Agfa-Gevaert announces second quarter results

Net result 22 million euro or 17 eurocent per share

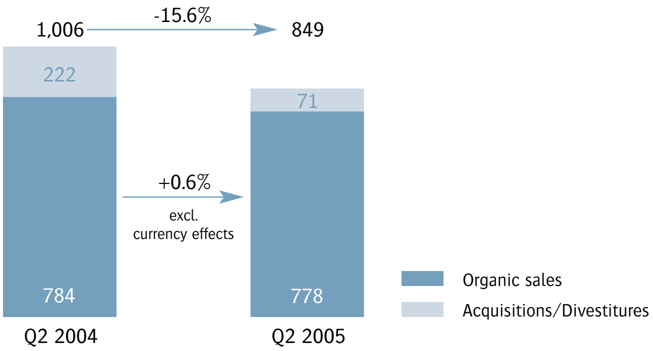
Profitability affected by high raw material costs and price erosion

Graphic Systems posts solid volume growth and less price erosion

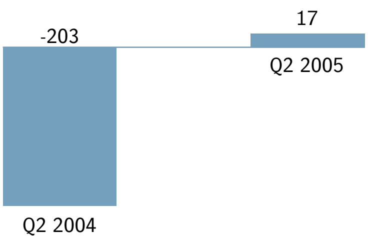
HealthCare's results affected by weak trading environment and price erosion

40 million euro additional cost reductions in second half of 2005

Group Sales (million euro)



Earnings per share (eurocent)



Agfa's second quarter sales and profit improved compared to the first three months of 2005, although some major markets remained challenging. Graphic Systems reported strong volume growth, while HealthCare's trading environment remained weaker than expected, especially in the US. Results were below expectations, primarily due to price erosion and to continuing high raw material costs. The company has initiated further cost reductions, which will yield savings of 40 million euro by the end of the year.

Second quarter results

As a result of portfolio changes, particularly the divestiture of Consumer Imaging, comparisons with 2004 are more relevant for the business groups, Graphic Systems and HealthCare, than for the Agfa-Gevaert Group as a whole.

In the second quarter of 2005 Agfa reported sales of 849 million euro, a decrease of 15.6 percent compared to the 2004 second quarter sales of 1,006 million euro. Excluding the effects of currency fluctuations and of acquisitions and dives-titures, sales increased by 0.6 percent. Sales in both business groups continued to be affected by decreasing prices, although Graphic Systems began to see the benefits from specific actions to counter price erosion.

Gross profit decreased from 414 million euro in the second quarter of 2004 to 316 million euro. The gross profit margin was 37.2 percent, compared to 41.2 percent, affected by increased raw material costs and higher than expected price erosion, especially in HealthCare.

Sales and general administration costs amounted to 211 million euro, or 24.9 percent of sales, compared to 256 million euro or 25.5 percent of sales in the second quarter of 2004. Agfa is increasing its efforts to lower these costs to 22 percent of sales. R&D expenses were 48 million euro and accounted for 5.7 percent of sales, compared to 4.9 percent in the second quarter of 2004.

Other operating income and expenses resulted in a net expense of 9 million euro in the second quarter of 2005. In the same period of 2004 Agfa reported a net expense of 475 million euro including a 430 million euro loss on the divestiture of Consumer Imaging.

The operating result of the second quarter of 2005 amounted to 48 million euro. The Group's return on sales was 5.7 percent, compared to 6.4 percent in the second quarter of 2004.

The non-operating result, which includes the financial charges, amounted to minus 14 million euro compared to minus 11 million euro in the second quarter of 2004.

Profit before taxes amounted to 34 million euro, compared to minus 377 million euro in the second quarter of 2004. The net result reached 22 million euro or 17 eurocent per share, compared to minus 255 million euro and minus 203 eurocent per share in the same period of 2004.

Cash Flow

The gross operating cash flow of the second quarter amounted to 68 million euro. The net operating cash flow, which also takes account of the seasonal build up of working capital, was 18 million euro.

Balance Sheet

At the end of June 2005, total assets amounted to 4,051 million euro, compared to 3,356 million euro at the end of 2004. The increase is primarily due to the consolidation of GWI and Heartlab which Agfa acquired during the first half of 2005.

Inventories stood at 654 million euro and days of inventories decreased from 124 in June 2004 to 118 in June 2005. Trade receivables stood at 866 million euro or 92 days and trade payables at 421 million euro or 76 days.

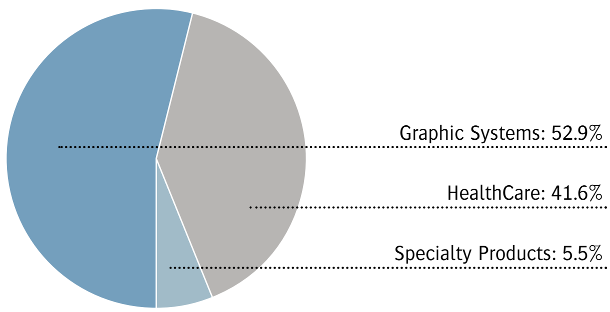
Net financial debt increased from 193 million euro at the end of December 2004 to 808 million euro at the end of the first half of 2005, mainly due the payment of 361 million euro for the acquisitions of GWI, Heartlab and Med2Rad; the seasonal trend in working capital; the payment of the yearly dividend (76 million euro); and the phase out of the securitization of receivables (61 million euro).

Business Groups

Agfa is now fully focused on its two core business groups, Graphic Systems and HealthCare, each with a leading market position and a well-defined growth strategy. Both business groups are leveraging their strong positions in their respective markets to expand into new businesses: industrial inkjet and healthcare IT.

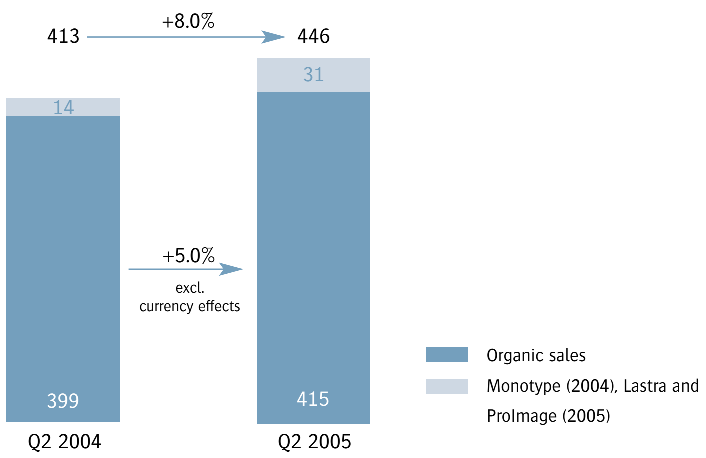
Graphic Systems' sales increased by 8.0 percent and amounted to 446 million euro, compared to 413 million euro in the second quarter of 2004. Excluding currency effects and acquisitions and divestitures, the business group's sales increased by 5.0 percent due to substantial volume growth and less price erosion.

Share of Group Sales by Business Segment

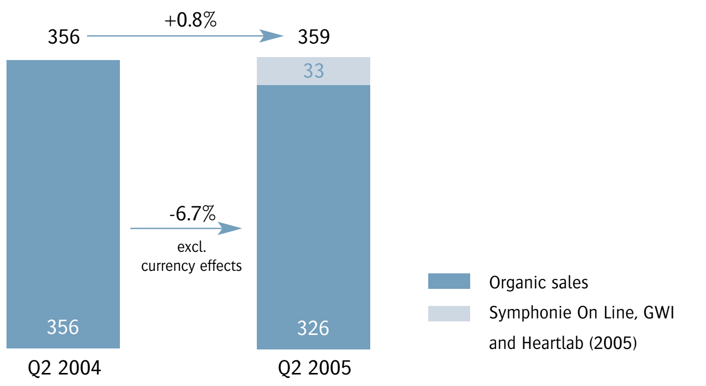


Sales by Business Group (million euro)

Graphic Systems



HealthCare



Graphic Systems' EBITDA before restructuring and non-recurring items decreased 18.0 percent from 45.1 million euro in the second quarter of 2004 to 37.0 million euro in the second quarter of 2005. This represents a return on sales of 8.3 percent compared to 10.9 percent in the second quarter of 2004.

The operating result amounted to 13.2 million euro compared to 19.8 million euro in the second quarter of 2004 and the return on sales was 3.0 percent compared to 4.8 percent.

Profitability was affected by higher raw material costs and price erosion, which were partially offset by a decrease in sales & general administration costs (SG&A). Graphic Systems continues to drive savings initiatives, which will result in additional decreases in operating expenses in the second half of 2005.

Agfa took important steps in the implementation of its strategy to become a leader in the industrial inkjet printing market, by introducing a series of industrial inkjet printing systems, using its in-house imaging, ink and printing expertise and building on joint development and manufacturing partnerships.

The *M-Press*, co-developed with Thieme, is the first hybrid UV inkjet press that is both fully automated and high-speed, combining the versatility of digital printing and the productivity of screen printing for applications such as banners, displays or decoration. Agfa also introduced the *:Anapurna 100*, a wide-format printer for high-quality, high-volume industrial inkjet operations on both flexible and rigid media, such as posters, billboards and signage. The *:Grand Sherpa Universal AM*, a large-format inkjet printer that prints signs and billboards using Agfa's new mild solvent inks, was also added to the inkjet printing portfolio.

In prepress systems, Agfa's chemistry-free printing plate system *:Azura*, introduced at the end of 2004, was adopted by an increasing number of commercial printers, particularly in the US and the UK, and the first system was installed in China. Agfa also improved its competitive position, signing a series of important new contracts for violet laser computer-to-plate systems with large newspaper publishers throughout the world.

HealthCare's sales remained almost stable compared to the second quarter of 2004, amounting to 359 million euro (2004: 356 million euro). Excluding currency effects and recent acquisitions, sales decreased by 6.7 percent. The main reasons for the decrease are the weaker than expected trading environment in the US and increased price erosion.

HealthCare's EBITDA before restructuring and non-recurring items was 54.7 million euro, compared to 75.7 million euro in the second quarter of 2004, a decrease of 27.7 percent. This represents a return on sales of 15.2 percent compared to 21.3 percent in the second quarter of 2004.

The operating result amounted to 34.0 million euro, compared to 53.7 million euro in the second quarter of 2004 and the return on sales was 9.5 percent compared to 15.1 percent. HealthCare's profitability was affected by lower than expected sales volumes (particularly in the US), price erosion and high raw material prices and also by the more pronounced seasonality of the recently acquired businesses.

Agfa is focusing on countering price erosion and on lowering operating costs for film and print. The Business Group is restructuring its North American operations, adjusting the size and competencies of the organization.

During the second quarter, the acquisition of Heartlab, a leading designer and supplier of image and information networks for cardiology, was concluded for an amount of 106.6 million euro. Also in the second quarter, Agfa acquired the remaining shares of Med2Rad, the leading developer and supplier of Radiology Information Systems in Italy.

In enterprise-wide IT, Agfa reinforced its leading position by winning 25 hospitals in the German-speaking region for the *ORBIS/IMPAX* hospital-wide healthcare IT suite. Agfa is currently developing its new, international *ORBIS/IMPAX* platform for launch in France, Benelux and Italy during the second half of 2005.

During the quarter Agfa signed several contracts with healthcare organizations for its PACS (Picture Archiving and Communications System) and Clinical Information Systems in the US, Canada, Finland, Italy, Spain, Australia and the Middle East. The United States Air Force's Air Mobility Command granted Agfa the Top Security Clearance for its *IMPAX PACS version 4.5*.

Agfa will also launch world wide a new *PACS* platform and a new generation Computed Radiography as well as an expanded cardiovascular imaging and information systems portfolio in Europe in the second half of the year.

Agfa will play a major role in the Chinese mammography project *One Million Women*, equipping a majority of the 160 screening centers with its digital imaging solutions.

Specialty Products mainly comprises motion picture film, microfilm and film for non-destructive testing. Specialty Products' sales of the second quarter of 2005 amounted to 44 million euro and its operating result was 1.3 million euro.

Half Year Results

Due to the divestitures of Consumer Imaging and the Monotype Corporation in November 2004, Agfa's sales decreased 14.7 percent in the first half of 2005 compared to the same period of 2004, amounting to 1,598 million euro. Excluding divestitures and acquisitions and exchange rate effects, the decrease was 1.0 percent.

Graphic Systems' sales increased 5.9 percent and amounted to 846 million euro. This positive trend was mainly driven by strong volume growth in digital printing plates and by efforts to reduce price erosion.

HealthCare's sales increased 2.5 percent to 664 million euro, as a result of the recent acquisitions. Excluding the effects of these portfolio changes and of the strengthening of the Euro, sales decreased by 6.0 percent due to high price pressure and the weaker than expected trading environment, mainly in the US.

The Group's gross profit decreased 23.3 percent from 782 million euro in the first half of 2004, to 600 million euro. The gross profit margin was 37.5 percent, compared to 41.7 percent in 2004. It was mainly affected by increased raw material costs and higher than expected price erosion.

Sales and general administration costs (SG&A) amounted to 408 million euro, or 25.5 percent of sales compared to 498 million euro or 26.6 percent of sales in the first half of 2004. R&D expenses decreased by 5 percent. They now account for 5.9 percent of sales, compared to 5.3 percent in the first half of 2004.

Other operating income and expenses resulted in a net expense of 7 million euro in the first half of 2005.
Agfa thus posted an operating result of 90 million euro or 5.6 percent of sales.

Graphic Systems' operating result decreased from 40.7 million euro to 29.3 million euro. The return on sales amounted to 3.5 percent, compared to 5.1 percent in the first half of 2004.

HealthCare's operating result amounted to 60.2 million euro, compared to 90.1 million euro in the first half of 2004. Return on sales was 9.1 percent compared to 13.9 percent in the same period of 2004.

The Group's non-operating result, which includes the financial charges, amounted to plus 6 million euro (minus 26 million euro in the first half of 2004). This is due to an exceptional non-operating income in the first quarter of 2005 related to the capital reduction of the Group's US subsidiary.

Profit before taxes amounted to 96 million euro, compared to minus 346 million euro in the first half of 2004. The net result was 51 million euro or 40 eurocent per share, compared to a net loss of 235 million euro or minus 187 eurocent per share in the same period of 2004.

Outlook

2005 is a transition year for both Graphic Systems and HealthCare. The Group is focusing on diminishing price erosion, reducing costs and integrating the acquisitions. The first effects of industrial inkjet printing, the new growth platform for Graphic Systems, will be visible in 2006. HealthCare's recent acquisitions are already yielding their first synergies and will contribute to operating profit as of 2006.

Consistent with the trend of the past years, Agfa expects stronger sales in the next six months and a particularly strong last quarter in HealthCare. 2005 sales are thus expected to grow year over year in both business groups but second half profits will not offset the shortfall of the first half of 2005.

Marc Olivié, Agfa's President and CEO, stated: "The transition from analog to digital is not a smooth process. But we are confident that Graphic Systems and HealthCare have the strategies to successfully address this challenge and to deliver solid growth and profits. We have also decided to pull forward to the beginning of 2006 the program to make the business groups operationally independent. This will give them the necessary independence to focus fully on their customers, to run the business in a more cost effective way and enable us to pursue all options for growth."

Consolidated quarterly key figures[1] (million euro)

	Q2 2005	Q1 2004	%	% prev. year[2]
Net sales	**849**	**1,006**	**-15.6**	**+0.6**
• Graphic Systems	446	413	+8.0	+5.0
• HealthCare	359	356	+0.8	-6.7
• Specialty Products	44	29	+51.7	+31.0
• Consumer Imaging	-	208	n.r.	n.r.
Gross profit	**316**	**414**	**-23.7**	
Operating expenses	**(268)**	**(780)**	**-65.6**	
o.w. restructuring/non-recurring expenses	(6)	(24)	-75.0	
o.w. loss on CI divestiture	-	(430)	n.r.	
Operating result	**48**	**(366)**	**+113.1**	
• Graphic Systems	13	20	-35.0	
• HealthCare	34	54	-37.0	
• Specialty Products	1	1	-	
• Consumer Imaging	-	(441)	n.r.	
Non-operating result [3]	**(14)**	**(11)**	**-27.3**	
Profit before taxes	**34**	**(377)**	**+109.0**	
Taxes	(12)	122	-109.8	
Net result (consolidated companies)	**22**	**(255)**	**+108.6**	
Minorities & associated companies	-	-	-	
Net result (share of the Group)	**22**	**(255)**	**+108.6**	
Gross operating cash flow	**68**	**96**	**-29.2**	
Net operating cash flow [4]	**18**	**50**	**-64.0**	

(1) non-audited, consolidated figures following IFRS/IAS valuation rules
(2) excl. currency effects and portfolio changes
(3) financial result
(4) a.o. the changes in working capital make the difference between gross and net operating cash flow

Balance Sheet (million euro)

	30/06/'05	31/12/'04	30/06/'04
Total assets	4,051	3,356	3,553
Inventories	654	576	842
Trade Receivables	866	744	859
Net Financial Debt	808	193	323
Shareholders Equity	1,092	1,082	1,035

(eurocent)	Earnings per share	Operating profit per share	Number [1] of shares	Outstanding shares per end of June
After 6 months in 2005	40	72	126,152,306	125,788,770
After 6 months in 2004	(187)	(254)	126,000,000	126,000,000

(1) weighted average number of shares

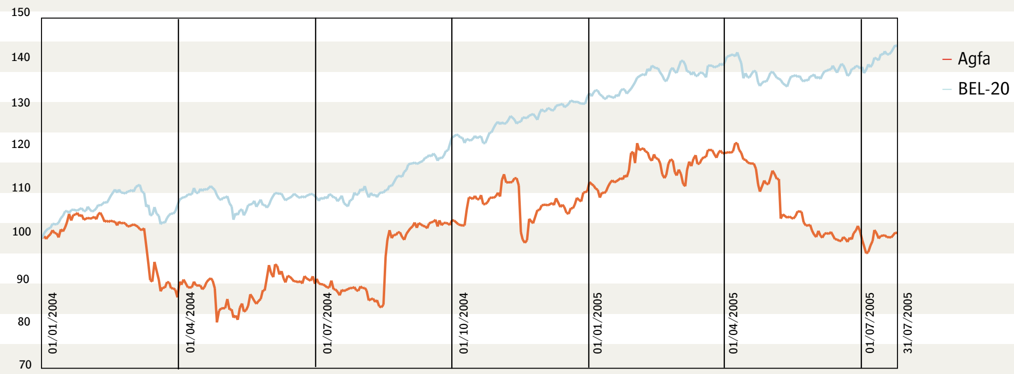
First half 2005

Consolidated half year key figures[1] (million euro)

	H1 2005	H1 2004	% prev. year	% prev. year [2]
Net sales	**1,598**	**1,874**	**-14.7**	**-1.0**
• Graphic Systems	846	799	+5.9	+1.7
• HealthCare	664	648	+2.5	-6.0
• Specialty Products	88	64	+37.5	+17.2
• Consumer Imaging	-	363	n.r.	n.r.
Gross profit	**600**	**782**	**-23.3**	
Operating expenses	**(510)**	**(1,102)**	**-53.7**	
o.w. restructuring/non-recurring expenses	(5)	(32)	-84.4	
o.w. loss on CI divestiture	-	(430)	n.r.	
Operating result	**90**	**(320)**	**+128.1**	
• Graphic Systems	29	41	-29.3	
• HealthCare	60	90	-33.3	
• Specialty Products	1	9	-88.9	
• Consumer Imaging	-	(460)	n.r.	
Non-operating result [3]	**6**	**(26)**	**+123.1**	
Profit before taxes	**96**	**(346)**	**+127.7**	
Taxes	(45)	111	-140.5	
Net result (consolidated companies)	**51**	**(235)**	**+121.7**	
Minorities & associated companies	-	-	-	
Net result (share of the Group)	**51**	**(235)**	**+121.7**	
Gross operating cash flow	**87**	**150**	**-42.0**	
Net operating cash flow [4]	**(73)**	**61**	**-219.7**	

(1) non-audited, consolidated figures following IFRS/IAS valuation rules
(2) excl. currency effects and portfolio changes
(3) financial result
(4) a.o. the changes in working capital make the difference between gross and net operating cash flow

Evolution Agfa share price against BEL-20



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Financial Calendar 2005 - 2006

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Full year results 2005	March 2006
Annual General Meeting	April 25, 2006

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