

AGFA-GEVAERT

Limited Liability Company
27 SEPTESTAAT
2640 MORTSEL

Company No. 0404.021.727

**REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF
SHAREHOLDERS IN COMPLIANCE WITH ARTICLE 604, SECOND PARAGRAPH
OF THE COMPANIES CODE**

In compliance with the second paragraph of Article 604 of the Companies Code (W. Venn.), we have the honour to report to you concerning the granting of authority to the Board of Directors to increase the company's capital and, in particular, about the special circumstances in which the Board of Directors can make use of the authorized capital, and which objectives can be pursued.

DESCRIPTION OF THE PROPOSED DECISION

The proposition is to grant the Board of Directors the authority to increase the registered capital, in one or more times, up to the level of one hundred and forty million Euros (140,000,000 Euros).

The general meeting of shareholders is requested to grant this authority for a period which (i) commences on the date of publication in the Annexes to the Belgian State Gazette ('Belgisch Staatsblad') of the decision of the Extraordinary General meeting and (ii) expires five years after the date of publication in the Annexes to the Belgian State Gazette ('Belgisch Staatsblad') of the decision of that Extraordinary General Meeting.

The increase of capital, decided upon pursuant to such authority, will occur in accordance with the terms and conditions to be determined by the Board of Directors, such as, inter alia, by means of a contribution in cash or in kind within the limits laid down by the Companies Code or by the conversion of reserves and share premiums, with or without issuing new shares with or without voting rights or by issuing convertible bonds whether subordinated or not, or by the issue of warrants or bonds to which warrants or other movable securities are linked.

In the company's interests, the Board of Directors may, within the limits of and in compliance with the conditions laid down by the Companies Code, limit or withdraw the pre-emptive right of shareholders, when a capital increase takes place within the limits of the authorized capital in accordance with this article. This limitation or withdrawal may also be carried out in favour of one or more specific persons.

After each capital increase effected within the limits of the authorized capital, the Board of Directors with the possibility of substitution, is authorized to adapt the Articles of Association in accordance with the new capital and share situation.

JUSTIFICATION OF THE PROPOSED DECISION

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

The Board of Directors and the management team are now clearly focused on the execution of the five-year plans and on the challenges associated with these plans.

One of the main challenges is to return to top line growth. In nearly all of our businesses, we have a strong market position, in most cases with a leadership position in Europe and a top three position worldwide. However, a number of our 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, we have to look for new opportunities to exploit our strong market presence.

In our two main fields of activity - Agfa Graphics and Agfa HealthCare - we also expect further changes in the competitive environment.

The economic crisis has destabilized a number of players in the graphic market. This will certainly lead to further consolidation. Our acquisition of most of the assets of Gandi Innovations has demonstrated that we are ready to take advantage of such opportunities.

Agfa HealthCare has a strong presence in a large part of the hospitals in the world and we have to feed this channel with new products, consumables, machines and IT systems. Through the acquisition of Insight Agents, we have added an important consumable, contrast media, to our portfolio. More opportunities will certainly appear in the future.

In many of our businesses we also see 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 we see the same trend for Agfa HealthCare. The recent announcement of the creation of the Agfa Graphics Asia joint venture in China is just one step in our efforts to further reinforce our presence in these areas of the world.

In 2009, the acquisition investments have been small or medium size. We were able to finance them using our existing financial resources. In the future, new opportunities may appear which require more important sources of financing.

At present, our two main sources of financing are the revolving credit with a consortium of banks which terminates in 2012 and the 200 million Euro bond which matures in 2015.

As far as the first one is concerned, we are working on a greater diversification of our sources of financing in preparation for the renewal of this revolving credit.

In view of the opportunities which are likely to present themselves and in order to realize a wider diversification of sources of financing, we are asking our shareholders to give the Board of Directors more flexibility for increasing the share capital. This could take the form of a financial instrument, such as a convertible bond. It could also be important for external growth opportunities.

In general, the authorized capital will offer the Board of Directors the possibility, in the interest of the company, to exploit opportunities or to immediately face challenges in order to give a permanent boost to the further developments of the company and its subsidiaries.

Therefore we are asking the Extraordinary Meeting of Shareholders to approve a modification to the Articles of Association to provide for this flexibility.

We strongly feel that such a modification is in the interest of the company and of its shareholders. Therefore we are asking for their support and approval. We therefore cordially invite the shareholders to attend the shareholders' meeting, either in person or by proxy as described in the convening and on the company's website www.agfa.com.

Jo Cornu
CEO

Julien De Wilde
Chairman