drivers

Increase demand for diagnostics

In the past few decades, there has been a soaring demand for diagnostic imaging explained by the need to improve the early detection of diseases, which allows early and adequate medical treatment, hence reducing morbidity and the number of medical treatments required. Although the diagnostic incurs an incremental cost, this cost is relatively smaller than the cost of curing diseases detected at a later stage. The increased pre-emptive use of imaging diagnostics is a cost-effective way of deflecting costlier care treatment.

In a number of countries, regular tests carried out to protect against the rising incidence of chronic diseases and alleviate treatment costs are recommended. Incentives are given to patients to seek early treatment; e.g. free annual/bi-annual mammography screening from a certain age is provided in the US, Canada and France amongst others.

In 2003, there were approximately 421 million imaging procedures estimated to have been conducted in the US. The imaging procedure volume in 2003 was estimated to have represented a 37.3 per cent increase over procedure volumes in 1993.

Total Medical Imaging Market: Historical Procedure Volume Analysis (U.S.), 1963-2003

Segment	1963 (000)	1973 (000)	1983 (000)	1993 (000)	2003 (000)
X-ray	95,000	143,000	165,000	195,000	217,500
Other X-ray	5,000	10,000	21,000	36,500	52,600
Gamma Camera	100	3,000	5,000	7,000	18,000
Ultrasound*	0	8,000	22,000	40,000	60,000
MRI	0	0	**	7,900	21,000
CT	0	100	7,000	20,000	50,579
PET	0	0	**	**	972
TOTAL	100,100	164,100	220,000	306,400	420,651

Note: *Due to complexities in tracking ultrasound procedures, historical data was modeled based on like modalities
**Presumed to be less than 50,000 procedures

Note: All figures are rounded; the base year is 2003. Source: Frost & Sullivan

Source: Frost & Sullivan, 2004

The American College of Radiology (ACR)¹⁰ estimated the volume in 2008 at 687 million imaging procedures or at a CAGR of 10.3 per cent for the period 2003-2008¹¹.

Advanced imaging volumes have been growing in a seemingly unabated way throughout the past decade. Building on this cumulative growth, diagnostic imaging in the US now represents the largest source of hospitals' outpatient profits.

Amongst medical diagnostic imaging procedures, X-ray continued to be the most widely used modality and accounted for roughly half of the procedure volume in 2008 in the US as pictured by ACR. While this represents a decline in percentage terms compared to other modalities, it continues to represent a significant proportion. New uses are also being developed for existing technologies.

This sustained growth of the volume of X-Ray procedures over the past decade put pressure on radiology departments requesting them to manage and store an increasing

¹⁰ The American College of Radiology (ACR), 2008. Note on ACR estimates: The modalities were defined using Berenson-Eggers type of service (BETOS) codes, with exception of mammography and PET procedures, for which there are no BETOS codes.

¹¹ The growth rates estimate is based on different sources, Frost & Sullivan for 2003 and ACR for 2008.

number of data, mainly due to the explosion of the demand for diagnostics, but also because the detail and complexity of each image has significantly improved. The vast quantity of data has therefore increased demand for imaging manipulation, management and storage systems (PACS) as well as digitalisation (CR & DR).

Reduced Invasive Procedures

Increased reliance on non-invasive procedures improves efficiency in several ways: it reduces the risk of infection from an invasive exploratory procedure; it reduces the time burden on surgeons and nurses; it improves diagnostics by providing flexible 3-D images; and critically, it improves patient comfort. Each of these factors also reduces the overall cost base of healthcare providers.

Patient consumerism

More informed and emancipated patients place further pressure on healthcare providers to deliver. Thanks to growing sources of public information stemming from e.g. the internet, patients have become more aware of the development of less invasive visualisation methods. As an example, virtual colonoscopy is an imaging technique that has emerged over the past 10 years, which is less invasive than traditional colonoscopy using an endoscope. A field study¹² shows that CT colonography rapidly gained acceptance, as illustrated by the number of occurrences of this term in medical publications increasing from 5 publications in 1997 to 177 in 2008.

Importance of National Regulatory Systems

Healthcare systems are heavily regulated across the globe. The impact of public authorities varies from country to country in terms of governance, regulation, management and financing.

The public-private mix spending is usually strongly influenced by the nature of the healthcare systems. For example, the US which is mainly based on private insurance is dependent on private expenditures (55 per cent). On the opposite site, Denmark is based on a national health system and is therefore heavily dependent on public expenditures (85 per cent). Germany is based on a compulsory insurance system (77 per cent) complemented by private spending (23 per cent).

Medical diagnostic imaging equipments represent a large investment and decisions to buy rely greatly on expected reimbursement rates and their constant development. Changing regulation helps determine both individual hospital budgets and each country's spending focus; for example using re-imbursement rules such as radiography print-outs and government product standards. Naturally these regulatory frameworks and their pace of change vary regionally and nationally, but they have a very large impact on equipment capital purchase (a return on investment of every system being purchased is necessary), IT equipment and film consumption. The governments can also use incentives to promote a specific procedure/exam type or modality use.

A good example of the government impact is the Deficit Reduction Act of 2005 (DRA) in the US. It resulted in a capital expenditure cut among system buyers while the

¹² Extracted from "Medical Innovation in Clinical Practice: Technological Change, Systems and Service", by Jérôme Galbrun, and based on PubMed online database, A thesis submitted in partial fulfillment of the requirements For the Ph.D. Degree in the Department of Value and Decision Science, Graduate School of Decision Science and Technology, Tokyo Institute of Technology Thesis Adviser: Prof. Kyoichi Kijima – June 2010.

recession further affected demand among facilities with high volumes of Medicare and Medicaid patients. The combination of the two strongly affected digital imaging spending as some of their revenues were cut by nearly 40 per cent according to a 2010 survey conducted by Frost & Sullivan.

Based on Frost & Sullivan findings, operational cost savings that can be realised by transitioning from analogue to digital radiography are becoming increasingly attractive to potential US DR/CR buyers in light of further medical procedure reimbursement rate cuts that are expected to be implemented in 2010. Many medical providers, having already experienced the effects of rate cuts induced by DRA of 2005, realise how critical it will be to maximise operational cost efficiency in 2010 as rate cuts are expected to be even more substantial than those of the 2005 DRA.

(c) Market trends

Chronic diseases are being diagnosed and followed with medical diagnostic imaging

A number of chronic diseases, such as cancer, neurodegenerative diseases, heart failure, are often being diagnosed by medical diagnostic imaging technologies. Once diagnosed, patients get adequate medical treatments and subsequently remain subject to periodic monitoring using medical imaging technologies. This results in a strong growth of all imaging procedures.

Furthermore, screening of certain cancers – breast for example – has been promoted through nationwide programs, which has a direct impact on diagnostic imaging procedures, such as X-ray mammography.

Evolution from analogue to digital medical imaging technologies negatively impacting “traditional” imaging markets

As more and more hospitals are changing from analogue to digital techniques, demand is decreasing for traditional imaging techniques such as X-ray film or hardcopy.

The hardcopy film segment is characterised by a continuing market decline in the US, an accelerating market decline in Western Europe where radiologists increasingly look at their medical images on advanced computer screens, and continued growth in emerging markets (I3A 2009).

The X-ray film market is declining rapidly in favour of digital systems as highlighted by Frost & Sullivan. The ability to send and have access to digital images from remote locations, eliminate the need for a developer, film, or file room, and the reduction in time, space requirements and cost are all advantages of digital radiography (Computed Radiography – CR – and Direct Radiography – DR) over conventional radiography (medical films) that are becoming more widely known among radiography providers in the medical community.

Equipments such as digitizers for Computed Radiography (CR) support the transition from X-ray film to digital image solutions. The systems convert analogue images to digital, helping image intensive departments improve their efficiency and increase overall patient throughput. However, according to Frost & Sullivan, recent weak economic conditions in the US caused delays in the investment of care organisations in medical equipment. While several countries in Europe and Asia are either making plans

to implement digital imaging mandates in their hospitals or have already done so, there is no sign of the US following in suit. With further procedure reimbursement rate cuts on the horizon in the US, customers now, more than ever, are looking for ways to decrease their operating costs in order to compensate for some of the losses that may result from these cuts. A transition to digital technology is the most obvious solution to this problem.

Growth in patient numbers and new requirements of diagnostic screening stimulate the proliferation of private medical imaging centres

The combination of a growing and ageing population with the change in the population's lifestyle and requirements for more prevention prompted the saturation of hospitals with image diagnostic-related cases. As a result, growth of diagnostic cases in Europe is estimated between 8 and 10 per cent each year¹³.

This saturation effect in turn, encouraged the proliferation of specialised (often private) diagnostic centres. Most of these private medical diagnostic centres are increasing their productive and working hours while some centres remain opened for 24 hours, seven days a week. Various image modalities such as extremity MR scanners, small footprint CT scanners, and echography systems are proposed through these private centres, hence increasing the potential customer volume.

In the US, for example, imaging procedure volume saw a strong shift from hospitals to outpatient imaging centres over a 10-year period starting in the mid-1990s, according to a study published in the Journal of the American College of Radiology (ACR). In this study published in 2009¹⁴, researchers showed that rates per 1,000 Medicare fee-for-service beneficiaries increased in all four of these places of service during the timeframe studied. Total outpatient imaging rates (hospital outpatient plus private office) increased by 45 per cent between 1996 and 2006, but hospitals' share of this market dropped from 47 per cent in 1996 to 41 per cent in 2006.

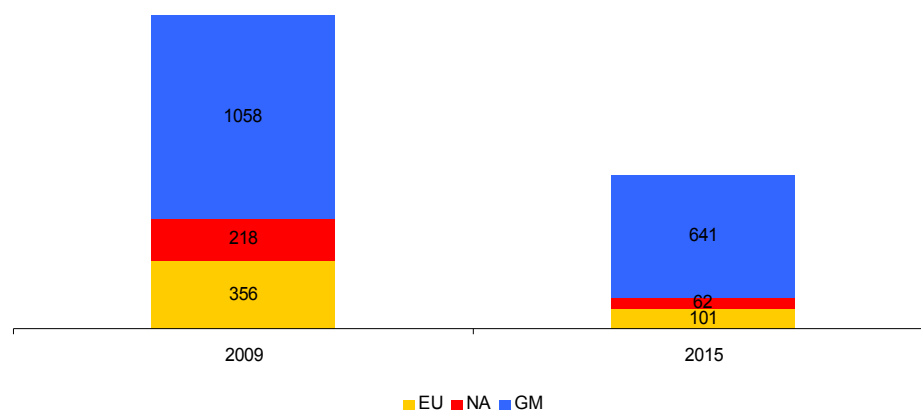
Medical diagnostic imaging market

As mentioned in 7.2.1(a), the medical diagnostic imaging market is set to keep on growing. More and more hospitals are changing from analogue to digital techniques in order to cope with the increasing volume of medical diagnostic imaging procedures but also their increasing complexity. The market evolution from analogue to digital medical imaging technologies is therefore negatively impacting the "traditional" imaging markets where demand is decreasing for X-ray film or hardcopy.

Likewise, the medical film market is bound to decrease. An internal analysis by Agfa HealthCare (based on I3A global medical films volume reporting in square metres) estimated the market at EUR 1.6 billion and is split as follows:

¹³ Frost & Sullivan, 2009.

¹⁴ JACR, February 2009, Vol. 6:2, pp. 96-99.

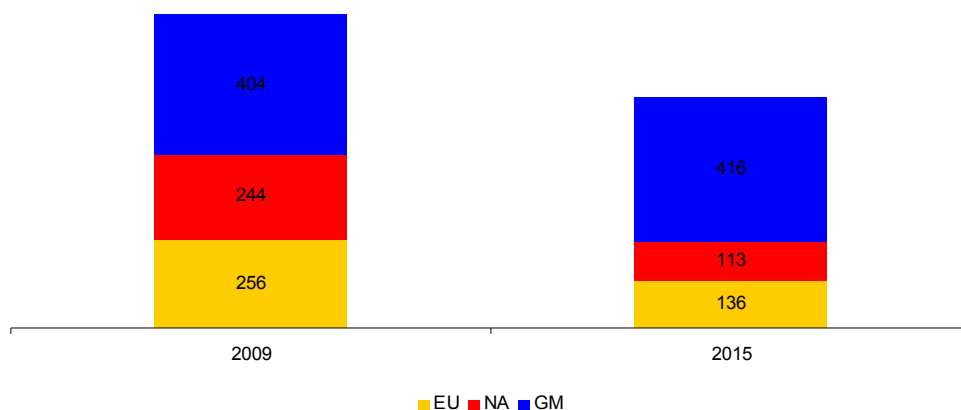


Source: Agfa HealthCare internal volume-based estimates (EU= Europe, NA, North America, GM: growth markets) based on I3A global medical films volume reporting in square metres

Despite the current economic conditions, the transition to digital systems continued and negatively impacted the X-ray film market in favour of digital systems.

Computed Radiography

After having enjoyed sustained growth over the past decade (as reported by I3A volume reporting in units sold), the CR market will likely start to decline as its markets are saturated in developed regions and due to a move to DR technologies. Agfa HealthCare estimates the CR market at EUR 0.9 billion and split as follows per region: Europe, North America and Growth Markets¹⁵.

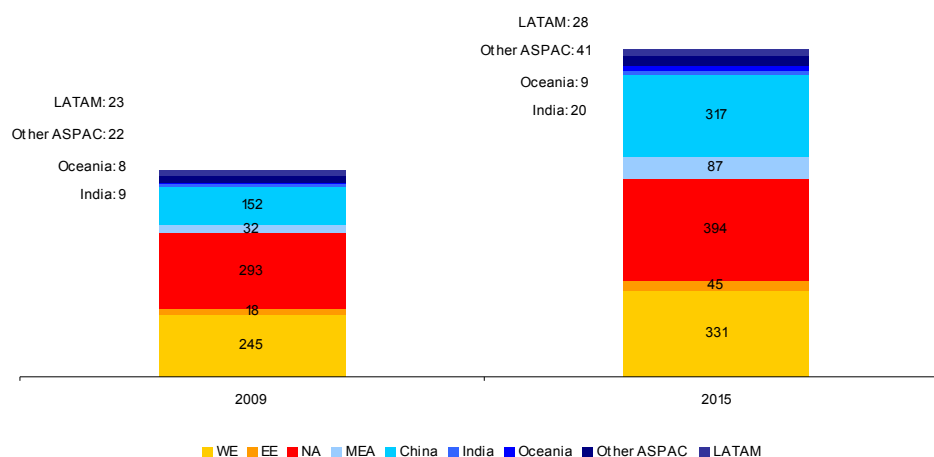


Source: Agfa HealthCare internal revenues-based estimates – including products & services (EU= Europe, NA, North America, GM: growth markets) based on InMedica 2009, Frost & Sullivan 2009 & 2010, I3A 2009, COCIR 2009

¹⁵ Agfa HealthCare internal analysis are based on a triangulation of sources: I3A reporting CR volume in units sold per quarter, COCIR reporting in value per quarter (since 2009), InMedica 2009 market analysis of the general X-Ray market amongst which CR and DR, Frost & Sullivan 2009 and 2010 market analysis of the CR and DR market in US and Europe, internal Agfa HealthCare insights.

Direct Radiography

The strongest growth is in the DR market. DR technologies are favoured by developed economic regions such as Europe and North America. Agfa HealthCare estimates its DR addressable market at EUR 0.8 billion, covering all regions of the globe with the exception of Japan, Vietnam and South Korea¹⁶.



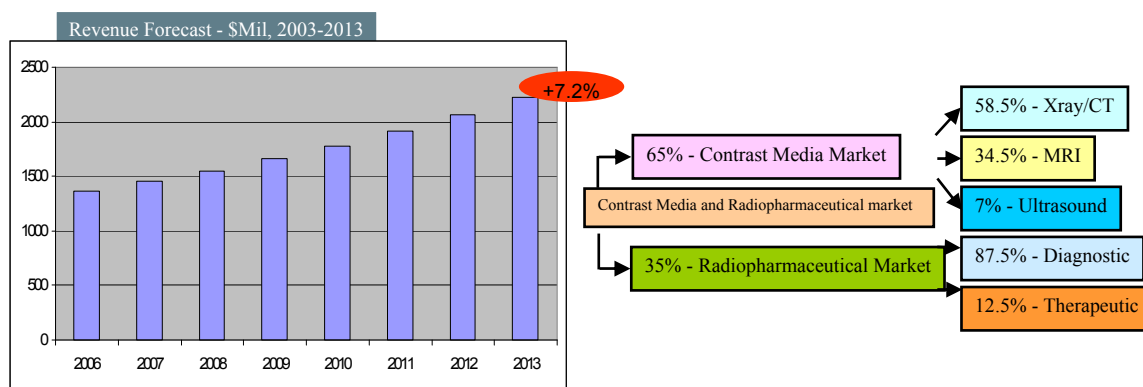
Source: Agfa HealthCare internal revenues-based estimates – including products & services (Western Europe, Eastern Europe, North America, Middle East and Africa, China, India, Oceania, Other Asia Pacific and Latin America) based on InMedica 2009, Frost & Sullivan 2009 & 2010, I3A 2009, COCIR 2009

Imaging agents

In 2010, Agfa HealthCare expanded its activities to imaging agents targeting generic imaging agents for CT and MR. The generic imaging agents market is estimated at EUR 0.2 billion in 2009 and EUR 0.55 billion in 2013 by Agfa HealthCare for CT and MR only, and covering all geographies except Japan.

The European market for the Imaging Agents in 2009 is estimated at USD 1.66 billion by Frost & Sullivan (2007) and estimated to be USD 2.23 billion in the year 2013 at a CAGR of 7.7 per cent.

¹⁶ Agfa HealthCare internal analysis are based on a triangulation of sources: InMedica 2009 market analysis of the general X-Ray market amongst which CR and DR, Frost & Sullivan 2009 and 2010 market analysis of the CR and DR market in US and Europe, internal Agfa HealthCare insights.



Source: Frost & Sullivan (2007) – European Contrast agents and radiopharmaceutical market (branded and generic products)

The North American market for the Imaging Agents in 2009 (branded and generic products) is estimated at USD 1.61 billion by Frost & Sullivan (2007) and estimated to be USD 2.22 billion in the year 2013 at a CAGR of 7.6 per cent.

The total revenue forecast is a compilation of forecasts from the X-Ray, MR, and ultrasound imaging agent markets. The X-Ray/CT segment (Barium / Iodinated – Oral / Injectable) represents an estimated 59 per cent of the North America market in 2009 (Frost & Sullivan, 2007). The MRI segment represents circa 29 per cent of the turnover (2007), but this segment is dominated by a few specialised and large companies. The Ultrasound segment is comparatively small but strongly growing.

(d) Competitive Environment

In the four segments of the medical imaging equipment market in which Agfa HealthCare operates, competition can be summarised as follows:

Sector	Key Competitors
Medical film, Printers	Carestream, Fuji Film, Konica
Computed Radiography	Fuji Film, Carestream, Konica
Direct Radiography	GE, Siemens, Philips, Carestream, Toshiba
Imaging Agents	GE Healthcare, Covidien, Bracco, Bayer, Guerbet, Bristol-Myers Squibb

For medical films & printers¹⁷, Agfa HealthCare is number 1 in Europe, and a strong number 2 in the rest of the world. Agfa HealthCare's market share has been growing strongly over recent years and the company is extremely well positioned in growth markets such as China, India, Latin America, etc. Other main players include Carestream, Fuji Film and Konica.

¹⁷ Agfa internal estimates based on I3A global medical films volume reporting in square meters.

For Computed Radiography (CR)¹⁸, Agfa HealthCare is number 3 globally, as reported by InMedica. Other main players include Fuji, Carestream, and Konica.

In 2009, Agfa HealthCare expanded its diagnostic imaging portfolio with Direct Radiography (DR)¹⁹ solutions complementing its portfolio and became a new player in this field challenging existing ones like GE, Siemens, Philips, Carestream. The DR market is dominated by Tier 1 companies such as Siemens Healthcare, Philips Healthcare, and GE Healthcare, and Tier 2 companies such as Toshiba Medical Systems and Shimadzu Corporation. Other companies are Imaging Dynamics Company, Swissray and Carestream Health.

In 2010, Agfa HealthCare expanded into generic imaging agents (CT & MR), and became a new player in this field starting in Europe. A limited number of companies are active in this segment, such as GE Healthcare, Covidien, Bracco, Bayer, Guerbet and Bristol-Myers Squibb.

7.2.3 Healthcare IT

(a) Market description

Since the early 1990s, specialised IT solutions have had a large impact on the overall improvement of healthcare, both financially and functionally. Their widespread introduction has enabled care facilities to increase their overall efficiency and quality of patient care. Care providers continuously aim for better quality, faster service and increased patient satisfaction, but pressured by multiple societal drivers, in a cost effective manner. The need to balance patient care and cost has incited the healthcare sector to catch up with other economic sectors in the field of IT.

Historically, Healthcare Information Technology (Healthcare IT) is characterised by a very high level of customer loyalty. Customer turnover rate is generally low due to the large initial investments on the customer end and the highly disruptive character of the transition process to usual operations. These two factors generally entail long-term partnerships.

International suppliers of Healthcare IT systems face significant R&D efforts & costs to deploy and adapt such systems to the requirements of additional countries' national healthcare systems.

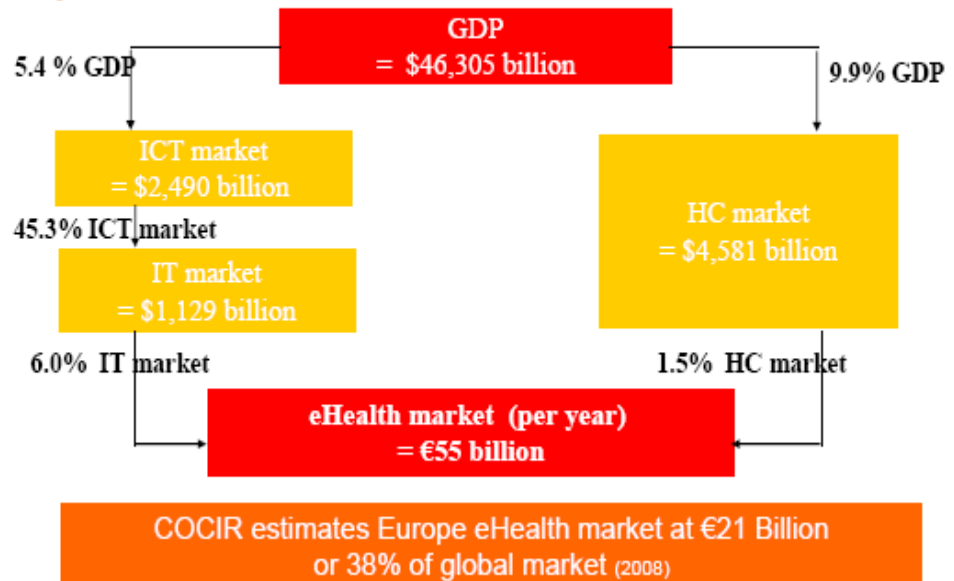
The global market for Healthcare IT is estimated at EUR 55 billion in 2009 as estimated by the European Coordination Committee of the Radiological, Electromedical and healthcare IT Industry (COCIR).

¹⁸ Agfa internal estimates – including products only - based on InMedica 2009, Frost & Sullivan 2009 & 2010, I3A 2009, COCIR 2009.

¹⁹ Agfa internal estimates – including products only - based on InMedica 2009, Frost & Sullivan 2009 & 2010, I3A 2009, COCIR 2009.



Global eHealth/HC IT market



eHealth 2009, Prague
COCIR Pre-session – February 19, 2009

page 7

Source: COCIR, 2009

Typically, the Healthcare IT market consists of two main segments:

- Imaging informatics or imaging IT is composed of the radiology IT and the cardiology IT as well as other “-ology” market segments. Radiology Information Systems (RIS) in combination with Picture Archiving and Communication Systems (PACS) are often referred to under the categorical name Radiology IT. Cardiovascular Information Systems (CVIS) in combination with Picture Archiving and Communication Systems (PACS) are often referred to under the categorical name Cardiology IT. In this context, the Imaging Informatics has become one of the most important infrastructures in the modern-day radiology applications. Initially restricted to the radiology department application, Imaging Informatics currently has dedicated applications, such as cardiology, orthopaedics, etc but also support the increasing convergence towards consolidated diagnostic and clinical information. The increasing healthcare digitalisation driven by the search towards more efficiency and productivity has helped the Imaging IT applications to be adopted at a larger scale.
- Enterprise IT systems, which are information systems that support either hospital departments, such as Intensive Care, Emergency Room, Gynaecology/Obstetrics, or hospitals and/or free-standing healthcare providers (such as laboratories). They are referred to as Hospital Information Systems (HIS), Clinical Information Systems (CIS), Laboratory Information Systems (LIS), etc. These systems essentially connect all hospital departments into one database, and offer immediate and complete access to all relevant patient information – including

medical images and clinical and administrative data – enabling quicker diagnosis and treatments. Furthermore, it supports administration, billing, planning of appointments and examinations, as well as financial reporting. The system can serve as a base for a full-blown Electronic Patient Record (EPR). In short, HIS/CIS are designed to help care facilities increase productivity, improve the delivery of care and save cost.

(b) Market drivers

Sustainable healthcare systems require investments in healthcare IT

Evidence is growing that current health systems of nations around the world will become unsustainable if unchanged over the next 15 years. Chronic disease is the biggest obstacle to the sustainability of many public healthcare systems, according to the OECD²⁰. The use of ICTs provides an opportunity for significant “quick wins”, particularly for the management of highly prevalent chronic diseases such as diabetes or heart failure, which are strongly associated with preventable hospitalisations. This was the case in Canada, where through the combined implementation of new approaches to care delivery, guidelines and the use of a web-based chronic disease management “toolkit”, the province of British Columbia achieved significant improvements in diabetes care at a nominal cost and in a very short time. Between 2002 and 2005, i.e. within the first three years of the programme, the proportion of people with diabetes who were receiving care that complied with the Canadian Diabetes Association guidelines had more than doubled, while the annual cost of diabetes care dropped 10 per cent over the same period from an average of CAD 4,400 (Canadian dollars) to CAD 3,966 per patient.

A convergence towards medical imaging and IT to improve efficiencies

The introduction of digital radiography in the early 1990s was a first concrete step towards the development of fully integrated hospital IT systems. Later, the arrival of PACS permitted to efficiently manage process and distribute digital medical images from various imaging modalities. PACS structure and bundle the data flows, improve the workflow in the departments involved and support physicians in their decision-making process. As images and linked data are instantly accessible, the systems speed up overall diagnosis, therefore enhancing patient care. PACS and RIS solutions were originally linked to one hospital department. Nowadays, care organisations now also use them to link their radiology departments with other image intensive departments and even to link departments from different hospital sites. Data and image sharing across hospital departments and regions is becoming an established driver of efficiency. In addition, they offer the tools necessary to establish teleradiology.

According to the OECD²¹, PACS are considered as an indispensable part of the drive towards a fully functional Electronic Health Record (EHR) and as a useful way to improve the processing time (or overall “throughput”) of medical images and as a cost-effective electronic alternative to conventional methods of storing images. Increasing throughput decreases turnaround time, leading to less waiting time for both tests and results, which in turn results shorter delay before treatment can be started. Data from 22

²⁰ OECD, “Improving health sector efficiency: the role of information and communication technologies (ICT)”.

²¹ OECD, “Improving health sector efficiency: the role of information and communication technologies (ICT)”.

sites in British Columbia show that report turnaround time was reduced by 41 per cent following the implementation of PACS²².

The US stimulus package prompts investments in healthcare IT systems

On 17 February 2009, US President Barack Obama signed a stimulus package (American Recovery and Reinvestment Act) to stimulate the economy through investments in infrastructure, unemployment benefits, transportation, education, and healthcare. Of the USD 787 billion stimulus package, USD 150 billion are dedicated to healthcare investment, with USD 19 billion targeted at Healthcare IT adoption by hospitals and physicians. A portion of these funds (USD 17 billion) is to be disbursed as Medicare and Medicaid reimbursements beginning in 2011. Hospitals and physicians must have certified electronic health record (EHR) systems in place and be “meaningful users” of such systems in order to be eligible for these temporary Medicare and Medicaid payment incentives, inducing healthcare providers to invest in Healthcare IT. EHR systems rely on general healthcare enterprise IT as well as on PACS systems.

Growing awareness that medical errors could be avoided with Healthcare IT

As stressed by the OECD²³, ICTs can also make important fundamental contributions toward improving aspects of patient safety. Critical elements for providing safe care to patients include ready availability of individual patient medical information, online access to clinical guidelines or drug databases, monitoring the effects of disease and therapies on the patient over time, and detecting and preventing medication errors that could harm the patients.

Although OECD recognised that no formal evaluations are available, it is clear from the case studies they analyzed, helps to “generate a culture of safety”, improving clinical staff actions and workflows, by facilitating tasks such as medication reconciliation, and by bringing evidence-based, patient-centred decision support to the point of care.

(c) Market Trends

New business models emerging – towards services rather than hardware/software

The purchase and installation of PACS system are based on three different business models, capital investment, pay-per-use and leasing.

- In the capital investment model, initial investment as well as maintenance and licence costs are borne by the client. This model usually include one year of service and maintenance and is subject to additional pricing if the service and maintenance option is extended. It represents an adequate solution for government hospitals which allocate budget ahead of time for outright purchases. However, it can be seen as an expensive solution and lacks ongoing training and hardware upgrade. Finally, PACS modules can become obsolete over time, triggering additional capital investment for the replacement of the former.

²² OECD, “Improving health sector efficiency: the role of information and communication technologies (ICT)”.

²³ OECD, “Improving health sector efficiency: the role of information and communication technologies (ICT)”.

- Since not all hospitals have the capacity to bear such an investment, and in order to accommodate for different hospital requirements, this business model is gradually moving towards a “pay-per-use” (PPU) system where the imaging IT company invests and retains the PACS infrastructure, thereby providing managed services. The pricing therefore depends mainly on the volume of digitised images generated and to a lesser extent on the frequency of specific modality images, data storage, network capacity and number of active users.
- The third possible business model is a leasing system. Instead of making an outright purchase, customers pay the imaging IT company over time.

In the European Union, 60 per cent of the PACS are acquired through capital investment, 30 per cent through PPU and 10 per cent through leasing. 80 to 90 per cent of capital investment purchases are made by public hospitals. Concerning private hospitals, there is a 50/50 preference for capital investments and PPU models (Frost & Sullivan, 2010).

The PPU model is very successful in the public segment in the United States. On the contrary, governments in Europe are strong proponents of the outright capital investment model. The trend is uncertain, with large growth potential in the PPU model somewhat counterbalanced by the European governments’ preferences. The capital investment model is however likely to dominate the market for the next five to seven year (Frost & Sullivan, 2010).

IT as enabler and transformer

A paradigm shift from ‘sick’ care to ‘health’ care. In the long term, the traditional healthcare delivery model – built around dealing with acute episodes and little attention dedicated to prevention – is no longer sustainable. Prevention and early detection activities will be key to help citizens increase their healthy life years and for their economic value for society. Nevertheless, preventions also includes early detection of major illnesses such as cardiovascular diseases and cancer, the reduction of acute care complications of chronic diseases as well as a more comprehensive approach to address medical/medication risks and adverse events.

Governments are trying to shift the responsibility for ‘good health’ to the consumer through wellness initiatives and self-care management while more attention to the need and provision of continuous and interlinked care processes should be given. A complete care pathway consists of prevention, diagnosis, therapy, rehabilitation, long-term care and surveillance. Each of these steps, as well as the continuum of care as a whole, needs to be optimised and citizen-patients need to be placed at the centre of all efforts. Working towards such continuum of care requires a major shift moving from delivering (acute) care to the sick to promoting the health of the overall population.

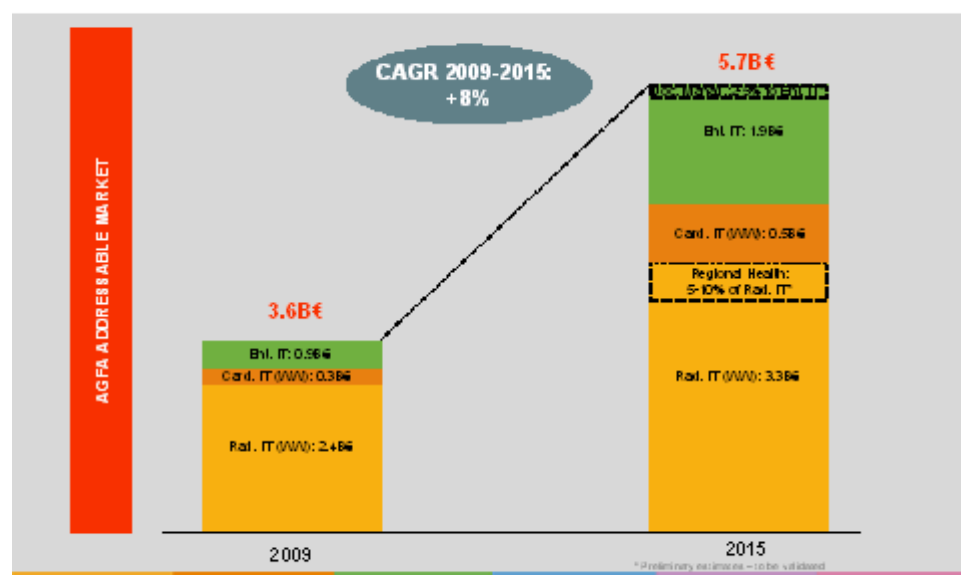
Fragmented systems and reimbursement mechanisms hamper this paradigm shift and a more integrated care delivery. The providers need to be rewarded to keep people “healthy” rather than today to restrict their role to delivering (acute) care to the sick. At the same time as the promise of new and innovative technologies to improve the quality of outcome and reduce overall costs has never been greater (imaging, healthcare IT/e-Health, minimal invasive surgery, molecular medicine, etc.), policy makers and users should start to pay attention to the need for and provision of a new Governance model and comprehensive reimbursement mechanisms that address the organisational,

financial, legal and technical requirements for this paradigm shift and enable this continuum of care approach.

(d) **Healthcare IT market**

The total addressable IT market by Agfa HealthCare is estimated at EUR 3.6 billion in 2009 with a CAGR of 8 per cent over the period 2009-2015. This value represents revenues from governments and care providers including hospitals and imaging centres.

World Market & Agfa HealthCare addressable IT market (2009)



Source: Agfa HealthCare internal revenues-based estimate based on COCIR (2009), F&S (2008 & 2009), MRG (2008 & 2009), Agfa HealthCare local insights (2009 & 2010)

The Imaging Informatics market is estimated at EUR 2.7 billion in 2009 growing to EUR 3.8 billion by 2015, and is split into radiology IT - EUR 2.4 billion – and cardiology IT – EUR 0.3 billion in 2009 respectively.

The market is diverse across geographic regions namely Europe, North America and Growth Markets, as each region is growing at a different rate (market growth is coming from emerging regions such as Latin America, Eastern Europe and Asia-Pacific). Moreover, the amount of digitalisation and IT penetration in the healthcare industry determines the level of PACS adoption.

The enterprise IT market represented EUR 0.9 billion in the geographies serviced by Agfa HealthCare and growing to EUR 1.9 billion by 2015.

(e) **Competitive Environment**

Competition in the two segments in which Agfa HealthCare is present can be summarised as follows:

Sector	Key Competitors
Imaging Informatics	Global market served by global vendors: GE, Siemens, Carestream, Philips, Fuji, McKesson Fragmented, regionally driven market: Siemens, GE, Cerner, McKesson, iSOFT, CompuGROUP and Medasys.
Enterprise IT	

Concerning the Imaging Informatics market, competition in the PACS segment is fierce as most new contracts are offered through tenders. The global market leader is GE (primarily strong in the US with an estimated 21 per cent market share as reported by Frost & Sullivan), while the rest of the Tier 1 companies consists of Agfa HealthCare, McKesson, Philips, Carestream and Fuji.

The Imaging Informatics market is further split into Radiology IT and Cardiology IT.

Agfa HealthCare is number 1 in Radiology IT in Western Europe and among the top 3 in the rest of the world with IMPAX (Agfa HealthCare's PACS solution) installed in more than 2,000 sites worldwide.

In Cardiology IT, Agfa HealthCare has systems installed in over 400 hospitals & heart centres and is a pioneer in vendor-neutral platforms for electrocardiograms' images and reports.

The competitive environment of Enterprise IT or the so-called Hospital/Clinical Information Systems (HIS/CIS) is mainly composed of large generalists such as Oracle or SAP covering the administrative, financial and logistics functions while several 'clinical' specialists address the clinical depth from service departments amongst which laboratory information systems up to operating theatre and intensive care management. The latter ones vary widely from geography to geography but most significant competitors are Siemens, GE, Cerner, McKesson, iSOFT, CompuGROUP and Medasys.

Agfa HealthCare has over 1,200 hospitals and 1,000 laboratory centres equipped with its HIS/CIS/LIS solutions, hence the largest installed base in Europe (source: Agfa internal 2010). Agfa HealthCare is a leader in Germany (above 800 hospitals equipped or 40 per cent installed base), Austria, and Switzerland (source: Agfa internal 2010, dii eHospital Census 2009 for COCIR).

Over the past 3 years Agfa HealthCare became a strong HIS/CIS vendor in France with more than 70 sites ordering its ORBIS solution.

To date, Agfa HealthCare implemented ORBIS in over 930 hospitals of various sizes in Germany, Austria, Switzerland, France, Belgium, Luxembourg and Russia.

7.3 Specialty Products market

Agfa Specialty Products is supplying consumables and systems to a wide variety of markets, generally in a business-to-business context. For more details on Speciality Products' market access we refer to Section 8.4.3.

From a market perspective, the following trends can be identified and are affecting its business:

- analogue systems are gradually being replaced by digital alternatives;
- in other markets film is still the reference;
- Agfa Specialty Products' new business initiatives target promising growth markets.

7.3.1 Analogue systems are gradually being replaced by digital alternatives

The typical “classic film” markets for motion picture, aerial photography and microfilm are clearly affected by the digitalisation trend, i.e. analogue systems are gradually replaced by digital alternatives.

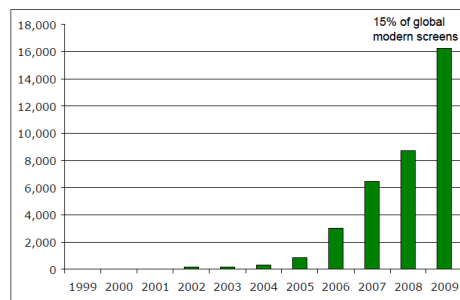
Motion Picture Film

Motion Picture Film is a general denomination for three types of film:

- *Negative film*: Movie producers, such as Warner Brothers and 20th Century Fox are capturing their original movie shots on negative film. Agfa Specialty Products does not offer this film anymore.
- *Print film*: Specialised printing labs copy the “final cut” movie on individual films for a simultaneous release of the movie in the different theatres. Print Film is the volume maker and all three suppliers – Kodak, Fujifilm and Agfa Specialty Products- are active in this segment.
- *Sound film* for analogue and digital sound recording: Only marketed by Agfa Specialty Products and Kodak.

The major threat for motion picture film is the further digitalisation of the movie theatres.

Global d-screen growth: 87 % in 2009

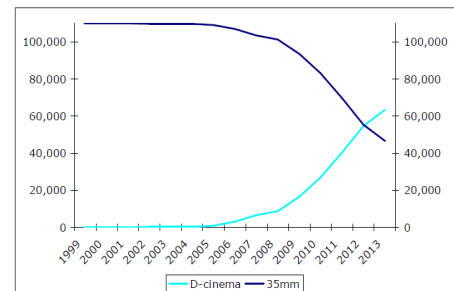


All data sourced to Screen Digest

www.screendigest.com

screendigest

Tipping point: beginning of the end for 35mm



www.screendigest.com

screendigest

Source: D. Hancock – Screen Digest – ICAA Conference Barcelona March 2010

Screen Digest estimates that, already in 2009, 15 per cent of the global modern screens had been transformed to digital projection. According to the same source 50 per cent of all theatres would be digital by 2013. Digitalisation can only be temporarily halted due to credit restrictions, as happened in 2008-2009. Currently, financing schemes for investments in digital projectors are again in place and available. In 2010, also the success of 3D cinema is speeding up the pace of rollout.

Aerial Photography Film

As digital camera resolution is improving rapidly, the market for aerial photography film is declining at an increased pace. Army tenders might reduce the decline temporarily, as happened in 2009 in the context of the peacekeeping operations of NATO forces abroad.

A spin-off of aerial photography film is the photographic film for traffic and surveillance cameras. Also for this application, countries are increasingly switching to digital cameras that offer other features such as automatic licence plate recognition and on-line connection to the police stations.

Microfilm

Microfilm is known for its high sensitivity and image quality, and is still the best medium for long-term data storage. In fact, reliable storage on digital media such as hard disks cannot be guaranteed for more than a decade without continuous back-up operations.

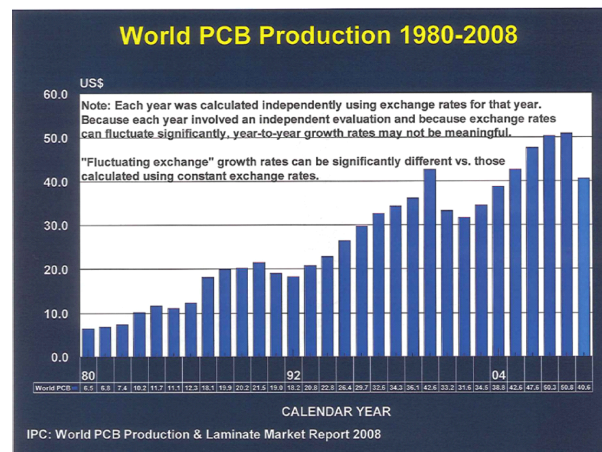
Despite these advantages, the traditional microfilm market declines at a pace of -10 per cent to -15 per cent per year. Only archive writer systems for digital-image-to-microfilm conversion are gaining some importance, in particular for long-term storage and protection of digital images, such as TIFFs or PDFs.

7.3.2 In other markets film is still the reference

In some markets film is still the reference due to excellent imaging quality, high resolution and its easiness for use in remote locations (e.g. non destructive testing of pipelines), whereas digital technology is either not readily available yet or requires substantial investments.

Printed Circuit Board (PCB) film

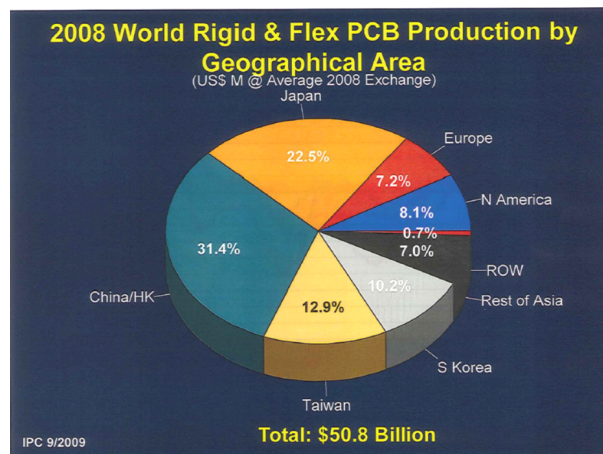
PCB film is used in the electronics industry for the registration of the extremely fine conductive lines on printed circuit boards. Essential characteristics are a high resolution and dimensional stability.



The worldwide production of printed circuit boards has grown continuously over the last three decades, in line with the success of the electronics business. According to IPC data, the global market reached USD 50.8 billion in 2008, with an expected drop to USD 40.6 billion in 2009 due to the prevailing economic crisis worldwide. Since mid 2009, the market sentiment is again positive for the electronics sector, with a noticeable revival in PCB production.

Due to ongoing miniaturisation however, PCBs are becoming smaller and more complex. This explains why the market growth for PCB film is less pronounced than the growth in PCB production.

In PCB film Agfa Specialty Products' main competitors are Kodak and Fujifilm. Graphic arts film, sold as low-end PCB film, stands for about 5 per cent of the market.



Some 85 per cent of the PCB manufacturing is located in Asia, with more than half of the production in China and Japan.

Price erosion in the PCB film market is rather modest as film stands for less than 1 per cent of the total bill of materials. The focus remains on the film quality, in particular base purity, resolution and dust level.

Recently some new technologies are emerging in PCB manufacturing:

- LDI, Laser Direct Imaging, looks promising but appears to be too slow for mass production.
- Inkjet: Already in its 2006 study, Frost & Sullivan anticipated the huge potential of inkjet printing for PCB manufacturing and electronics in general. Several companies are currently experimenting with this technology, among these also Agfa Specialty Products.

Non-Destructive Testing Film (NDT)

Non- Destructive Testing Film is used for capturing X-ray inspection images of welds in steel structures, such as pipelines, constructions, aircraft parts etc.

Agfa-Gevaert divested its NDT film business in 2003 to the General Electric Company (GE) and, since then, acts as GE's exclusive supplier for NDT film and chemistry. The worldwide NDT film market is currently rather stable with GE (with Agfa Specialty Products film), Fujifilm and Carestream as main suppliers.

7.3.3 Certain specialty products present promising growth opportunities

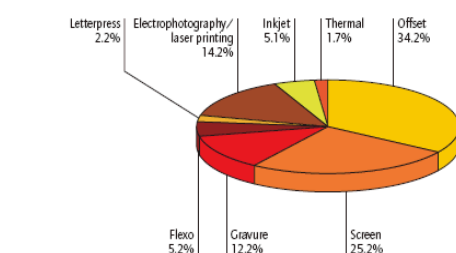
Specialty Products' New Business targets specific growth markets by exploiting its expertise in the field of polymer materials, inks and film technology.

Synthetic paper and printable foil

The global market for synthetic paper is about EUR 800 million, with 20 per cent in the high-end segment and 80 per cent as printable foil. Synthetic paper is typically used for its moist

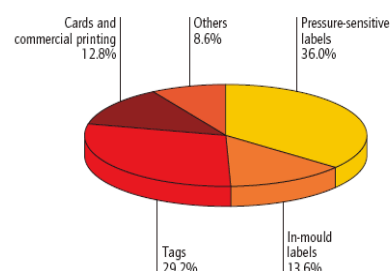
resistance and shear strength in applications such as labels, tags, cards and advertisement. Offset and screen-printing are still the main printing processes, but laser and inkjet printing are growing fast.

FIGURE 4.3 Percentage share of printing processes for synthetic paper by volume, 2007



Source: Pira International Ltd

FIGURE E.1 Synthetic paper market volumes by end-use sector, 2007



The key drivers for synthetic paper are the substitution of coated paper and PVC film and the recyclability of the material. Barriers are the higher cost with respect to coated paper and some customers' lack of familiarity with "non paper" substrates.

Currently, Biaxial Oriented Polypropylene (BOPP) stands for more than 72 per cent of the synthetic paper market, 18 per cent is High Density Polyethylene (HDPE).

Membranes

Agfa Specialty Products targets the global market for low-pressure micro- (MF) and ultra-filtration (UF) membranes, mainly for municipal and industrial wastewater treatment and water re-use.

GWl estimates this market at USD 726 million in 2010 with a CAGR of 17 per cent over the next years.

Global Water Market 2011

Low pressure membranes (MF/UF)	2010	2011	2012	2013	2014	2015	2016
<i>(in millions of USD)</i>							
TOTAL World	726.4	879.8	1,030.4	1,207.2	1,374.7	1,585.7	1,876.0
Americas	216.7	261.3	318.9	396.1	462.3	543.7	654.2
Europe (+Turkey)	175.9	215.3	261.8	301.1	341.9	377.1	441.3
Asia & Oceania	277.4	332.0	375.5	416.8	458.2	530.8	626.2
Other	56.4	71.2	74.2	93.2	112.3	134.1	154.3

Source: GWl study Global Water Market 2011

Hollow fibre membranes stand for about 2/3 of this market, offering a high filtration capacity on a small footprint, low operating costs due to backwashing but the membrane bundles are sensitive to clogging. These membranes are typically installed in large-scale municipal wastewater treatment installations. GE-Zenon, Norit, Koch-Puron and Siemens-Memcor are the main suppliers.

Flat Panel membranes stand for the other third of the market and were initially used in smaller bioreactors for industrial wastewater treatment. Filtration capacity per unit of footprint is lower, but surface cleaning is easier, avoiding clogging. However, flat panels do not allow backwashing. The two main suppliers are Kubota and Toray.

Specialty Products developed a flat sheet membrane that combines the advantages of both worlds: no clogging, backwashable for lower operating costs and a high filtration capacity per unit of footprint, in particular in combination with an innovative module design. This means that Agfa Specialty Products not only plays in the flat panel membrane market segment but will also compete with hollow fibre membranes.

Security & Identification

The smart card market is a fast growing market, in particular with the current trend of introducing chips into the cards. Typical applications are ID cards, driver licences, social security & health cards, banking cards, entrance cards, loyalty & gift cards, passports.

In 2007, the worldwide market was EUR 1.2 billion for ID cards only and growing at 19 per cent per annum.



Today, polycarbonate cards are dominating the market. However, this material has a durability problem and limitations for embedding contactless chips and their necessary antennas.

Conductive Polymers

Agfa Specialty Products' conductive polymers, used as an antistatic coating on the majority of its own films, have been upgraded for third party applications. Specialty Products supplies highly conductive, transparent screen printing inks and pellets for antistatic coatings, polymer capacitors, touch screens, e-readers, OLED (Organic Light Emitting Diodes), OPV (Organic Photovoltaics) and printed electronics in general.

Electronics manufacturers are showing an increasing interest in “printing” electronics as a lower cost and higher yield alternative to the currently widespread vacuum deposition techniques.

In its recent study, Nanomarkets estimates the transparent conductor market to be around USD 5.6 billion by 2015. Today, this market is largely covered by ITO (Indium Tin Oxide), a material that can only be applied by vacuum deposition. By 2015, Nanomarkets expects the non-ITO part already at 20 per cent of the global market and further growing. This is clearly the playing field for Agfa Specialty Products’ conductive polymers.

8 Business Overview

8.1 General overview of the Group

Agfa-Gevaert is a global diversified and independent provider of industrial products and services focusing on imaging related markets. Agfa-Gevaert develops, manufactures and distributes analogue and digital products and systems for capturing, processing and reproducing images in various markets such as the printing industry, the healthcare sector and other general image related applications. In addition, Agfa-Gevaert has developed several software services and information systems for its main markets.

The parent company, Agfa-Gevaert, and the Group’s headquarters are located in Mortselt, Belgium. The Group’s operational activities are divided in three largely independent business groups: Agfa Graphics, Agfa HealthCare and Agfa Specialty Products. All business groups have strong market positions, well-defined strategies and full operational responsibility, authority and accountability. The Group has production facilities throughout the world, with the largest production and research centres in Belgium, the United States, Germany, France, Italy and China. The Group is commercially active all over the world through sales organisations, agents and representatives.

Agfa Graphics offers integrated pre-press solutions as well as advanced industrial inkjet printing solutions. The pre-press solutions include consumables, hardware, software and services for production workflow, project and colour management. As a player on the industrial inkjet market, Agfa Graphics is offering comprehensive solutions for various applications such as documents, posters, banners, signage, displays, labels and packaging materials.

Agfa HealthCare offers diagnostic imaging and healthcare IT solutions. As a player on the diagnostic imaging market, Agfa HealthCare provides analogue, digital and IT technologies to meet the needs of specialised clinicians worldwide. Agfa HealthCare is also active on the healthcare enterprise IT market, integrating administrative, financial and clinical workflows for entire, and even multi-site, hospitals.

Agfa Specialty Products offers a wide range of film-based products and high tech solutions to large business-to-business customers outside of 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. Based on his core competences, Agfa Specialty Products is additionally active in the development of advanced products and materials for promising growth markets: materials for identification cards, conductive polymers, synthetic paper and membranes for gas separation and water filtration.

8.2 History

Agfa (Aktiengesellschaft für Anilinfabrikation), a factory specialised in colour dyes, was founded in 1867. The L. Gevaert en Cie., specialised in photographic paper, was established in 1894. In 1964, the Agfa-Gevaert Group was created by the merger of Agfa and Gevaert. In 1981, Bayer took a 100 per cent ownership in the Group.

In 1999, the Group became IPO-listed on the stock market in Brussels and Frankfurt. In 2002, Bayer sold its remaining stake of 30 per cent in Agfa-Gevaert.

At the end of 2004, the Group divested the Consumer Imaging division.

8.3 Innovation at the heart of Agfa-Gevaert & Strategy

Innovation at the heart of Agfa-Gevaert

Agfa-Gevaert strives to be the partner of choice in its various domains of activity by offering innovative technologies, products and solutions based on a deep understanding of its markets and the fulfilment of its customers' needs, thereby delivering profitable growth and value to its shareholders and providing an attractive and challenging workspace to its employees and future recruits.

Having a long history of over 100 years as a technology company and having anticipated major industrial transformations (such as the shift from analogue to digital) in its primary markets, continuous innovation has been driving Agfa-Gevaert over time in order to maintain its technological position.

Within the printing industry, Agfa Graphics manufactures digital pre-press printing plates for the information printing industry. Since the early 1990s, it has been developing inkjet technology, which is considered as the long term replacement technology for current offset screen and flexo technologies in the printing industry. Agfa Graphics also produces chemistry-free printing plates enabling new more environmentally friendly printing processes and holds a strong technology position in inkjet for solvent-free UV inks.

Within the medical imaging and healthcare IT markets, Agfa HealthCare was a fast mover in the early 1990s to PACS (Picture Archiving and Communication Systems) technology which provides radiology practices and departments with the possibility to visualise, measure, archive, retrieve and process images from all image capturing devices. Agfa HealthCare also developed a comprehensive suite of applications for CIS (Clinical Information Systems) which are used in hospitals to monitor the patient workflow as well as its different interactions with all departments of the hospital such as laboratory, radiology, pharmacy, surgery, intensive care, cardiology and various other specialised departments.

Finally, Agfa Specialty Products has developed a portfolio of products in several other domains such as films for Printed Circuits Boards and Non-Destructive Testing.

In the future, Agfa-Gevaert will continue to invest in research and development in order to maintain and further extend its position in its various domains of activity. Major programmes will be in particular dedicated to developing inkjet technology, software applications for healthcare providers and new materials for industrial applications.

Strategy

Agfa-Gevaert's goal is to strengthen its existing strong position in most of its primary markets by being at the forefront of the respective industrial transformations influencing the needs of its customers. Building on a strong technological foundation and through continuous innovation, a large installed base, a reputed brand recognition and large distribution network, Agfa-Gevaert intends to play

a leading role in the future development and consolidation of both the graphics industry and the healthcare IT market, both in mature and emerging markets.

At Agfa Graphics, the pursued strategy is based on the following four pillars:

- cost efficiency strategy in the highly mature pre-press consumables market;
- a strong innovation strategy to maintain its position in pre-press consumables and drive growth in the industrial inkjet market;
- participation in the consolidation of the fast growing but fragmented industrial inkjet market;
- reinforcement and optimisation of distribution and go-to-market capabilities in particular in fast growing markets.

This strategy should allow Agfa Graphics to maintain its current position in the digital plate market and further strengthen its strong market position in the fields of pre-press equipment, software and press chemistry.

At Agfa HealthCare, the strategy is also four-fold:

- provide imaging solutions to radiology departments and enable them to transition from analogue to digital in an affordable manner;
- develop new consumables to extend the services to radiologists;
- develop innovative and reliable clinical applications around radiology, cardiology and hospital information systems;
- extend connectivity solutions for healthcare providers through disease management approaches and innovative go-to-market methods.

Based on this approach, Agfa HealthCare will further develop its presence in the field of radiology products using its strong brand recognition and direct and indirect distribution network. The acquisition of Insight Agents evidences this strategy, as generic contrast media will be delivered to the radiologists throughout Agfa HealthCare's extensive distribution network. The development of specialised clinical applications for mammography, orthopaedics, oncology, to name a few, as well as the enrichment of the ORBIS platform for CIS for hospitals should enable Agfa HealthCare to strengthen its current position in Europe and support growth in other regions of the world.

For Agfa Specialty Products, the strategy consists of exploiting the important base of intellectual property, knowledge and equipment in the field of polymer materials, inks and film technology to develop new solutions for various markets such as water re-use and printed electronics. Agfa Specialty Products incubates and develops internal promising ventures (among others, in membranes for water filtration, industrial inks and organic materials) and will punctually evaluate possible options (partnership / sale / internal industrial development) in order to create substantial and profitable streams of revenues to complement the recurring revenues from traditional film consumables.

8.4 Activities of the Group

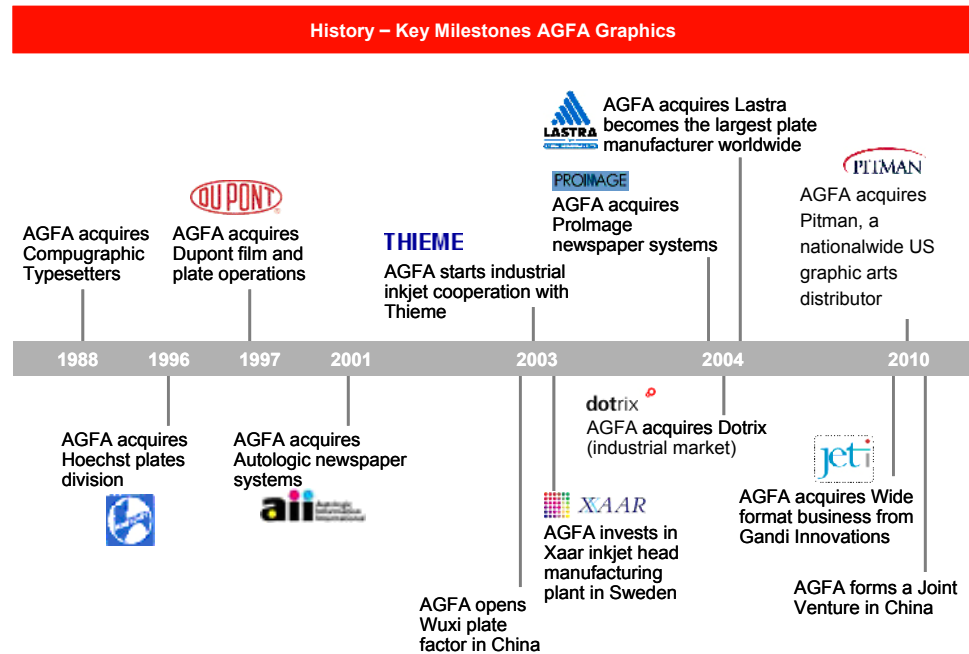
The operational activities of the Group are divided among three divisions:

- (i) Agfa Graphics offers integrated pre-press and industrial inkjet solutions to the printing and graphics industries;
- (ii) Agfa HealthCare is a global provider of diagnostic imaging and healthcare IT solutions; and

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

8.4.1 Agfa Graphics

(a) Introduction



Agfa Graphics offers integrated pre-press and industrial inkjet solutions to the printing and graphics industries.

Prepress solutions comprise consumables, hardware, software and services for the pre-press and printing industry. Agfa Graphics is a global company serving the commercial, packaging and newspaper printing markets and is one of the big 3 players globally besides Kodak and Fujifilm (according to Schreiber market reports). Over the years, this position was obtained as the result of organic growth combined with targeted smaller and large acquisitions. The most important acquisitions were Compugraphic in 1988, the plate manufacturing companies Hoechst, DuPont and Lastra, and more recently, the acquisition of the assets of Harold M. Pitman Company, the acquisition of the assets of Gandi Innovations and the creation of a JV in China, which further strengthened Agfa Graphics' market position and product offering.

Industrial inkjet solutions comprise industrial inkjet printing systems, inkjet consumables and workflow software. Agfa Graphics has invested strongly in these new printing technologies and is currently building up its market position in the new segments of industrial inkjet with comprehensive solutions for various applications such as documents, posters, banners, signage, displays, labels, textiles and packaging materials. Its experience in both imaging and emulsion technology has provided the expertise required to develop a complete assortment of high-quality inkjet inks.

(b) Recent acquisitions

Joint venture China with Shenzhen Brothers

This joint venture was set up in order to enable Agfa Graphics to fully leverage on its technology and manufacturing strength combined with the infrastructure and distribution strength of the Shenzhen Brothers company throughout China, Hong Kong and ASEAN countries. Through the joint venture, Agfa Graphics will be able to improve its market position in this growing region through the combination of cost efficiency and technology excellence and thus being able to provide the local customer excellent technology at competitive conditions.

Gandi Innovations

Gandi is a player in the wide format inkjet printing market. It delivers complete mid range systems to the industry. The acquisition of the assets of Gandi and the shares of its principal subsidiaries is an important step in implementing Agfa Graphics' growth plans. The mid range systems are a perfect complementary fit to Agfa Graphics' existing entry and high level inkjet systems. The current global market potential of wide format printers is estimated at EUR 1 billion.

Acquisition of the assets of Harold M. Pitman Company

Harold M. Pitman Company is a US supplier of pre-press and industrial inkjet, pressroom and packaging products and systems. With the acquisition of the assets of Harold M. Pitman Company, Agfa Graphics strengthens its distribution power and expands its power in the growing US industrial printing industry. In addition, Agfa Graphics enters into the packaging and pressroom printing markets with a comprehensive product portfolio from a wide range of world class manufacturers. Products for the packaging print industry include anilox rolls, CDI imagers, print sleeves, the Jetrion press, flexo ink, sticky back tape, plate mounting products, letterpress and flexo plates. For the pressroom, new products are a.o. colour control equipment, monitoring systems, rollers, chemistries, coating, blankets and offset inks. In addition, Agfa Graphics gains the unique opportunity to grow its industrial inkjet business with complementary product lines, such as inkjet media, inks, software, CAD equipment, finishing equipment, adhesives, a DI press and wide-format aqueous printers.

(c) Vision, mission, outlook, targets and strategy

Vision

Agfa Graphics strongly believes in the continued need for printing. Notwithstanding the revolution in electronic and digital media, it is Agfa Graphics' belief that printing will remain a powerful value-adding communication tool, co-existing with other information media for information, packaging, labels and cartons, advertising and promotion.

Mission

Agfa Graphics will continue to promote the position of printing in the total media, information and communication mix. It is Agfa Graphics' mission to assist its customers to improve their competitiveness, achieve profitable growth in printing through innovative technology combined with appropriate support and service.

Agfa Graphics develops the innovative state-of-the-art technology and provides the support and service in order to allow its customers to swiftly adjust to new market demands and successfully reach new market segments. Agfa Graphics also accepts its responsibility to the environment so that future generations of graphic communicators can also enjoy the rewards of success.

Outlook

In the next five years, Agfa Graphics expects the value of its relevant traditional markets of info print to remain fairly stable due to two countervailing powers. On the one hand, these markets will be negatively affected by the rise of digital printing, competitive pressure and the market-driven decline of computer-to-film (CtF). On the other hand, these markets will grow thanks to the impact of global GDP growth (in particular in emerging markets), combined with the conversion to computer-to-plate (CtP) technology, shorter run applications and the use of more colours in print.

In the next five years, Agfa Graphics expects its relevant industrial printing market to double. On the one hand, this is due to ongoing end user trends, such as the need for print on demand, shorter run lengths, personalization and digitization. On the other hand, the improvement in inkjet technology will accelerate the transition from flexographic technologies to inkjet presses for packaging and labelling applications and from screen technologies to wide-format inkjet systems for signage, point-of-sales, billboards.

Targets & strategy

Long-term targets of Agfa Graphics are centred around cost efficiency, market position and technological excellence.

Cost efficiency

Cost efficiency is based on further reduction of operational expenses and SG&A through the rigid implementation of structural reforms in operations, supply chain and distribution. Over time, working capital should be reduced thanks to a tighter management of complexity of processes and businesses.

In pre-press, Agfa Graphics will strive to achieve cost leadership in the highly mature pre-press consumables market through the increase of cost-competitiveness of its plant operations and distribution channels.

In inkjet, Agfa Graphics employs cost-competitive manufacturing in South Korea.

Strong market position

In pre-press, Agfa Graphics aims at consolidating its market position. It will defend its strong market position in Europe, Latin America and direct export countries. In addition, it intends to further grow in emerging markets (China, direct export, Latin America). The newly established joint venture in China is expected to lead to a higher market share in Asia. Agfa Graphics furthermore strives to obtain a higher market share in Japan, mainly with its (eco-)CtP. In the US, the acquisition of the assets of Harold M. Pitman Company will lead to growth with pressroom and packaging products and to a stronger market position in CtP.

In inkjet, Agfa Graphics expects its market position to improve significantly. In wide format printing, the acquisition of Gandi Innovations has resulted in a complete assortment which is expected to allow for further growth. In the fast growing industrial printing market, Agfa Graphics expects to benefit from the progressive replacement of current offset, screen, flexo and gravure-based technologies in the label and packaging markets. It aims at becoming a mainstream player with its :Dotrix printing press.

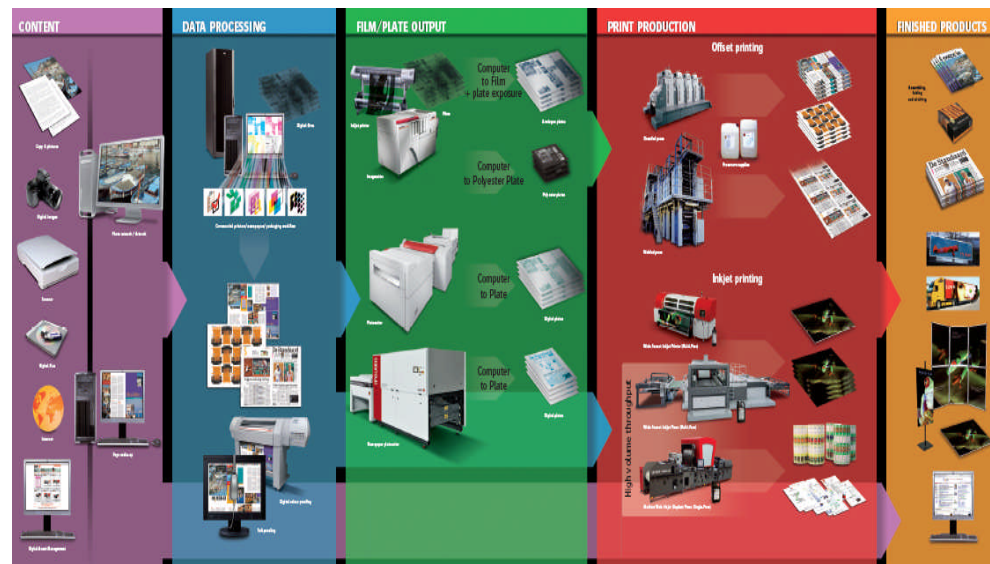
Agfa Graphics intends to capitalize on its strong brand name and global market access, while reinforcing its distribution and go-to-market capabilities.

Technological excellence

In pre-press, technological excellence will be maintained through continuous investment in more efficient, high-performing and ecological CtP solutions combined with the introduction of the latest plate manufacturing technologies in all regions.

In inkjet, the development and release of the new generation of high-performance inkjet presses for packaging and labels is key, combined with further progress in the development of inks, heads, equipment and media for wide-format printing which improve the speed-quality ratio as well as the return on investment.

(d) **Products and systems Agfa Graphics**



(I) **Products and systems Agfa Graphics pre-press**

- **Recording film**

Agfa Graphics' recording film is a photosensitive film used to record a digital image in a laser imaging unit for transfer to an analogue printing plate.

- **Analogue plate**

Agfa Graphics rationalised its analogue plate portfolio to three plate types:

- Positive working plate (P50/P51 – family name 'Meridian');

- Negative²⁴ working plate (N555 – family name ‘Zenith’);
- Blank working plate (C5).
- **Digital plates**
 Digital plates are sensitised to specific light wavelengths and are directly – without the use of film – imaged in a laser image setter to be used as the master printing form on a printing press.

 There are five families of digital plate systems: Standard Thermal Digital Plates, Thermal Chemistry Free Digital Plates, Polymer Digital Plates, Polymer Chemistry Free Digital Plates, Silver Digital Plates.
- **Pressroom Supplies**
 Agfa Graphics’ Pressroom Supplies offers a wide range of plate gums & finishers and plate care products for the pre-press environment, as well as fountain solutions, roller & blanket washes, rejuvenators and specialties for the pressroom.
- **Proofers**
 Agfa Graphics’ proofers are inkjet printers with dedicated inks, papers and colour management software to create accurate colour renditions (proofs) of jobs to be printed.
- **Computer-to-plate imagers**
 Agfa Graphics’ CtP imagers are electro optical devices that image a plate with data using a laser. The laser is thermal in the :Avalon range and violet in the :Polaris and :Advantage range. Automation can range from manual loading and unloading to fully automatic. Imaging speeds can reach up to 300 plates an hour. The product range consists of 4UP, 8UP and Very Large Format (VLF) plate setters in the commercial and packaging sector and single and panorama plate setters in the newspaper sector.
- **Plate processors**
 Plate processors are used to chemically process and chemically fix the imaged plate to make the plate ready for printing. For chemistry-free plate systems, where no conventional development chemistry is used, the processors are referred to as clean-out units (C95/C125 and VCF/:VXCF85).
- **Digital workflow software**
 Agfa Graphics’ digital workflow software consists of software to manage the interpretation of page data, imposition, automated job processing, proofing and colour management so that printing jobs are produced correctly.

 The :Apogee product family combines a suite of software solutions that facilitate the specific needs of commercial and packaging market. Agfa Graphics also has a comprehensive product family to support the specialised needs of the newspaper segment, :Arkitex.

²⁴ Negative working plate: the plate imager writes the text and image parts that will appear on the print.

:Fortuna is Agfa Graphics' digital design and assembly system for security printing.

:Arabesque is a high throughput design and pre-press editor for designers, engravers, printers and manufacturers.

- **Technical services**

Agfa Graphics sells a range of technical services on a contract basis or ad hoc to maintain Agfa Graphics' systems at peak performances in the field.

(II) Products and systems Agfa Graphics' inkjet

- **Wide Format Printing Systems (equipment, ink and media).** Here the motion is similar to a small desktop inkjet printer. The heads move side to side across the substrate, building up the image in a series of bands or swaths, whilst the substrate is moved through the printer.

:Anapurna Industrial UV Inkjet Printers (low-end)

The :Anapurna range of printers encompasses six models of hybrid printers (capable of printing on rigid and roll material). :Anapurna printers use the latest high definition UV inkjet print heads which produce very small 12 pico litre drops to enable photo quality printing.



:Jeti Industrial Printers (medium-end)

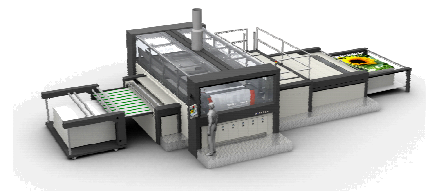
The :Jeti range of printers consists of mid range industrial printers typically described as “super wide” or “grand format” due to their wide printing widths. :Jeti printers are designed for continuous three shift printing operations and have a reputation for productivity and reliability.



:Jeti 1224 HDC

:M-Press Tiger (high-end)

The :M-Press Tiger is a high level UV industrial inkjet press designed to directly replace existing high end four colour screen printing presses. Built on a traditional screen print base, the press can be loaded by pallets of material and feed automatically. The :M-Press uses a hybrid shuttling fixed array head carriage, with over 49,000 nozzles, to achieve its strong productivity.



:M-Press Tiger

Wide Format Media

Agfa Graphics sells a range of media designed for the graphics and screen printing markets. The range has historically focused on inkjet printable films for exposing screen printing mesh (:Selectjet) and on dedicated papers for use with eco solvent and aqueous poster printers. With the acquisition of the assets of Harold M. Pitman Company, Agfa Graphics will now distribute an extensive range of boards, vinyl, polyester banner material and other specialist inkjet display graphics substrates in the US.

- **Inkjet Presses:** In fixed array systems a sufficient number of inkjet heads are aligned to cover the entire width of the substrate being printed at the required quality. The substrate is then moved beneath the fixed array of heads in a continuous motion, a single pass.

:Dotrix

The UV :Dotrix Modular press is designed to offer a digital alternative to conventional narrow web flexo presses. The :Dotrix Modular combines the capabilities flexo printing and finishing, with high speed digital printing, to deliver high throughput digital packaging and display printing.



:Dotrix Modular

- **Technical Services**

Agfa Graphics sells a range of technical support services, on a contract basis or ad hoc to maintain Agfa Graphics systems at peak performance in the field, once the initial warranty period has expired.

(e) **Manufacturing landscape**

(A) **Prepress**

Product	Manufacturing/Development Site
Recording film	Agfa Specialty Products
Digital Plates	Wiesbaden Germany
Digital & Analogue Plates	Vallese Italy
Digital & Analogue Plates	Manerbio Italy
Digital & Analogue Plates	Branchburgh NY United States
Digital & Analogue Plates	Suzano Brazil
Analogue Plates	Banwol South Korea
Digital & Analogue Plates	Wuxi China
Plate Substrate	Leeds UK
Digital Plates Coating	Pont à Marcq France
Workflow software	Mortsel Belgium
Workflow software	Thousand Oaks CA United States

Workflow software	Netanya Israel
Computer-to-Plate Imagers	Punch Graphics plc Ieper Belgium
Computer-to-Plate Imagers	Dainippon Screen Mfg Co Ltd Kyoto Japan
Plate Processors	Lastra Attrezzature srl Manerbio Italy
Plate Processors	Glunz & Jensen Ringsted Denmark
Press Room Supplies	Agfa Specialty Products

Figure: Agfa Graphics – Manufacturing sites

Agfa Graphics has a global manufacturing network for the production of printing plates according to Agfa Graphics' global quality standards. Agfa Graphics is implementing a plan to improve its major production sites for digital plate production facilities and is adapting the capacity of the manufacturing sites to match regional demand levels.

This regional manufacturing approach reduces logistics costs and working capital and provides better responsiveness to customer needs and to market changes.

Agfa Graphics has fully outsourced equipment development and manufacturing, except processor development and assembly, which is done in the Attrezzatura site in Italy, and has consolidated the software development centres around logical applications.

Agfa Graphics follows a policy of continuously improving the operations striving for operational excellence.

(B) Inkjet

Agfa Graphics has manufacturing sites for inkjet products in Europe, North America and Asia. The primary sites and their products are detailed below:

Product	Manufacturing Site
Agfa :M-Press Tiger	Thieme GMBH, Tenningen, Germany
Agfa :Dotrix Modular and Transcolor	Agfa Dotrix NV, Ghent, Belgium
Agfa :Jeti Printers	Agfa Inc, Mississauga, Canada
Agfa :Anapurna Printers	Dilli Precision, Dongducheon, South Korea
Agfa :Anapurna Printers	VDL Industrial Modules, Eindhoven, Netherlands
Agfa Inkjet Media	Agfa Speciality Products, Mortsels, Belgium
Agfa Inkjet inks	Agfa Speciality Products, Mortsels, Belgium

(f) Organisation sales and services

Agfa Graphics develops its solutions through two complementary divisions, the pre-press and inkjet division. The pre-press division is dedicated to serve the need of an (offset) printer in its complete pre-press activities. It is split into analogue and digital pre-press. The approach to deliver the high-quality plates, platesetter and software into complete solutions is generally well recognised by the market. The inkjet division is split into the wide-format printing and inkjet press divisions. The knowledge of the specific customer needs combined with a strong technology position in inkjet has led Agfa Graphics to gradually expand its capabilities to provide high quality wide format solutions and inkjet presses.

AGFA Graphics			
Prepress		Inkjet	
Analog	Digital	Wide format	Single pass
Film Plates Chemicals Service Other	Plates (Thermal, Polymer, Silver) CtP Equipment Chemical & Pressroom Service Software Other	Mpress Anapurna Jeti Service Inks Media	Dotrix Inks Service Other
Packaging			

Source: Agfa Graphics

Agfa Graphics has a valuable brand name in the market with an attractive portfolio and strong technology base both in pre-press as in inkjet. The customer base is large, diversified and concentrated. Approximately 10 per cent of the customers represent 80 per cent of the turnover. Agfa Graphics has a strong global presence proven by its distribution network, which entails sales subsidiaries in 40 countries and agents in 100 countries.

8.4.2 Agfa HealthCare

(a) Introduction

Agfa HealthCare is a global provider of diagnostic imaging and healthcare IT solutions. Agfa HealthCare designs, develops and delivers systems for capturing, managing and processing diagnostic images and clinical/administrative information for hospitals and healthcare facilities, as well as contrast media solutions to enable effective medical imaging results.

Organisation of Agfa HealthCare per product segment

				
Data Collection		Data Management		Data Integration
Imaging Division 63% sales		IT Division 37% sales		
Film & Print Solutions	Digital Radiography	Radiology IT	Cardiology IT	Enterprise IT
■ Screen films, processors, cassettes and accessories for analogue radiography applications ■ Wet and dry films, imagers and interfaces to produce hardcopies from digital modalities ■ Technical services	■ Digitization of general radiography and mammography through Computed Radiography (CR) & Direct Radiography (DR): workstations, clinical software, plates & cassettes ■ Technical services	■ Information systems supporting the acquisition, distribution, storage and interpretation of medical images: Picture Archiving and Communication Systems (PACS) – primarily in radiology & cardiology ■ Reporting and information systems: Radiology Information Systems (RIS) and Cardiovascular Information Systems (CVIS) ■ Professional & Technical Services		■ Hospital-wide modular IT solutions from administration to medical departmental solutions ■ Document Management Systems
GLOBAL LEADER	GLOBAL LEADER	A MAJOR GLOBAL PLAYER	STRONG US PLAYER ; EXPANDING INTO THE REST OF THE WORLD	A EUROPEAN LEADER

Agfa HealthCare has sales offices and agents in over 100 markets worldwide. Sales for Agfa HealthCare amounted to EUR 1,178 million in 2009.

(b) History

The history of Agfa HealthCare is deeply rooted in those of Agfa (a German colour dye manufacturer) and Gevaert (a Belgian photo products manufacturer), both established in the 19th century. Between 1905 and 1959 Gevaert developed RIDAX, an X-ray film for medical and industrial radiography, while Agfa continued to improve colour photography. In 1964, following a merger between the 2 companies, Agfa-Gevaert was created and it exploited the natural synergies existing between the two companies to drive the healthcare division forward, with ever improving products and services provided to its customers.

In the 1980s and 1990s, the healthcare division, renamed Agfa HealthCare, made a number of strategic acquisitions (e.g. Sterling in 1999), reinforcing its position in the healthcare imaging market.

In the past decade, there has been a paradigm shift in healthcare provision, from being provider centric to patient centric. As shown in the figure below, Agfa HealthCare's acquisition strategy focused on capitalising on this shift: it moved from its original expertise in medical imaging data to clinical information management solutions. Agfa HealthCare's entrance into healthcare IT started with the acquisition in 2000 of a majority stake in Belgian software company Quadrat, which operates in information systems for radiology departments. This acquisition strategy continued in 2002 with the purchase of Mitra, a supplier of medical imaging and information management systems. In 2005, Agfa HealthCare became the largest player in Western Europe in the fast growing market of Enterprise IT through the acquisition of Symphonie On Line and GWI, both providers of information systems for hospitals and the electronic patient

record, respectively in France and in Germany. In addition, it acquired Heartlab, an American developer and supplier of cardiology imaging and information systems, and Med2Rad, an Italian developer and supplier of radiology information systems.

Significant acquisitions in past 10 years

IMAGING	ACQUISITIONS		
Imaging Agents	Radiology IT	Cardiology IT	Enterprise IT
Insight Agents – 2009 European producer of generic W-ray / CT / MR contrast media	Quadrat – 2000 - Belgian RIS provider Mitra - 2002 - Canadian RIS provider - Mitra developed the IMPAX product range Med2Rad – 2003 & 2005 - Italian RIS provider, a division of MedComputer - Founded in 2000, Med2Rad developed, implemented and supported RIS and related software for the Italian healthcare sector	Heartlab - 2005 - US cardiology PACS vendor - Founded in 1994, Heartlab & Agfa HealthCare first established a collaboration in December 2003, with a distribution agreement	Symphonie On Line - 2004 - French HIS and EPR provider GW I - 2005 - German HIS and EPR provider HYD Media - 2007 - German leader for electronic Document Management Systems (DMS)

Thanks to its focused acquisition strategy, Agfa HealthCare became:

- a global leader in imaging solutions;
- one of the major global players in imaging informatics (PACS, RIS, CVIS), installed in more than 2,000 sites worldwide;
- a European player in Enterprise IT systems, with various solutions installed in over 1,200 European hospitals and 1,000 laboratories.

Thanks to its experience of over 100 years in imaging, its early investment in healthcare IT and the acquired know-how in clinical information systems, Agfa HealthCare can offer solutions in which imaging and IT practices converge. This convergence provides Agfa HealthCare a one-stop-shop position for both the medical and IT decision takers in the healthcare institutions.

(c) Vision and Mission

The vision of Agfa HealthCare is to believe that the synergy of imaging, clinical knowledge and information technology will create a unique momentum for healthcare professionals to improve efficiency and safety of care delivery to patients.

On the other hand, Agfa HealthCare's mission is to build on its deep knowledge of imaging technology and clinical needs to:

- deliver affordable solutions to healthcare professionals;
- support their digital migration;
- help them improve quality and efficiency of patient care; and
- connect all healthcare stakeholders through seamless integration.

(d) Organisation

Agfa HealthCare develops its solutions through two complementary divisions: the Imaging Division physically collects diagnostic images and prints them on films and the

IT Division provides clinical data workflow solutions to hospital departments (primarily radiology) and to the entire hospital, known as a healthcare enterprise.

The Imaging Division is active in medical analogue, digital and hybrid imaging techniques dedicated to serve the needs of the medical community in identifying and treating diseases. It has developed relationships with the medical community across the globe and is recognised for its capabilities at the centre of disease management – i.e. diagnostics.

This knowledge of the healthcare environment, clinical data collection and processing, and of its customers' needs has led Agfa HealthCare to gradually expand its capabilities to cover the whole information flow for healthcare practitioners. Through its IT Division, Agfa HealthCare was among the first movers as regards information management in healthcare since the early 1990s.

Today, Agfa HealthCare delivers systems and solutions for medical data management (capturing, processing, diagnostic image enhancing solutions) across the continuum of patient care, from films to advanced imaging IT (IT-enabled clinical workflow) solutions for radiology (including mammography), cardiology and orthopaedic departments as well as a full range of enterprise IT solutions for hospitals and healthcare facilities. It is able to offer integrated solutions that connect with existing or new equipment from other vendors. The Imaging Division and the IT Division generated 63 per cent and 37 per cent, respectively of Agfa HealthCare's sales in 2009.

Within the medical imaging market, Agfa HealthCare's Imaging division addresses a small market segment – estimated at EUR 3.3 billion globally and declining. Its market share is approximately 22 per cent (Source: Agfa HealthCare internal estimates based on I3A 2009, InMedica 2009, Frost & Sullivan 2009 & 2010, COCIR 2009). The Imaging Division has developed a range of film and print solutions, CR digitisers and workstations. In the course of 2009, it has enhanced its portfolio and addressable market by launching a DR offering. In early 2010, it has added a new range of consumables for the radiologists: imaging agents. Although still small in revenues, these two growth initiatives are expected to grow significantly over the next few years, hence compensating partially the market decline in traditional films.

Within the global healthcare IT market, estimated at EUR 55 billion globally and expanding rapidly, driven by efficiency improvement requirements and the challenges of managing increasing information flows, Agfa HealthCare's IT division addresses a market segment estimated at EUR 3.6 billion, and its market share is estimated at about 12 per cent (source: Agfa HealthCare estimates based on COCIR 2009, F&S 2008 & 2009, MRG 2008 & 2009, Agfa HealthCare local insights 2009 & 2010). The IT division has developed a range of departmental solutions which practitioners work with directly, such as PACS and RIS. It has also introduced new technologies providing products such as Electronic Patient Records (EPR), Clinical Information Systems (CIS), Laboratory Information Systems (LIS), Document Management Systems (DMS) and Hospital Information Systems (HIS), (together Enterprise IT) to the global healthcare industry. The availability of integrated information solutions allows the healthcare providers to upgrade their operations, optimise patient care and ultimately integrate the whole healthcare community from practitioners to social security institutions.

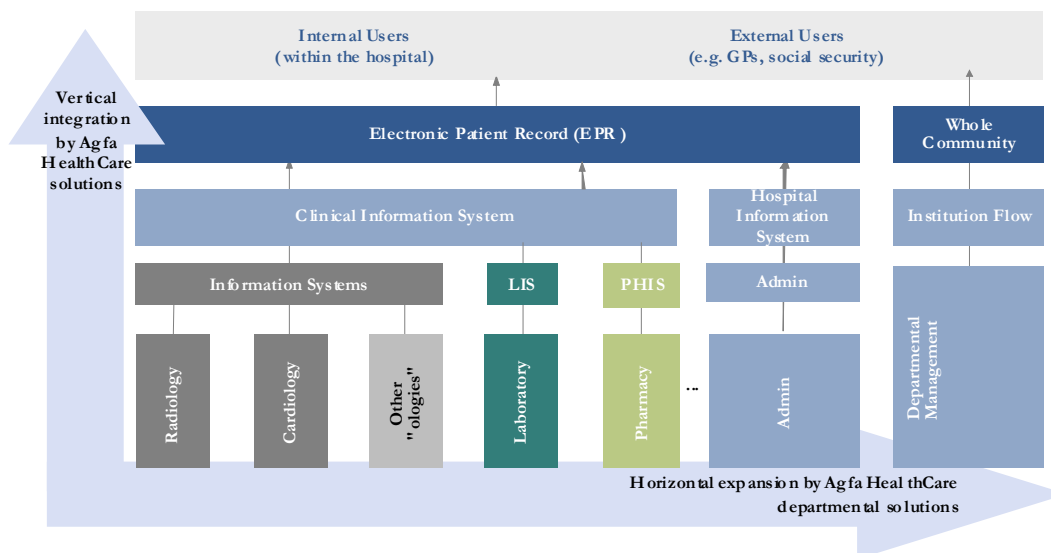
With its expertise and relationships with healthcare practitioners Agfa HealthCare is well positioned to continue to equip and support its customers with its technology and solutions.

Agfa HealthCare is globally recognised for enabling specific practitioners (many of whom have been working with Agfa HealthCare products for their whole careers; e.g. radiologists, cardiologists etc.) to visually identify and treat diseases, as well as for its reputation in the field of connectivity and interoperability (integration of different platforms and/or national and regional healthcare systems). Through its image repository experience, its wide offering of medical image viewers and its approach based on the synergies between clinical knowledge, imaging capabilities and information systems, Agfa HealthCare intends to further develop the connectivity and interoperability between practitioners as it is crucial to address the multidisciplinary treatment of diseases such as cancer. It will also lead to the necessary reduction of healthcare costs through the increased availability of patient information in the electronic health records.

Thanks to a worldwide organisation with own sales and services offices in every continent, Agfa HealthCare can offer centrally developed solutions with a high degree of localisation in view of local health systems. The local presence of Agfa HealthCare is a valuable asset in view of participating in public tenders, as they require a long period of local presence in order to fully understand the local needs and priorities.

Over the past few years, Agfa HealthCare has continuously expanded both horizontally and vertically to provide integrated solutions for the medical community. The table below shows how the business is geared to take full advantage of these needs.

Agfa HealthCare Opportunities



(e) Strategy

In day-to-day operations, Agfa HealthCare's management team is focused on improving business fundamentals and operational efficiency, as well as pursuing potential profit growth initiatives.

In the mid to long-term, the strategy of Agfa HealthCare is based on four pillars:

- provide imaging solutions to radiology departments and enable them to move from analogue to digital in an affordable manner;
- develop new consumable solutions to extend the services to radiologists;
- develop innovative and reliable clinical applications around radiology, cardiology and hospital information systems;
- extend connectivity solutions for healthcare providers through disease management approaches and innovative go-to-market methods.

(f) Customers

Agfa HealthCare services nine different customer segments as listed in the table below, ranging from private imaging centres (e.g. radiology centre) through speciality clinical departments (e.g. Cardiology department) to public and private hospitals “Enterprise” up to regional and national systems (e.g. Canada Health Infoways).

Each customer segment has its business imperatives, market dynamics and requirements.

Agfa HealthCare serves all regions of the globe, and therefore its customer base is widespread and varies from geography to geography dependent on the way the health care system is governed, financed and managed.

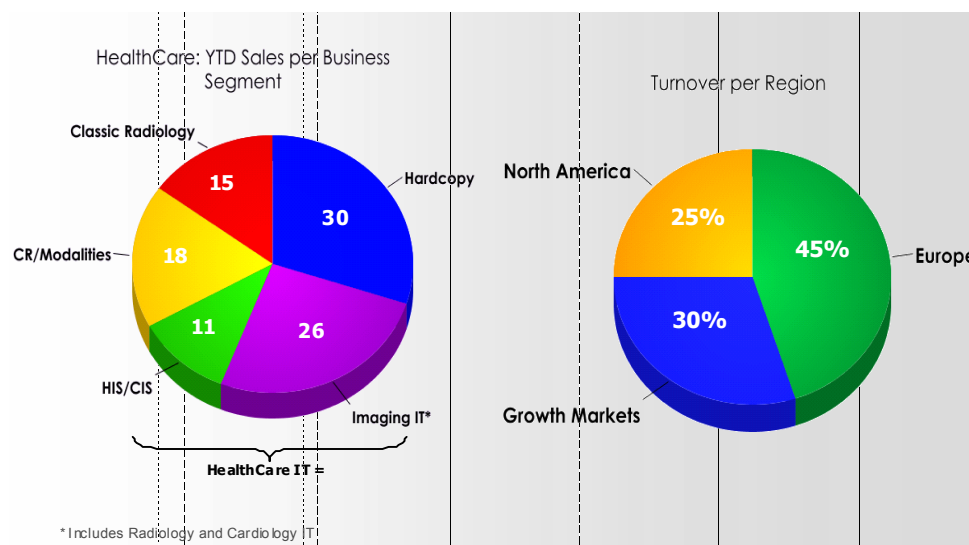
While some of Agfa HealthCare’s customers follow a consolidation strategy, customer concentration is not a market reality in the healthcare sector. The table below shows key characteristics in terms of lead time for decision, financing, motivation and technology.

	Key customer segments			
	Lead time to decision	Financing	Motivation	Technology
Nat./Regional Systems	24 months	Government-funded or co-funded	ROI	Leading-edge
Teaching hospitals/large...	18 months	Own budget (public or private)	ROI & features	Leading-edge
Medium Acute Care	12 months	Own budget (public or private)	ROI & features	Advanced
Small acute care	8 months	Own budget (public or private)	ROI & features	Basic
Provider chains/groups	12 months	Own budget (public or private)	ROI	Advanced
Military / VA hospitals (USA)	18 months	Government funded	Features	Leading-edge
Non acute hospitals	8 months	Own budget (public or private)	ROI	Basic

Imaging/outpatient centres.....	3 months	Own budget (public or private)	ROI	Advanced
Others ambulatory.....	3 months	Own budget (public or private)	ROI	Basic

(g) Products and brands

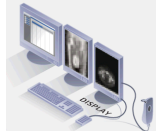
Agfa HealthCare operates via two complementary and symbiotic divisions, with sales broken down as follows, in terms of business units and geographies:



This business mix allows Agfa HealthCare to leverage the knowledge it has in medical diagnostics to the IT industry. The ability to provide total healthcare solutions gives Agfa HealthCare a platform from which to expand its business.

An attribute of Agfa HealthCare's products is to provide continuity in the flow of information from departmental image collection to data integration.

Product overview

	Product overview				
	Data Collection		Data Management		Data Integration
	Imaging Division		IT Division		
	Film & Print Solutions	Digital Radiography	Radiology IT	Cardiology IT	Enterprise IT
	Product Illustration Division				
2009 Sales					
	(45% of sales)	(18% of sales)	(26% of sales)		
Geographic Presence	Global	Global	Global	US – expanding into rest of world	Mainly Europe
	Conventional Radiography Screen films Chemistry Developing processors Screens Cassettes Wet/dry hardcopy films Printers	Computed Radiography Direct Radiography Digitizers Workstations Plates Screens Software	PACS Radiology Information Systems (RIS) Speech Recognition Imaging repositories	PACS for Cardiology and related CardioVascular Information Systems (CVIS) ECG management	Hospital Information Systems (HIS) Clinical Information Systems (CIS) Laboratory Information Systems (LIS) Document Management Systems
Key Products					

- Imaging Division

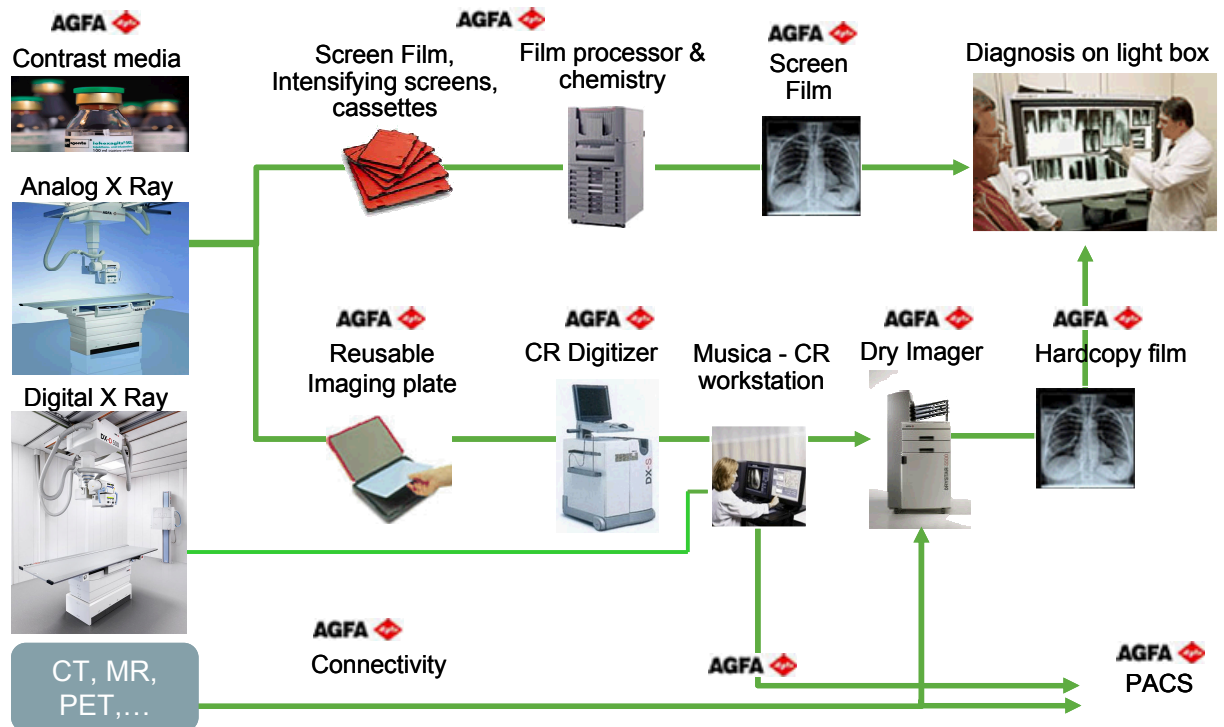
Agfa HealthCare's Imaging Division develops, manufactures, sources and markets diagnostic imaging products, including hardware, software and consumables. Its solutions capture diagnostic images from projection radiography sources and interoperate with modalities from a wide variety of vendors.

As healthcare provision becomes more integrated, Agfa HealthCare's Imaging Division is focused on optimising data management – whether analogue or digital – in order to improve patient care and increase efficiency. The division collects the medical information and delivers the images to the end-user in hard or soft copy. The images generated in a radiology environment serve as an essential information source for the radiologist's diagnosis.

In 2009, the Imaging Division accounted for 63 per cent of Agfa HealthCare's sales. The Imaging Division comprises two business units: Film & Print Solutions (FPS) and Digital Radiography. Both segments offer a full range of products (Agfa HealthCare's vendor neutrality) and services to their customers. The service contracts are a key revenue driver for both FPS and Digital Radiography, and a way to further cement the customer relationship.

In the period 2007-2010 Agfa HealthCare has focused on improving its existing product portfolio.

Imaging Division – Radiology Product Portfolio



Film and Print Solutions

Agfa HealthCare offers a complete range of films (diagnostic content), equipment (under the EOS brand name) and supplies for all conventional X-ray applications. The global market size is estimated at about EUR 1.6 billion in 2009. Agfa HealthCare has a market share of approximately 33 per cent.

Despite the global negative market trends in this segment, Agfa HealthCare has contained the market decline, and with its global film production site in Mortsel, is positioning itself to be the company that will remain active in this market for the next decade.

For the analogue projection radiography environment, referred to as the Conventional Radiography segment, Agfa HealthCare offers screen film, chemistry, developing processors, intensifying screens and cassettes as well as other accessories. Under the brand names CURIX and SCOPIX, Agfa HealthCare also offers a wide range of wet and dry hardcopy films and related imagers and interfaces used to produce hardcopies from digital modalities.

Agfa HealthCare further offers films and accessories for analogue mammography, cine-angiography and other specialty applications, and technical services related to the above products.

Film & Print Solutions – Product Portfolio examples



CURIX FILM

CURIX film is a high contrast and high resolution film.

The system provides more image detail and diagnostic information, without increasing patient exposure.



Drystar digital imager

DRYSTAR 5500 is a high-throughput, high-resolution, dual media size Direct Digital imager.

It can be easily networked for maximum productivity.



Compact E.O.S.

The Compact E.O.S. processor is an all-purpose daylight system with a tiny footprint of only 0.6 m².

High throughput accommodating up to 14 different cassette size formats.

Over the years, Agfa HealthCare has supported its customers' technological challenges and has helped them transition from analogue to digital capturing of images to integrated information systems enabling the sharing of data across departments and hospitals.

Digital Radiography

The image-capturing segment is in a transition towards digital technology. The first method is Computed Radiography ("CR"), which records an image on to a highly sensitive re-usable phosphor plate, which is read and digitised by a computer or digitiser. After the scan, the cassette is re-used improving durability and saving costs. The second method, Direct Radiography ("DR"), captures an X-ray image on a digital detector. The digital image is then read directly and fed to the acquisition workstation, without the use of a cassette. Once the X-ray image is digital, either through CR or DR, it is passed into a PACS/RIS system for hospitals to manage the images or is sent to a dry printer which produces hardcopies.

CR systems are fully compatible with existing radiology equipment and can be transferred to remote locations, enabling technological transition at reasonable cost. DR systems are less flexible, more fragile and more expensive, but can handle a better throughput (i.e. more patients per day). In 2009, and in order to satisfy the X-ray market that is modernising itself with a combination of CR and

DR systems, Agfa HealthCare decided to enter the General Radiology DR segment.

Digital Radiography – Product Portfolio examples



CR 30-X

A compact CR solution, easy to install, use and maintain. Provides integration, from X-ray exposure to print or softcopy.

It uses proven technologies to ensure image quality.

The CR 30-X offers a solution for any private and decentralised CR environment.



MUSICA²

MUSICA² is the first “intelligent” algorithm which can derive from the image itself all of the parameters necessary for optimising an image, without requiring any external information about image content.

For example, MUSICA² does not need to segment an image to find regions of direct X-ray exposure or collimation, regions that can affect grayscale reproduction significantly. The MUSICA² algorithm recognises the signal characteristics of such regions and adjusts its processing accordingly, without detracting from the presentation of the medically relevant data.



NX

NX is the radiographer’s image identification and quality control tool. It has an intuitive interface on a simple touch screen that offers complete ease of use at the point-of-care.

Agfa HealthCare’s image processing ensures less time adjusting for faster image delivery to the radiologist.

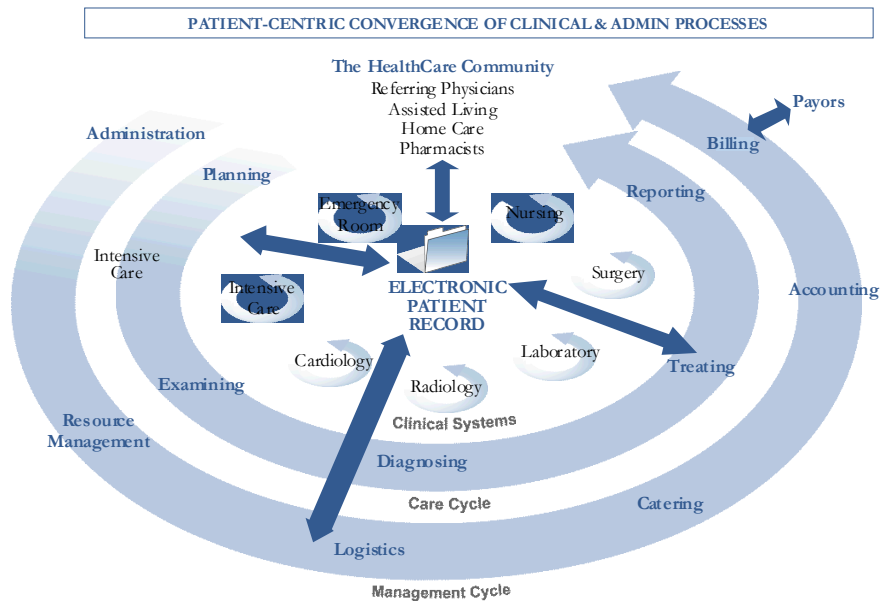
NX communicates with the hospitals PACS, RIS and HIS systems for improved interoperability.

The global market is estimated at EUR 1.7 billion, and Agfa HealthCare’s market share is ca. 12 per cent (source: Agfa HealthCare estimates based on InMedica 2009, I3A 2009, COCIR 2009, Frost & Sullivan 2009 & 2010, internal Agfa Healthcare local insights).

- IT Division

Agfa HealthCare’s IT Division is a player in the fast growing and fragmented market of healthcare IT solutions. As described in the graph below, these products either span hospital departments (radiology, cardiology) or the entire healthcare enterprise, through which healthcare facilities become more efficient and effective, with improved patient outcomes. The capacity of information technology to share information in real-time, as it is generated across the

boundaries of departments and institutions, is the main driver of efficiency and outcome improvements.



IT solutions allow the most efficient analysis, manipulation, storage, retrieval and distribution of electronic images on a global scale via web-enabled networks, both stationary and mobile. Agfa HealthCare offers solutions for specific departments and medical disciplines such as radiology, cardiology, orthopaedics, surgery, intensive care, paediatrics and women's care, but also solutions that cross departmental boundaries.

Through its acquisition strategy, Agfa HealthCare has become a significant player in the hospital IT market, which includes workflow solutions that automate care processes and integrate clinical and administrative patient information across the healthcare enterprise. The IT Division accounted for 37 per cent of Agfa HealthCare's sales in 2009 and comprises three business units: Radiology IT, Cardiology IT and Enterprise IT. All of these business units benefit from Agfa HealthCare's experience in medical imaging. Agfa HealthCare capitalises on its knowledge of imaging data management and integrated information systems when integrating workflows and sharing knowledge across the departments of a hospital. As a result of the fact that Agfa HealthCare is known for its information systems capabilities, it has the ability to be proactive with its Enterprise IT software and to develop a strong market position.

Radiology IT

The Radiology IT segment develops software solutions for storing and delivering softcopy images to radiologists. It produces Picture Archiving and Communications Systems (PACS) and Radiology Information Systems (RIS), which are developed under the IMPAX brand. They allow for the efficient management of radiology images and data.

The PACS provides digital workflow solutions which enable to manage and distribute images while saving physical space and increasing efficiency. The systems can be integrated with related data information systems, within the

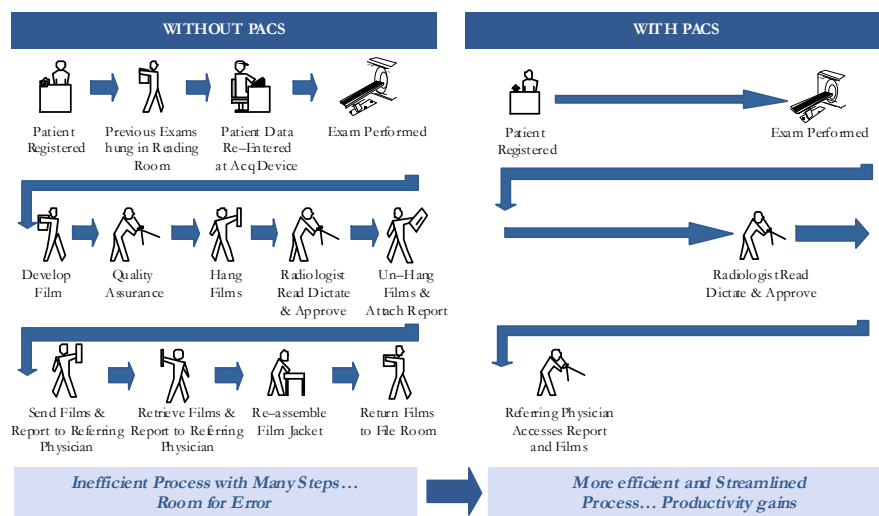
facility or beyond. IMPAX creates a secure, comprehensive and accessible digital medical image archive per individual patient, which is a necessary building block in the realisation of the Electronic Patient Record (EPR).

IMPAX RIS electronically manages radiology procedures and data from patient registration through worklist generation and medical reporting and to transcription and business intelligence. Combined with RIS, PACS represents a complete enterprise solution for the radiology department or imaging centre, improving efficiency by cutting down on time and manpower.

Cardiology IT

The Cardiology PACS provides a complete image and data management solution for cardiology departments. Agfa HealthCare entered the US market for Cardiology IT through the acquisition of Heartlab in 2005, whose software solutions have been integrated under the IMPAX brand, and are being rolled out worldwide. The portfolio includes cardiovascular diagnostic viewing and reporting stations: i.e. software that manages cardiac images and structured cardiac data reports. It also includes ECG management systems, known as IMPAX Heartstation. Agfa HealthCare's cardiovascular 'review station' is fully integrated with its radiology IMPAX solutions, and allows cardiologists to consult a patient's radiology record within their standard environment.

PACS Competitive Advantage



Source: COCIR

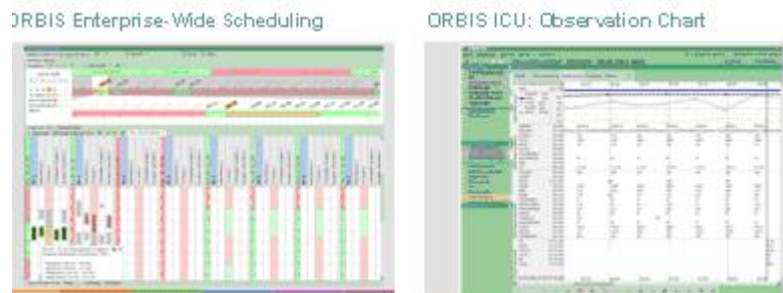
Both Radiology IT and Cardiology IT business units – developing all IMPAX products – operate under the Imaging Informatics banner. The market is also comprised of smaller segments, such as surgery, orthopaedics, pathology. Overall, the addressable Imaging Informatics market is estimated at EUR 2.7 billion, and Agfa HealthCare's market share is therefore estimated at ca. 11 per cent (source: Agfa HealthCare estimates based on COCIR 2009, F&S 2008 & 2009, MRG 2008 & 2009, Agfa HealthCare local insights 2009 & 2010).

Enterprise IT

Agfa HealthCare only addresses selected European markets with its Enterprise IT portfolio of solutions and service, namely Germany, France, Belgium, Austria, Switzerland and Luxembourg. It has also started activities in Russia and the United Kingdom.

The main brand is ORBIS, which is a hospital-wide IT system that combines medical (radiology, orthopaedics, etc.) modular applications and administrative applications (e.g. payroll, billing, scheduling, etc.) into a single, integrated enterprise solution. New features and modules for the ORBIS application are launched on a regular basis.

Enterprise IT - Portfolio examples



In Europe, Agfa HealthCare's Enterprise IT portfolio can be found in over 1,200 hospitals and over 1,000 laboratories, and the ORBIS system lies within 930 of these 1,200 hospitals, with an estimated number of daily users exceeding 500,000.

Agfa HealthCare's Enterprise IT business benefits from Agfa HealthCare's imaging experience, and from its development of PACS and information systems. Its offering can suit all types and sizes of hospitals and healthcare institutions.

The size of the addressable market in the six countries mentioned above is estimated at EUR 865 million, and Agfa HealthCare's market share is therefore about 15 per cent (source: Agfa HealthCare estimates based on COCIR 2009, F&S 2008 & 2009, MRG 2008 & 2009, Agfa HealthCare local insights 2009 & 2010).

(h) Sales & Services Organisations

Agfa HealthCare is organised in three regions that deliver all sales & services: Europe (representing 45 per cent of turnover), North America (Canada and US, representing 25 per cent of turnover), and the Growth Markets (all countries except Europe, US, and Canada, representing 30 per cent of turnover).

Agfa HealthCare is represented globally through wholly-owned regional sales & services organisations in the three regions, and is present in over 100 countries on five continents.

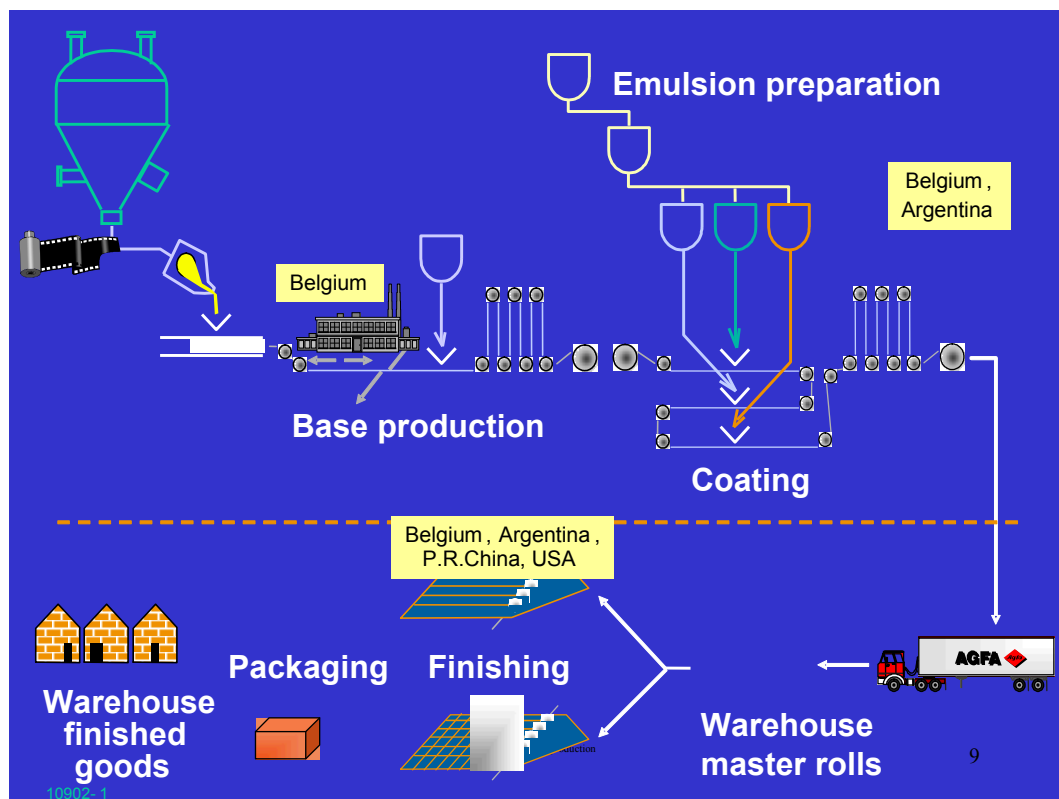
8.4.3 Agfa Specialty Products

(a) Introduction

Agfa Specialty Products relies on Agfa-Gevaert's key chemical competencies for the production of polymer substrates and special coatings. In this context, it inherited Agfa-Gevaert's longstanding expertise in the manufacturing of (photo-) chemical films.

Agfa Specialty Products' film production can be subdivided in three main steps:

- The film base or substrate is PET or polyester, produced out of the two main chemical components ethylene glycol and terephthalic acid. The resulting PET is then pumped to its main extrusion line, or granulated as feedstock for the two other installations. Total available capacity stands at 60,000 tons PET per annum.
- Coating and coating emulsion preparation: in Mortsel three industrial coating lines are present, where the Company can apply up to nine layers simultaneously. A fourth coating alley is installed in the Company's Varela plant in Argentina. Coating can be either water-based or solvent-based. The resulting products from the coating lines are denominated as "master rolls", typically having a length of 6000 metres and a weight of 1.4 tons. The emulsion preparation department produces the (photo-) chemical emulsions, in general based on silverhalogenide technology.
- In the "finishing" operation, master rolls are transformed into finished products by slitting, cutting and packaging steps at the film finishing operations in Mortsel (Belgium), Varela (Argentina), Bushy Park (US) and Wuxi (PRC).



Further, in its Heultje-Westerlo chemical plant (Belgium), the Group produces a substantial part of its own chemicals and specialty intermediate materials, such as phosphor powders and needles, conductive polymers, etc.

(b) Vision and strategy

Agfa Specialty Products' activities are focused along two axes:

- Its recurring revenues are derived from traditional, film-based consumables for the non-Agfa Graphics and non-Agfa HealthCare markets, where it aims at consolidating its position. For this purpose, its organisation is highly focused on cost-efficiency, lean manufacturing without compromising on quality and close cooperation with its customers. These more traditional activities are referred to as Classic Film. Agfa Specialty Products also acts as manufacturer of film and chemicals for third parties, the so-called Film Manufacturing Services, taking advantage of the installed base and available capacity in its production plants.
- Going forward, Agfa Specialty Products aims at developing New Business based on its important base of intellectual property, knowledge and equipment in the field of polymer materials, inks and film technology. These new activities should gradually create a substantial and profitable flow of revenues for complementing the recurring ones from the more traditional film based consumables.

In this context, Agfa Specialty Products will continue to invest in research and development, marketing and production capabilities. Based on core competencies and well-defined technology platforms, such as PET manufacturing and coating, the Materials Technology Centre supports this innovation with materials related Research & Development.

(c) Products

Agfa Specialty Product's classic film products and industrial film products constitute its historical product portfolio. Since 2007, the development focus has merely been on extending the product portfolio with new products (so called new business as described below).

• **Classic Film**

Agfa Specialty Products' activities in Classic Film markets can be broken down into four main areas. In general, Agfa Specialty Products is not selling its products to the end customer but to specific industries, either directly or through distribution channels.

Printed Circuit Board Film (PCB film)

Agfa Specialty Products manufactures photo-tooling film and related chemicals for the production of printed circuit boards. Producers of electronics use the film for registering the extremely fine conductive lines on printed circuit boards.

As around 85 per cent of the PCB film market is situated in Asia, Agfa Specialty Products recently moved part of its PCB film finishing to its Wuxi plant in China.

Inkjet being identified as a promising technology for future PCB manufacturing, Agfa Specialty Products focuses now on the development of etch resist inks. As a next step, inkjet technology might also be appropriate for solder masks. The

direct inkjetting of conductive patterns is a more long-term development track (more than 5 years) due to current technological restrictions.

Agfa Specialty Products is selling its products to the PCB manufacturers, either directly to some large customers or through distributors.

Motion Picture Film

For the motion picture industry, Agfa Specialty Products supplies both colour print film and sound film, directly to the motion picture labs. In the first half of 2010 only 3 customers stood for 40 per cent of Agfa Specialty Products' turnover in motion picture film.

Aerial Photography Film

For Aerial Photography, Agfa Specialty Products is supplying films, chemicals, photo paper and software. As a related technology, it also produces photographic film for traffic and surveillance cameras.

Agfa Specialty Products is selling its aerial film through distributors or directly to some large customers, typically armies.

Microfilm Archiving

Agfa Specialty Products' microfilm is known for its high sensitivity and image quality. It restricts its activities to film and related chemicals, unlike competitors offering also equipment and service.

Agfa Specialty Products is selling this film through distributors.

- **Film Manufacturing Services**

Agfa's activities in Film Manufacturing Services focus on specialty films for very particular applications. These products are sold directly to industrial customers.

Non-Destructive Testing (NDT)

Agfa Specialty Products produces high-quality X-ray film for non-destructive testing of, among others, welds in pipelines, steel structures, aircraft fuselage. After the divestiture of the NDT business group to the General Electric Company (GE) in 2003, a long-term agreement was signed whereby Agfa Specialty Products acts as the exclusive manufacturer of the X-ray films for GE's NDT business. GE owns the business as the exclusive provider to the market of Agfa Specialty Products' full range of X-ray films for NDT, its processing equipment and related chemistry. Under this agreement, Agfa Specialty Products is also delivering NDT-specific Computed Radiology equipment to GE. The long-term contract between parties has no end date defined and is honoured in full and exclusive partnership. Given its link with the sale of the NDT business to GE, the agreement can only be terminated by GE.

Specialty Foils & Components

Agfa Specialty Products supplies PET film bases, chemical and high-tech (semi-) finished materials to industrial customers and for various applications. These materials generally are tailor-made according to customer specific requirements.

- **New Business**

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

Synaps® Synthetic Paper and Essence UV® printable foil

Agfa Specialty Products launched its polyester-based synthetic paper in 2008. Marketed under the Synaps® brand, the paper is noted for its fast drying time and its resistance to water, tearing and UV light, which allows it to be used in outdoor environments. Its ink-receiving layer gives Synaps® the distinct look and feel of a luxury paper. Synaps® accepts standard printing inks, common offset printing, as well as UV inkjet printing. Synaps® is suitable for a wide variety of applications, such as labels, indoor and outdoor displays, premium commercial printwork and certain types of packaging.

In 2009, the product portfolio has been enlarged with Essence UV®, a new type of printable foil. Based on a high quality polyester substrate and coated with an antistatic UV ink-receiving layer, Essence® UV is suitable for UV offset, screen, flexo, gravure and inkjet printing. Thanks to its resistance to water, tearing and UV light, it fits both indoor and outdoor applications.

Agfa Specialty Products' synthetic paper is mainly brought into the market by distributors, in particular paper distributors.

Membranes

Agfa Specialty Products and the Flemish Institute for Technology Research (VITO) have set up a strategic cooperation framework aimed at developing different types of membranes. The first result of this cooperation was the commercial launch of Zirfon® Perl separator membranes for the production of hydrogen through electrolysis of water.

In 2009 Agfa Specialty Products developed an innovative microfiltration membrane for biological treatment of wastewater (MBR – Membrane BioReactor). This product combines the advantages of both flat sheet and hollow fibre systems currently available in the market.

Ongoing field tests in real-size water treatment plants should give confidence with respect to the reliability and in particular life expectancy of the membranes. Agfa Specialty Products is now planning the rollout of several pilot plants in order to prove the advantages of Agfa Specialty Products' membranes. Agfa Specialty Products' research activities focus on further reducing the pore size to the ultrafiltration spectrum (UF), which will open up a substantially larger market.

Agfa Specialty Products' customers for membranes will be mainly the system integrators, i.e. the companies specialised in building wastewater treatment plants.

Security & Identification

Agfa Specialty Products responds to a growing need for fraud-proof ID-documents with a portfolio of specialty materials and consumables, mainly

targeting the high-end market segment of national identity cards. Agfa Specialty Products' competencies in PET and imaging allowed it to develop reliable and long-lasting ID card materials in combination with fraud-proof colour picture technology. Both features form the cornerstone for the new national ID card in Morocco, currently in rollout.

At the specialised "Cartes 2009" trade fair in Paris, Agfa Specialty Products introduced the new PETix®, a range of polyester films for the production of ID cards, driver licences, financial cards and cards for mass transport. Card makers can use this robust plastic film to produce cards that resist mechanical and chemical influences. Cards with Agfa Specialty Products' PETix® combine smoothly with different security features, such as fraud-proof colour images or black & white laser engravable pictures and data.

Agfa Specialty Products' customers are system integrators and card makers.

Orgacon® Conductive Polymers

Agfa Specialty Products is an expert in the field of conductive polymers used as antistatic protection layer for films and components. In fact, all Agfa Specialty Products films contain such an antistatic layer. Based on this expertise, Agfa Specialty Products has developed – among other products – printing inks, pastes and emulsions for the production of transparent electrodes used in touch screens, electroluminescent (EL) lamps and "printed electronics" in general. Ongoing research is expected to lead to new applications for Orgacon® materials, such as displays, solid lighting, and flexible solar cells.

Agfa Specialty Products is selling either directly to industrial customers or through distributors.

Industrial Inkjet Solutions

Building on the Company's important base of intellectual property and knowledge in the field of inkjet ink technology, Agfa Specialty Products is developing and marketing inkjet inks for some niche applications outside the scope of Agfa Graphics. The principal focus is on food & pharma packaging, relying strongly on the Group's expertise in low migration ink. Other projects target printing on wood, textile and glass.

This is clearly a business-to-business environment.

(d) Dependence on major customers

In the first half of 2010, Agfa Specialty Products realised 69 per cent of its turnover with its top 10 customers. In motion picture film, 40 per cent of the 1H2010 turnover relates to 3 major customers.

In ID&S, one major project is dominating Agfa Specialty Products' business for now. This project is estimated to run until 2012.

8.5 Legal Proceedings

The Group is currently not involved in any major litigation apart from those related to the AgfaPhoto insolvency.

8.5.1 Background

In connection with the divestment of the consumer imaging business (the “CI Business”) of Agfa-Gevaert AG and certain of its subsidiaries in 2004, the Group entered into various contractual relationships with AgfaPhoto Holding GmbH, AgfaPhoto GmbH and their subsidiaries in various countries (the “AgfaPhoto Group”), providing for the transfer of its Consumer Imaging business, including assets, liabilities, contracts and employees, to AgfaPhoto group companies.

Subsequent to the divestment, insolvency proceedings have been opened in 2005 with respect to AgfaPhoto GmbH and a number of its subsidiaries in both Germany and other countries.

8.5.2 Litigation with the purchaser of the Consumer Imaging business on alleged misconduct of Agfa-Gevaert in the sale process

With respect to the CI Business divestment, AgfaPhoto Holding GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris and claimed alleged damages suffered as a result of misconduct of the seller in connection with the sale of the CI Business and the insolvency of AgfaPhoto GmbH. In a Final Award issued in December 2009, the ICC Tribunal rejected all of AgfaPhoto Holding GmbH’s claims, and fully exonerated Agfa-Gevaert. The Tribunal also awarded Agfa-Gevaert’s fees and expenses of approximately EUR 6 million.

8.5.3 Litigation with the insolvency receiver of AgfaPhoto GmbH on alleged misconduct of Agfa-Gevaert in the sale process

The receiver of AgfaPhoto GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris and claims alleged damages suffered as a result of inter alia, misconduct of the seller in connection with the sale of the CI Business and the insolvency of AgfaPhoto GmbH. In his statement of claim in 2009, the insolvency receiver of AgfaPhoto GmbH requested to be paid damages resulting from (i) the alleged insufficient capitalisation of AgfaPhoto GmbH in the context of the divestiture of the CI business in 2004 and (ii) the fact that allegedly the Group would have caused the insolvency of AgfaPhoto GmbH following the sale of the CI business to AgfaPhoto Holding GmbH. The Group has rejected all of the claims as unsubstantiated and without merit. Given that this dispute initiated by the insolvency receiver is based on the same factual background and similar legal arguments as the case initiated by AgfaPhoto Holding GmbH as set forth in the preceding paragraph (for which the Group obtained a favourable award), the Group believes that it has meritorious defences with respect to these claims and is defending itself vigorously. Furthermore, some amounts claimed are so claimed in duplicate either on different legal grounds or against different constellations of Group defendants. Due to what the Group believes to be a highly speculative nature of the claims and counterclaims asserted by the receiver of AgfaPhoto GmbH, no provisions have been taken in the Group’s accounts.

8.5.4 Litigation in connection with service and distribution agreements

In connection with the sale of its CI Business, the Group had agreed to act – for a limited period of time – as a service provider and distributor for AgfaPhoto group companies. As such, it pre-financed AgfaPhoto’s working capital, for which it was reimbursed by the collection of trade receivables from customers. After the insolvency filing of AgfaPhoto GmbH, the Group agreed

to continue to perform certain distribution, invoicing and collection activities for the account of AgfaPhoto GmbH and its subsidiaries on the basis of an agreement with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH. According to that agreement, the Group should pay for the goods supplied by AgfaPhoto GmbH only when the end customer has paid its invoices and to the extent that the Group itself is not exposed to additional commercial and financial risks.

Since the insolvency of AgfaPhoto GmbH, several settlements with respect to the outstanding balances resulting from distribution, supply and service agreements were achieved (e.g. in Belgium, Spain and France), while the receiver of AgfaPhoto GmbH initiated in December 2007 arbitration proceedings before the ICC International Court of Arbitration in Paris, France, in connection with a dispute over such outstanding balances. In 2008, the receiver of AgfaPhoto Austria Ges.m.b.H. also initiated ICC arbitration proceedings in connection with a dispute over the outstanding balances resulting from the distribution, supply and service agreements in Austria. Both aforementioned ICC arbitration proceedings are still ongoing. The Group has adequately constituted provisions for probable losses related to the distribution agreement and the different settlements.

8.5.5 Litigation with employees of the CI Business

The Group also was confronted with a number of lawsuits filed by its former Consumer Imaging employees that transferred to AgfaPhoto. In Germany, the Supreme Labour Court (Bundesarbeitsgericht) rendered, in the course of 2009, final judgments in 11 more cases (in addition to the 19 cases already decided in 2008). The Court's decisions on, and further clarification of, many disputed labour law issues led to an accelerated resolution of a number of pending labour cases in Germany, in conformity with the Group's risk assessments and provisions. The Group has adequately constituted provisions for probable losses related to these employee litigations.

8.5.6 Litigation on demolition costs

AgfaPhoto Holding GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris in December 2008 in connection with demolition costs with respect to buildings in Leverkusen, Germany for which Bayer had submitted a claim in the insolvency proceedings. This case was settled in August-September 2010 pursuant to which the Group has paid an amount of EUR 12 million to Bayer. A provision of EUR 17 million had already been taken in respect of these demolition costs.

8.5.7 Trademark litigation

Agfa-Gevaert and Agfa-Gevaert AG initiated arbitration proceedings before the ICC International Court of Arbitration in Paris, France, in connection with a dispute with AgfaPhoto Holding GmbH regarding the licence of the "AgfaPhoto" trademark. In December 2007, the majority of the arbitrators decided in a partial award in favour of AgfaPhoto Holding GmbH on the merits regarding the termination of the Trademark License Agreement, and the ICC Tribunal issued a Final Award in September 2009 with respect to quantum (damages). The Tribunal rejected AgfaPhoto Holding GmbH's damages model, and ruled that Agfa-Gevaert prevailed on more than 95% of that arbitration. The Tribunal also awarded Agfa-Gevaert fees and expenses of approximately EUR 3 million.

8.6 Personnel

8.6.1 Headcount

The table below gives an overview of the number of employees employed by the Group.

Headcount evolution per business group

	December 2009	December 2008	December 2007
		<i>(in full heads)</i>	
Agfa Graphics	5,043	5,487	6,071
Agfa HealthCare.....	6,002	6,229	6,694
Agfa Specialty Products	708	740	662
Total	11,753	12,456	13,427

Headcount per region

	June 2010
	<i>(in fulltime equivalents)</i>
Europe	7,862.37
Asia/Pacific	933.26
Latin America	722.00
North America.....	1,931.65
Rest of the world	158.33
Total	11,607.61

Labour contract characteristics

78.8% of the Group's employees have a full time employment contract and 17.9% have a part time contract. Temporarily employment represents 1.4% of the total employment.

8.6.2 Human Resources Policies

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, the Group has implemented a wide set of policies, programmes and actions. Further information on these can be found in the Group's Sustainability Report 2009 as published on its website.

The Group's performance management process helps employees to focus on results and promote key behaviours and success attributes. The Group aims to reward performance, but the evaluation of each individual must be carried out objectively. The performance review helps managers to coach and to develop employees in the best possible way.

The performance review makes the performance visible and assigns accountability for business success to each and every employee. The performance standards also create alignment ensuring that all employees and departments are working on the implementation of the company strategy.

The Group has selected key performance indicators as the critical behaviours, skills and knowledge needed to achieve success. This selection is the result of a very careful analysis of what it typically takes in the current Group's business environment to succeed, given the type of vision and strategy the Group follows.

The Group's remuneration practices for managerial levels are based on a global classification system and regular market benchmarking, whereby level and structure of the remuneration enables qualified and expert professionals to be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities.

For executive managers specific remuneration policy can be found in section 6.4.1.

8.7 Investments

The below table gives an overview of the Issuer's principal investments (excluding acquisitions).

Capital expenditures	30 June 2010	2009	2008
		<i>(in millions of EUR)</i>	
Intangible Assets			
Agfa Graphics.....	1	5	4
Agfa HealthCare.....	2	9	8
Agfa Specialty Products.....	0	4	2
Property, plant & equipment			
Agfa Graphics.....	7	16	30
Agfa HealthCare.....	5	16	17
Agfa Specialty Products.....	2	2	2
Total capital expenditures			
Agfa Graphics.....	8	21	34
Agfa HealthCare.....	7	25	25
Agfa Specialty Products.....	2	6	4

Intangible assets and property, plant and equipment acquired in the framework of acquisitions amount to EUR 1 million for the first six months of 2010 and EUR 13 million for 2009 (2008: 0; 2007: 0). The EUR 1 million relates to Property, plant and equipment acquired in the first quarter of 2010 upon the acquisition of Gandi Innovations. In 2009, EUR 13 million intangible assets, comprising goodwill for EUR 6 million and technology for EUR 7 million, have been acquired as a result of acquiring all of the shares of Insight Agents GmbH.

8.7.1 Agfa Graphics

The 2008 Agfa Graphics capex expenses worldwide were totalling EUR 34 million. The major projects in manufacturing were fitting into the worldwide programme to adapt the plate manufacturing infrastructure to be capable of producing the digital plate assortment, with sufficient capacity in all local factories all over the globe as to avoid shipping costs, working capital and import duties (regional concept).

Major projects in 2008 were investments in the Wiesbaden plant in Germany and the Branchburg plant in the US.

The 2009 capex expenses were partially delayed to 2010 due to the economic recession and amounted to EUR 21 million. Major projects in 2009 were investments in the Suzano plant in Brasil.

Major projects in 2010 are investments in Suzano (Brasil) as well as the Vallese plant (Italy). Furthermore investments will be made in the film manufacturing operations, in ICS software, housing and warehousing related projects as well as inkjet related investments in R&D and demo materials. Total capex for Agfa Graphics in 2010 is scheduled to amount to EUR 35.2 million. The geographical spread of these investments is as follows: 47% in Europe, 10% in NAFTA, 27% in Latin America, 7% in Asia and the remaining 9% is intended for worldwide use. Save for the investments in the Suzano plant for which external financing was obtained, all investments are financed out of the operational cashflows.

Capex estimate for 2011 worldwide is about EUR 36 million for capex in manufacturing plants, application, R&D, Rental & Demo equipment, IT and limited housing projects. Firm commitments have been made for a total amount of EUR 5.2 million as regards investments in the manufacturing operations in Latam, Europe and Asia as well as in the Shenzhen joint venture.

8.7.2 Agfa HealthCare

Capex investments at Agfa HealthCare have been quite stable over the last two years and were totalling EUR 25 million in 2008 and EUR 25 million in 2009. For the first half of 2010, EUR 7 million capital expenditure has been done. No major investments are currently ongoing or committed.

Capex investments cover a big number of small projects spread over the sales offices, R&D sites, film and equipment manufacturing sites and the head office. These investments relate to upgrading and consolidation of its facilities, implementation of a worldwide uniform ICS platform, equipment manufacturing tooling adaptations to new products, maintenance of its film production capacity, demo and rental equipment, and some limited R&D expenditure. One exception to this is the EUR 5 million investment in emission rights that has taken place in 2009.

8.7.3 Agfa Specialty Products

As the film production operations are shared by the three business groups, common film-related capital expenditures are allocated to all three of them. In particular, the indicated capital expenditures for “property, plant & equipment” for Agfa Specialty Products almost all relate to shared capital expenditures.

Two major projects with capex impact through 2011 are:

- In 2009, Agfa Specialty Products initiated the construction of a new wastewater treatment plant in Mortsels (Belgium) based on membrane bio reactors for water treatment and subsequent water re-use.
- Early 2010, Agfa Specialty Products launched a significant investment in a second Combined Heat Power Plant (CHPP-2) for its Mortsels (Belgium) operations. Together with the existing CHPP-1, this power plant will provide for more than 60% of the local electricity needs and over 50% of the heat requirements.

These projects will be financed out of the Group’s operational cashflows.

Only a small portion relates to specific capex for Agfa Specialty Products’ New Business.

8.8 Facilities and environment

8.8.1 Facilities

The Group strives to have full ownership of the sites where the manufacturing plants are located. For its sales organisations, the Group primarily leases real estate.

There are no major encumbrances on the Group's property, plants and equipment.

8.8.2 Environment

The Group is committed to conserving natural resources, operating its facilities safely and restricting the environmental impact of its activities to a minimum. Over the last years, it succeeded in considerably reducing the use of natural resources and in diminishing the emissions to air and water. Moreover, it further reduced its absolute and specific waste volume while maintaining about stable specific water and energy consumption, air emissions and wastewater loads.

The Group continues to invest in projects to diminish its environmental impact including investments in biological water treatment with water re-use and in energy production with a Combined Heat and Power Plant (CHPP), both for the Mortsel film factory.

In view of the indicated environmental commitments, the Group installed in most of its plants environmental management systems in compliance with the international standards ISO 14001.

The Corporate Safety, Health and Environment Management Committee sets the related policies, targets and priorities on a corporate level for the Group.

The local management of the Group's manufacturing plants is responsible for implementing the Corporate Safety, Health and Environment Policy and Guidelines, and for complying with the local legislation that is applicable to the individual operation. In all local organisations where an environmental management system has been set up, management assigns management representatives, responsible for implementing and maintaining the management systems.

The historic soil and groundwater pollution issues are limited and the eventual future clean-up costs have in general been provided for.

The Heultje-Westerlo plant in Belgium is in the process of appointing a specialist company for defining the soil sanitation plan.

In Mortsel, investigations on remediation of historic soil and groundwater pollution are in their final phase.

None of the listed pollution issues affects the Group's utilisation of its tangible fixed assets.

8.9 R&D, Patents and Licences

8.9.1 Overview

R&D expenditure	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Agfa Graphics	20	38	58	79
Agfa HealthCare	50	103	108	106
Agfa Specialty Products	7	8	8	6
Total	77	149	174	191

8.9.2 Agfa Graphics research & development

(a) Prepress

Agfa Graphics develops or sources its products on a global basis.

For its own developments, Agfa Graphics spends approximately EUR 38 million annually or 2.8 per cent of sales in 2009.

Plates and pressroom supplies

The central R&D centre for plates and pressroom supplies is based in Mortsel, Belgium. This group employed 60 FTEs in 2009.

The internal research and development organisation is supported by an extensive programme with external research institutes and universities and receives grants from Belgian IWT and European research funding.

Software

The software development group is centred in Mortsel Belgium with secondary sites in Thousand Oaks, California and Netanya (Israel) focussed on Newspaper workflow solutions.

Prepress Equipment

Since Agfa Graphics outsourced the R&D and assembly of commercial as well as newspaper CtP equipment to OEM partners, Agfa Graphics focuses on close cooperation between its product marketing-, application- and customer operation teams and its procurement teams with its OEM partners to guarantee that the functional specifications are in line with the customers expectations and synchronised with Agfa Graphics' plate development roadmap and to guarantee that the quality performance at the customer site is consistent.

(b) Inkjet

Agfa Inkjet Research & Development is based in Mortsel, Belgium for Media and Inks. :Anapurna products are jointly developed between Dilli Precision in Korea and the :Anapurna team in Mortsel. :M-Press products are developed in Mortsel Belgium with contract development for key components in the Netherlands and with Thieme in Tenningen, Germany. The :Dotrix products are developed in Ghent, Belgium. The :Jeti products are developed in Mississauga, Canada and White River Junction, US. Agfa

Graphics focuses on close cooperation between its product marketing, application, development and procurement teams with its co-development partners to guarantee that the functional specifications are in line with the customer's expectations. There is close cooperation between all of the Agfa Inkjet development groups to ensure that technology, software and components are shared to the maximum extent possible.

8.9.3 Agfa HealthCare's R&D and product development

Agfa HealthCare has two R&D and software production sites related to imaging solutions located in Mortsel and Munich, five R&D sites related to Imaging Informatics in Westerlo, Waterloo, Ghent, Vienna, and Shanghai and seven R&D sites related to Enterprise IT solutions, all located in Europe: Vienna, Trier, Bonn, Rottenburg, Ghent, Bordeaux, and Lyon.

For equipment development and manufacturing, Agfa HealthCare operates on two sites in South Germany (Munich and Peissenberg).

Figure10: Agfa HealthCare's Global R&D Functions



8.9.4 Agfa Specialty Products

Agfa Specialty Products aims at developing New Business based on its important base of intellectual property, knowledge and equipment in the field of polymer materials, inks and film technology. In this context, Agfa Specialty Products will continue investing in research and development, both with internal resources located in Mortsel (Belgium) as in close cooperation with external partners. An example of such a cooperation is the strategic framework between Agfa Specialty Products and the Flemish Institute for Technological Research (VITO) for the development of membrane materials.

8.10 Material Contracts

As regards the Group's material contracts, reference is made to the finance agreements described in section 4.2.2(c).

Furthermore reference is made to the agreement with GE for non destructive testing film in section 8.4.3(c).

As regards the Group's recent acquisitions more information can be found in sections 8.4.1(b) and 10.3.2(a).

9 Financial Information

The financial information is extracted from the Agfa-Gevaert annual reports 2007, 2008 and 2009 and the Agfa-Gevaert condensed consolidated interim financial statements as per 30 June 2010 which are prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the board of directors.

The consolidated financial statements of the years 2007, 2008 and 2009 have been fully audited by KPMG Bedrijfsrevisoren and this has resulted in unqualified audit opinions (with an explanatory paragraph for the years 2007 and 2008). The condensed consolidated interim financial statements for the period ended 30 June 2010 have been prepared in accordance with IAS 34 and were subject to a limited review by KPMG Bedrijfsrevisoren, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The interim financial information as per 30 June 2010 is made available on the Company’s website – Section Investor Relations.

The financial information includes:

- Consolidated balance sheet as per 30 June 2010 and as per 31 December 2009, 2008 and 2007.
- Consolidated income statement for the 6-month period ending 30 June 2010 and 2009 and the 12-month period ending 31 December 2009, 2008 and 2007.
- Consolidated statement of cash flow for the 6-month period ending 30 June 2010 and 2009 and the 12-month period ending 31 December 2009, 2008 and 2007.
- Consolidated statement of changes in equity for the 6-month period ending 30 June 2010 and 2009 and the 12-month period ending 31 December 2009, 2008 and 2007.
- Significant accounting policies.

Additional information on the 2009 consolidated financial statements has been added with regard to the following items:

- Presentation of equity: split between equity attributable to equity holders of the Company and non-controlling interest (See 9.2);
- Presentation of finance costs on a separate line in the consolidated income statement, not only on a net basis (See 9.3);
- Additional information on the Group’s significant accounting policies: Segment reporting (See 9.6(F)).

9.1 Selected financial information

(A) Consolidated income statement

	30 June		31 December		
	2010	2009	2009	2008	2007
	<i>(in millions of EUR)</i>				
Revenue	1,400	1,339	2,755	3,032	3,283
Result from operating activities	120	63	170	(23) ⁽¹⁾	125
Net finance costs	(45)	(57)	(114)	(83)	(63)
Income tax expense	(18)	(24)	(49)	(60)	(19)
Profit (loss) attributable to the owners of the Company	57	(18)	6	(167)	42

(1) During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortisation of unrecognised losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information 2007 has not been restated, as it is not considered to be material.

(B) Consolidated balance sheet

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>(in millions of EUR)</i>			
Total Assets	3,058	2,852	3,160	3,559
Equity attributable to equity holders of the Company	874	721	700	888
Net financial debt	391	445	673	721

9.2 Consolidated balance sheet

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>(in millions of EUR)</i>			
ASSETS				
Non-Current Assets	1,276	1,236	1,311	1,573
Intangible assets	684	648	647	816
Property, plant and equipment	320	326	369	407
Investments	11	9	13	20
Deferred tax assets	261	253	282 ⁽¹⁾	330

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>(in millions of EUR)</i>			
Current Assets	1,782	1,616	1,849	1,986
Inventories	585	483	575	578
Trade receivables	641	592	750	861
Current tax assets	73	76	61 ⁽²⁾	60 ⁽²⁾
Other receivables and other assets	309	319	268 ⁽²⁾	303 ⁽²⁾
Assets classified as held for sale	1	1	—	—
Cash and cash equivalents	136	119	150	152
Deferred charges	28	18	19	21
Derivative financial instruments	9	8	26	11
Total Assets	3,058	2,852	3,160	3,559

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	(in millions of EUR)			
EQUITY AND LIABILITIES				
Total Equity	877	724	704	891
Equity attributable to equity holders of the Company	874	721	700	888
Share capital	140	140	140	140
Share premium	109	109	109	109
Retained earnings	877	820	814	981
Reserves	(285)	(282)	(273)	(288)
Translation differences	33	(66)	(90)	(54)
Non-controlling interest	3	3	4	3
Non-current liabilities	1,228	1,263	1,556	1,553
Liabilities for post-employment and long-term termination benefit plans...	572	570	601	654
Liabilities for personnel commitments	16	14	18	24
Loans and borrowings	514	553	809	740
Provisions	44	44	64	69
Deferred income	7	9	1	1
Deferred tax liabilities	75	73	63 ⁽¹⁾	65
Current Liabilities	953	865	900	1,115

	For the period ending			
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>(in millions of EUR)</i>			
Loans and borrowings	13	11	14	133
Trade payables.....	235	206	226	275
Deferred revenue & advance payments.....	170	123	112	96
Current tax liabilities	44	44	43 ⁽³⁾	62 ⁽³⁾
Other liabilities	165	156	162 ⁽³⁾	175 ⁽³⁾
Liabilities for personnel commitments	88	86	71	89
Provisions	226	234	255	275
Deferred income	4	3	5	7
Derivative financial instruments.....	8	2	12	3
Total Equity and Liabilities	3,058	2,852	3,160	3,559

Notes:

- (1) In 2009, “Deferred tax assets/liabilities” have been reclassified to ‘Non-current assets/non-current liabilities’. Comparative information for the year 2007 and 2008 has been restated.
- (2) In 2009, “Current tax assets and current tax liabilities” have been presented separately on the face of the balance sheet. “Current tax assets” have been reclassified from “Other receivables and other assets”. Comparative information for the year 2007 and 2008 has been restated.
- (3) In 2009, “Current tax assets and current tax liabilities” have been presented separately on the face of the balance sheet. “Current tax liabilities” have been reclassified from “Other liabilities”. Comparative information for the year 2007 and 2008 has been restated.

9.3 Consolidated Income Statement

	30 June		31 December		
			2007		
			(not restated except for (2))		
	2010	2009	2009	2008	(2))
	(in millions of EUR)				
CONSOLIDATED INCOME STATEMENT					
Revenue	1,400	1,339	2,755	3,032	3,283
Cost of sales	(906)	(917)	(1,869)	(2,069) ⁽¹⁾	(2,136)
Gross profit.....	494	422	886	963	1147
Selling expenses.....	(188)	(189)	(372)	(439) ⁽¹⁾	(523)
Research and development expenses...	(77)	(78)	(149)	(174) ⁽¹⁾	(191)
Administrative expenses	(104)	(101)	(198)	(225) ⁽¹⁾	(262)
Other operating income.....	167	195	309	451	333
Other operating expenses	(172)	(186)	(306)	(599) ⁽¹⁾	(379)
Result from operating activities	120	63	170	(23) ⁽¹⁾	125
Interest income/(expenses) – net	(6)	(11)	(17)	(38)	(40)
Interest income.....	1	1	3	3	3 ⁽²⁾
Interest expenses	(7)	(12)	(20)	(41)	(43) ⁽²⁾
Other finance income/(expense) – net	(39)	(46)	(97)	(45)	(23)
Other finance income	112	88	146	160	124 ⁽²⁾
Other finance expense	(151)	(134)	(243)	(205) ⁽¹⁾	(147) ⁽²⁾
Net finance costs	(45)	(57)	(114)	(83)	(63)
Profit before income tax	75	6	56	(106)	62
Income tax expenses	(18)	(24)	(49)	(60)	(19)
Profit/loss for the period	57	(18)	7	(166)	43
Profit attributable to:					
Owners of the company	57	(18)	6	(167)	42
Non-controlling interests.....	0	0	1	1	1
Earnings per share					
Basic earnings per share.....	0.46	(0.14)	0.05	(1.34)	0.34
Diluted earnings per share.....	0.46	(0.14)	0.05	(1.34)	0.34
Basic earnings per share from continuing operations	0.46	(0.14)	0.05	(1.21)	0.53
Diluted earnings per share from continuing operations.....	0.46	(0.14)	0.05	(1.21)	0.53
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ⁽³⁾					

	30 June		31 December		
					2007
	2010	2009	2009	2008	(not restated except for (2))
	(in millions of EUR)				
Profit for the period	57	(18)	7	(166)	
Other comprehensive income for the period recognised directly in equity, net of tax					
Exchange differences on translation of foreign operations.....	99	11	24	(36)	
Revaluation of available-for-sale financial assets.....			-	(1)	
Impairment loss recognised on available-for-sale financial assets: reclassification adjustment for losses included in profit and loss.....	—		1	2	
Cash flow hedges:.....					
Gains (losses) arising during the year recognised in equity.....	(3)	3	5	10	
Reclassification adjustment for gains included in profit and loss.....	—	(11)	(12)	(1)	
Roll-over of commodity contracts:...					
Gains (losses) arising during the year recognised in equity.....	—	(2)	(2)	3	
Reclassification adjustment for gains included in profit and loss.....	—	(1)	(1)	—	
Total other comprehensive income ..	96	0	15	(23)	
Total comprehensive income	153	(18)	22	(189)	
attributable to owners of the Company	153	(18)	21	(190)	
attributable to non-controlling interest	0	0	1	1	

Notes:

- (1) During 2009, the Group has consistently applied its accounting policies used in the previous year, except for the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortisation of unrecognised losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information 2007 has not been restated, as it is not considered to be material.
- (2) As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated income statement has been narrowed and comprises only interests paid/received on the items of the net financial debt position. Interests received/paid on other assets and liabilities have been reclassified to 'Other non-operating income (expense)' in the consolidated income statement. Comparative information for the year 2007 has been restated. For the year 2007, net interest income that has been reclassified to 'Other non-operating income (expense)' amounts to EUR 5 million. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.
- (3) Comparative information is not available for 2007.

9.4 Consolidated statement of cash flow

	30 June		31 December		
	2010	2009	2009	2008	2007 (not restated except for (5))
	<i>(in millions of EUR)</i>				
Result from operating activities.....	120	63	170	(23) ⁽¹⁾	125
Depreciation, amortisation and impairment losses.....	47	53	103	235	148
Changes in fair value of derivative financial instruments.....	2	3	4	(4)	(2)
Adjustment for other non-cash income	(2)	—	—	(1)	(2)
(Gains) losses on retirement of non-current assets.....	(1)	1	(2)	(23)	(17)
Negative goodwill on acquisitions.....	(4)	—	—	—	—
Change in non-current provisions.....	(39)	(70)	(116)	(100) ⁽¹⁾	(106)
Change in current provisions.....	(13)	(19) ⁽²⁾	(23)	(45) ⁽²⁾	(14)
Income taxes paid.....	(13)	(13) ⁽²⁾	(18)	(18) ⁽²⁾	
Current tax expense.....	—	—	—	—	(53)
Change in inventories.....	(53)	34	91	(2)	26
Change in trade receivables including cash inflows from securitisation.....	19	83	88	107	1
Change in trade payables.....	21	(40)	(21)	(47)	(30)
Change in deferred revenue and advance payments.....	35	24	1	14	13

	30 June		31 December		
	2010	2009	2009	2008	2007 (not restated except for (5))
	(in millions of EUR)				
Change in other working capital.....	(34)	13 ⁽²⁾	(11)	(16) ⁽²⁾ ₍₄₎	18
Loss (Gains) on divestiture.....	—	—	—	—	1
Net cash from/(used in) operating activities	85	132	266	77⁽⁴⁾	108
Cash outflows for additions to intangible assets	(3)	(5)	(7)	(14)	(29)
Cash outflows for additions to property, plant and equipment.....	(14)	(15)	(34)	(49)	(71)
Cash inflows from disposals of intangible assets	3	1	4	2	2
Cash inflows from disposals of property, plant and equipment.....	2	2	7	34	37
Cash inflows from lease portfolio.....	15	18 ⁽³⁾	33	37 ⁽³⁾	
Cash outflows for acquisitions.....	(16)	—	(7)	—	(38)
Interest and dividends received	2	1	2	3	3 ⁽⁵⁾
Cash inflows from other investing activities	(5)	— ⁽³⁾	—	4 ⁽³⁾	—
Cash inflows from disposals of assets held for sale.....	—	—	—	—	19
Cash inflows from divestiture.....	—	—	—	—	2
Cash inflows (outflows) from equity and debt instruments	—	—	—	—	67
Net cash from/(used in) investing activities	(16)	2	(2)	17	(8)⁽⁵⁾
Dividend payments to stockholders.....	—	—	—	—	(63)
Net issuances of debt.....	(54)	(132)	(255)	(56)	106
Interest paid.....	(11)	(19)	(22)	(41)	(43) ⁽⁵⁾
Other financial flows	—	(16)	(16)	3	(9) ⁽⁵⁾
Prefinancing by/(of) AgfaPhoto related to previous consumer Imaging divestiture	—	—	—	—	(17)
Net cash from/(used in) financing activities	(65)	(167)	(293)	(94)⁽⁴⁾	(26)⁽⁵⁾
Change in cash and cash equivalents due to business activities	4	(33)	(29)	0	74
Change in cash due to change in consolidation scope.....	—	—	(7)	—	—
Change in cash and cash	13	4	5	(2)	(6)

	30 June		31 December		
					2007 (not restated except for (5))
	2010	2009	2009	2008	
			(in millions of EUR)		
equivalents due to exchange rate fluctuations					
CHANGE IN CASH AND CASH EQUIVALENTS	17	(29)	(31)	(2)	68
Cash and cash equivalents at 1 January	118	149	149	151	83
Cash and cash equivalents at closing...	135	120	118	149	151

Notes:

- (1) As reported 2008, restated. During the first quarter of 2009, the Group has changed the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and the expected return on assets as well as the relative portion of the amortisation of unrecognised losses (gains) that could not be attributed to active employees have been reclassified to 'Other non-operating income (expense)'. Comparative information for the year 2008 has been restated. The lines 'Results from operating activities' and 'Change in non-current provisions' in the consolidated statement of cash flow have been impacted by this change. 2007 has not been restated.
- (2) As reported 2008, restated. In the course of the fourth quarter of 2009 'Income taxes paid' are being presented on a separate line. 'Income taxes paid' have been reclassified from 'Change in current provision', 'Change in other working capital' and 'Current tax income (expense)'. Comparative information for the year 2008 has been restated. 2007 has not been restated.
- (3) As reported 2008, restated. In the course of the fourth quarter of 2009 'Cash inflows from lease portfolio' have been separated from 'Cash inflows from equity and debt instruments'. The latter was renamed 'Cash outflows for other investing activities'. 2007 has not been restated.
- (4) As reported 2008, restated. In 2009 the 'Prefinancing by/(of) AgfaPhoto related to the previous CI divestiture' is no longer presented on a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of EUR 4 million was reclassified to 'Other working capital'. 2007 has not been restated.
- (5) As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated income statement has been narrowed and comprises only interests paid/received on the items of the net financial debt position. Interests received/paid on other assets and liabilities have been reclassified to 'Other non-operating income (expense)' in the consolidated income statement and consequently to 'Other financial flows' in the consolidated statement of cash flow. Comparative information for the year 2007 has been restated.

9.5 Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Reserve for own shares	Revaluation reserve	Share-based payments reserve	Hedging reserve	Translation differences	Total	Non-controlling interest	Total equity
Balance at 1/01/2007	140	109	1,002	(296)	0	8	(1)	(32)	930	3	933
Changes in shareholders' equity resulting from capital contributions and dividend payments											
Dividend payments			(63)						(63)		(63)
Other changes in shareholders' equity not recognised in income											
Share-based payments						2			2		2
Revaluation of available-for-sale financial assets					(2)				(2)		(2)
Cash flow hedges							1		1		1
Translation differences	0	0	0	0	0	0	0	(22)	(22)	0	(22)
Changes in shareholders' equity recognised in income									0		0
Income after taxes for the period 1 January till 31 December 2007	0	0	42	0	0	0	0	0	42	0	42
Balance at 31/12/2007	140	109	981	(296)	(2)	10	0	(54)	888	3	891
Balance at 1/01/2008	140	109	981	(296)	(2)	10	0	(54)	888	3	891
Comprehensive income for the period	0	0	(167)	0	0	0	0	0	(167)	1	(166)
Profit for the period			(167)						(167)	1	(166)
Other comprehensive income	0	0	0	0	1	0	12	(36)	(23)	0	(23)
Foreign currency translation differences								(36)	(36)		(36)
Effective portion of changes in fair value of cash flow hedges, net of tax							9		9		9
Net change in fair value of available-for-sale financial assets, net of tax					(1)				(1)		(1)
Impairment loss recognised on available-for-sale financial assets					2				2		2
Other							3		3		3
Total comprehensive income and other comprehensive income for the period	0	0	(167)	0	1	0	12	(36)	(190)	1	(189)
Share based payment transactions						2			2		2
Total of transactions with owners	0	0	0	0	0	2	0	0	2	0	2
Balance at 31/12/2008	140	109	814	(296)	(1)	12	12	(90)	700	4	704
Balance at 1/01/2009	140	109	814	(296)	(1)	12	12	(90)	700	4	704
Comprehensive income for the period	0	0	6	0	0	0	0	0	6	1	7
Profit for the period			6						6	1	7
Other comprehensive income	0	0	0	0	1	0	(10)	24	15	0	15
Foreign currency translation differences								24	24		24

	Share capital	Share premium	Retained earnings	Reserve for own shares	Revaluation reserve	Share- based payments reserve	Hedging reserve	Translation differences	Total	Non- controlling interest	Total equity
Effective portion of changes in fair value of cash flow hedges, net of tax							(7)		(7)		(7)
Net change in fair value of available-for-sale financial assets, net of tax									0		0
Impairment loss recognised on available- for-sale financial assets..					1				1		1
Other							(3)		(3)		(3)
Total comprehensive income and other comprehensive income for the period.....	0	0	6	0	1	0	(10)	24	21	1	22
Change in ownership interests in subsidiaries – change to equity method									0	(2)	(2)
Total of transactions with owners.....	0	0	0	0	0	0	0	0	0	(2)	(2)
Balance at 31/12/2009	140	109	820	(296)	0	12	2	(66)	721	3	724
Balance at 1/01/2010	140	109	820	(296)	0	12	2	(66)	721	3	724
Comprehensive income for the period.....	0	0	57	0	0	0	0	0	57	0	57
Profit for the period			57						57		57
Other comprehensive income	0	0	0	0	0	0	(3)	99	96	0	96
Foreign currency translation differences....								99	99		99
Effective portion of changes in fair value of cash flow hedges, net of tax							(3)		(3)		(3)
Net change in fair value of available-for-sale financial assets, net of tax									0		0
Impairment loss recognised on available- for-sale financial assets..									0		0
Other									0		0
Total comprehensive income and other comprehensive income for the period.....	0	0	57	0	0	0	(3)	99	153	0	153
Balance at 30/06/2010	140	109	877	(296)	0	12	(1)	33	874	3	877

Comparative information for the first half year 2009:

Equity attributable to equity holders of the Company										
	Share capital	Share premium	Retained earnings	Reserve for own shares	Revaluation reserve	Share-based payments reserve	Hedging reserve	Translation differences	Total	Non-controlling interest
Balance at 1/01/2009	140	109	814	(296)	(1)	12	12	(90)	700	4
Comprehensive income for the period.....										
Profit for the period			(18)						(18)	-
Other comprehensive income										
Foreign currency translation differences....								11	11	
Effective portion of changes in fair value of cash flow hedges, net of tax							(8)		(8)	
Other							(3)		(3)	
Total comprehensive income and other comprehensive income for the period.....	-	-	(18)	-	-	-	(11)	11	(18)	-
Balance at 30/06/2009	140	109	796	(296)	(1)	12	1	(79)	682	4

9.6 Significant accounting policies

(A) Statement of compliance

The consolidated financial statements of the Company comprise the Company and its subsidiaries and the Group's interests in associated companies. The consolidated financial statements as per 31 December 2009 were authorised for issue by the board of directors on 30 March 2010.

The consolidated financial statements as per 31 December 2009 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 31 December 2009. The condensed consolidated interim financial statements for the period ended 30 June 2010 have been prepared in accordance with IAS34.

For the preparation of the Interim Financial Information as per 30 June 2010, the Group has not early adopted any new IFRS requirements that were not yet effective in 2009. Further information is provided in note 1(x) new standards and interpretations not yet adopted.

(B) Basis of preparation

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

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

estimates are significant to the consolidated financial statements are discussed in note 2 of the Annual Report 2009.

For the preparation of the Consolidated Financial Statement as per 31 December 2009, the accounting policies have been consistently applied by Group companies. Starting as of 1 January 2009 upon adoption of a number of new IFRS standards, the Group has changed its basis of preparation in the following areas:

- presentation of financial statements;
- determination and presentation of operating segments;
- amended disclosures about financial instruments;
- the Group applies revised IAS1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents a statement of comprehensive income, comprising all items of income and expense that are not recognised in profit and loss. Comparative information has been represented in conformity with this new standard. The application of this standard did not affect the recognition nor the measurement of items included in profit and loss or items included in other comprehensive income;
- during 2009, the Group revised the presentation of expenses with regard to the Group's defined benefit plans. The interest cost and expected return on assets as well as the relative portion of amortisation of unrecognised losses/gains that could not be attributed to active employees, have been reclassified to "other finance income (expense)". See note 9 of the Annual Report 2009 'Net finance costs'. The reclassification did not affect earnings per share;
- as of 1 January 2009, the Group determines and presents operating segments based on information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented to business and geographical segments according IAS14 *Segment Reporting*. The application of this standard did not have an impact on the reportable segments of the Group. There is no impact on earnings per share;
- according to IFRS7 *Financial Instruments Disclosures*, additional disclosures regarding fair value measurements have been added. A fair value hierarchy table has been introduced, disclosing the source of inputs used in determining fair values using a three level hierarchy. Information is given by class of financial instrument. Comparative information is provided. There is no impact on earnings per share;
- for the preparation of the condensed consolidated interim financial statements as per 30 June 2010, no major change in accounting policies has taken place. For further information in this respect, we refer to the notes to the condensed consolidated interim financial statements as per 30 June 2010.

(C) Principles of consolidation

Subsidiaries

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

Associated companies

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

Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised gains arising in intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associated companies are eliminated to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associated companies are eliminated against the investment in the associated company. Unrealised losses are eliminated in the same way as unrealised 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 recognised in the income statement. Non-monetary assets and liabilities measured in historical cost that are denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

Financial statements of foreign group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates; and
- (c) all resulting exchange differences are recognised 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 recognised in the income statement when the gain or loss on disposal is recognised.

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

(E) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

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

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

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

the investment is impaired, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

(ii) Non-derivative financial liabilities

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

(iii) Derivative financial instruments and hedging

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

Derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into (trade date) and are subsequently re-measured at their fair value. Depending on whether cash flow or net investment hedge accounting is applied or not, any gain or loss is either recognised 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 recognised asset or liability or an unrecognised firm commitment, any resulting gain or loss on the hedging instrument is recognised 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 recognised 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 recognised asset or liability or a highly probable forecasted transaction, the effective portion of any resulting gain or loss on the hedging instrument is recognised directly in equity. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the cost of the asset or liability. When the hedge relates to financial assets or

liabilities, the cumulative gain or loss on the hedging instrument is reclassified from equity to the income statement in the same period during which the hedged item affects profit or loss (for instance when the forecasted transaction takes place or when the variable interest expense is recognised). The gain or loss relating to any ineffective portion is recognised 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 recognised in equity is recognised 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 recognised 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 recognised directly in equity, while the ineffective portion is reported in the income statement.

(F) Segment reporting

The Group reports on three segments: Graphics, HealthCare and Specialty Products. The determination of the Group's reportable segments is the outcome of a three-step approach comprising: (i) identification of operating segments; (ii) aggregation of operating segments and (iii) Determination of reportable segments. The decisive factor in the identification of the Group's operating segments – being Graphics, HealthCare and Specialty Products - is the level at which the Group's CEO and the executive management review the business and make decisions about the allocation of resources and other operating matters.

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

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities do not include income tax items.

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

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

dedicated to a single reporting segment, related liabilities and provisions are assigned to the segment to which the employee belongs.

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

The results, assets and liabilities related to inactive employees cannot be allocated on a reasonable basis to one or more reportable segments. These data are included in the reconciling items between the total reportable segments info and the total entity info. Inactive employees are defined as permanently retired employees, former employees with vested rights, and other employees who are not expected to return to active status e.g. early retirement. Employees who are in principle only temporarily inactive e.g. long-term disability or illness, maternity leave, military service, etc. are treated as active employees and are consequently assigned to one of the reportable segments. The reconciling items 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 segment that remain with the Group.

(G) Business combinations and related goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses.

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

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, such excess is recognised 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 amortised. 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 amortisation and impairment losses.

Intangible assets with finite useful lives, such as acquired technology and customer relationships are amortised 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 capitalised when it is probable that a development project will be a success, and certain criteria, including technological and commercial feasibility, have been met. Capitalised development costs are amortised on a systematic basis over their expected useful lives.

(I) Property, plant and equipment

Owned assets

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

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

Expenses for the repair of property, plant and equipment are usually charged against income when incurred. They are, however, capitalised 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 utilisation pattern. Land is not depreciated.

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

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

Leased assets

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

The depreciation period is the estimated useful life of the asset, or the lease term if shorter.

(J) Investments in equity securities and other investments

Investments classified as non-current assets comprise participations in companies in which the Group has no control.

Where the Group holds, directly or indirectly, more than 20 per cent of the voting power and/or exercises significant influence over the financial and operating policies, the investments are referred to as associated companies. Investments in associated companies are accounted for using the equity method. If there is an indication that an investment in an associated company may be impaired, the accounting policy with respect to impairment is applied.

Other investments in equity securities are classified as available-for-sale financial assets 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 recognised 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 recognised in equity is transferred to the income statement.

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

(K) Trade receivables and other receivables

Trade receivables and other receivables are financial assets, classified in the category 'loans and receivables' and are carried at amortised cost less impairment losses. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at the balance sheet date. An impairment loss is recognised 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 recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognised 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised 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 recognised 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 recognised.

(M) Inventories

Raw materials, supplies and goods purchased for resale are valued at purchase cost. Work in progress and finished goods are valued at the cost of production. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation of assets used for production. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to production. Administrative costs are included where they are attributable to production.

Inventories are valued using the weighted-average cost method.

If the purchase or production cost is higher than the net realisable value, inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and distribution expenses.

(N) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(O) Discontinued operations and assets (or disposal groups) held for sale

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

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the Group measures the carrying amount of the asset (or all the assets and liabilities in the disposal group) in accordance with applicable IFRS. Then, on initial classification as held for sale, assets and disposal groups are recognised

at the lower of their carrying amounts and fair value less costs to sell. Impairment losses are recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Assets classified as held for sale are no longer amortised or depreciated.

(P) Share capital

Repurchase of share capital

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

Dividends

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

(Q) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between the initial amount and the maturity amount being recognised 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 recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised 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 realisation 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 recognised 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised 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 recognised as an expense in the income statement as incurred.

(2) Defined benefit plans:

For defined benefit plans, the amount recognised in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains and losses and less any past service costs not yet recognised and the fair value of any plan assets. Where the calculation results in a net surplus, the recognised asset does not exceed the total of any cumulative unrecognised 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 unrecognised gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that excess is recognised 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 recognised.

Past service costs are recognised 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 recognised 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 recognised as a liability and an expense when a Group company is demonstrably committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Where termination benefits fall due more than twelve months after the balance sheet date, they are discounted using a discount rate which is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Share-based payment transactions

The Group has equity-settled share-based payment transactions. The fair value of the employee services received in exchange for the grant of the options is recognised 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised when the land is contaminated.

A provision for onerous contracts is recognised 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 amortised cost.

(V) Revenue

The Group recognises 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 licences, 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 recognised 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 customisation 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 recognised on an element-by-element basis when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability 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 recognises 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 customisation of the software element. Revenue related to the hardware component of the arrangement is generally recognised 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 recognised after successful installation at the client's premises. Any related services are recognised as rendered.

For equipment sales that require substantive installation activities within the Graphics business segment, revenue is recognised when the installation of the equipment has been finalised 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 customisation or modification of the software, is recognised 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 recognised upon final acceptance of the customer.

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

(W) Expenses

Finance income and finance costs

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

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

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised 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 recognised in the income statement using the effective interest rate method.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(X) New Standards and Interpretations not yet adopted

A number of new IFRS standards, amendments to IFRS standards and interpretations issued, were not yet effective for the first semester ending 30 June 2010. It relates to:

- Improvements to IFRSs (2009/2010)

In April 2009 and in May 2010, the IASB issued *Improvements to IFRSs* setting out non-urgent but necessary amendments to IFRS standards and the related Bases for Conclusions and guidance made in the IASB’s annual improvements project. The amendments will not have a material impact on the consolidated financial statements.

- Classification of Rights Issues: Amendments to IAS 32

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

- IAS 24 Related Party Disclosures (revised)

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

- IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 *Financial Instruments* effective for annual periods beginning on or after 1 January 2013. The objective of the IFRS is to establish principles for the reporting of financial statements that will present relevant and useful information to users of the financial statements. This IFRS is applicable to all assets within the scope of IAS 39 Financial Instruments: Recognition and measurement.

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

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued IFRIC 19 *Extinguishing Financial Liabilities with equity instruments*, effective for annual periods beginning on or after 1 July 2010.

This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated with the result that the entity extinguished the liability by issuing equity instruments to the creditor. The difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognised in profit and loss. The equity instruments issued shall be measured at the date the financial liability is extinguished. This IFRIC will not have an impact on the consolidated financial statements.

- Prepayments of a minimum funding requirement – Amendments to IFRIC 14

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

10 Operating and financial review and prospects

10.1 Introduction

10.1.1 Principal changes within the Group structure

Since 2007, the Group has completed a few acquisitions.

During the last quarter of 2009, Agfa HealthCare acquired Insight Agents GmbH, a European developer and distributor of contrast media.

In the first quarter of 2010, Graphics acquired most of the assets of the Canadian company Gandi Innovations and the shares of its principal foreign subsidiaries. Gandi Innovations is a global player in the market of large format inkjet systems. Due to the fact that Gandi Innovations was operating under CCAA protection in Canada and Chapter 15 in the US since May 2009, the Group was able to acquire the assets at a price lower than the fair value of the net assets acquired. The gain from the bargain purchase amounted to EUR 4 million. Before having recognized aforementioned gain, the Group has reassessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed, in compliance with the requirements of IFRS 3§36. The acquired business was immediately integrated in the organisation structure of the Group's graphics business. The acquiree's revenue and profit or loss as included in the consolidated statement of comprehensive income as of June 2010 are not disclosed separately as considered impracticable because of this integration.

In August 2010, the Group purchased the assets of Harold M. Pitman Company, a US supplier of pre-press, industrial inkjet, pressroom and packaging products and systems.

On the acquisitions of Gandi Innovations and Harold M. Pitman Company, detailed information such as a breakdown of the net assets acquired and the considerations paid are disclosed in the condensed consolidated interim financial statements as per 30 June 2010.

Effective 1 September 2010, Agfa Graphics NV and its business partner Shenzhen Brothers combined their activities aiming at reinforcing both partners' market position in Greater China and Asian region. The Agfa-Gevaert Group contributes the intellectual property portfolio and its technological know-how in the field of Pre-press, Inkjet and Printing, Shenzhen Brothers delivers the sales and distribution channels. This partnership is not a joint venture as meant by IAS31 "Interest in Joint Ventures" but resides under the application of IAS27 (Consolidated and Separate Financial Statements). The Agfa-Gevaert Group, through its subsidiary Agfa Graphics NV, retains control through a 51 per cent stake in Agfa Hong Kong Limited (previously 100 per cent owned by the Group), the holding company of the combined operations of both parties, and through the various governance structures put in place.

As regards acquisitions made in 2010 reference is also made to section 8.4.1(b).

10.1.2 Overview

The Group's operational activities are reflected in three reportable segments: Graphics, HealthCare and Specialty Products. All business segments have strong market positions, well-defined strategies and full responsibility, authority and accountability.

Graphics is the largest business group with 48.7 per cent of the Group's revenue in 2009 (50.2 per cent in 2008). HealthCare represented 42.7 per cent of the total Group's revenue in 2009 (40.3 per cent in 2008) and Specialty Products contributed 8.6 per cent to the Group's revenue in 2009 (9.5 per cent in 2008).

The worldwide activity of Agfa-Gevaert is grouped into four regions: Europe, NAFTA, Asia/Oceania/Africa and Latin America. Even though declining, in terms of its share in total Group revenue Agfa-Gevaert's domestic market, Europe is still the number one: 51.4 per cent in 2009 and 54.6 per cent in 2008. The share of NAFTA remained stable over the last two years and accounted for 18.9 per cent in 2009 and 19.5 per cent in 2008. The biggest growth in regional terms came from Asia/Oceania/Africa: 21.7 per cent in 2009 compared to 18.9 per cent in 2008. Also Latin America showed a growth: 8 per cent in 2009 compared to 7 per cent in 2008.

The table below illustrates the Result from Operating Activities profile since 2007.

	30 June		31 December		
	2010	2009	2009	2008	2007 ⁽¹⁾
	<i>(in millions of EUR)</i>				
Graphics	66	14	56	53	27
HealthCare	53	52	104	(90)	67
Specialty Products	4	4	7	15	34
Result from operating activities not allocated to the reportable segments	(3)	(7)	3	(1)	(3)
Agfa-Gevaert Group	120	63	170	(23)	125

The result from operating activities not allocated to the reportable segments comprises results which cannot be allocated on a reasonable basis to one or more of the reportable segments, such as the results (mainly expenses) with regard to inactive employees.⁽²⁾

Notes:

- (1) During 2007 - 2010, the Group has consistently applied its accounting policies, except for the presentation of expenses with regard to the Group's defined benefit plans. Since 2009, the interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information for the year 2007 has not been restated, as it is not considered to be material.

- (2) Inactive employees are defined as permanently retired employees, former employees with vested rights, and other employees who are not expected to return to active status e.g. early retirement. Employees who are in principle only temporarily inactive e.g. long-term disability or illness, maternity leave, military service, etc. are treated as active employees and are consequently assigned to one of the business segments.

2007

In 2007 all three business segments were strongly affected by high raw material costs, a further strengthening of the Euro and the economic slowdown in the US at the end of 2007. One of the big challenges for the Group as a whole was to keep or bring the level of cost of sales and the selling and administrative expenses to a competitive level. This required both efforts in procurement and significant restructuring. These efforts already resulted in a decrease of these costs in 2007.

The Group's revenue decreased 3.5 per cent to EUR 3,283 million. The strong euro had a negative impact on the Group's revenue in 2007, but also affected the competitive position in comparison with its non-European sector members. Although the Group was on track with the implementation of its savings plan, announced in the course of the third quarter 2006, the Company was not able to fully offset the considerable increase of higher silver and aluminium costs.

The Group's 2007 Result from Operating Activities amounted to EUR 125 million.

2008

In 2008 the economy was very unstable. The strong economic growth in the beginning of the year caused strong price increases for all raw materials. In the third quarter, the economic slowdown became apparent worldwide and the fourth quarter ended in a global economic recession. The economic crisis had an impact on the demand of the Group's products. This was primarily the case for investment goods, but for Graphics and Specialty Products, the crisis also negatively affected the demand for consumables. As for a lot of companies, these extremely hard conditions were a challenge for the Group.

In 2008, the Group's revenue decreased 7.6 per cent to EUR 3,032 million. In these macroeconomic conditions a continuous optimisation of the worldwide organisation became even more important. In order to protect its gross margins and to make Agfa-Gevaert one of the most competitive companies in its markets, the executive management of the Group decided to set up a worldwide savings programme. This programme contained a significant reduction of the Selling and Administrative expenses and savings in the field of cost of goods and services. Research and Development expenses were further optimized. A reduction was noted, mainly in Graphics. For industrial inkjet, Research and Development efforts were brought to a normalised level and furthermore, in the mature markets Research and Development expenses were reduced. The decrease in the Research and Development expenses was also enforced by the tax credits granted by the government on Research and Development activities. The credits are offset against these expenses.

The Group's 2008 Result from Operating Activities, including the impairment loss on goodwill and other intangible assets of EUR 119 million, was minus EUR 23 million.

2009

The effects of the economic slowdown persisted in the first quarters of 2009. In the second half of the year the crisis-driven decline in Agfa-Gevaert's markets started to bottom out. The Group closed the year with a revenue of EUR 2,755 million, a decrease of 9.1 per cent compared to 2008.

In spite of the decline in revenue and manufacturing inefficiencies due to lower use of capacity in the first quarters of the year, the Group was able to book a positive Result from Operating Activities amounting to EUR 170 million. The strong operational performance in all three business segments in the last quarters of the year contributed to this positive result. This good performance was mainly due to the successful efficiency improvement programmes, lower raw material prices and certain one-off effects. Efforts to reduce Selling and Administrative expenses were accelerated and resulted in a further cost decrease. Furthermore, a reduction of working time and salary costs has been implemented with a positive result on the cost structure. This working time reduction programme also had a positive effect on the Research and Development expenses. The decrease in these expenses was enhanced by a further rightsizing of the Graphics inkjet portfolio, an enforced optimisation of the Research and Development efforts for the mature product segments mainly within the Graphics business and higher tax credits on Research and Development activities, which are offset against these expenses. The 2009 Result from Operating Activities was positively influenced by changes in the post-retirement medical plans in the US and by changes in the defined benefit plans in the US and Germany.

2010

After two years of declining revenue in a difficult economic climate, the Group's revenue increased again in the first half of 2010 compared to the same period in 2009, from EUR 1,339 million to EUR 1,400 million. This increase was more pronounced in the second quarter of 2010 than in the first quarter.

The strong operational performance of all three business segments resulted in a Result from Operating Activities of EUR 120 million for the first six months of 2010, almost double as in the same period of the year before, where it amounted to EUR 63 million. This positive evolution was the result of favourable raw material effects, the continuous success of the efficiency improvement programmes and the increased use of the manufacturing capacity, as well as the continued reduction of Selling and Administrative expenses.

The Group will continue to give priority to the improvement of its operational performance and will further focus on the improvement of its efficiency and profitability. Following a strong cost reduction in the past years, the Group will maintain its focus on a cost structure adapted to the economic conditions.

Below table provides an overview of the different captions of the consolidated income statement for the period 2007 until the first half year of 2010.

	30 June		31 December		
	2010	2009	2009	2008	2007
	<i>(in millions of EUR)</i>				
Result from operating activities	120	63	170	(23)	125
Interest income/(expense) – net	(6)	(11)	(17)	(38)	(40)
Interest income	1	1	3	3	3
on bank deposits	1	1	3	3	3
Interest expense	(7)	(12)	(20)	(41)	(43)
on bank loans	(3)	(8)	(11)	(31)	(23)
on debentures	(4)	(4)	(9)	(9)	(9)
on commercial paper	—	—	—	(1)	(11)
Other finance income/(expense) – net	(39)	(46)	(97)	(45)	(23)
Net finance costs	(45)	(57)	(114)	(83)	(63)
PROFIT BEFORE INCOME TAXES	75	6	56	(106)	62
Current tax expense	(14)	(8)	(14)	(10)	(53)
Deferred tax income/(expense)	(4)	(16)	(35)	(50)	34
Income tax expense	(18)	(24)	(49)	(60)	(19)
PROFIT FOR THE PERIOD	57	(18)	7	(166)	43
Profit attributable to:					
Owners of the Company	57	(18)	6	(167)	42
Non-controlling interest	—	—	1	1	1

Interest income/(expense) – net has continuously decreased since 2007 as a result of the decrease of the net financial debt. Further information is provided in note 11 under section 10.3.2.

Other finance income/(expense) – net mainly comprises the portion of the net periodic pension cost that is treated as other finance income/(expense) and the interest portion of other interest-bearing provisions. Other finance income/(expense) moreover includes the impact of discounting of assets and liabilities, results on the disposal of marketable securities, changes in fair value of derivative financial instruments that are not part of a hedging relationship and are not linked to operating activities, as well as exchange results on non-operating activities.

Further information on **deferred tax income/(expense)** is provided in note 2 under section 10.3.2: Net deferred tax assets/liabilities.

10.1.3 Additional information with regard to the notes on the 2009 consolidated financial statements

Additional information has been provided and can be found in the following sections:

- information related to one-off effects in the Graphics business in 2009 (See 10.2.1(a));
- a summary of data on the nature of expenses (See 10.2.2);
- information with regard to the key assumptions used in the yearly impairment test performed in 2009 on goodwill and other intangible assets with indefinite life (See 10.3.2 note (1) (a) and (b));
- the expiry dates of the not recognized deferred tax assets (See 10.3.2 note (2));
- with regard to liabilities for post-employment benefit plans: a narrative description of the basis used to determine the overall expected rate of return on plan assets (See 10.3.2 note (9));
- an explanation of the content of the balance sheet section ‘Deferred revenue and advance payments’ (See 10.3.2 note (13)); and
- a break-down of current and non-current provisions, completed with additional information on its content; (See 10.3.2 note (14)).

10.2 Consolidated income statement

10.2.1 Analysis per segment – Comments for the mid-years 2010 and 2009 and the years 2009 to 2007

The Group has three reportable segments: Graphics, HealthCare and Specialty Products. A detailed overview and analysis by segment is given.

(a) Graphics

	30 June		31 December		
	2010	2009	2009	2008	2007 ⁽¹⁾
	<i>(in millions of EUR)</i>				
Revenue.....	736	641	1,341	1,522	1,617
Recurring EBITDA	91.7	37.4	108.3	116.1	123.6
Percentage of revenue.....	12.5%	5.8%	8.1%	7.6%	7.6%
Amortisation and depreciation	(21.0)	(24.0)	(45.7)	(51.4)	(63.0)
Recurring EBIT	70.7	13.4	62.6	64.7	60.6
Percentage of revenue.....	9.6%	2.1%	4.7%	4.3%	3.8%
Restructuring and non-recurring items.....	(5.2)	0.6	(7)	(12)	(33.5)
Results from operating activities	65.5	14.0	55.6	52.7	27.1

Notes:

- (1) During 2007 - 2010, the Group has consistently applied its accounting policies, except for the presentation of expenses with regard to the Group's defined benefit plans. Since 2009, the interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information for the year 2007 has not been restated, as it is not considered to be material.

2008 compared to 2007:

Graphics' revenue decreased 5.9 per cent to EUR 1,522 million. The market-driven decline in the analogue computer-to-film (CtF) segment continued in 2008. Following three quarters of growth, the market of computer-to-plate (CtP) printing plates and related equipment stagnated in the fourth quarter as a consequence of the overall slowdown in the printing industry.

In this adverse economic environment of 2008, Graphics succeeded in leveraging its technological excellence to further strengthen its position in the CtP markets. The industrial inkjet segment was able to build on the successful drupa trade fair, held in May. The development of the first generation of inkjet machines was fully completed in the first quarters of the year.

Graphics' efforts to reduce its operational costs resulted in Selling and Administrative expenses which were substantially lower than in 2007. These efforts allowed the business group to compensate for the effects of the high raw material costs and the weak economy. In the fourth quarter, the worsening economic conditions forced Graphics to book higher than normal write-downs on receivables. Towards the end of the year, the business group also faced temporary production stops. Recurring EBITDA decreased to EUR 116.1 million (or 7.6 per cent of revenue) and recurring EBIT increased to EUR 64.7 million (or 4.3 per cent of sales).

Following a year of major research and development efforts for the industrial inkjet market, Graphics was able to normalise its research and development expenses for this segment in 2008. In the pre-press segment, Graphics continued its Research and Development efforts to strengthen its position in chemistry-free plate systems. These plates combine the ecological advantages with low investment and operating costs and high reliability and speed. Furthermore, the business group reduced its Research and Development expenses in mature product segments.

In the third quarter of 2008, the Group decided to set up a worldwide savings programme with the goal to reduce the Group's operational costs. The savings plan mainly concerned a reduction of the Selling and Administrative expenses and related to both personnel related expenses as well as non-personnel expenses, such as infrastructure costs and costs related to the purchase of goods and services.

2009 compared to 2008:

Graphics' revenue decreased 11.9 per cent compared to 2008. The effects of the economic slowdown – which surfaced towards the end of 2008 – persisted in the first quarters of 2009. In the second half of the year the crisis-driven decline started to bottom-out. In the last months of 2009 both the pre-press and the inkjet market started to recover, mainly in North America and the emerging countries. However, the crisis-related increased competitive pressure in the Computer-to-Plate segment continued throughout the year.

Graphics successfully implemented its plans to reduce its Selling and Administrative expenses. Compared to 2008, these costs were reduced by EUR 50 million. Together with the measures to improve operational efficiency, these efforts clearly supported Graphics' profitability, resulting in a particularly strong fourth quarter performance. Lower raw material prices and certain one-off effects also had a positive influence. One of these one-off effects related to royalty income (EUR 17 million) resulting from a patent cross license agreement which was recognized as revenue. Year-on-year, these beneficial elements were counterbalanced by crisis-related elements, such as the underutilisation of the manufacturing capacity, bad debt provisions and increased competitive pressure. The recurring EBITDA margin amounted to 8.1 per cent of revenue. The recurring EBIT margin increased to 4.7 per cent of revenue.

The 2009 figure for restructuring and non-recurring items was positively influenced by changes in the post-retirement medical plans in the US and by changes in the defined benefit plans in the US and Germany. Otherwise, the restructuring expenses mainly related to employee termination costs.

H1 2010 compared to H1 2009:

Graphics' revenue improved by 14.8 per cent versus the first half of 2009, when the crisis was still significantly impacting the graphic industry.

Broken down in business units, the growth was due to an upturn of the digital computer-to-plate (CtP) pre-press business and the business group's success in the analogue computer-to-film (CtF) market. The Industrial Inkjet segment also contributed to the revenue growth. An IP related one-off effect supported this positive evolution.

Regionally, the revenue growth is mainly due to the good performance of Graphics in the US and in the emerging countries.

Due to the continuous improvement programmes and targeted actions to further reduce Selling and Administrative expenses, recurring EBITDA amounted to EUR 91.7 million (12.5 per cent of revenue). A one-off effect in the amount of EUR 8 million, resulting from the final instalments of a patent cross license agreement entered into in 2009, of which revenue recognition criteria were met only during the second quarter of 2010, also positively impacted Graphic's EBITDA. Recurring EBIT amounted to EUR 70.7 million (9.6 per cent of revenue) versus EUR 13.4 million (2.1 per cent of revenue) in the first half of 2009.

In January 2010, Graphics successfully finalised the acquisition of most of the assets of Gandhi Innovations Holdings LLC's North American operations and the shares of its principal foreign subsidiaries. Gandhi Innovations is a global player in the market of large format inkjet systems. Graphic's own portfolio consists of entry-level and high-end inkjet systems, Gandhi Innovations' mid-range systems are a 100 per cent complementary fit with this existing inkjet technology.

The restructuring expenses in the amount of EUR 6.2 million mainly relate to employee termination costs.

(b) HealthCare

	30 June		31 December		
	2010	2009	2009	2008	2007 ⁽¹⁾
	<i>(in millions of EUR)</i>				
Revenue.....	572	586	1,178	1,223	1,392
Recurring EBITDA	87.9	81.2	168.0	115.8	179.6
Percentage of revenue.....	15.4%	13.9%	14.3%	9.5%	12.9%
Amortisation and depreciation	(24.7)	(27.2)	(51.8)	(59.5)	(74) ⁽²⁾
Recurring EBIT	63.2	54.0	116.2	56.3	105.6
Percentage of revenue.....	11.0%	9.2%	9.9%	4.6%	7.6%
Restructuring and non-recurring items	(9.8)	(1.7)	(12.7)	(145.8)	(38.8)
Results from operating activities	53.4	52.3	103.5	(89.5)	66.8

Note:

- (1) During 2007-2010, the Group has consistently applied its accounting policies, except for the presentation of expenses with regard to the Group's defined benefit plans. Since 2009, the interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information for the year 2007 has not been restated, as it is not considered to be material.
- (2) Amortisation and depreciation for 2007 includes an impairment loss on capitalised development costs (EUR 3 million).

2008 compared to 2007:

Revenue of HealthCare decreased 12.1 per cent to EUR 1,223 million in 2008. The traditional film unit continued its market-driven decline, whereas the hardcopy unit outperformed the market and remained relatively stable. In the first half of 2008, the strong euro led to price erosion and a weaker competitive position of HealthCare, especially in North America and the UK. In the second half of the year, the impact of the economic slowdown became more apparent as some care organisations postponed their investments in Enterprise IT, Imaging IT and Computed Radiography (CR) equipment.

In 2008, HealthCare succeeded in further lowering its Selling and Administrative expenses. On top of the weaker sales and the high raw material costs, profitability was strongly affected by the higher silver prices and the decision to book a number of one-off provisions. In the fourth quarter, temporary production stops for imaging products and write-downs on receivables and

inventories also had an adverse effect. Recurring EBITDA amounted to EUR 115.8 million (9.5 per cent of revenue). Recurring EBIT was EUR 56.3 million (4.6 per cent of revenue).

HealthCare focused its Research and Development efforts in consolidating the technology initiatives into one shared application platform which ensures a high level of customer satisfaction and enables the company to roll out and support its products with substantially less effort.

Restructuring and non-recurring items amounted to EUR 146 million, including an impairment loss on goodwill and other intangible assets of EUR 119 million. In the third quarter of 2008, the Group decided to set up a worldwide savings programme with the goal to reduce the Group's operational costs. The savings plan mainly concerned a reduction of the Selling and Administrative expenses and related to both personnel related expenses as well as non-personnel expenses, such as infrastructure costs and costs related to the purchase of goods and services.

2009 compared to 2008:

HealthCare's revenue decreased 3.7 per cent in 2009 compared to 2008. The fourth quarter traditionally is HealthCare's strongest quarter of the year. Due to the starting economic recovery towards year end, this was even more pronounced in 2009. Over the full year, the business group was able to limit the effects of the economic crisis. Although some care organisations were postponing their investments in equipment and IT, HealthCare was able to safeguard its sales. In line with expectations, the revenue growth in IT did not suffice to fully compensate for the market driven revenue decline in Imaging.

Following a strong reduction in 2008, HealthCare succeeded in a further reduction of the Selling and Administrative expenses with EUR 43 million in 2009. Due to these efforts – but also to improved service efficiency and operational efficiency and lower raw material prices – the business group considerably improved its profitability throughout the year. HealthCare's recurring EBITDA amounted to EUR 168.0 million (14.3 per cent of revenue). Recurring EBIT improved to EUR 116.2 million (9.9 per cent of revenue).

The 2009 figure for restructuring and non-recurring items was positively influenced by changes in the post-retirement medical plans in the US and by changes in the defined benefit plans in the US and Germany. Otherwise, the restructuring expenses mainly related to employee termination costs.

In December 2009, HealthCare acquired all the shares of Insight Agents GmbH, a European developer and distributor of contrast media, with business activities mainly in Germany. As contrast media are increasingly used for diagnostic imaging, they are a logical addition to HealthCare's imaging portfolio.

H1 2010 compared to H1 2009:

HealthCare's revenue decreased 2.4 per cent versus the same period last year. Due to the economic crisis, the seasonal effects in HealthCare's market were even more pronounced than usual, resulting in a very strong end of 2009 and a slow start in 2010. After the first months of 2010, the business performance improved again. In the second quarter, Computed Radiography (CR) performed well and a strong order intake was booked for CR, as well as for Direct Radiography (DR). For IT, after stable sales in the first months of 2010, revenue grew substantially in the emerging countries and the US, where HealthCare clearly outperformed the market. In certain Southern European countries, the unstable economic climate weighed on

HealthCare's IT sales, whereas the beginning of an upturn is noticed in the German and Northern European markets.

As a result of improved service efficiency in IT and the efficient use of manufacturing capacity, together with a further reduction of the Selling and Administrative expenses, the recurring EBITDA amounted to EUR 87.9 million (15.4 per cent of revenue). Recurring EBIT amounted to EUR 63.2 million (11.0 per cent of revenue) versus EUR 54.0 million (9.2 per cent of revenue) in the first half of 2009.

The restructuring expenses in the amount of EUR 8.5 million mainly relate to employee termination costs.

(c) Specialty Products

	30 June		31 December		
	2010	2009	2009	2008	2007⁽¹⁾
	<i>(in millions of EUR)</i>				
Revenue.....	92	112	236	287	274
Recurring EBITDA	7.7	8.1	17.1	21.4	41.2
Percentage of revenue.....	8.4%	7.2%	7.2%	7.5%	15.0%
Amortisation and depreciation..	(1.8)	(2.1)	(4.4)	(5.1)	(6.0)
Recurring EBIT	5.9	6.0	12.7	16.3	35.2
Percentage of revenue.....	6.4%	5.4%	5.4%	5.7%	12.9%
Restructuring and non-recurring items.....	(2.0)	(1.5)	(5.3)	(1.3)	(0.9)
Results from operating activities	3.9	4.5	7.4	15.0	34.3

Note:

- (1) During 2007 - 2010, the Group has consistently applied its accounting policies, except for the presentation of expenses with regard to the Group's defined benefit plans. Since 2009, the interest cost and the expected return on assets as well as the relative portion of the amortization of unrecognized losses (gains) that could not be attributed to active employees have been reclassified to 'Other finance income (expenses)'. For 2009, expenses amounting to EUR 33 million have been reclassified from 'Results from operating activities' to 'Net finance costs'. Comparative information for the year 2008 has been restated. For 2008, an income amounting to EUR 3 million has been reclassified from 'Results from operating activities' to 'Net finance costs'. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements. Comparative information for the year 2007 has not been restated, as it is not considered to be material.

2008 compared to 2007:

Over 2008, Specialty Products' revenue increased 4.7 per cent and reached EUR 287 million. The business posted a positive revenue trend during the first three quarters of the year. However, the declining trend for some of the traditional film products continued and in the fourth quarter the economic crisis affected the markets in which Specialty Products' large industrial customers operate. Partly because of inventory reduction actions taken by Specialty

Products' customers in the imaging industry, the high-volume film contracts in this market also yielded lower sales figures in the fourth quarter compared to the previous quarters. Revenue of the Security and Identification unit suffered from a delay in the deliveries for the Moroccan ID-cards project.

As planned, Specialty Products could reduce its operational costs in line with the evolution in its traditional markets. However, the business group's profitability was affected by high raw material costs, adverse mix effects and inventory write-downs. As a result, the recurring EBITDA margin amounted to 7.5 per cent of revenue and the recurring EBIT margin amounted to 5.7 per cent of revenue.

In the third quarter of 2008, the Group decided to set up a worldwide savings programme with the goal to reduce the Group's operational costs. The savings plan mainly concerned a reduction of the Selling and Administrative expenses and related to both personnel related expenses as well as non-personnel expenses, such as infrastructure costs and costs related to the purchase of goods and services.

2009 compared to 2008:

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

Specialty Products' profitability was affected by the market-driven decline of Classic Film products revenue, the manufacturing inefficiencies due to lower use of capacity and by the investments in New Business. The recurring EBITDA margin amounted to 7.2 per cent of revenue and the recurring EBIT margin to 5.4 per cent of revenue.

Specialty Products continued to focus on the development of new products such as synthetic recyclable paper, membranes, specialty materials for electronic ID documents and conductive organic pastes and inks.

The restructuring expenses mainly related to employee termination costs.

H1 2010 compared to H1 2009:

Specialty Products' revenue decreased 17.9 per cent compared to the first half of 2009. Throughout the first six months of the year, the business group's revenue was influenced by the shift of part of its film business to Graphics and by the market-driven decline for some of the Classic Film products. The revenue for Printed Circuit Board (PCB) film continued to increase due to the growth of the electronics industry in Asia.

The revenue impact and the continued Research and Development for the New Business products were counterbalanced by the increased use of the manufacturing capacity and the continued efforts to reduce operational costs. The recurring EBITDA margin amounted to 8.4 per cent of revenue and the recurring EBIT margin amounted to 6.4 per cent of revenue.

The organisation is on track with its efforts to align its operational costs with the evolution in its traditional markets.

Specialty Products continues to invest in the development of innovative products, based on the Group's key competence in film manufacturing, for completely new markets.

The restructuring expenses in the amount of EUR 1.5 million mainly relate to employee termination costs.

10.2.2 Additional information on the nature of expense

The following table gives an overview of the major expenses classified by nature of the reporting periods 2007 until 2009:

	2009	2008	2007
	<i>(in millions of EUR)</i>		
Cost of raw materials, finished goods and goods purchased for resale	1,079	1,240	1,232
Personnel expenses	843	890	975
Cost of services purchased	118	139	81
Amortization & depreciation	102	116	140
Impairment losses on intangible assets & property, plant and equipment	1	119	8
Write-down on inventories	29	37	46
Write-down on loans and receivables	31	25	19

Personnel expenses comprise wages and salaries, social security contributions, expenses for post-employment, personnel related restructuring expenses and other personnel expenses. Expenses for post-employment (2009: EUR 35 million, 2008: EUR 27 million) contain expenses for defined benefit plans related to active employees and expenses for defined contribution plans.

Total employee benefit expenses for 2009 amount to EUR 80 million (2008: EUR 56 million). These expenses relate to the defined benefit plans and the defined contribution plans for both active and inactive employees for the Group's material countries.

10.3 Consolidated balance sheet

10.3.1 Overview

Agfa-Gevaert Group Consolidated Balance Sheet

		30 June			
	Notes	2010	2009	2008	2007
			<i>(in millions of EUR)</i>		
ASSETS					
Non-current assets		1,276	1,236	1,311	1,573
Intangible assets.....	(1)	684	648	647	816
Property, plant and equipment	(1)	320	326	369	407
Investments.....		11	9	13	20
Deferred taxes.....	(2)	261	253	282	330

	Notes	30 June 2010	2009	2008	2007
			<i>(in millions of EUR)</i>		
Current assets		1,782	1,616	1,849	1,986
Inventories	(3)	585	483	575	578
Trade receivables	(4)	641	592	750	861
Tax assets		73	76	61	60
Other receivables and other assets	(5)	309	319	268	303
Assets classified as held for sale		1	1	-	-
Cash and cash equivalents	(6)	136	119	150	152
Deferred charges		28	18	19	21
Derivative financial instruments	(7)	9	8	26	11
TOTAL ASSETS		3,058	2,852	3,160	3,559
EQUITY AND LIABILITIES					
Equity	(8)	877	724	704	891
Share capital		140	140	140	140
Share premium		109	109	109	109
Retained earnings		877	820	814	939
Reserves		(285)	(282)	(273)	(288)
Net income					42
Translation differences		33	(66)	(90)	(54)
Non-controlling interest		3	3	4	3
Non-current liabilities		1,228	1,263	1,556	1,553
Liabilities for post- employment benefits	(9)	572	570	601	654
Liabilities for personnel commitments	(10)	16	14	18	24
Loans and borrowings	(11)	514	553	809	740
Provisions	(14)	44	44	64	69
Deferred income		7	9	1	1
Deferred taxes	(2)	75	73	63	65
Current liabilities		953	865	900	1,115
Loans and borrowings	(11)	13	11	14	133
Trade payables		235	206	226	275
Deferred revenue & advance payments	(13)	170	123	112	96
Tax liabilities		44	44	43	62
Other liabilities	(12)	165	156	162	175
Liabilities for personnel commitments	(10)	88	86	71	89

	Notes	30 June 2010	2009	2008	2007
			<i>(in millions of EUR)</i>		
Provisions	(14)	226	234	255	275
Deferred income		4	3	5	7
Derivative financial instruments	(7)	8	2	12	3
TOTAL EQUITY AND LIABILITIES		3,058	2,852	3,160	3,559

The major captions of the consolidated balance sheet are commented under section 10.3.2.

The contribution of the different reportable segments, i.o. Graphics, HealthCare and Specialty Products in the operating assets and liabilities of the Group, is separately disclosed under 10.3.3.

10.3.2 Comments on content and evolution over the period 31 December 2007 until 30 June 2010

The comments on the content and evolution over the period 31 December 2007 until 31 December 2009 are a summary of the notes to the financial statements 2007, 2008 and 2009. (The full notes are included in the consolidated financial statements 2007, 2008 and 2009)

Note (1) Intangible assets and Property, plant & equipment

The following table provides an overview of the content of the intangible assets:

Intangible assets	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Goodwill				
Gross carrying amount	604	553	535	553
Accumulated impairment losses	(92)	(85)	(83)	-
Net carrying amount	512	468	452	553
Technology				
Gross carrying amount	215	211	202	203
Accumulated amortisation, write-downs and impairment losses	(122)	(113)	(98)	(68)
Net carrying amount	93	98	104	135
<i>Useful life in years</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>11</i>
Contractual customer relationships				
Gross carrying amount	91	90	90	90
Accumulated amortisation, write-downs and impairment losses	(62)	(60)	(57)	(34)
Net carrying amount	29	30	33	56
<i>Useful life in years</i>	<i>14</i>	<i>14</i>	<i>16</i>	<i>16</i>

Intangible assets	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Other intangible assets				
Net carrying amount	50	52	58	72
Intangible assets				
Net carrying amount	684	648	647	816

(a) Goodwill

The acquisitions of Sterling (1999), Mitra (2002), Symphonie On Line (2004), GWI and Heartlab (both realised in 2005) primarily explain the Group's gross carrying amount of goodwill.

In December 2009, the Group acquired all of the shares of Insight Agents GmbH. Insight Agents GmbH is principally engaged in the development registration, sales and marketing of generic contrast media. The contrast media are produced outside the Group. The acquisition gave rise to a goodwill amounting to EUR 6 million. Acquired assets mainly comprise acquired technology.

The increase of the gross carrying amount of goodwill from EUR 553 million as of 31 December 2009 to EUR 604 million as of 30 June 2010, is mainly due to translation effects.

The acquisition of the assets of Gandi Innovations Holding LLC gave rise to a gain from bargain purchase (EUR 4 million) that has been recognized in other operating income (non-recurring) during the first half year of 2010.

During the fourth quarter of each year, the Group tests its goodwill and intangible assets with infinite and finite useful lives for possible impairment. In 2008, the impairment tests resulted in the recognition of an impairment loss on goodwill amounting to EUR 84 million. In 2009, based on below assumptions, the calculated value in use of the CGU's was higher than the carrying amounts and consequently no impairment loss was recognised on goodwill.

Key assumptions used in the impairment tests for the respective periods mentioned below were as follows:

	2009	2008
CGU HealthCare		
Pre-tax discount rate	14.83%	14.61%
Terminal Growth rate (after 5 years)	2.27% IT systems (5.05)% Imaging systems	2.29% IT systems (7.39)% Imaging systems
Silver	12 Euro/Troz	10.36 Euro/Troz
Exchange rate US dollar / euro	1.40	1.40
Working capital	Decrease of DSO up to a maximum of 12 days over a 5-year period	
CGU Graphics		
Pre-tax discount rate	11.71%	12.71%

	2009	2008
Terminal Growth rate (after 5 years)	0.0% Pre-press business 5.0% Inkjet business	0.6% Pre-press business 3% Inkjet business
Silver	12 Euro/Troz	10.36 Euro/Troz
Aluminium.....	range between 1,500 Euro/Ton and 1,950 Euro/Ton	1,891 Euro/Ton
Exchange rate US dollar / euro	1.40	1.40
Working capital	Decrease of DIOH up to a maximum of 11 days over a 5- year period	

The estimated future cash flows take into account strong efforts to improve working capital. Within the HealthCare business segment, the focus is set at further reducing the days of sales outstanding (DSO - receivables) and the days of inventories on hand. Over a 5-year period a reduction to up to a maximum of 12 days is foreseen in the plan. It is expected that the reduction of days of sales outstanding will be mainly achieved by means of a continuous collection improvement, a reduction of payment terms and especially within IT systems a particular focus on offering more standard solutions. In estimating the cash generation from working capital, the Group disregards the temporary effects of the securitisation programmes. Consequently, the impact of these programmes has neither been considered in the determination of the value in use nor in the carrying value of the CGU. The reduction on days of inventories on hand is closely linked to the decline in sales of the traditional imaging business. The expected growth within the division Information Technologies will have very limited impact on days of inventory on hand.

The Graphics business will improve its net working capital mainly by reducing the inventories. The cash flow projections foresee that the days of inventories on hand (DIOH) will decrease up to a maximum of 11 days over the next five years. This will be mainly triggered by the rationalisation of its product portfolio.

Based upon management's sensitivity analysis on the key assumptions specified above, management is of the opinion that a reasonable, possible change in a key assumption would not trigger an impairment loss to occur.

An impairment test is to be carried out once a year, and this at the same time, unless indicators would trigger an impairment loss on an earlier moment. The Group performs its impairment test during the fourth quarter. The increase of the silver price since 31 December 2009 and the comparison of the market capitalisation of Agfa-Gevaert per 30 June 2010 with the net asset value of the Company at the same moment are both indicators of a possible impairment in accordance with IAS 36.12. In accordance with IAS 36.8 and 9 these indicators require to carry out an impairment test. Based on IAS 36.99 the Company decided not to carry out a formal impairment test at 30 June 2010 since the annual impairment test performed at the Cash Generating Unit level had not revealed any impairment loss at 31 December 2009 and that the following criteria were met at 30 June 2010:

- the assets and liabilities making up the units have not changed significantly since the fourth quarter 2009;

- the recoverable amount calculation dated from the fourth quarter 2009 resulted in an amount that exceeded the carrying amount of the units by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the fourth quarter 2009, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the units is remote.

(b) Other intangible assets

Technology primarily resulted from the acquisitions of GWI, Symphonie On Line and Mitra, whereas the contractual customer relationships were mainly acquired from GWI, Symphonie On Line and Heartlab. The evolution since 2007 in the gross carrying amount of technology and contractual customer relationships, is fully explained by the fluctuation of currency rates.

In 2008, as a result of the impairment exercise and analyses at that time, the Group recognized an impairment loss on the following intangible assets with finite useful life: Trademarks (EUR 5 million), Technology (EUR 12 million), and Contractual customer relationships (EUR 18 million). The impaired assets all belong to the CGU Healthcare. In 2009, as a result of indicator based impairment testing, an impairment loss amounting to EUR 1 million has been recognised on IP rights, attributable to the CGU Specialty Products. Related impairment was due to a change in business strategy regarding identity cards.

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. Management periodically reviews the useful life of its major intangible assets with finite useful lives.

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.

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.

The other intangible assets include trademarks, capitalised development costs, management information systems, industrial property rights and other licences and advance payments to acquire intangible assets.

The carrying amount of intangibles with indefinite useful life relates to trademarks and amount to EUR 13 million at 30 June 2010. These intangibles have been subject to an impairment loss in 2008 (EUR 5 million). In the fourth quarter of 2009, these assets have been tested for impairment. Intangibles with indefinite useful lives are allocated in full to the CGU HealthCare.

(c) Property, plant & equipment

The following table provides an overview of the contents of the Property, plant & equipment:

Property, plant & equipment	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Land, building and infrastructure				
Gross carrying amount.....	376	360	362	381
Accumulated depreciation, write-downs and impairment losses.....	(264)	(251)	(246)	(250)
Net carrying amount	112	109	116	131
Machinery and technical equipment				
Gross carrying amount.....	1,508	1,467	1,466	1,434
Accumulated depreciation, write-downs and impairment losses.....	(1,341)	(1,293)	(1,274)	(1,230)
Net carrying amount	167	174	192	204
Furniture, fixtures and other equipment				
Gross carrying amount.....	257	246	256	256
Accumulated depreciation, write-downs and impairment losses.....	(234)	(221)	(219)	(210)
Net carrying amount	23	25	37	46
Construction in progress and advance payments to vendors and contractors				
Gross carrying amount.....	18	18	24	26
Accumulated depreciation, write-downs and impairment losses.....	—	—	—	—
Net carrying amount	18	18	24	26
Property, plant & equipment				
Net carrying amount	320	326	369	407

The evolution in the gross values of property, plant & equipment is influenced by capital expenditures (see (d)) which are offset by retirements.

The evolution in the accumulated depreciation, write-downs and impairment losses results from depreciation charges for the period.

(d) Capital expenditures

Capital expenditures are as follows:

Capital expenditures	30 June 2010	2009	2008
	<i>(in millions of EUR)</i>		
Intangible Assets			
Graphics.....	1	5	4
HealthCare	2	9	8
Specialty Products.....	0	4	2
TOTAL	3	18	14
Property, plant & equipment			
Graphics.....	7	16	30
HealthCare	5	16	17
Specialty Products.....	2	2	2
TOTAL	14	34	49
Total capital expenditures			
Graphics.....	8	21	34
HealthCare	7	25	25
Specialty Products.....	2	6	4
TOTAL	17	52	63

The same level of detail per BG is not available for 2007.

The capital expenditures are commented in detail in section 8.7 of the Business Overview.

Note (2) Net deferred tax assets/liabilities

	Balance Sheet				Income Statement – Deferred tax expense (income)		
	30 June 2010	2009	2008	2007	30 June 2010	2009	2008
	<i>(in millions of EUR)</i>						
Deferred tax assets	261	253	282	330			
Deferred tax liabilities	(75)	(73)	(63)	(65)			
Net deferred tax assets/ liabilities	186	180	219	265	4	35	50

Over the period 2007 until 30 June 2010 the net deferred tax assets of the Group decreased by 29.8 per cent, primarily as a result of the decrease of deferred tax assets by 20.9 per cent.

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

The Group quarterly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversal of existing temporary differences and tax planning strategies. At year-end 2008, this review has resulted in an exceptional reversal of deferred tax assets amounting to EUR 34 million.

During 2009 and the first half year of 2010, the utilisation of deferred tax assets have resulted in a further decrease of the deferred tax assets, excluding translation effects in 2010 amounting to EUR 9 million.

At year-end 2009 deferred tax assets in the amount of EUR 231 million (2008: EUR 230 million and 2007: EUR 163 million) have not been recognised.

The deferred tax asset impact on unused temporary differences, tax credits and tax losses expires as follows:

	Temporary Differences	Tax Credits	Tax Losses	Total
Expiry in:				
2010.....	—	—	—	—
2011.....	—	—	2	2
2012.....	—	—	—	—
2013.....	—	2	1	3
2014.....	—	—	—	—
after.....	—	30	—	30
no expiry.....	62	1	133	196
TOTAL	62	33	136	231

Note (3) Inventories

The table below gives an overview of the inventories per category:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Raw materials and auxiliaries.....	71	59	77	68
Work in progress and semi-finished goods.....	146	129	143	158
Finished goods.....	49	33	47	48
Goods purchased for resale including spare parts.....	234	206	248	242
Inventory in transit and other inventory.....	85	56	60	62
Total.....	585	483	575	578

The net values of inventories as shown in the table above, include the accumulated write-downs of EUR 62 million in June 2010, EUR 60 million in 2009, EUR 61 million in 2008 and EUR 46 million in 2007.

Because of the strong focus on the reduction of working capital, the inventories decreased by 16.4 per cent in the period 2007-2009.

The increase in inventory in June 2010 is caused by the seasonal increase because of summer holidays, as well as a major currency impact and the acquisition of Gandhi Innovations.

Note (4) Trade receivables

The table below gives an overview of the ageing of the trade receivables:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Not yet due	571	481	638	724
Overdue 0 – 30 days	44	37	37	41
Overdue 31 – 90 days	26	27	32	41
Past due more than 90 days	84	112	102	120
Trade receivables – Gross value..	725	657	809	926
Trade receivables – Accumulated write-down	(84)	(65)	(59)	(65)
Trade receivables — Net book value.....	641	592	750	861

In the period 2007-2009, the gross value of the trade receivables decreased with 30 per cent due to a strong focus on the reduction of working capital and better collections as well as the introduction of a securitisation programme for accounts receivable in 2009.

For the first half year of 2010, the gross value of trade receivable was negatively impacted by a major currency impact, the acquisition of Gandhi Innovations and less secured receivables. The evolution during the first semester 2010 in the accumulated write-down of trade receivables has been impacted by the acquisition of Gandhi Innovations.

Note (5) Other receivables and other assets

Other receivables and other assets can be detailed as follows:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Receivables under finance leases....	129	144	178	208
Deferred purchase price related to securitisation programmes	63	71	0	0
Receivables against AgfaPhoto Group companies.....	33	33	32	24
Accrued interest on loans receivable	1	1	1	1
Other assets	83	70	57	130 ⁽¹⁾
Total.....	309	319	268	363

Note:

- (1) In 2009, 'Current tax assets and current tax liabilities' have been presented separately on the face of the balance sheet. 'Current tax assets' have been reclassified from respectively 'Other receivables and other assets'. Comparative information for the year 2008 has been restated. In 2007, the other assets included the claims for tax refunds (EUR 60 million).

Receivables under finance leases

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. These receivables will bear interest income until their maturity dates.

An overview of the receivables under finance leases is provided in the following table:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Total future payments				
Not later than one year	64	72	84	95
Between one and five years	87	95	127	149
Later than five years.....	0	1	1	1
Unearned interest income				
Not later than one year	7	8	10	13
Between one and five years	8	9	12	13
Later than five years.....	0	0	0	0
Present value				
Not later than one year	57	64	74	82

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Between one and five years	79	86	115	136
Later than five years.....	0	1	1	1
Net present value of the receivables under finance leases.....	136	151	190	219
Write-downs on the receivables under finance leases.....	(7)	(7)	(12)	(11)
Receivables under finance leases.....	129	144	178	208

The Group leases out its graphical and medical equipment under finance leases via Agfa Finance NV and its subsidiaries in the US, Canada, Australia, France, Italy and Poland and its branches in Europe (Spain, Switzerland, Benelux, Germany, UK and the Nordic countries) and Japan.

During 2009, the Group has sold part of its lease portfolio amounting to EUR 13 million, on which a loss of EUR 1 million has been realised. In the first half year of 2010, another part of the lease portfolio has been sold for an amount of EUR 17 million.

Deferred purchase price related to securitisation programmes

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

The various agreements concluded in the framework of the securitisation programmes comprise a 'Receivables Purchase Agreement', which constitutes a true sale of receivables.

This agreement foresees in periodic settlements, which comprise an Initial Purchase Price, determined and fixed upon each sale transaction and a deferred price mechanism primarily considering the dilution risk. The receivable results from the deferred purchase price mechanism and the time gap between the selling date and the settlement date of the accounts receivables sold.

Receivables against AgfaPhoto group companies

Receivables against AgfaPhoto group companies primarily resulting from distribution, supply and service agreements, concluded with the AgfaPhoto group companies.

Note (6) Cash and cash equivalents

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

	30 June	31 December		
Cash and cash equivalents	2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Marketable securities and other instruments	1	1	7	5
Cash on hand, demand deposits and checks	135	118	143	147
Total cash and cash equivalents as reported on the consolidated balance sheet	136	119	150	152
Accounts receivable under cash management agreements (reported in the balance sheet as Other receivables).....	—	1	1	—
Liabilities under cash management agreements (reported in the balance sheet as Other liabilities).....	(1)	(2)	(2)	(1)
Total cash and cash equivalents as reported in the consolidated statement of cash flow (further info is provided under 10.4)	135	118	149	151

Note (7) Derivative financial instruments

In the normal course of its business, the Group is exposed to a number of financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk that could affect its financial position and its result of operations. In managing these risks the Group may use derivative financial instruments. The use of derivative financial instruments is subject to internal controls and uniform guidelines set up by the central Treasury Committee. Derivatives used are over-the-counter instruments, particularly forward exchange contracts. During 2009, the Group also concluded a number of metal swap agreements.

The fair values of the derivative financial assets and liabilities by class are presented in the table below. The Group aggregates its financial derivatives into classes based on their nature and characteristics.

Derivative financial instruments	30 June	31 December		
	2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Forward exchange contracts designated as cash flow hedges	—	—	9	—
Swap contracts designated as cash flow hedges	1	5	—	—
Forward exchange contracts not part of a designated hedging relationship	8	3	17	10
Interest rate instruments designated as cash flow hedges	—	—	—	1
Assets	9	8	26	11
Forward exchange contracts designated as cash flow hedges	5			
Forward exchange contracts not part of a designated hedging relationship	3	2	12	3
Liabilities	8	2	12	3

In the course of 2008, the Group designated foreign exchange contracts as ‘cash flow hedges’ of its foreign currency exposure in US Dollar related to highly probable forecasted purchases of commodities. It relates to commodity contracts that were entered into and continue to be held for the purpose of the receipt of commodities in accordance with the Group’s expected usage requirements. During 2008, in the framework of the turmoil on the financial markets at that time, some commodity contracts with initial value dates in 2009 were rolled over to contracts with same terms and characteristics but shorter value dates.

During 2009, the Group concluded a number of metal swap agreements with an investment bank. These swap agreements have been designated as ‘cash flow hedges’ hedging the Group’s exposure to fluctuations in commodity prices related to highly probable forecasted purchases of commodities. It relates to commodity contracts that were entered into and continue to be held for the purpose of the receipt of commodities in accordance with the Group’s expected usage requirements.

In the course of 2010, the Group has designated foreign exchange contracts as ‘cash flow hedges’ of its foreign currency exposure in US Dollar, related to highly probable forecasted revenue in US Dollar.

Note (8) Equity attributable to equity holders of the Company

Share capital and premium

The issued capital of the Company as of 30 June 2010 amounts to EUR 140,095,959 and is represented by 128,888,282 fully paid ordinary shares without par value. It remained constant over the reporting period 2007 until 30 June 2010.

Retained earnings

The retained earnings contain prior years' undistributed income of companies included in the consolidation scope. In 2007, a dividend of EUR 63 million (EUR 0.5 per ordinary share) has been paid out based on the decision of the General Assembly of Shareholders of Agfa-Gevaert on 24 April 2007. In the years 2008, 2009 and the first half year of 2010 no dividend has been paid out.

Reserves

The reserves primarily comprise the reserve for own shares in the amount of EUR 296 million. The reserve for the Company's own shares equals 4,099,852 of the Company's shares valued at cost. The number of the Company's own shares held by the Group as well as its carrying amount remained unchanged during the reporting period 2007 until 30 June 2010. As of 30 June 2010, the reserves also comprise a share based payment reserve in the amount of EUR 12 million (2009: EUR 12 million; 2008: EUR 12 million; 2007: EUR 10 million) and a reserve for derivative financial instruments for which hedge accounting is applied in the amount of EUR (1) million (2009: EUR 2 million; 2008: EUR 12 million; 2007: EUR 0 million). The revaluation of the Group's investments classified as available-for-sale and valued at fair value is also reflected in equity in the amount of EUR 0 million at 30 June 2010 (2009: EUR 0 million; 2008: EUR (1) million; 2007: EUR (2) million).

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. At 30 June 2010 translation differences amounted to EUR 33 million (2009: EUR (66) million; 2008: EUR (90) million; 2007: EUR (54) million).

Note (9) Liabilities for post-employment and long-term termination benefit plans

Companies of the Group provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, tax and economic conditions of each country, the benefits generally being based on the employees' remuneration and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees. The Group also provides post-retirement medical benefits in the US and long-term benefit plans in Germany.

Subsidiaries provide retirement benefits under defined contribution and/or defined benefit plans. In the case of defined contribution plans, 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.

All other post-employment benefit systems are defined benefit plans, which may be book-reserved or financed through independently administered funds. For the first half year of 2010, expenses for defined benefit plans in the Group's material countries (i.e. Belgium, Germany, UK and US) amounted to EUR 42 million compared to EUR 71 million for the full year of 2009 (2008: EUR 46 million; 2007: EUR 48 million).

The table below provides an overview of the net liability for post-employment and long-term termination benefit plans over the period 31 December 2007 until 30 June 2010:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Net liability for material countries	438	436	456	480
Net liability for termination benefits	99	100	111	137
Net liability for non-material countries	35	34	34	37
Total – Net liability	572	570	601	654

For the Group's material countries, the funded status and carrying amount of the defined benefit obligation at year-end 2007, 2008 and 2009 as well as at 30 June 2010 can be detailed as follows:

DBO, Plan assets and funded status and carrying amount of the defined benefit obligation for material countries

benefit obligation for material countries	30 June 2010	2009	2008	2007
		(in millions of EUR)		
Change in DBO				
DBO at the beginning of the period.....	(1,782)	(1,590)	(1,698)	(1,901)
Changes during the reporting period.....	(213)	(192)	108	203
DBO at the end of the period.....	(1,995)	(1,782)	(1,590)	(1,698)
Change in Plan Assets				
Fair value of plan assets at the beginning of the period.....	822	731	985	1,045
Changes during the reporting period.....	66	91	(254)	(60)

DBO, Plan assets and funded status and carrying amount of the defined benefit obligation for material countries	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Fair value of plan assets at the end of the period	888	822	731	985
Funded status	(1,107)	(960)	(859)	(713)
Unrecognized actuarial and past service costs	669	524	403	233
Carrying amount of the Defined Benefit Obligation of the Group's material countries	(438)	(436)	(456)	(480)

The financial crisis in 2008 highly impacted the fair value at year-end 2008 of the plan assets of the funded defined benefit plans. The change in the defined benefit obligation in 2009 in the amount of EUR 192 million mainly resulted from the decreased discount rate (5.3 per cent as of 31 December 2009 compared to 6.3 per cent as of 31 December 2008). The increase of the defined benefit obligation in 2009 by EUR 192 million comprised an inverse effect amounting to EUR (17) million of plan changes in the US and Germany.

The deterioration of the funded status from EUR (960) million as of 31 December 2009 to EUR (1,107) million as of 30 June 2010 is mainly due to a significant decrease of the discount rate (4.8 per cent as of 30 June 2010 compared to 5.3 per cent as of 31 December 2009) which is only partly offset by the increase of the fair value of plan assets from EUR 822 million to EUR 888 million.

The expected return on assets has been determined by reference to historical returns and a long-term benchmark return taking into consideration the asset mix of the plans. For the calculation of the net periodic pension cost 2009 and 2010, the expected return on plan assets has been determined at 6.8 per cent respectively 6.9 per cent.

The difference between the funded status and the carrying amount of the defined benefit obligations of the Group's material countries is explained by unrecognised actuarial and past service costs amounting to EUR 669 million as of 30 June 2010 (2009: EUR 524 million, 2008: EUR 403 million; 2007: EUR 233 million). The movement is mainly explained by the change in the assumption of the discount rate, as explained above.

Note (10) Liabilities for personnel commitments – current and non-current

Current liabilities for personnel commitments mainly include annual bonus payments and vacation entitlements. As of 30 June 2010 current liabilities for personnel commitments amounted to EUR 88 million (2009: EUR 86 million; 2008: EUR 71 million; 2007: EUR 89 million). Non-current liabilities for personnel commitments in the amount of EUR 16 million (2009: EUR 14 million; 2008: EUR 18 million; 2007: EUR 24 million) comprise long service awards.

Note (11) Loans and borrowings

Loans and borrowings	30 June	31 December		
	2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Revolving multi-currency credit facility.....	318	357	606	538
Liabilities to banks	—	—	2	2
Debentures.....	195	195	200	200
Liabilities under finance lease agreements.....	1	1	1	—
Non-current liabilities	514	553	809	740
Commercial paper programme	—	—	—	63
Revolving multi-currency credit facility.....	—	—	6	30
Liabilities to banks	13	11	8	39
Liabilities under finance lease agreements.....	—	—	—	1
Current liabilities.....	13	11	14	133
Cash and cash equivalents (see note 6)	136	119	150	152
Net Financial debt.....	391	445	673	721
Interest income/(expense) – net for the year-to-date period.....	(6)	(17)	(38)	(40)

Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalents.

Reducing the net financial debt was a major target for the Group over the past years. In 2008 good progress was made, thanks to the efforts aimed at the reduction of the working capital. These efforts were continued in 2009, and by the end of that year the debt was reduced with more than EUR 200 million. In the first half of 2010, a further reduction to EUR 391 million was realised.

At the end of 2009, the Group disposed of a revolving multi-currency committed credit facility for a total notional amount of EUR 690 million. In general, drawdowns under these lines are made for periods from 1 month up to 1 year but the Group has the discretion to roll-over the liability under the existing committed loan agreement. These loan facilities are unsecured.

In May 2005, the Group issued a bond with nominal value of EUR 200 million. The bond carries a 4.375 per cent coupon and matures in June 2015. Interests are payable annually in arrear. The issue price was 101.956 per cent. The bond is carried at

amortised cost. During 2009 part of the bond (EUR 5 million) was redeemed by the Group.

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 EUR 1 million as of 31 December 2009.

Short-term liabilities to banks are mainly unsecured. The weighted average interest rate of these facilities was 3.79 per cent for 2009 (2008: 6.05 per cent, 2007: 5.32 per cent).

Note (12) Other liabilities

Other liabilities amounted to EUR 165 million as of 30 June 2010 (2009: EUR 156 million; 2008: EUR 162 million; 2007: EUR 175 million) and relate mainly to liabilities for social expenses and payroll and liabilities towards AgfaPhoto group companies resulting from agreements concluded with the AgfaPhoto group companies or its receivers. The origin of these agreements relate to certain distribution, invoicing and collecting activities that the Group has agreed in relation to the sale of its Consumer Imaging business towards the AgfaPhoto group of companies in 2004.

Note (13) Deferred revenue and advance payments

Deferred revenue and advance payments amounted to EUR 170 million as of 30 June 2010 (2009: EUR 123 million; 2008: EUR 112 million; 2007: EUR 96 million) and primarily result from milestone billing in multiple-element arrangements and from the advanced billing of service and maintenance contracts. Movements in deferred revenue and advance payments are mainly driven by the HealthCare segment (support services that are invoiced once a year). The increase over the period 2007 until 30 June 2010 is related to the growth of the installed base's increasing support revenue.

More information on the accounting policy with regard to revenue recognition is provided under 9.6 "Significant accounting policies (V) Revenue".

Note (14) Current and non-current provisions

The below table gives an overview by type of provision over the reporting periods 2007 until the first half year of 2010:

<i>In millions of euro</i>	30 June 2010	2009	2008	2007
	<i>(in millions of EUR)</i>			
Environmental	9	9	13	13
Trade-related.....	45	43	44	57
Taxes	84	93	80	76
Restructuring	12	13	27	28
Other.....	76	76	91	101
Total current provisions.....	226	234	255	275
Environmental	3	2	2	4
Restructuring	8	8	19	22

<i>In millions of euro</i>	30 June 2010	2009	2008	2007
	<i>(in millions of EUR)</i>			
Other	33	33	43	43
Total non-current provisions	44	44	64	69

As from 31 December 2007 until 30 June 2010 the current provisions of the Group decreased by EUR 49 million (17.8 per cent), primarily as a result of the decrease in the restructuring provision by EUR 16 million and other current provisions by EUR 25 million.

Other current provisions comprise provisions set up for litigations, claims and the negative outcome of commitments. They comprise provisions with regard to litigations in connection with the divestment of the Consumer Imaging (CI) business in 2004. As of 30 June 2010, these provisions primarily relate to probable losses from the distribution agreement and the different settlements concluded with the AgfaPhoto group companies or its receivers, litigations with former CI-employees that transferred to AgfaPhoto and demolition costs with respect to buildings in Germany for which Bayer had submitted a claim in the insolvency proceedings of AgfaPhoto GmbH. Further information in this respect is provided under 8.5 “Legal Proceedings”.

Provisions for environmental protection relate to future re-landscaping, landfill modernisation and the remediation of land contaminated by past industrial operations. Provisions for environmental protection moreover include provisions for litigation with respect to environmental contamination.

Provisions for trade-related commitments primarily include provisions for bonuses and rebates related to goods and services purchased by customers in the accounting period, commissions to agents and warranty provisions.

Provisions for taxes relates to both income tax and other taxes. The provision for income tax comprises income tax calculated but not yet prepaid as well as income tax related to pending or expected tax audits over previous years and provision to return true-ups over previous years. The provision for other taxes mainly comprises VAT and other indirect taxes. As from 31 December 2007 until 30 June 2010 non-current provisions decreased by EUR 25 million (36.2 per cent), mainly due to a decrease in the restructuring provision by EUR 14 million and other non-current provisions by EUR 10 million.

Other non-current provisions comprise a provision for demolition costs as well as a provision related to former personnel resulting from the sale of the logistics operations to the group H. Essers, and a provision for pension insurance covering contributions to the “Pensionssicherungsverein” in Germany that are payable after 1 year.

10.3.3 Operating assets and liabilities of the reportable segments Graphics, HealthCare and Specialty Products – Principal changes

The below tables give an overview of the operating assets and liabilities of the different reportable segments:

	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Operating Assets				
Graphics	888	787	890	1,014
HealthCare	1,382	1,282	1,383	1,617
Specialty Products.....	167	153	175	154
Total operating assets for reportable segments	2,437	2,222	2,448	2,785
	30 June 2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Operating Liabilities				
Graphics	358	303	350	463
HealthCare	433	393	413	450
Specialty Products.....	39	38	45	48
Total operating liabilities for reportable segments	830	734	808	961

Operating assets

The operating assets of the reportable segments decreased by 20.2 per cent (EUR (563) million) over two years, from EUR 2,785 million on 31 December 2007 to EUR 2,222 million on 31 December 2009. The reportable segments Graphics and HealthCare accounted for EUR (227) million, respectively EUR (335) million of this change.

At the end of the first semester of 2010, the operating assets of the reportable segments were 9.7 per cent higher than at 31 December 2009 (from EUR 2,222 million at 31 December 2009 to EUR 2,437 million as of 30 June 2010). In 2010, the evolution of currency rates is mainly responsible for the increase of the operating assets of Graphics and HealthCare.

The evolution of operating assets of the reportable segment ‘Graphics’ over the period 31 December 2007 until 31 December 2009 was highly impacted by the evolution of working capital over the same period. Trade receivables have decreased by more than 40 per cent over a two year period (2008 and 2009). Graphics’ efforts on collection of trade receivables and the sale of trade receivables resulting from a securitisation programme of accounts receivable – introduced mid 2009 – resulted in a considerable decrease of trade receivables. The economic crisis of 2008, reflected by higher than normal write-downs on receivables, moreover impacted the evolution of trade receivables in 2008 and 2009. The carrying amount in the consolidated balance sheet of Graphic’s inventory at 31 December 2009 was 12 per cent less than at year-end 2008 and even more than 15 per cent less than at year-end 2007. A decrease of investments in

Property, plant and equipment additionally lowered the level of operating assets of Graphics as from 2007 until the end of 2009: the increase of the gross value during this period has been more than compensated by the depreciation amount recorded for this period.

In the first semester 2010, Graphics acquired most of the assets of the Canadian company Gandi Innovations, impacting its working capital by more than EUR 40 million. This effect, combined with strengthened currencies versus the euro mainly explain the evolution of working capital and thus of the operating assets of the business.

For the '*HealthCare*' segment, impairment losses on intangible assets – primarily related to goodwill – recognised in the consolidated income statement of 2008 totalled EUR 119 million and consequently decreased the carrying amount of the operating assets of Agfa HealthCare and the Group by this amount. Further information on the impairment of the goodwill and some intangible assets with finite useful lives such as trade marks, acquired technology and contractual customer relationships is provided in note (1). The remainder of the reduction of operating assets for HealthCare is to a large extent attributable to a reduction of working capital and particularly of trade receivables. Over the period 2008 – 2009, the reduction of trade receivables is partially explained by the reduced revenue combined with increased efforts on collection and the introduction in 2009 of a securitisation programme of accounts receivable. The decrease of working capital in 2008 and 2009 moreover comprised a decrease of the inventory value. As of 31 December 2008 the inventory value of HealthCare decreased by more than 5 per cent compared to 31 December 2007. Temporary production stops for imaging products in the fourth quarter of 2008 partially explain this evolution. The reduction of inventory continued in 2009 (decrease by almost 20 per cent compared to 31 December 2008).

As indicated in note (1), HealthCare has an important amount of intangibles invested in goodwill recorded at the acquisition of Mitra (Canada) and Heartlab (US) resulting in an upward evolution of the operating assets of HealthCare given the strengthening of the Canadian and US dollar versus the euro in the first semester of 2010 (compared with 31 December 2009). Next to this effect, more than 50 per cent of the evolution of receivables and inventory during the first six months of 2010 is explained by the evolution of currencies.

The evolution over the year 2008 of the operating assets of the reportable segment '*Specialty Products*' is fully explained by the increased inventory value as of 31 December 2008. A delay in the deliveries for the Moroccan ID-cards project and a significant contract in film manufacturing services caused an important increase in the inventory value as of 31 December 2008. This effect was partly compensated by higher than normal write-downs on inventory for a particular product group. An adverse effect in inventory occurred in 2009, mainly resulting from inventory reduction actions.

Inventory and trade receivables account for more than 90 per cent of the evolution in the first semester of 2010 of Specialty Products' operating assets.

Operating liabilities

The operating liabilities decreased by EUR 227 million (-24 per cent) over the years 2008 and 2009, mainly due to lowered trade payables and current provisions such as provisions for short term personnel commitments. This evolution occurred for all reportable segments. Increased deferred revenue in the course of the first half year 2010 mainly explains the rise in operating liabilities as at 30 June 2010.

The operating liabilities for the ‘*Graphics*’ business have continuously decreased over the period 31 December 2007 until 31 December 2009. Especially the short term commitments – trade-related and other – have accounted for more than 80 per cent of the lowered balance of operating liabilities at year-end 2008. The reduction of short term commitments continued in 2009. Reduced long term personnel commitments such as post employment benefit obligations, partly related to past service and curtailment gains accounted for in 2009 as a result of plan changes in the US and Germany moreover explained the evolution of Agfa Graphic’s operating liabilities in the course of 2009.

In line with the evolution of operating assets during the first half year of 2010, operating liabilities, in particular trade payables, have increased.

Over the years 2008 and 2009, ‘*HealthCare*’s’ operating liabilities evolved in the same way as those of the Graphics business but less pronounced. The plan changes in the US and Germany also impacted the long term personnel commitments of the HealthCare business in 2009. The balance of deferred revenue has increased considerably over time since 31 December 2007. This evolution is partly linked to HealthCare’s evolution in the IT business whereby the moment of invoicing generally differs from the moment of revenue recognition.

For the business ‘*Specialty Products*’, fluctuations in the operating liabilities since 31 December 2007 until 30 June 2010 are spread among the different components of the operating liabilities.

	30 June	31 December		
Reconciliation total assets for reportable segments with total assets of the Group	2010	2009	2008	2007
		(in millions of EUR)		
Total assets for reportable segments.....	2,437	2,222	2,448	2,785
Operating assets not allocated to the reportable segments.....	32	41	40	31
Investments	11	9	13	20
Receivables under finance leases.....	129	144	178	208
Cash and cash equivalents...	136	119	150	152
Deferred tax assets	261	253	282	330
Derivative financial instruments.....	9	8	26	11
Other unallocated receivables	43	56	23	22
Total assets of the Group..	3,058	2,852	3,160	3,559

	30 June	31 December		
Reconciliation total liabilities for reportable segments with total equity and liabilities of the Group	2010	2009	2008	2007
		<i>(in millions of EUR)</i>		
Total liabilities for reportable segments.....	830	734	808	961
Operating liabilities not allocated to the reportable segments.....	652	658	658	667
Loans and borrowings.....	527	564	823	873
Deferred tax liabilities.....	75	73	63	65
Equity.....	877	724	704	891
Derivative financial instruments.....	8	2	12	3
Other unallocated liabilities	89	97	92	99
Total equity and liabilities of the Group	3,058	2,852	3,160	3,559

The operating liabilities not allocated to a reportable segment mainly comprise liabilities against inactives.

10.4 Consolidated Statement of Cash Flow - Comments for the mid-years 2010 and 2009 and the years 2009 to 2007

	30 June		31 December		
Condensed Consolidated Cash Flow Statement	2010	2009	2009	2008	2007 ⁽¹⁾⁽²⁾
			<i>(in millions of EUR)</i>		
Net cash from/(used in) operating activities – Graphics.....	72	67	121	44	—
Net cash from/(used in) operating activities – HealthCare	58	104	208	102	—
Net cash from/(used in) operating activities – Specialty Products	(3)	5	26	1	—
Net cash from/(used in) operating activities – not segmented	(42)	(44)	(89)	(70)	—
Net cash from/(used in) operating activities	85	132	266	77	108
Net cash from/(used in) investing activities.	(16)	2	(2)	17	(8)
Net cash from/(used in) financing activities	(65)	(167)	(293)	(94)	(26)
Change in cash due to change in consolidation scope	—	—	(7)	—	—

Condensed Consolidated Cash Flow Statement	30 June		31 December		
	2010	2009	2009	2008	2007 ⁽¹⁾⁽²⁾
	<i>(in millions of EUR)</i>				
Change in cash and cash equivalents due to exchange rate fluctuations	13	4	5	(2)	(6)
Change in cash and cash equivalents.....	17	(29)	(31)	(2)	68
Cash and cash equivalents at beginning of period	118	149	149	151	83
Cash and cash equivalents at end of period	135	120	118	149	151

Note:

- (1) As reported 2007: Since 2009, Net cash from/(used in) operating activities has been segmented. Comparative information for the year 2008 has been restated.
- (2) As reported 2007: Since 2009, the 'Prefinancing by/(of) AgfaPhoto related to the previous CI divestiture is no longer presented as a separate line as considered immaterial. Comparative information for the year 2008 has been restated. For 2008 a cash outflow of EUR 4 million was reclassified from Net cash from/(used in) financing activities to Net cash from/(used in) operating activities. For the year 2007, no restatement has been done. It would have been a reclass of a cash outflow of EUR 17 million.

The not segmented portion is the reconciling item between the total reportable segments info and the total Group info. The Net cash from/(used in) operating activities – not segmented mainly comprises cash flow effects from the liabilities related to inactive employees.

2007

The Net cash from/(used in) operating activities for 2007 has been marked by a high cash out linked to restructuring and liabilities from the past and by a number of one time effects such as expenses related to the preparation of the demerger. During 2008, the board of directors concluded that a demerger was no longer a realistic scenario.

Net cash from/(used in) investing activities includes the pay out of the final part (EUR 38 million) of the earn-out related to the acquisition of GWI (acquired in 2005).

Net cash from/(used in) financing activities includes the pay out of a dividend of EUR 63 million.

2008

In 2008, the Net cash from/(used in) operating activities of all segments was negatively affected by the economic crisis which stamped the Result from operating activities of that year.

The continued focus on the improvement of the net working capital could not prevent that the net cash from/(used in) operating activities decreased compared to the year before.

Net cash from/(used in) investing activities includes the cash in from the sale of buildings in Europe.

In spite of the difficult economic circumstances the Group was able to improve its net financial debt.

2009

Although in 2009, the Result from Operating Activities still was highly affected by the tail end of the economic crisis, the three business groups were able to limit the effects on their Net cash from/(used in) operating activities.

The cash generation from operating activities was highly influenced by special actions to reduce the working capital. In the course of 2009 the Group has entered into two securitisation programmes of accounts receivable: one for the Graphics business and another for the HealthCare business. The securitisation programmes comprise a 'Receivables Purchase Agreement' which constitutes a true sale of receivables, which resulted in a cash inflow from a sale of receivables.

In 2009, the Group had less cash outflow for personnel commitments. This had its repercussion on the cash flow of the three segments.

The cash outflow related to restructuring was at the same level as in 2008 for all business groups.

The Group was able to further improve its net financial debt.

The Change in cash due to change in consolidation scope is attributable to the sale of 1 per cent in the Group's investment in PlanOrg Medica GmbH in December 2009.

2010

All three business groups showed an increased or at least a stable Result from Operating Activities. The Graphics segment was the most outperforming. But the growth in Net cash from/(used in) operating activities was moderated by the increase of the working capital, mainly due to increased sales. In the HealthCare segment the growth in Result from Operating Activities was not enough to compensate the negative evolution in the working capital.

The Group will continue its efforts to reduce the working capital.

Furthermore, the Net cash from/(used in) operating activities for HealthCare as well as for Graphics is influenced by a higher cash outflow for personnel commitments compared to the same period last year.

The cash outflow for the Group related to restructuring was at the same level as in the first half of 2009, slightly favourable for Graphics, slightly unfavourable for HealthCare.

Net cash from/(used in) investing activities includes the purchase price paid for the Gandhi acquisition.

The Group further decreased its net financial debt.

10.5 Outlook for Q3 and Q4 2010

Since 30 June 2010 no significant change in the financial or trading position of the Group has occurred. Therefore the Company believes that the outlook for the full year 2010 is still valid.

Provided that the exchange rates and macro-economic conditions remain stable, the Group expects a full year revenue growth of about EUR 200 million versus 2009. The revenue increase is expected to come from Graphics, as the business group's internal growth will be supplemented by the impact of the recently announced acquisitions and joint venture. Graphics' full year EBIT to revenue ratio is expected to be higher than average because of the favourable raw material costs, the stronger than anticipated recovery of the graphic industry in the US and the IP related one-off effect. HealthCare anticipates a better top line performance in the second half of the year. The HealthCare business group expects its full year EBIT to revenue ratio to be closer to 11 per cent than to 10 per cent.

Graphics sticks to its 7 per cent medium term EBIT target. HealthCare will continue its programmes to improve service efficiency. Furthermore, the business group's profitability will gradually become less exposed to the fluctuations of the silver price. For HealthCare, the medium term EBIT to revenue ratio is expected to be between 10.5 per cent and 11 per cent.

Specialty Products continues to invest in new businesses, which will only gradually start to compensate for the ongoing decline in the demand for some of the traditional film products.

GLOSSARY

Aggressive Solvent	Solvent inks replace the water used in aqueous inks with a low boiling point solvent. The solvent is usually aggressive enough to allow good adhesion to vinyl and other synthetic substrates.
ASEAN	The Association of Southeast Asian Nations consists of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The organisation aims to support the cooperation between its member states.
Aqueous	Aqueous inks are water based and are typically used for indoor applications and for small home or office printers.
Chemistry-free (printing plate)	A printing plate that does not require chemical processing after imaging.
COCIR	European Coordination Committee of the Radiological, Electromedical and healthcare IT Industry.
Colour print film	Film on which copies of the master version of a motion picture film are printed. These copies are distributed to the cinemas.
Commercial printing	Commercial printing is a subsegment of infoprint. Typical applications for this segment are mailings (transaction print), publishing (newspapers and magazines) and commercial applications such as brochures or catalogues.
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 digitiser and provides a digital image. Dedicated imaging software (such as Agfa's MUSICA2) can be used to automatically maximise the quality of the images for diagnostic purposes. The digital images can also be completed with manual inputs (annotations, measurements, etc.) and are ready for archiving on a PACS system. See also direct radiography
CT (computed tomography)	A CT scanner uses a series of X-rays to create image 'slices' of the body. Agfa HealthCare's product portfolio does not include CT scanners, but its PACS systems are used for the management and the (3D) visualisation of the digital images. Agfa HealthCare's hardcopy printers are used to produce high quality prints of the images.
Computer-to-film (CtF)	A process whereby the pages or artwork of printed matter – e.g. the pages of newspapers or magazines – are digitally imaged on to (transparent) film directly from computer files. The films are then chemically processed and used to produce printing plates. See also computer-to-plate

Computer-to-plate (CtP)	A process whereby the pages or artwork of printed matter – e.g. the pages of newspapers or magazines – are digitally imaged on to printing plates directly from computer files without the intermediate step of film. See also computer-to-film
Contrast media	Contrast media can be administered to the patient before a medical imaging examination with X-ray, CT and MRI technology, to highlight specific anatomical structures (mostly vessels).
Digital plates	Digital plates are sensitised to specific light wavelengths and are directly – without the use of film – imaged in a laser image setter to be used as the master printing form on a printing press.
Digital printing	For digital printing, toner or ink is jetted or attracted directly to the substrate without any interim image holder.
Digital workflow software	Agfa Graphics' digital workflow software consists of software to manage the interpretation of page data, imposition, automated job processing, proofing and colour management so that printing jobs are correctly produced.
Digitiser	See computed radiography
Direct radiography (DR)	Radiographic technology that converts X-ray energy into digital data without the use of intermediate image capturing plates or films. These digital data generate a diagnostic image on a PC. As the data are digital, a wide range of possibilities is available for image optimisation or completion as well as for archiving the images on PACS systems. DR systems are mostly used in centralised radiology environments. See also computed radiography
Eco or Mild Solvent	Eco solvent inks are similar to solvent inks but use low boiling point solvents which are eco friendly and have low odour. The inks are more expensive and do not have the same adhesion characteristics.
E-health	Term used to describe the application of information and communications technologies in the health sector.
Electroluminescence (EL)	The phenomenon whereby material emits light in response to a strong electric field. The Group supplies screen printing inks and films for the production of flexible EL lamps.
Electronic Health Record (EHR)	An EHR is created when a person's Electronic Patient Record is linked to his/her non-medical electronic files from organisations such as governments and insurance companies.
Electronic Patient Record (EPR)	The electronic alternative to a patient's paper file. The EPR contains all patient data, such as demographics, examination orders & results, laboratory reports, radiological images and reports, treatment plans, catering needs etc., and can be easily accessed throughout the hospital and, if required, from other sources.

Flatbed press	With Agfa Graphics' M-Press flatbed press, the paper (or other material) is put on a flat surface, while the printing heads move over it to print the image.
Flexo(graphic) printing	Method of printing similar to traditional letterpress printing using flexible, rubber or synthetic printing plates attached to rollers. The inked image is transferred from the plate directly to the paper, or other substrate.
Graphics printing	Graphics printing is a subsegment of industrial printing. Typical applications for this segment are billboards, point of sales, signage and decoration.
Gravure printing	With gravure printing an image is etched into a metal printing plate and the printing ink is transferred directly to the paper. Used mainly for long runs of multicolour printwork.
Hardcopy	A hardcopy is the printed version of a digital image. The Group's hardcopy printers are used for printing medical images from various sources: Computed Tomography (CT) scans, Magnetic Resonance Imaging (MRI) scans, Computed Radiography (CR), Direct Radiography (DR) etc. The Group 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 on to a special film by thermal effect.
IMPAX	IMPAX is Agfa HealthCare's brand name for its range of Picture Archiving and Communication Systems and Radiology Information Systems. The IMPAX 6.5 operating software is the heart of Agfa HealthCare's IMPAX Suites. Based on the latest PACS and RIS solutions, each suite is designed to support the activities of a specific type of customer. They range from comprehensive solutions that link all image-intensive departments of multi-site healthcare organisations, over solutions for single hospitals and imaging centres, to specialised radiology, mammography, cardiovascular, and orthopaedic systems.
Industrial printing	In industrial print the substrate can be of different material and be very diverse. Subsegments are industry printing and graphics printing.
Industry printing	Industry printing is a subsegment of industrial printing. Typical applications in this segment are packaging, label, carton, textile and various industrial products printing
Infoprint	In infoprint, the substrate is basically paper. Subsegments are office printing and commercial printing.
Inkjet technology	Any printer that transfers extremely small droplets of ink on to 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.

Large format printer	A large format printer sometimes referred to as a wide format printer is a digital printer that prints on sheets or rolls 24-inches/60cm wide or more.
Laser	Abbreviation for Light Amplification by Stimulated Emission of Radiation: a device that amplifies a single frequency of light within the spectrum to create a directional, intense beam. That beam of light can be used to write data on a printing plate or film. There are thermal lasers and visible light lasers. The first are used with materials sensitive to heat; the latter image materials sensitive to light and can be divided into green, violet and red laser beams. Red is rarely chosen nowadays, while violet lasers' popularity has increased substantially because of their easy operation, high reliability and low cost.
Magnetic Resonance Imaging (MRI)	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 HealthCare's product portfolio does not include MRI scanners but its PACS systems are used for the management and visualisation of the digital images. Agfa HealthCare's hardcopy printers are used to produce high quality prints of the images.
Membrane	Thin, flexible layer or material designed to separate components of a solution.
Motion Picture Film	Motion Picture Film is a general denomination for three types of film: negative film, print film and sound film.
Non-destructive testing (NDT)	To check the structure and tolerance of materials without damaging or deforming them.
Office printing	Office printing is a subsegment of infoprint. Typical applications for this segment include desktop printers, workgroup printers and corporate printers mainly based on xerographic technology.
Offset	Printing technique where thin aluminium printing plates are wrapped and fixed round a cylinder on a (litho) printing press. While rotating, the printing plates obtain ink and water. The ink adheres to the image whilst the water prevents ink adhering to the non-printing areas. The inked image is transferred on to a rubber blanket attached to a second cylinder and then transferred from the blanket to the paper or other medium.
Polyethylene terephthalate or polyester (PET)	Polyethylene terephthalate or polyester is a chemical prepared with a base of ethylene glycol and terephthalic acid. It is the basic raw material for the substrate of photographic film; it is coated with different types of purpose specific chemical layers, such as for medical and graphic purposes.
Picture Archiving and Communication System (PACS)	Agfa HealthCare's PACS solutions are marketed under the name IMPAX. PACS was originally developed to efficiently manage the distribution and archiving of diagnostic images produced by radiology departments. Due to specific software developments

	IMPAX is also suitable for use by other departments in the hospital, such as cardiology, 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 HealthCare's MUSICA2 software is used to process and optimise the images on the PACS system.
Platesetter	A platesetter digitally images the pages or artwork of printed matter from the computer on to printing plates, which are then processed and mounted on a printing press. There are flatbed platesetters and drum based systems. In the first, the printing plates remain flat during the imaging process, whereas in the latter the printing plates are wrapped around or inside a drum.
Polymer	A polymer is a large molecule composed of many smaller units (monomers) joined together. Polymers can be natural (e.g. proteins and rubber) or man-made (e.g. plastics and nylon).
Pre-press	The preparation and processing of content and document files for final output to printing plates, including high-resolution scanning of images, colour separation, different types of proofs, etc.
Printed circuit board (PCB)	A thin plate on which chips and other electronic components are placed. Computers consist, principally, of one or more boards.
Printing plate – for computer-to-film technology	Printing plates consist of a high-quality aluminium 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 on to the plate, whereby the art or page elements are opaque parts of the film and the rest is transparent. The UV light hits the plate only where the film is transparent. A chemical developing process etches the exposed elements, and leaves unchanged the non-exposed parts. The ink adheres to the exposed – or chemically treated – parts during the printing process.
- for computer-to-plate technology	Printing plate consisting of a high-quality grained and anodised aluminium substrate and a (silver or photopolymer) coating several thousand times more sensitive than that of analogue plates. The lasers used to expose these plates typically operate on thermal energy or visible light. The coatings respond to the laser energy creating chemical/physical changes to the plate surface. Just as with CtF-plates, the CtP-plates are chemically processed to create a press-ready plate, though some CtP-plate technologies are effectively process-free.
Proof	Based on the proof – which represents the way the colours 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 the Group's high-tech colour management software systems.

Radiology Information System (RIS)	Agfa Healthcare's RIS solutions are marketed under the name IMPAX. A RIS is a computer-based solution for the planning, follow-up and communication of all data relating to patients and their examinations in the radiology department, i.e. starting from the moment that an examination is requested up to the radiologist's report. The RIS is strongly linked with PACS – the Picture Archiving and Communication System (for the images contained in the examinations).
Screening	The creation of a pattern of dots of different sizes used to reproduce colour or greyscale continuous-tone images. There are various types of screening.
Screen printing	The printing procedure, during which a viscous ink is applied through a metal or nylon gauze on to the paper. The gauze is made impermeable – by use of stencils – in the non-printing parts.
Sound recording film	This type of polyester based film is especially designed for recording and printing all current types of soundtracks, such as analogue, Dolby, Digital, DTS (Digital Theater Systems) and SDDS (Sony Dynamic Digital Sound).
Teleradiology	Through an advanced PACS and a secured internet connection, hospitals and imaging centres can submit their digital medical images to radiologists and diagnostic centres located elsewhere in the world. This process is called teleradiology. It can compensate for the shortage of radiologists; physicians use it to submit images to colleagues for fast second opinion reporting.
Thermal (printing plate)	Technology where the platesetter uses thermal energy to expose the printing plates.
Violet (printing plate)	Violet (laser) technologies expose or image printing plates using the violet band of the visible-light spectrum, allowing fast output, convenient plate handling and high reliability.
Workflow management software	Software that allows operators to control a 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.
Xerographic toner based system	Xerographic toner based systems use a photoconductor imaging system and dry or liquid toner instead of inks to produce the image

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