

Corporate Governance Chapter

Annual Report 2006

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

The main policy-making entities of the Company are the Board of Directors, the Executive Committee and the Chief Executive Officer. The Board of Directors is assisted by a Nomination and Remuneration Committee and an Audit Committee.

Board of Directors

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

In the course of 2006, the Board of Directors discussed and decided upon, inter alia: defining the corporate strategy and key policies; the development of new businesses and discontinuation of existing businesses; the establishment or closure of subsidiaries; the approval of budgets, the funding, investments and divestments; the nomination, remuneration and monitoring of executives; the supervision and control of the implementation of decisions; the approval of the financial statements; the proposal to the shareholders of the allocation and distribution of the result.

The Board's deliberations and decisions are valid if a majority of its members is present or represented. If this condition is not met, a valid decision can be taken at a new meeting with the same agenda if at least two directors are present or represented.

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

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

Directors likely to have conflicting interests with regard to any item on the agenda must disclose the conflict before any deliberation and abstain from deliberating and voting on that item. More particularly, the directors must not put themselves in conflict situations as described in the Code of Conduct of the Company. Should such an event occur against their will, they must disclose it before any deliberation relating to the conflicting item and must abstain from deliberating and voting on that item. In 2006 no situations occurred whereby a director had directly or indirectly conflicting interests with a decision made by the Board of Directors, with the exception of the decision of the Board of Directors dated June 21, 2006 to grant stock options to the members of the Executive Committee and senior management under the "Long Term Incentive Plan 2006". On this occasion Mr. Marc Olivie (Chairman of the Executive Committee as permanent representative of MRO Management BVBA) as beneficiary of 58,700 options, had a conflict of interest of a patrimonial nature as set out in Article 523 of the Belgian Code of Companies. Mr. Olivie abstained from the deliberation and vote concerning this item. In this respect reference is made to the minutes of the Board of Directors: *"The Board unanimously decides, with the exception of Mr. Olivie who abstained from the deliberation and vote, to approve the issue of stock options under the stock option plan of the Company in accordance with the terms and conditions as set out at this meeting and as contained in the document attached to these minutes entitled 'Long Term Incentive Plan 2006'; the Board further decides to authorise the Executive Committee to sign all documents and in general take all useful measures in this respect"*.

In 2006 one situation of internal conflict of interest occurred, on the occasion of which the parent company was to decide as set out in Article 524 of the Belgian Code of Companies – and after having heard the advice of a committee of independent directors – on a planned transaction between two of its subsidiaries. This was the transfer of the graphic activities of Agfa Europe NV to Agfa Graphics NV as part of the plan to increase the independence of the business groups. At the end of this chapter (p.20 and following) are the advice of the committee of independent directors, an excerpt from the minutes of the Board of Directors and the opinion of the auditor regarding the advice.

The bylaws provide that the Board of Directors assembles whenever the interests of the Company require it or when two directors make request it. In 2006, eight meetings were held, including one telephone conference. All directors were present or represented at those meetings except for

Mr. Haymon, who declared in March 2006 that he did not seek re-election as a director. He was excused at the Board meetings of January 18, 2006, March 27, 2006 and April 25, 2006.

Composition of the Board of Directors

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

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

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

Ludo Verhoeven	Chairman, Director of companies
John Buttrick*	Director of companies
Ferdinand Chaffart	Director of companies
Jo Cornu	Director of companies
Julien De Wilde*	Director of companies
Christian Leysen	Chief Executive Officer, AXE-Group
Marc Olivie	Chief Executive Officer, Agfa-Gevaert NV
André Oosterlinck*	Chairman Association K.U. Leuven
Karel Van Miert*	Director of companies

(*) independent director

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

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

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

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

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

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

Ludo Verhoeven (°1944) studied chemical engineering at the Catholic University of Louvain (Belgium) where he also obtained his doctorate in Applied Sciences. He undertook further study in management at the University of Antwerp (Belgium) and at the Insead institute in Fontainebleau (France).

He joined Agfa-Gevaert in Mortsel in 1973 and began his career in the Technology R&D department. From 1980 he worked in various areas in Mortsel (Belgium), the United States (from 1985 to 1988) and Leverkusen (Germany) (from 1993 to 1996). At the end of 1996 he returned to Belgium having been appointed a member of the Executive Committee of the Agfa-Gevaert Group on July 1.

On April 26, 1999, he became a member of the Board of Directors and Vice-Chairman of the Executive Committee of Agfa-Gevaert which was listed on the stock exchange on June 1 of the same year. From June 20, 2001 to April 26, 2005, Ludo Verhoeven was CEO and Chairman of the Executive Committee.

Since April 2005 he has been Chairman of the Board of Directors of the Agfa-Gevaert Group.

Office address: Agfa-Gevaert NV, Septestraat 27, B - 2640 Mortsel (Belgium)

Current mandates

Director VOKA Vlaams Economisch Verbond VZW, UZ Leuven, Vanbreda International NV, Vanbreda Risk & Benefits NV, Universiteit Antwerpen Management School and Ons Erfdeel.

Previous mandates

Chairman VOKA Vlaams Economisch Verbond VZW, ADM CVBA.

Director INDAVER NV, AGIF NV, Uitgeversbedrijf Tijd NV, Member Executive Committee VBO

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

Current mandates

Managing Director Plastic Energy Americas LLC and Plastic Energy California LLC.

Shareholder Plastic Energy Americas LLC and Plastic Energy California LLC.

Previous mandates

Director Encoda Systems and HO Systems.

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

Current mandates

Chairman Finances et Industries NV.

Vice-Chairman Corelio NV.

Director Chaffart NV, Corelio NV, Icos Vision Systems NV, Icos Vision Systems Corporation NV, Spadel NV, Fonds voor Wetenschappelijk Onderzoek and Heilig Hartkliniek Tienen.

Previous mandates

Chairman Compagnie d'Entreprises CFE NV.

Director Gebema NV, Gevaert NV, Hottlet Sugar Trading NV, Tiense Suikerraffinaderij NV, Antwerps Innovatiecentrum NV, Finspa NV, Sabena NV and Xeikon NV.

Jo Cornu (°1944) graduated as an engineer specializing in electrotechnology and mechanics from the Catholic University of Louvain (Belgium) and later obtained a PhD in electronics from the Carlton University in Ottawa (Canada). Jo Cornu was CEO of Mietec from 1982 to 1984 and later General Manager for Bell Telephone until 1987. From 1988 to 1995 he was member of the Executive Committee of Alcatel NV and from 1995 to 1999 he was COO for Alcatel Telecom. Later he became a counselor for the Board of Directors of Alcatel. Since 2005 Jo Cornu has been Chairman of the ISTAG Group (Information Society Technologies Advisory Group) of the European Commission.

Current mandates

Chairman Alcatel Bell NV.

Director KBC Group NV, Alcatel-Lucent (France), Alcatel CIT (France), Barco NV, Arinso International NV, Essentium NV.

Member of the Supervisory Board of Alcatel SEL (Germany).

Business manager BVBA Mercodi.

Previous mandates

Chairman Uitgeversbedrijf De Tijd NV.

Director Alcatel S.A. (France) and Xeikon NV.

Director of a number of subsidiaries of Uitgeversbedrijf De Tijd NV.

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

Current mandates

Chairman Board of Directors Metris Group.

Director Bekaert NV, CTO Group, KBC Bank NV, Vanbreda International NV and Telenet NV.

Member of the Executive Committee for Leuven LRD.

Honorary Chairman Agoria.

Christian Leysen (°1954) obtained the degrees of commercial engineer and master in law at the Vrije Universiteit Brussel.

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

Current mandates

Chairman Ahlers NV, Xylos NV, Axe Investments NV and University of Antwerp Management School.

General manager Anacom BVBA

Director KBC Group NV, De Post NV, Tradicor NV, Synvest NV, ADM CVBA and Designcenter De Winkelhaak NV.

Shareholder KBC Group NV, Anacom BVBA and subsidiaries Ahlers NV, Axe Investments and Xylos NV.

Previous mandates

Chairman Antwerpse Waterwerken.

Director Gebema NV, Gevaert NV, Telindus Group NV, Mabeco NV, Besalec NV and Ortelius NV.

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

Products division and later as President and CEO of Armstrong Flooring. In 2001 he became President of American Standard Bath & Kitchen, a world leader in the global fixtures and fittings market. Marc Olivié joined Agfa-Gevaert in 2004.

Office address: Agfa-Gevaert NV, Septestraat 27, B - 2640 Mortsel (Belgium)

Current mandates

Director Mastercard Inc.

Director/Business manager MRO Consulting, LLC - MRO Management BVBA - MRO I, Inc - MRO II, Inc.

Shareholder MRO Consulting, LLC - MRO I, Inc - MRO II, Inc.

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

Office address: Associatie K.U. Leuven, Schapenstraat 34, B - 3000 Leuven (Belgium)

Current mandates

Chairman Essensium NV.

Director Icos Vision Systems NV, Icos Vision Systems Corporation NV, Easics NV, Eyetronics NV, Metris International Holding NV, Fidimec NV and Medicim NV.

Previous mandates

Chairman Intelligent System Modeling and Control NV and Eyetronics NV.

Director UGINE & ALZ Belgium NV, Hypertrust NV and Q-Medit (Business Integration Company NV).

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

European Commission, responsible for competition policy. From 2000 to 2003 Karel Van Miert was President of Nyenrode University (the Netherlands).

Current mandates

Director Solvay NV, De Persgroep NV, Carrefour Belgium NV, Sibelco NV, Anglo-American Plc. Member of the Supervisory Board of Vivendi S.A., Royal Philips N.V., RWE AG and Münchener Rück AG.

Previous mandates

President Nyenrode University.

Member of the Supervisory Board of Fraport AG, Wolters Kluwer and DVH Amersfoort.

Werner Vanderhaeghe (°1951) has a law degree from Ghent University (Belgium) and a masters degree in law from the University of Texas at Austin school of Law and he studied management at INSEAD.

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

Statements regarding directors

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

- none of the directors or members of the Executive Committee has been the subject of any convictions in relation to fraudulent offences for at least the previous five years; any official public incrimination and/or sanctions by statutory or regulatory authorities; and in their capacity of director or member of the Executive Committee, none have been involved in any bankruptcy in the past five years, with the exception of Messrs. Chaffart and Cornu who were directors of Xeikon NV at the time of bankruptcy;
- at present no employment agreements have been entered into with the directors which provide for compensation upon termination of their employment, save as disclosed here above with respect to Mr. Olivié (permanent representative of MRO Management BVBA) under 'Most

important recruitment and termination conditions pertaining to directors and members of the Executive Committee' (p. 15);

- Messrs. De Wilde, Leysen, Oosterlinck and Van Miert do not own any shares in the Company. The following directors do own shares in the Company: Mr. Buttrick: 2,500 shares; Mr. Chaffart: 19,100 shares; Mr. Cornu: 8,000 shares; MRO Management BVBA (of which Mr. Olivié is the permanent representative): 10,000 shares; Mr. Verhoeven: 7,500 shares;
- at present no Agfa-Gevaert NV stock options have been granted to non-executive directors, except for the 161,000 options granted in the past to Mr. Verhoeven as former CEO of the Company and previous to that as member of the Executive Committee.

Committees established by the Board of Directors

Audit committee

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

The Audit Committee includes three non-executive directors of which the majority is independent (see 'Composition of the Board of Directors' p. 3), i.e. Messrs. Chaffart, Chairman, Buttrick and Oosterlinck. The Committee held six meetings in 2006 and all members of the Committee were present at the meetings, except for Mr. Buttrick who was excused at the meeting of March 7, 2006. Amongst other items the following topics were discussed in 2006: the verification of the annual accounts 2005 and the quarterly results of 2006; the follow-up of important legal subjects such as the AgfaPhoto file; the long term share incentive program; the follow-up of the Agfa Transformation Program; the evaluation of the Enterprise Risk Management (ERM) project; the follow-up of the five-year plan, the observation of the code of conduct and of the conclusions of the internal audit department.

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee includes three non-executive directors, which are Messrs. Cornu, Chairman, Van Miert and Verhoeven, and had 5 meetings in 2006. Mr. Van Miert is an independent director, and Mr. Cornu, Chairman, also complied with all criteria of independence at the time of his nomination (see 'Composition of the Board of Directors' p. 3). All members of the Committee were present at the 5 meetings and the following items were, amongst others, discussed in the course of 2006: the organization, the functioning and the remuneration of the Executive Committee and executive management; the long term share incentive program; and the policy concerning People and Performance Development.

Executive Committee

The executive management is entrusted to the Executive Committee, of which the CEO is the chairman. The Executive Committee is responsible for the implementation of the Company's policy and strategy laid down by the Board of Directors. Consequently, it has the most extensive powers regarding the day-to-day management as well as a number of specific special powers. These powers are described extensively in the Corporate Governance Charter.

In order to allow the Board of Directors to exercise its control, the Executive Committee regularly reports about its activities and about the development of the subsidiaries and associated companies.

The Executive Committee meets in principle once every two weeks and more frequently when necessary.

Composition of the Executive Committee

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

Mr. Marc Olivié Chief Executive Officer and Chairman, as permanent representative of MRO Management BVBA

Anne Vleminckx Chief Financial Officer

Albert Follens Chief Operating Officer and President Agfa Materials

Philippe Houssiau President Agfa HealthCare

Stefaan Vanhooren President Agfa Graphics

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

CV's of the members of the Executive Committee

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

Anne Vleminckx (°1954) holds a masters degree in economics from the Catholic University of Louvain (Belgium). She is Chief Financial Officer of Agfa-Gevaert and has been a member of the company's Executive Committee since early 2005.

Anne Vleminckx had several assignments at Generale Bank before being appointed Corporate Communication and Investor Relations Manager in 1990. From 1996 to early 1999, she was Vice Chairwoman of the Management Committee of the Brussels Stock Exchange and later Chief Financial Officer of the Catholic University of Louvain. She joined Agfa in 2001 to act as Investor Relations Manager and Secretary-General to the Executive Committee. In 2002 she also became responsible for Corporate Communication.

Albert Follens (°1947) studied electromechanical engineering at Ghent University (Belgium) and business administration at the University of Antwerp (Belgium). Albert Follens joined the company's Executive Committee in 2001. He is Chief Operating Officer of the Group and President of the business group Agfa Materials.

Albert Follens started his professional career with Philips in 1969 and joined Agfa-Gevaert in 1970. He held several positions in technological research into process automation and coating, headed the Instrumentation Department and became Head of Logistics in 1990. In 1997 Albert Follens was appointed Director of Production and Engineering and Manager of Agfa's site in Mortsel (Belgium). In 1999 he became responsible for Agfa's worldwide Production and Engineering.

Philippe Houssiau (°1962) has chemical engineering and bachelor of science degrees from the University of Brussels (Belgium) and obtained an mba degree at the University of Ghent (Belgium). At Stanford University he followed the Executive Program in Strategic Marketing. He has been President of the Agfa HealthCare business group since 2003 and is a member of the company's Executive Committee since early 2005.

Philippe Houssiau held management positions at Baxter and Raychem. From 1997 to 2002, Philippe was the global leader of a large professional services division within PriceWaterhouseCoopers. He joined Agfa at the end of 2002 as Head of Sales and Services for the healthcare business.

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

Remuneration

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

Board of Directors

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

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

¹ Excluding Mr. Buttrick's travel allowance (USA-Belgium) of 3,000 Euro per meeting in Belgium.

² Director as from April 25, 2006

³ Director until April 25, 2006

⁴ The total gross remuneration for directorship, membership of the Committees and attendance fees of the directors as accounted for in the financial statements of 2006 amounted to 726,074 Euro, of which 52,166 Euro for the executive director. The differences can be attributed to a) a change in the remuneration methodology since the General Meeting of Shareholders of 2006 and b) differences between the provisioned and the actually disbursed variable remuneration for 2005.

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

Executive Committee

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

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

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

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

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

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

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

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

Members of the Executive Committee are appointed for an indefinite¹ term and may be removed from their function at any time, without prejudice to the contractual arrangements of the individuals concerned.

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

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

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

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

Policy regarding the appropriation of the result

The Board of Directors' proposals to the Annual General Meeting with regard to the allocation and distribution of the result take into consideration several factors such as the Company's financial situation, the operating results, the current and expected cash flows and the plans for expansion.

In general, the Company aims to pay out between 35 and 40% of its net result in the form of dividends.

Policy regarding the dealing in shares of the Company - insider trading

Consistent with its principles and values, Agfa-Gevaert formulated a Code of Dealing immediately after the IPO in 1999. The Code contains rules with which directors and members of senior management had to comply in case they wished to deal in financial instruments of the Company. The Code forbids these persons, inter alia, to deal during well-defined periods preceding the announcement of its financial results and the announcement of other price sensitive information.

Taking into account the Law of August 2, 2002 and the Royal Decree of March 5, 2006 concerning market abuse, Agfa-Gevaert has changed this Code to make it compliant with the current legal stipulations on this subject. Inter alia the following regulations were included in the Code:

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

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

Main shareholders

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

- Nordea Investment Funds S.A. with 4.08% of the outstanding shares as from March 13, 2006,
- Blackrock Investment Management (UK) Ltd. with 3.10% of the outstanding shares as from October 2, 2006,
- Pioneer Investment Management Ltd. with 3.00% of the outstanding shares as from November 8, 2006,
- Sparinvest Fondsmæglersekskab A/S with 3.39% of the outstanding shares as from November 15, 2006.

Furthermore, Agfa-Gevaert NV had 3.15% of its own stock as treasury stock at the end of 2006.

Auditor

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

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

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

General information about the Company

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

The full and commented financial data and statements as from 2003 are available through the website of the Company, www.agfa.com, or at the Company itself.

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

Availability of information

The Company's **bylaws** are available at the clerk's office of the commercial court of Antwerp and at the registered office of the company. They can also be found at the website of the Company, www.agfa.com.

The **Corporate Governance Charter and the Code of Dealing** can be found on the website, www.agfa.com.

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

The **annual reports**, containing the individual and consolidated annual accounts, the annual report and the report of the statutory auditor with respect to the financial years 2003, 2004, 2005 and 2006, can be consulted at the website (www.agfa.com) and can be found at the registered office.

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

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

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

The annual report is available in printed form in Dutch and English, and is furthermore published on the website of the company, www.agfa.com, in French.

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

Annexes to the Corporate Governance Chapter

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

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

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

1. Background and nature of the transaction

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

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

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

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

2. Procedure of Article 524 Belgian Companies Code

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

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

Such committee should describe the nature of the decision or transaction and evaluate the economic benefits or disadvantages for the company and its shareholders. The committee shall estimate the financial consequences and demonstrate whether the decision or transaction is, or is not, detrimental to the company and whether this decision or transaction is manifestly

illegitimate in light of the company policy. If the committee does not find the decision or transaction to be manifestly illegitimate, but is of the opinion that it is nevertheless detrimental to the company, the committee will clarify which benefits of the decision or transaction are accounted for to compensate for these disadvantages.

3. Evaluation and recommendation

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

Clear legal separation of the 2 core activities

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

Greater strategic freedom and power for the implementation of their projects

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

Social independence and identification

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

Better management of price calculation

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

Improvement opportunities for company processes

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

Higher vigilance reacting to changed market circumstances

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

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

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

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

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

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

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

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

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

3.2.2. Description of the evaluation rules used

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

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

Strategic function

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

Sales and Marketing functions

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

Research and development

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

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

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

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

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

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

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

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

Mortsel, November 14, 2006

Karel Van Miert
Director

André Oosterlinck
Director

Julien De Wilde
Director

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

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

Mortsel, November 14, 2006

Werner Vanderhaeghe
Secretary

Ludo Verhoeven
Chairman

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

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

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

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

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

Antwerp, November 17, 2006

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren
Represented by E. Helsen