Agfa-Gevaert

ANNUAL REPORT 2008

AGFA Agfa

KEY FIGURES

MILLION EURO	2008	2007	2006	2005	2004 [1]
Net sales	**3,032**	**3,283**	**3,401**	**3,308**	**3,762**
Change vs. previous year	(7.6) %	(3.5) %	2.8 %	(12.1) %	(10.7) %
Graphics	1,522	1,617	1,712	1,733	1,673
Share of Group sales	50.2 %	49.3 %	50.3 %	52.4 %	44.5 %
HealthCare	1,223	1,392	1,452	1,405	1,361
Share of Group sales	40.3 %	42.4 %	42.7 %	42.5 %	36.2 %
Specialty Products	287	274	237	170	129
Share of Group sales	9.5 %	8.3 %	7.0 %	5.1 %	3.4 %
Consumer Imaging (divested in 2004)	-	-	-	-	599
Share of Group sales	-	-	-	-	15.9 %
Gross profit [2]	963	1,158	1,299	1,212	1,497
Recurring EBIT [2]	138	197	256	219	292
Restructuring/non recurring expenses	(158)	(72)	(191)	(87) [3]	(109)
Operating result	(20)	125	65	132	(129) [4]
Non-operating result	(86)	(63)	(64)	(25)	(56)
Income tax	(60)	(19)	15	(125) [5]	39
Net income of consolidated companies (before share of results of associated companies)	**(166)**	**43**	**16**	**(18)**	**(146)**
Net income of consolidated companies	**(166)**	**43**	**16**	**(18)**	**(146)**
of which attributable to minority interest	1	1	1	1	(1)
of which attributable to Agfa-Gevaert NV stockholders	(167)	42	15	(19)	(145)
Net result of the accounting period	**(167)**	**42**	**15**	**(19)**	**(145)**
Cash flow					
Gross operating cash flow	74	94	140	133	244
Net operating cash flow	81	108	107	82	303
Capital expenditures [6]	(63)	(100)	(105)	(106)	(112)
Balance sheet - Dec. 31					
Shareholders' equity	704	891	933	1,032	1,082
Net financial debt	673	721	704	679	193
Net working capital [7]	949	871	554	684	850
Total assets	3,160	3,559	3,832	3,982	3,356
Share information (Euro)					
Earnings per share (EPS), net result	(1.34)	0.34	0.12	(0.15)	(1.15)
Net operating cash flow per share	0.65	0.87	0.86	0.65	2.40
Gross dividend	0	0	0.50	0.50	0.60
Book value per share	5.64	7.14	7.48	8.27	8.58
Number of ordinary shares at year-end	124,788,430	124,788,430	124,785,530	124,780,270	126,054,680
Weighted average number of ordinary shares	124,788,430	124,788,263	124,781,170	125,603,444	126,008,540
Employees (at year end)					
Full time equivalent permanent	12,152	13,124	14,015	14,442	14,387

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

[2] Before restructuring/non recurring items and gains/losses on divestitures and excluding the one-off income of 25 million Euro related to changes in the retiree medical plan in the Group's US affiliate booked in the fourth quarter of 2005.

[3] Including a provision of 55 million Euro related to the liquidation of AgfaPhoto.

[4] Including a net capital loss of 312 million Euro on the divestiture of Consumer Imaging and Monotype.

[5] Including the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture.

[6] For intangible assets and property, plant and equipment.

[7] Current assets minus current liabilities.

COMPANY PROFILE

The Agfa-Gevaert Group develops, produces and distributes an extensive range of analog and digital imaging systems and IT solutions, mainly for the printing industry and the healthcare sector, as well as for specific industrial applications.

GLOBAL PRODUCTION AND SALES NETWORK

Agfa's headquarters and parent company are located in Mortsel, Belgium. The Group's operational activities are divided in three independent business groups, Agfa Graphics, Agfa HealthCare and Agfa Specialty Products. All business groups have strong market positions, well-defined strategies and full responsibilities, authority and accountability.

The company has production facilities around the world, with the largest production and research centers in Belgium, the United States, Canada, Germany, France, Italy and China.

Agfa is commercially active worldwide through more than 40 wholly owned sales organizations.
In countries where Agfa does not have its own sales organization, the market is served by a network of agents and representatives.

BUSINESSES

AGFA GRAPHICS

Agfa Graphics offers integrated *prepress* solutions to the printing industry. These solutions comprise consumables, hardware, software and services for production workflow, project and color management. Agfa Graphics is a worldwide leader with its *computer-to-film*, *computer-to-plate* and *digital proofing* systems for commercial and packaging printing and the newspaper publishing markets.

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

AGFA HEALTHCARE

Agfa HealthCare supplies hospitals and other healthcare centers with state-of-the-art systems for capturing, processing and managing diagnostic images. The business group has grown into a leader in the fast growing market for hospital-wide IT systems that integrate the workflows of the different departments of the healthcare enterprise. Thanks to these systems, healthcare facilities become more efficient and effective, and with improved patient care as a result. Agfa HealthCare's imaging- and IT-solutions comprise Clinical Information Systems (CIS) and Hospital Information Systems (HIS), *radiology information systems (RIS)*, *Picture Archiving and Communication Systems (PACS)*, as well as systems for reporting, cardiology, business planning, decision support, advanced clinical applications and data storage, systems for direct radiography and computed radiography, and classic x-ray film solutions.

AGFA SPECIALTY PRODUCTS

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

Agfa Specialty Products is also identifying new opportunities to enter new target markets within and outside the imaging industry with innovating products based on its existing knowledge, experience and production infrastructure. Agfa's synthetic paper and *membranes* for use in bioreactors and fuel cells are some fine examples of this strategy.

AGFA'S MOST IMPORTANT PRODUCTION AND R&D CENTERS

1 Mortsel, Belgium
2 Ghent, Belgium
3 Wiesbaden, Germany
4 Munich, Germany
5 Bonn, Germany
6 Leeds, United Kingdom
7 Pont-à-Marcq, France
8 Bordeaux, France
9 Manerbio, Italy
10 Macerata, Italy
11 Yokneam Elit, Israel
12 Wuxi, China
13 Banwol, South Korea
14 Bushy Park, SC, USA
15 Branchburg, NJ, USA
16 Westerly, RI, USA
17 Thousand Oaks, CA, USA
18 Waterloo, Canada
19 Suzano, Brazil
20 Varela, Argentina

MILESTONES

1867 Founding of the Aktiengesellschaft für Anilinfabrikation (Agfa), Berlin, specialized in color dyes
1894 Founding of L. Gevaert en Cie., Antwerp, specialized in photographic paper
1953 Agfa 100% owned by Bayer
1964 Merger of Agfa and Gevaert
1981 Agfa-Gevaert 100% owned by Bayer
1996 Acquisition of Hoechst's printing plate division (Germany)
1998 Acquisition of DuPont's graphic film and offset plate activities (USA)
1999 IPO – listed on stock market in Brussels and Frankfurt
2002 Bayer sells its remaining 30% stake in Agfa-Gevaert
2004 Acquisitions of Dotrix (Belgium), developer of digital color print systems for industrial applications and of *Symphonie On Line* (France), developer of hospital information systems Divestment of Consumer Imaging
2005 Acquisition of *GWI* (Germany), developer of hospital information systems, and Heartlab (USA), developer of digital image and information networks for cardiology

TABLE OF CONTENTS

Key Figures

Company Profile

AGFA IN 2008

2 Letter to the Shareholders

4 Management Report

10 Agfa Graphics

18 Agfa HealthCare

26 Agfa Specialty Products

30 Risk Factors

32 Corporate Governance

42 Corporate Sustainability

FINANCIAL STATEMENTS

47 Report of the Board of Directors

48 Independent Auditor's Report

50 Consolidated Statements of Income

51 Consolidated Balance Sheets

52 Consolidated Statements of Shareholders' equity

53 Consolidated Statements of Cash flow

54 Notes to the Consolidated Financial Statements

112 Statutory Accounts

116 Glossary

Consolidated Statements of Income 2004-2008

Consolidated Balance Sheets 2004-2008

Consolidated Statements of Cash flow 2004-2008

Shareholder Information

Words in *italic* are explained in the Glossary (p.116)

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

2008 will go down in history as the year of the great economic turnabout. The strong economic growth in the beginning of the year caused strong price increases for all raw materials, which had a very negative impact on our company's margins. In the third quarter, the economic slowdown became apparent around the globe and in the fourth quarter we ended up in a global economic recession. 2008 was also characterized by heavy exchange rate fluctuations. Early 2008, the US dollar declined to unprecedented levels and in the second half of the year, the currency rallied to levels higher than the 2007 levels. At the same time, a number of other currencies declined in the second half of the year as a result of the credit crisis and the economic recession.

It goes without saying that the economic crisis has an impact on the demand for our products. This is primarily the case for investment goods, but for Agfa Graphics and Agfa Specialty Products, the crisis also negatively affects the demand for consumables. These extremely hard conditions pose serious challenges for a lot of companies. Agfa-Gevaert is no exception. At this moment it is unpredictable how deep the crisis will go and how long it will last. The current situation demands a continuous adjustment of our cost structure.

As we have stated in our previous annual report, one of the major challenges in 2008 was the reduction of our Selling and General Administration costs. On a comparable basis, these costs were decreased by approximately 100 million Euro. In order to make Agfa-Gevaert one of the most competitive companies in its markets, we will continue these efforts in the next two years.

Reducing our debts is a second major challenge. We already made good progress in the last quarter of 2007. In 2008, we continued our efforts aimed at the reduction of the working capital. Towards the end of 2008, this resulted in a further debt reduction. However, the economic crisis delayed our plans for a sell-off of a number of assets. Therefore, we did not completely meet our targets.

At the same time, 2008 also was a year in which our business groups reported a number of major successes.

In 2008, Agfa Graphics has confirmed its position of undisputed world leader in prepress. Our range of digital computer-to-plate printing plates offers the best technology and quality in that market segment. The range is supported by a very strong patent portfolio. In 2008, we adapted our major global production plants for the production of computer-to-plate printing plates. This enables us to serve our customers through local production facilities. In recent years, we also invested heavily in launching Agfa Graphics as a major player in the market of industrial inkjet machines. At the four-yearly graphic *drupa* trade fair, we introduced our broad range of new products with great success. Even in the tough economic conditions of 2009, we expect a further confirmation of this success.

Agfa HealthCare continued investing in hospital information technology in 2008. The R&D efforts continued to be at high levels, especially for the hospital management systems based on our ORBIS platform. These efforts resulted in a number of important commercial successes. The most eye-catching contract was the agreement with AP-HP in Paris for the installation of an IT system serving 38 hospitals in total. The challenges for 2009 are twofold. On the one hand we will build on this commercial success and on the other hand we will continue to enhance the efficiency of our organization. In the field of imaging information systems (for radiology and cardiology), 2008 was marked by the introduction of our cardiology suite in Europe. Our traditional markets for medical imaging continued to decline due to the weakening demand for film products. However, the efforts of our teams allowed us to further strengthen our position in these markets. Another important step was Agfa HealthCare's entry in the direct radiography (DR) market.

Agfa Specialty Products took new steps in its ambition to profitably exploit its film production through a successful strategy of consolidation in a declining market. At the same time, Agfa Specialty Products is developing new products based on its technologic know-how for completely new markets. A good example is the Synaps synthetic paper, which was launched at *drupa* and is now available in the market. Other examples are our membranes for applications including water treatment and the separation of gasses.

We wish to thank our customers and our dealers for their confidence in our company and assure them that – even in the current tough economic conditions – the Agfa trademark will continue to stand for new technologies, quality and reliability. We also thank our employees for their continuous commitment in these challenging times.

We also would like to thank our shareholders for their confidence and their support. The Board of Directors feels that in the current conditions, priority should be given to the financial solvability of the company. The Board will therefore propose to the Annual General Meeting of Shareholders not to pay a dividend.

Julien De Wilde
Chairman of the Board of Directors

Jo Cornu
President and Chief Executive Officer

MANAGEMENT REPORT

The Agfa-Gevaert Group has three operationally independent business groups with strong market positions and clearly defined strategies: Agfa Graphics, Agfa HealthCare and Agfa Specialty Products.

SALES

In 2008, the Group's sales decreased 7.6% to 3,032 million Euro (3,283 million Euro in 2007). High raw material prices and the strong Euro had a negative impact on Agfa's sales in the first half of 2008, whereas the effects of the deteriorating economic conditions became more visible in the second half of the year. Excluding currency effects, the sales decline was limited to 4.2%.

In the first half of the year, Agfa Graphics' growth in digital *computer-to-plate (CtP)* was able to offset the combined effect of the economic slowdown in the USA and the market-driven decline in the analog *computer-to-film (CtF)*.

At *drupa*, the four-yearly graphic trade show in Düsseldorf, Germany, the business group signed significant orders for its prepress and industrial inkjet portfolio.

In the second half of the year the economic slowdown and the related price pressure affected the CtF and CtP segment. As a result, Graphics' sales decreased 5.9% (excluding currency effects 2.2%) to 1,522 million Euro.

In Agfa HealthCare, the traditional film segment continued its market-driven decline, whereas the hardcopy segment 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 Agfa HealthCare, especially in North America and the UK. In the fourth quarter, the impact of the economic slowdown became more apparent as some care organizations postponed their investments in Enterprise IT, Imaging IT and *Computer Radiography (CR)* equipment.
Sales of Agfa HealthCare decreased 12.1% (excluding currency effects 8.6%) to 1,223 million Euro.

Agfa Specialty Products posted a positive sales 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 Agfa Specialty Products' large industrial customers operate. Over 2008, Agfa Specialty Products' sales increased 4.7% (excluding currency effects 5.6%) and reached 287 million Euro.

With 50.2% of sales, Graphics remains the largest business group. HealthCare represents 40.3% and Specialty Products 9.5% of Group sales.

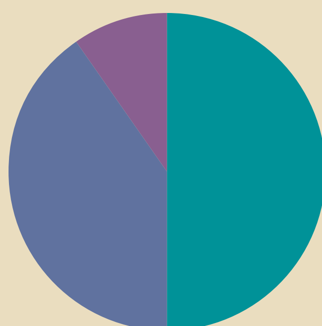
In 2008, Europe accounted for 55% of Group sales (2007: 53%), NAFTA for 19% (2007: 22%), Asia/Oceania/Africa for 19% (2007: 19%) and Latin America for 7% (2007: 6%).

Group Sales

MILLION EURO

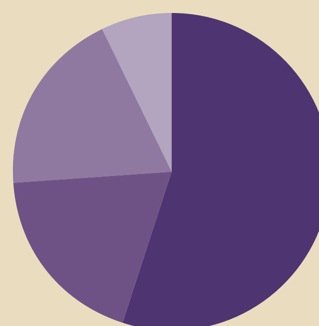
Share of Group Sales 2008

PERCENT BY BUSINESS GROUP



Agfa Graphics	50.2%
Agfa HealthCare	40.3%
Agfa Specialty Products	9.5%

PERCENT BY REGION



Europe	55%
NAFTA	19%
Asia/Oceania/Africa	19%
Latin America	7%

RESULTS

Recurring gross profit amounted to 963 million Euro, compared to 1,158 million Euro in 2007. The recurring gross profit margin stood at 31.8%, versus 35.3% in 2007. The decrease is mainly due to the sales decline, the high raw material costs, which were compared to 2007, 54.5 million Euro higher, certain one-off elements and adverse mix-effects.

The Agfa-Gevaert Group's Selling and General Administration (SG&A) costs were reduced by 15.4% or 118 million Euro (102 million Euro excluding currency effects) and amount now to 648 million Euro. This reduction clearly exceeds the 100 million Euro target (75 million Euro excluding currency effects). In 2008 these expenses represented 21.4% of sales compared to 23.3% in 2007. The Group will continue its efforts to improve its efficiency and reduce costs in all business groups.

R&D expenditure amounted to 175 million Euro (191 million Euro in 2007), remaining stable at 5.8% of sales.

Agfa's recurring EBITDA reached 254 million Euro, versus 340 million Euro in 2007 or, as a percentage of sales, 8.4% versus 10.4% in the previous year. Recurring EBIT decreased to 138 million Euro or 4.6% of sales.

Agfa Graphics' efforts to reduce its operational costs are on track and allowed the business group to compensate for the effects of the high raw material costs and the economic slowdown which affected the analog and digital prepress segment of the business group. The development of the first generation of inkjet machines was fully completed in the first quarters of the year, and the business group has brought its R&D efforts for this segment to a normal level.

In 2008, Agfa HealthCare was able to further substantially reduce its SG&A costs. On top of the weaker sales, profitability was strongly affected by the high silver prices, inventory write-downs and the decision to book a number of one-off provisions.

Agfa Specialty Products is on track with its efforts to align its operational costs with the market-driven declining sales trend in its traditional markets. However, the business group's profitability was affected by high raw materials costs, adverse mix effects and inventory write-downs.

Restructuring and non-recurring items amounted to 158 million Euro, including an impairment loss on goodwill and other intangible assets of 119 million Euro.

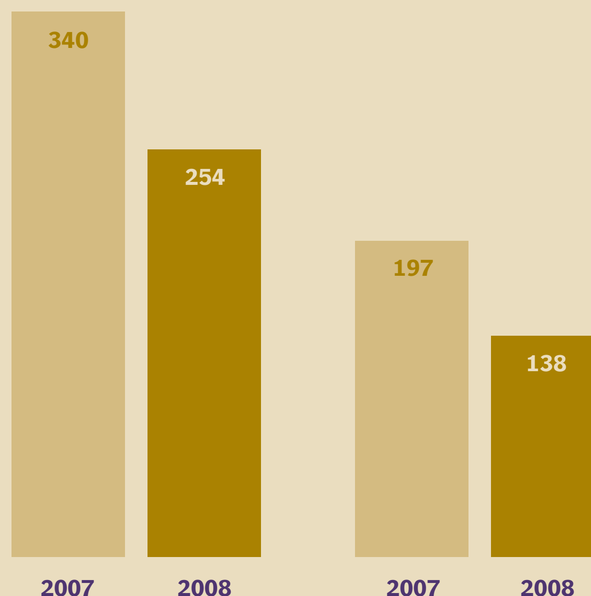
The 2008 operating result of the Group was minus 20 million Euro, versus 125 million Euro in the previous year. The financial result was minus 86 million Euro, versus minus 63 million Euro in 2007. Income before taxes thus reached minus 106 million Euro, against 62 million Euro in 2007.

Key figures Profit & Loss

MILLION EURO

	2007	2008
Sales	3,283	**3,032**
Recurring gross profit [1]	1,158	**963**
Recurring EBITDA [1]	340	**254**
Recurring EBIT [1]	197	**138**
Restructuring and non-recurring items [2]	(72)	**(158)**
Operating result	125	**(20)**
Non-operating result	(63)	**(86)**
Net Profit	42	**(167)**

[1] Before restructuring and non-recurring items.
[2] Including an impairment loss on goodwill and other intangible assets of 119 million Euro.



In 2008, the Group applied an exceptional tax charge of 34 million Euro related to the reversal of deferred tax assets as a result of the revised economic assumptions of the five-year plan.

The Group's net result in 2008, including the impairment loss on goodwill and other intangible assets of 119 million Euro and including the exceptional deferred tax charge of 34 million Euro, amounted to minus 167 million Euro or minus 134 cents per share, compared to a net profit of 42 million Euro or 34 cents per share in 2007.

Excluding the impairment loss, the exceptional tax charge and the restructuring costs, the Group would have posted a positive net result.

BALANCE SHEET

At the end of December 2008, total assets amounted to 3,160 million Euro, versus 3,559 million Euro at the end of 2007.

WORKING CAPITAL

Inventories were 575 million Euro or 100 days at the end of 2008. Trade receivables substantially decreased to 750 million Euro – or 89 days – against 861 million Euro – or 90 days – at the end of 2007. Trade payables decreased from 275 million Euro – or 46 days – to 226 million Euro – or 39 days.

In 2009, Agfa will continue its efforts to reduce the working capital.

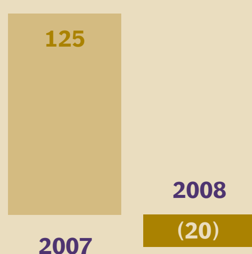
FINANCIAL DEBT

At the end of the year the net financial debt improved to 673 million Euro, compared to 723 million Euro at the end of September 2008, due to the improvement in working capital. The worsened economic environment delayed the planned lease portfolio sale.

At the end of 2008, Agfa's gearing ratio amounted to 95.6%.

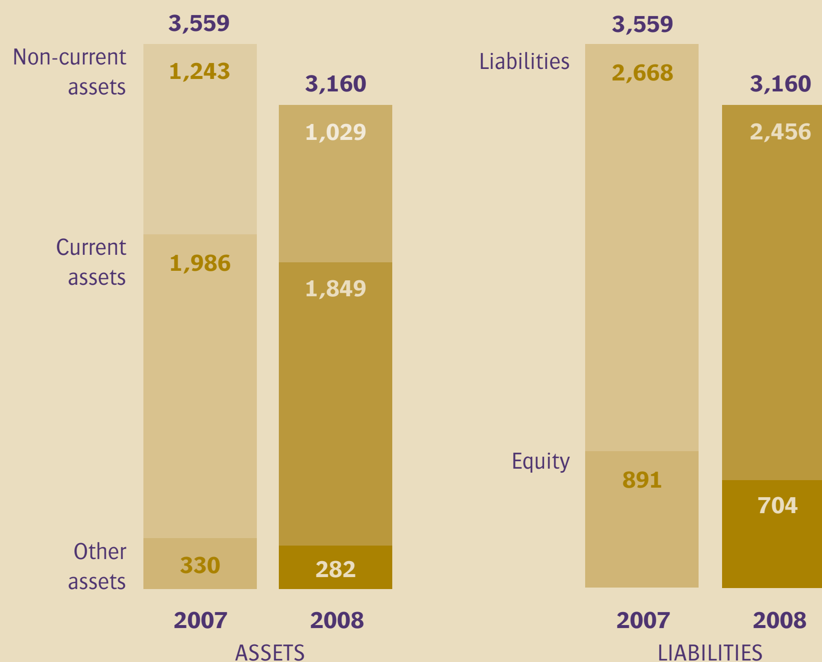
Operating Result

MILLION EURO



Key figures Balance Sheet

MILLION EURO



SHAREHOLDERS' EQUITY

Shareholders' equity amounted to 704 million Euro, against 891 million Euro at the end of 2007.

CASH FLOW

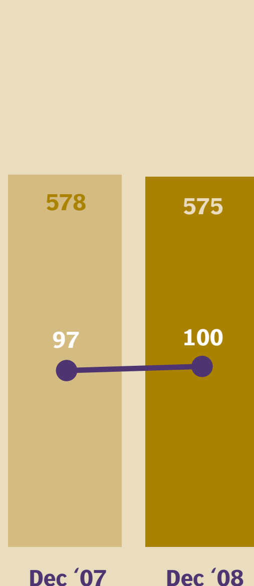
In 2008, the gross operating cash flow amounted to 74 million Euro. The net operating cash flow, which also takes into account the changes in working capital, reached 81 million Euro. Capital expenditure totaled 63 million Euro.

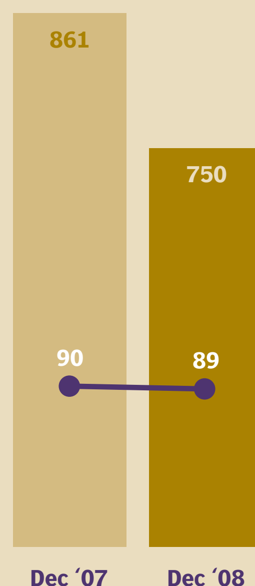
RESEARCH & DEVELOPMENT

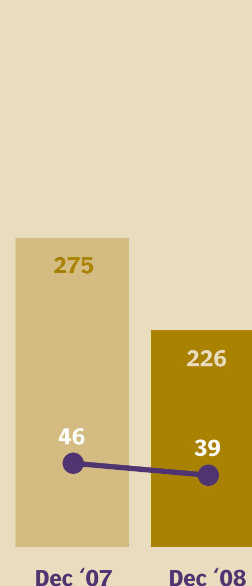
Agfa's R&D expenses decreased by 8.4% to 175 million Euro in 2008. 34.3% of R&D expenditure was related to Graphics, 61.1% to HealthCare and 4.6% to Specialty Products.

In 2008, Agfa Graphics invested further in the development of innovative systems and UV-inks for the growing industrial inkjet market, launching two new wide format systems, the :Anapurna Mv and the :Anapurna M4f. The :Anapurna Mv uses an Agfa developed UV inkjet varnish to add value to wide format prints. In the prepress segment, Agfa Graphics continued its R&D efforts to strengthen its leading position in chemistry-free plate systems. As a result :Azura TS (thermal printing plate for the commercial market) and :N92-VCF (violet plate for the newspaper market) were introduced. Both plates combine the ecological advantages of chemistry-free systems with low investment and operating costs and high reliability and speed.

For Agfa HealthCare, improved and expanded product offerings in image based diagnostic domains – such as Radiology and Cardiology – were again within the highlights of 2008. Agfa HealthCare is focusing its R&D efforts in consolidating the technology initiatives into one shared application platform which will ensure a high level of customer satisfaction and will enable the company to roll out and support its products with substantially less effort. ORBIS, with its strong hold in administrative and







clinical information systems market has been further expanded into new clinical domains as well as new geographies. Agfa HealthCare's fully integrated health informatics solutions continue to enable its installed base with quantifiable returns on their investment by improving the quality of care while reducing the cost to deliver it.

In Agfa Specialty Products, R&D has been focused on the development of its New Business segment. Based on Agfa's core competencies in polyester manufacturing and coating expertise, Agfa has launched an innovative synthetic paper, Synaps, in 2008. Secondly, membranes for use in electrolysis and for waste water treatment were developed.
Further R&D investment improved Agfa's materials for the production of identity cards with built-in security features as well as for conductive inks, films and coatings that can be used in the electronics industry.
In the same context, several projects have been started for the development and the marketing of tailor-made foils, chemicals and services for industrial applications in a variety of imaging and non-imaging markets.

SAVINGS PLAN

In October 2008, Agfa-Gevaert communicated a worldwide savings program. Its goal is to reduce the Group's operational costs by 120 million Euro before end of 2010. This savings program mainly concerns a reduction of the Selling and General Administration costs.

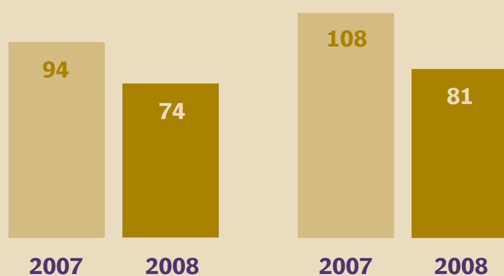
Furthermore, Agfa-Gevaert will also realize savings in the field of costs of goods and services, to protect its gross margins in order to strengthen its competitive position. Next to the personnel related expenses, it also concerns non-personnel related expenses, such as infrastructure costs and costs related to the purchase of goods and services.

HUMAN RESOURCES

At the end of 2008, Agfa employed 12,152 active full time equivalents, compared to 13,124 at the end of 2007.

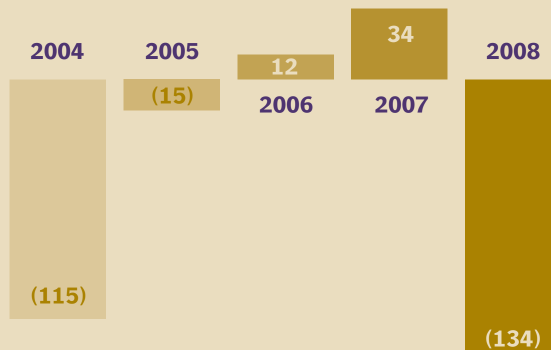
Operating Cash Flow

MILLION EURO



Earnings per share

EUROCENT



OUTLOOK

The weakening economic conditions have clearly impacted Agfa Gevaert's fourth quarter results. As it is highly uncertain how deep the crisis will go and how long it will last, it is impossible to give an outlook for the months to come.

Based on the trends observed in the first months of 2009, the Group anticipates a continued weak demand for Agfa Graphics' and Agfa Specialty Products' products and solutions, as both business groups are sensitive to the economic environment. In the printing industry, the bad macroeconomic conditions lead printers to postpone their investments in equipment. Furthermore, the slowdown in the advertising markets results in a decline in the use of consumables.

Also based on the trends observed early 2009, it is expected that Agfa HealthCare will suffer less from the crisis, although some IT projects could be delayed as decision processes tend to take longer when the economic circumstances are unfavorable.

The Agfa-Gevaert Group will continue to implement the additional savings program that was announced in 2008. In addition, the Group will continue its efforts to improve its profitability and to further adapt its cost structure to the economic conditions whenever necessary.

AGFA GRAPHICS

Agfa Graphics' head office is located in Mortsel (Belgium). The business group has sales organizations in over 40 countries and representatives in more than 100 other countries. Its production sites are situated in Belgium, Germany, France, the United Kingdom, the United States, Brazil, China and South Korea.

Million Euro	2008	2007	% change
Sales	**1,522**	1,617	-5.9 %
Recurring EBITDA*	**116**	124	-6.5 %
% of sales	**7.6 %**	7.7 %	
Recurring EBIT*	**64**	61	4.9 %
Operating result	**52**	27	92.6 %

* Before restructuring and non-recurring items.

In the first half of the year, Agfa Graphics' growth in digital computer-to-plate (CtP) was able to offset the combined effect of the economic slowdown in the USA and the market-driven decline in the analog computer-to-film (CtF).

At *drupa*, the four-yearly graphic trade show in Düsseldorf, Germany, the business group signed significant orders for its prepress and industrial inkjet portfolio.

In the second half of the year the economic slowdown and the related price pressure affected the CtF and CtP segment. As a result, Graphics' sales decreased 5.9% (excluding currency effects 2.2%) to 1,522 million Euro.

WORLD LEADER IN PREPRESS AND INNOVATOR IN INDUSTRIAL INKJET

Agfa Graphics' technology is used for the creation of a large number of goods surrounding us in daily life. From newspapers, books and brochures to food packaging, shopping bags and wallpaper: printed material is omnipresent. Agfa Graphics is a major supplier to the printing industry, which represents an estimated market value of 750 billion Euro.

Agfa Graphics is the market leader in the area of *prepress* for *offset* printers, supplying more than one third of the industry's *printing plates*. Half of all commercial printers and two out of three newspaper groups use Agfa's solutions.

Agfa Graphics is also active in the fairly new market segment of digital printing with its industrial *inkjet technology*.

In order to tackle the challenges in its markets and to safeguard its market leading position in prepress, Agfa Graphics will continue to focus on cost reduction initiatives. In the current tough competitive environment, Agfa's strong patent portfolio is an important asset. Agfa Graphics strives to identify the needs of its customers and to fulfill them with complete system solutions. Over the years, Agfa Graphics has built a strong Intellectual Property portfolio in many areas of technology. This portfolio will be vigilantly defended.

PREPRESS

Traditionally, Agfa Graphics has strong positions in printers' prepress departments, for which it supplies integrated systems, including equipment, software and consumables.
The major part of sales comes from consumables, such as graphic film and printing plates.

Before the real printing process begins, a series of processes need to be run to convert all kinds of valuable information into print-ready material. This is where the role of Agfa Graphics as a supplier to the industry begins. In these stages, text and images are combined in a layout, colors are quality-controlled, pages are correctly positioned and a number of digital proofs are made. When approved, these pages are exposed onto a printing plate, either directly, with *computer-to-plate* technology (CtP), or via an intermediate film, with *computer-to-film* technology (CtF). Following this process, the exposed plate is mounted on the printing press.

In an industry in which efficiency is key, printers are rapidly making the transition from analog CtF systems to digital CtP technology. By eliminating intermediate stages in the process, CtP allows the printer to complete more jobs and to increase the control of the production process without the need to expand the workforce.

Printers rely on Agfa Graphics for almost every stage in the process. Agfa is not only a specialist in equipment and consumables, it also provides professional software and related services. Agfa Graphics has the most comprehensive solutions for both CtF and CtP. Agfa's w*orkflow management software* steers and controls the printed matter production process. It includes software for digital proofing and *screening*, as well as powerful tools for managing color and quality consistency. These systems offer the printer faster processing, better quality and improved cost efficiency.

The prepress segment has a global market value of 7 billion Euro. Agfa Graphics is the clear market leader for CtF film and ranks among the three largest suppliers for CtP plates.

The four-yearly international *drupa* trade fair in Düsseldorf, Germany, was the highlight of the year for Agfa Graphics. At the show, the business group signed contracts worth more than 100 million Euro. In prepress, Agfa Graphics introduced a number of important additions to its portfolio at *drupa*, such as a new range of thermal platesetters, a new comprehensive workflow solution, as well as an upgrade to its chemistry-free :Azura thermal printing plate.

INDUSTRIAL INKJET

In addition to the traditional printing processes, such as offset printing, printed matter can also be produced with digital printers. Agfa Graphics targets to become a reliable global player in this fairly new segment of the printing market. The business group has chosen inkjet technology to power its digital printing presses. Inkjet technology is ideal for an extremely wide variety of applications, such as labels, billboards, packaging and decorative products. Agfa Graphics' integrated systems are highly versatile and cost effective.

Agfa Graphics provides *large format printers* and high-tech industrial inkjet presses, as well as consumables, specifically ink. Building on its experience in imaging and emulsion technology, Agfa has created a full range of high-quality *UV curable inks*. Agfa already has built a wide installed base for its :Anapurna family of large format printers, and print professionals are showing an increasing interest in the capabilities of the :Dotrix and :M-Press inkjet presses.

This new business fully complements the prepress activities, as industrial inkjet systems mainly compete with *screen printing* and *flexo printing* technologies.

In 2008, Agfa Graphics launched a completely new range of CtP platesetters. The :Avalon N series improves upon the success of the :Avalon range, bringing a new level of quality, flexibility and reliability to the CtP market. Printers often combine the installation of :Avalon platesetters with long-term printing plate contracts.
The combination of the :Avalon N machines and the :Azura printing plates offers printers one of the simplest and most reliable CtP technologies.

MARKET TRENDS

In spite of the competition of new electronic media, the contribution of printed material in the communication process still is very important: the global print output volume is still increasing. Although digital printing now covers part of the market, offset printing is still by far the most commonly used technology.

An important trend in this rapidly changing industry is the growing need for **shorter run-lengths** and **print-on-demand**. Information cycles are shortening and publishers need to differentiate their publications and attune the information to an increasing variety of target audiences. A classic example is the publication of several regional editions of a newspaper, but advertising content is also increasingly adapted to target audiences. Print houses therefore are receiving a growing number of orders for shorter run-lengths, resulting in an increasing demand for printing plates.

The growing demand for shorter run-lengths and the need to print variable data has pushed the development of new **digital technologies**. With these technologies, jobs can be alternated much faster than with traditional techniques, which yields considerable cost savings. Of all new digital technologies, industrial inkjet has clearly won the battle to become the technology of choice for the printing industry. This was manifestly illustrated at the four-yearly *drupa* trade fair, where suppliers of industrial inkjet systems were the center of interest.

In prepress, the **technology shift** from computer-to-film to computer-to-plate is almost a fact in the United States and Western Europe. Although CtF is still the dominant technology in most of the new growth markets, including the so-called BRIC countries (Brazil, Russia, India, China), the shift towards CtP is accelerating there as well.
As a consequence, the market for CtF plates and film is declining rapidly.

As is the case in other industries, the pressure on the printing sector to work more **ecologically** is increasing. Agfa Graphics sets the standard with printing plates that do not require chemical processing. Among commercial printers, this chemistry-free CtP technology is rapidly gaining popularity and in 2008, one of Agfa Graphics' customers became the first newspaper publisher in the world to upgrade to *chemistry-free* CtP. In digital printing, Agfa Graphics is promoting the use of UV curable ink, which – in contrast to other inks – does not contain volatile components.

As prices of the printed product are constanty under pressure, printers are looking for cheaper solutions. **New suppliers** for CtP plates intend to gain market share with cheaper products and compete with the traditional suppliers on price.

If the **macroeconomic conditions** continue to deteriorate, that could well have an impact on the whole printing industry. Printers could be forced to postpone their investments in high-end equipment such as industrial inkjet presses and high-throughput *platesetters*.

STRATEGY

Even in this rapidly changing digital world, printed matter continues to be an essential and powerful component of the integrated communication mix. Agfa Graphics is the leader in a large number of market and product segments. It has developed a strategy based on three pillars to be the partner of choice for every printing business in the world.

INNOVATION AND TECHNOLOGICAL LEADERSHIP

Agfa Graphics analyzes the intricacies of specific processes and develops technologies to address each application. Its goal is to offer its customers an advantage over their competitors by supplying them with innovative technology that speeds up their workflow, saves them money, and increases their quality. Completeness is the core value. Agfa Graphics offers comprehensive solutions: equipment, consumables, software and service. The business group combines its own developments with external partnerships and acquisitions of new technologies.

Agfa Graphics strives to minimize the impact of its products and systems on the environment.
The business group developed technology that eliminates toxic chemicals, reduces waste, lowers ink and water consumption and saves energy.

MARKET LEADERSHIP

Agfa Graphics continues to invest in innovation to protect and further strengthen its leading positions in prepress, especially in the CtP segment.
The business group anticipates on the important growth opportunities in the BRIC countries. Agfa Graphics was the first big player to open a production unit for CtP printing plates in China. In 2008, Agfa Graphics announced investments to expand its Brazilian printing plate factory for the production and local supply in the fast-growing Latin American markets. This is in line with the goal to strengthen the market position outside Europe, especially in the USA, Latin America and Asia.

To become an important player in the digital printing arena, Agfa Graphics has resolutely chosen the path of industrial inkjet printing with UV curable inks. UV inkjet technology can print on nearly any substrate making it highly versatile and cost effective while delivering photographic quality.

COST LEADERSHIP

In the current macroeconomic conditions, reducing costs becomes even more important. Agfa Graphics is optimizing its worldwide organization and is taking measures to significantly reduce the complexity of its processes. Furthermore, the business group is reducing its R&D costs in mature product segments, as well as its working capital.
In 2008, Agfa Graphics also succeeded in accelerating the reduction of its Selling, General and Administrative Expenses.

PRODUCT DEVELOPMENT

PREPRESS

In 2008, Agfa Graphics again expanded its broad range of products for **commercial printers**.

One of the major innovations is the :Apogee Suite workflow software, which is designed to meet the needs of all stakeholders in the printing and publishing process. The suite integrates four modular solutions, each of which focuses on specific tasks, such as content management, communication between printers and their customers, management of the prepress processes in the production environment and end-to-end quality and color management. Taking connectivity to a new level, :Apogee Suite improves printers' productivity and reduces prepress-related costs.

Agfa Graphics also introduced an upgrade to its market leading chemistry-free :Azura *thermal* CtP printing plate, based on Agfa's *ThermoFuse* technology. :Azura TS offers higher throughput and sharper contrast. As an addition to the thermal chemistry-free plates, Agfa Graphics also showed the new :Azura V plate at *drupa*. The :Azura V printing plate is exposed with *violet laser*. Agfa Graphics' ThermoFuse technology allows printers to eliminate or reduce the costs for chemistry, to work in a more environmentally friendly way, and to visually improve their printed output.

Furthermore, Agfa Graphics launched a completely new offering of CtP platesetters. The :Avalon N series improves upon the success of the :Avalon range, bringing a new level of quality, flexibility and reliability to the CtP market. The combination of the :Avalon N machines and the :Azura printing plates offers printers one of the simplest and most reliable CtP technologies ever.

One of the new platesetters is the :Avalon N48, the world first 'jumbo' platesetter for the commercial printing segment. As printers buy larger printing presses to increase their productivity, platesetters and printing plates also have to become larger. :Avalon N48 is the answer to this growing need. The system uses Agfa's new robust :ThermoStar P970 printing plates.

Agfa Graphics also introduced an upgrade to its market leading chemistry-free :Azura thermal CtP printing plate, based on Agfa's ThermoFuse technology. This technology allows printers to eliminate or reduce the costs for chemistry, to work in a more environmentally friendly way, and to visually improve their printed output. Over 1,650 printing businesses worldwide already made the move to ThermoFuse plates since their introduction in 2004. No less than 80 percent of the chemistry-free plates in the world are sold by Agfa Graphics.

The first generation of Agfa Graphics' industrial inkjet portfolio was also very successful at *drupa*. The business group took orders for over 100 :Anapurna wide format printers, as well as several :Dotrix single-pass inkjet presses and :M-Press high-end industrial inkjet presses.

Agfa Graphics has also introduced a number of innovations for **newspapers**, including new types of violet printing plates. The new :N92v plate is even more durable and offers even better quality than its predecessor :N91v, which is a standard in the market. The :N92-VCF plate brings the advantages of chemistry-free processing to newspaper printers.

Agfa Graphics also launched a new family of violet laser platesetters. Introducing a number of inventive new features, the :Advantage N machines are even more productive and reliable than their predecessors. Thanks to the improved image quality, the platesetters offer newspaper printers the opportunity to broaden their horizon and to use their equipment to produce certain semi-commercial printed matter, such as magazines and advertising brochures.

Furthermore, Agfa Graphics released a number of new modules to :Arkitex, the most popular software for managing and controlling the production process for newspaper publishers. :Arkitex Vantage, for instance, serves as a vantage point to monitor entire prepress production lines and as a starting point for remote support interventions.

INDUSTRIAL INKJET

At *drupa* 2008, Agfa Graphics debuted new additions to its portfolio of :Anapurna large format printers. They are used to print indoor and outdoor signs, displays and posters up to 2.5 meters wide. One of the new systems is the :Anapurna XLS, which is designed to provide photographic print quality at very high production speeds.

Also at *drupa*, Agfa Graphics generated lots of interest in the first generation of its digital :M-Press and :Dotrix inkjet presses. The :M-Press is a revolutionary *flatbed* press that combines Agfa's expertise in digital imaging and inkjet technology with Thieme's expertise in screen printing. The :M-Press is fully automated and uses both rigid and flexible substrates. The :Dotrix family of single pass high-speed inkjet presses consists of the :Dotrix Modular and the :Dotrix Transcolor. The first machine is developed for applications including non-food packaging, plastic bags, labels and point-of-purchase advertising. The latter is ideal for the production of transactional documents (such as invoices and letterheads) as well as materials for direct mail. Agfa Graphics is also working on a :Dotrix machine for the newspaper industry. The :Dotrix DGNews will provide newspaper publishers with an efficient and economical way to target small niche markets with high-quality newsprint.

Agfa's :M-Press has been developed in response to consumer demand for economical, high run-length digital printing of posters, billboards, displays and panels. This unique world class high-speed inkjet press uses 64 inkjet print heads – developed in co-operation with Xaar – which together can print up to two billion ink drops per second with drop sizes of as small as eight picoliters.

COMMERCIAL SUCCESSES

Agfa Graphics' highlight of the year was certainly the *drupa* printing trade fair. The attention of the visitors was clearly focused on ecological prepress solutions and on industrial inkjet systems. This confirms Agfa Graphics' growth strategy in both areas. The business group reported a solid order intake, reflecting the strong interest in its innovative portfolio of market leading products.

PREPRESS

In the **commercial printing segment**, the chemistry-free :Azura plate and the low-chemistry :Amigo plate were at the center of interest at the *drupa* trade show. The strong order intake at the show again confirmed the success of these ThermoFuse-based printing plates. Over 1,650 printing businesses worldwide already made the move to ThermoFuse plates since their introduction in 2004. No less than 80 percent of the chemistry-free plates in the world are sold by Agfa Graphics. In 2008, the technology continued its campaign of conquest, leading to the first contracts for chemistry-free CtP systems in, among other countries, Malaysia, Taiwan and Mexico.

Agfa Graphics' innovative :Energy Elite printing plate is being recognized in the industry as the best *no-bake* thermal plate available. The :Energy Elite plate is typically used in mixed environments, which require long run-lengths. Right from its introduction in 2007, the plate has been very successful.

The new range of :Avalon N platesetters also met with great success at *drupa*. Printers often combine the installation of :Avalon platesetters with long-term printing plate contracts. The Italian company Grafiche Mazzucchelli was the first company to buy the :Avalon N48 'jumbo' platesetter for the commercial segment.

One of the most remarkable contracts of 2008 was signed with the British Wyndeham Press Group. The contract is the perfect illustration of Agfa's ability to offer completely integrated prepress systems. Wyndeham bought seven :Avalon N platesetters and :Apogee workflow software and signed a five-year deal for Agfa's :Energy Elite plates.

In the **newspaper segment**, new business increasingly concerns contracts for extensive integrated systems consisting of platesetters, printing plates and software to manage the production process. Since long, Agfa Graphics has a leading position in Europe. In 2008, an eye-catching agreement was signed with MediaPrint Zeitungsdruckerei, Austria's largest privately-owned publishing company. MediaPrint ordered eleven :Advantage N platesetters

and signed a supply agreement for Agfa's :N92-VCF printing plates. The deal made MediaPrint the first newspaper printer in the world to upgrade to chemistry-free CtP solutions.

In the rest of the world, the number of newspapers using Agfa Graphics' CtP technology also continues to grow. In the United States major contracts were signed with, among others, the Chicago Sun-Times, the Tribune Company and the New York Times Company, which now has 25 Agfa CtP systems in use. At *drupa*, Founder Corporation, one of the largest Chinese technology companies, signed a multi-year agreement for the distribution of Agfa's newspaper prepress solutions throughout the country. In Brazil, a deal was closed with O Globo, one of the country's most important newspapers. The deal includes five platesetters, the complete :Arkitex workflow software and a three-year printing plate contract.

At the end of 2008, Agfa Graphics had sold over 2,000 CtP systems for newspapers.

INDUSTRIAL INKJET

The industrial inkjet solutions took center stage at *drupa* 2008, confirming the choices Agfa Graphics made to play a major part in the digital printing arena. The business group is recording sustained growth in industrial inkjet printing, especially with its :Anapurna large format printers. At *drupa*, Agfa Graphics took orders for over 100 :Anapurna systems. On a global scale, over 300 :Anapurna systems were installed at the end of 2008.

Agfa Graphics is also recording an increase in the demand for the high-speed inkjet press :Dotrix and the industrial flatbed press :M-Press. The business group sold several of each at *drupa* and other trade fairs. Several early adopters are praising the quality and the versatility of the :Dotrix machines. Some customers, including Gardners (United Kingdom) and Noteworthy (United States) expressed their satisfaction by ordering a second :Dotrix machine.

With Agfa's violet laser CtP technology – as used in the :Advantage and :Polaris platesetters, printers can make their printing plates in a quick and reliable way. Newspaper editors become thus able to meet or even prolong their strict deadlines. That's why this technology became the newspaper industry' standard.

AGFA HEALTHCARE

Agfa HealthCare's head office is located in Mortsel (Belgium). The business group has sales organizations and representatives in over 100 countries. Its production and research sites are located in Belgium, Germany, France, Italy, Austria, the United States, Canada and China.

Million Euro	2008	2007	% change
Sales	**1,223**	1,392	-12.1 %
Recurring EBITDA*	**117**	180	-34.7 %
% of sales	**9.6 %**	12.9 %	
Recurring EBIT*	**58**	106	-45.3 %
Operating result	**(88)** **	67	-231.3 %

* Before restructuring and non-recurring items.

**Including an impairment loss on goodwill and other tangible assets of 119 million Euro.

Sales of Agfa HealthCare decreased 8.6% excluding currency effects (12.1% including currency effects) to 1,223 million Euro in 2008. The traditional film segment continued its market-driven decline, whereas the hardcopy segment 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 Agfa HealthCare, especially in North America and the UK. Near the end of year, the impact of the economic slowdown became more apparent as some care organizations postponed their investments in Enterprise IT, Imaging IT and Computer Radiography (CR) equipment.

A MEDICAL IMAGING AND HEALTHCARE IT SPECIALIST

Healthcare has, over the past decades, played an increasingly significant role in the global economy. In the United States, approximately 16% of the gross national product is spent on healthcare, while in Western Europe this figure stands at an average of 9-10%. Since the early 1990s the introduction of specialized IT solutions has had a large impact on the overall improvement of healthcare, both financially and functionally. Its widespread introduction has allowed healthcare facilities to increase their overall efficiency and patient care. With over 100 years of experience, Agfa HealthCare has always been a key player in supporting healthcare providers in their transition, evolving its solutions with the market needs and thereby playing a leading role in the continuous transformation of the global healthcare industry.

As a partner to over 23,000 care facilities worldwide, Agfa HealthCare supports clinicians and hospital managers in their daily battle against disease with state-of-the art imaging products, imaging informatics solutions, as well as enterprise IT systems.

IMAGING

Diagnostic imaging is Agfa HealthCare's DNA. For over 100 years, it has supported image intensive departments in hospitals with some of the most advanced film and print solutions to meet the imaging needs of radiologists, cardiologists, mammographers, orthopedists, dentists, and veterinarians. In this field, the business group has developed an extensive product range from medical film products to systems for digitizing and printing diagnostic images that meet the highest medical standards.

Almost 50% of Agfa HealthCare's sales are generated through classic X-ray film and *hardcopy* film on which digital images are printed. Whereas the X-ray film market is declining rapidly in favor of digital systems, the global hardcopy dry film market remains relatively stable. Today, Agfa HealthCare is one of only four major producers of medical film delivering nearly one third of global demand. In this segment, Agfa HealthCare is the clear market leader in Europe and the runner-up in the rest of the world.

Sustaining a continued global demand for the printing of high quality diagnostic images, Agfa HealthCare's DRYSTAR™ hardcopy printers enable clinicians to print digital images made by general radiology equipment, as well as images made by other *modalities*, including *CT* and *MRI*-scanners. Agfa HealthCare's range of advanced printers includes both high quality tabletop solutions and network printers for large volume needs.

Agfa HealthCare's extensive range of *digitizers* for *computed radiography (CR)* supports the transition from X-ray film to digital image solutions. The systems convert analog images to digital, helping image intensive departments improve their efficiency and increase overall patient throughput. With over 19,000 units installed worldwide, Agfa HealthCare is a major player in computed radiography systems. Recently, Agfa HealthCare also introduced a new family of *direct radiography (DR)* solutions to answer the need for greater productivity and throughput in radiography departments.

IMAGE AND DATA NETWORKS

The introduction of digital radiography in the early 1990's was a first concrete step towards the development of fully integrated hospital IT systems.
In order to efficiently manage, process and distribute digital medical images from various imaging modalities, radiology departments are installing *Picture Archiving and Communication Systems (PACS)*. This solution is often linked to specialized information systems, such as *Radiology Information Systems (RIS)*. Agfa HealthCare was one of the first companies to introduce PACS to the global market. Today, the *IMPAX* trademark guarantees reliability and efficiency, serving the needs of over 2,000 care facilities worldwide.

Based on its experience in the radiology department and on complementary acquisitions, Agfa HealthCare has developed a number of IMPAX solutions for other hospital departments that work intensively with medical images, including cardiology and orthopaedics, as well as for certain specialized medical disciplines, such as women's care.

Whereas PACS and RIS solutions were originally linked to one hospital department, care organizations now also use them to link their radiology departments with other image intensive departments and even to link departments from different hospital sites. The systems 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. For patients, waiting times are reduced, whereas hospitals are able to significantly increase their efficiency and capacity. In addition, advanced PACS systems offer the tools necessary to establish *teleradiology*. Agfa HealthCare is one of the three largest global suppliers of PACS and related information systems. It is the clear market leader in Europe, in Canada and in Latin America.

ENTERPRISE IT

In recent years, Agfa HealthCare has become a leading player in the fast growing market for enterprise IT systems. ORBIS, Agfa HealthCare's leading Hospital Information System/Clinical Information System (HIS/CIS), connects all hospital departments into one virtual network. It offers immediate access to all relevant patient data and 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, ORBIS offers hospitals the opportunity to operate more efficiently and effectively, ultimately leading to improved patient care. Agfa HealthCare's modular approach enables care organizations to implement ORBIS at their own pace, allowing the solution's various modules to be installed separately, tailored to the needs of the customer.

With ORBIS, Agfa HealthCare is the market leader in Europe, with particularly strong positions in the German speaking countries.

The annual meeting of the Radiological Society of North America (*RSNA*) was again an important highlight at the end of the year. In spite of the economic conditions, the number of professionals visiting the world's largest medical meeting remained stable. Agfa HealthCare's booth was very popular, with the IMPAX PACS solutions and the CR digitizer DX-S taking center stage.

MARKET TRENDS

Care providers continuously aim for better quality, faster service, and increased patient satisfaction, but at the same time various societal drivers pressure them to do all this at a lower cost. The need to balance patient care and cost incite the healthcare sector to catch up with other economic sectors in the field of computerization.

A key driver for transformation is the evolution of the **world population**, which is growing exponentially. Additionally, the over 60's group is expected to represent over 25% of the total world population in the next 40 years. In the Western world, this percentage will be even higher. Elderly people are more often confronted with chronic diseases and, compared to younger individuals, are subject to more frequent diagnostic examinations.

Investments in **preventive healthcare** also add to the increasing healthcare costs. Evidence is growing that current health systems of nations around the world will become unsustainable if unchanged over the next 15 years. In the United States, for instance, healthcare spending could grow to up to 31% of the gross national product before 2035. Conscious of the need to find solutions that combine quality with cost effectiveness, governments and local authorities are promoting the introduction of IT and *e-health* solutions. This is not only the case in the Western world, but also in emerging markets with strong economical growth rates. Global organizations such as the World Bank are committed to funding healthcare initiatives outside Europe.

The introduction of IT is also accelerated by the growing awareness that medical errors are often caused by the lack of **availability of appropriate information** about the patient's medical history and needs. IT systems that bundle all relevant patient data and deliver them to the medical staff in a well-organized manner have become a cornerstone of today's healthcare provision. Authorities and care providers acknowledge that Electronic Patient Records and *Electronic Health Records* can increase the quality of care and sometimes even save lives. And innovation does not stop there. The ability to store and process data more efficiently now marks a new step in modern-day healthcare: the development of systems that assist clinicians in their decision-making process and that use patient data to predict a person's risk for certain diseases.

Computerization has also led to an increasingly **informed and aware patient population**.
The growth of the internet as a source of public information has resulted in a more emancipated patient. Access to medical information now means that patients have increasing control over personal health matters and will actively look for the care center that best suits their needs. This is placing further pressure on healthcare providers to deliver qualitative and affordable healthcare services. Furthermore, the growing patient awareness has accelerated the development of less invasive visualization and treatment methods, where images play a key role, from diagnosis to follow-up.

STRATEGY

Agfa HealthCare's unique position on the healthcare market is driven by the fact that it is one of the only global providers of healthcare solutions on the market able to offer analog, digital and IT technologies as a combined package. The company caters to the needs of every healthcare facility, whether they work with film-based products, digital systems or fully fledged and integrated IT solutions.
This allows care providers to work with a single provider of solutions for their needs today, as well as their ongoing transformation needs. As a result Agfa HealthCare is able to operate as a single entity, seeking synergies between its various activities to offer complete integrated solutions and modular applications tailored to the needs of every hospital, imaging center or multi-site care organization.

Agfa HealthCare's strength is based on the fact that it is a healthcare company, and not an imaging or IT vendor. Its applications are conceived and developed by clinicians and nurses, for clinicians and nurses. Their knowledge and ability to interpret the needs of hospitals and care providers enable Agfa HealthCare to continually improve its solutions and develop solutions that meet the real needs of its customers. This is further supported by numerous partnerships with leading university hospitals and research centers on three continents. Understanding its customers' needs allows Agfa HealthCare to deliver affordable solutions to healthcare professionals, to support their digital migration, to connect all healthcare stakeholders through seamless integration and – above all – to improve the quality and efficiency of patient care.

The University Clinical Center of Giessen and Marburg (Germany) and the Friedrich Schiller University in Jena (Germany) both conducted a study to evaluate the performance of Agfa's DX-S system in pediatrics. Both studies concluded that the system allows an X-ray dose reduction by up to 50 percent, without reducing the diagnostic quality.

As a leading provider of diagnostic imaging solutions, Agfa strives to be the cost leader, allowing it to further increase its share in a declining film market. Agfa HealtCare leverages its favorable point of departure in radiology departments to assist existing and new customers in their transition from analog systems to digital imaging and PACS.

With its ORBIS enterprise IT solutions, Agfa HealthCare already holds market-leading positions in Germany, Austria and Switzerland. Adapting such comprehensive systems to the requirements of other countries' national healthcare systems demands vast R&D efforts. As a result, the strategic decision was made to concentrate on expanding its strong market positions in France, Belgium, and a few targeted smaller countries. Success in those markets will then be the base for expansion into other countries.

Based on its experience to deliver complex clinical IT solutions, Agfa HealthCare is increasingly focusing on e-health, enabling digital communications between all stakeholders in the healthcare ecosystem. As part of its commitment to e-health, Agfa continues to invest time in European and global research projects, such as the European Union funded *DebugIT* research project.

Finally, in order to protect its competitiveness, Agfa HealthCare has taken measures to improve its operational performance and its cost structure. In 2008, the business group succeeded in lowering its Selling and General Administration costs by 21.0% compared to 2007.

PRODUCT DEVELOPMENT

In imaging as well as in IT, Agfa HealthCare aims to offer integrated solutions tailored to the needs of the customer. In 2008, Agfa HealthCare again introduced a number of additions to its broad portfolio.

IMAGING

In imaging, Agfa HealthCare offers a complete portfolio of traditional X-ray film products, hardcopy film and printers and CR solutions. The business group continuously strives to make its traditional products more environmentally-friendly and more cost efficient.

For CR-based small practices, Agfa HealthCare launched its new SE Image Management Suite. The software provides an affordable, yet comprehensive solution to manage, archive and distribute image data in a CR environment. SE seamlessly integrates with Agfa's CR digitizers and hardcopy printers.

In 2008, two independent studies – conducted by the University Clinical Center of Giessen and Marburg (Germany) and the Friedrich Schiller University (Jena, Germany) – evaluated the performance of Agfa's flagship CR digitizer DX-S in pediatrics. Both studies concluded that the system allows an X-ray dose reduction by up to 50%, without reducing the diagnostic quality of the images.

Early 2009, Agfa HealthCare introduced a completely new range of DR solutions. The DX-D solutions produce images of the highest quality with low X-ray doses. They allow radiography departments to combine high productivity with improved patient comfort and superior efficiency.

IMAGE AND DATA NETWORKS

Agfa HealthCare further improved its PACS operating software, IMPAX 6. The solution offers seamless integration of RIS, PACS and the systems for reporting examination results, bringing information from various departments and imaging modalities to the radiologist's desktop in a well-organized manner.

IMPAX 6 is the heart of Agfa HealthCare's seven IMPAX suites. 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 organizations, over solutions for single hospitals and imaging centers, to specialized radiology, mammography, cardiovascular, and orthopaedic systems. All suites offer the latest Agfa HealthCare PACS and RIS solutions and can be complemented with state-of-the art clinical applications, such as *Virtual Colonoscopy* for less invasive diagnostic procedures, or dedicated pre-operative orthopaedic planning tools for enhancing the therapeutic act.

In 2008, Agfa HealthCare continued to roll out its IMPAX Data Center, which provides large-scale multimedia storage for all types of medical images and diagnostic results for hospital groups, regional healthcare organizations and national medical archives. The solution consolidates the data from disparate systems into a single point of storage to serve the needs of the enterprise. IMPAX Data Center has already been installed at numerous sites throughout Europe and North Amercia.

ENTERPRISE IT

Based on its leadership positions in HIS/CIS in Germany and France, Agfa HealthCare has continued to internationalize its ORBIS platform, which now serves six different national healthcare systems and can be implemented in three languages. In the field of laboratory information systems, e-health solutions, and clinical trial platforms, Agfa HealthCare has launched significant new releases in the course of 2008, further expanding that fast growing segment of its portfolio.

In the field of enterprise-wide IT, the Assistance Publique – Hôpitaux de Paris (AP-HP) hospital network selected Agfa HealthCare as its partner for one of the largest European health information projects to date. Supported by a consortium of companies, Agfa HealthCare will install its leading Clinical Information System, ORBIS, at the network's 37 hospitals.

COMMERCIAL SUCCESSES

IMAGING

In 2008, Agfa HealthCare recorded several major successes in its efforts to consolidate the traditional X-ray film market. In the US, the renewal of a contract with Premier allows Agfa HealthCare to offer X-ray film, hardcopy film, as well as its full range of innovative DRYSTAR hardcopy printers to Premier's more than 2,000 member hospitals and 53,000 other healthcare sites. At the end of 2008, over 30,000 DRYSTAR systems were installed in care centers across the world.

Agfa is also strengthening its position in developing markets. In Iraq, for instance, Agfa HealthCare won a large tender for the delivery of X-ray film and chemicals to all civilian hospitals in the country.

The CR segment performed strongly in 2008, with the flagship DX-S digitizer as the star performer. The DX-S combines the advantages of CR and direct radiography (DR), the two most common technologies for converting X-rays into digital data.
In November, ProHealth Care facilities in Wisconsin (US) obtained ten DX-S systems. Agfa's CR technology is also gaining popularity in developing markets. In Kazachstan, Agfa HealthCare won a tender for the installation of over 30 versatile 35-X CR digitizers at various regional hospitals and in Saudi Arabia the company sold 34 CR units and as many printers to the Ministry of Health's new regional hospital network. At the end of 2008, Agfa HealthCare had already installed over 19,000 CR systems across the world.

In medical imaging, Premier Purchasing Partners awarded Agfa HealthCare a new three-year contract for X-ray film and medical imagers. The contract allows Agfa HealthCare to provide diagnostic film, media and medical imagers to Premier's 2,000 member hospitals and 53,000 other healthcare sites in the United States

IMAGE AND DATA NETWORKS

In 2008, healthcare centers all over the world selected Agfa's IMPAX PACS and RIS. The most eye-catching contracts were signed with multi-site organizations. These contracts often include the installation of the IMPAX Data Center.

In the US, Intermountain Healthcare (Salt Lake City, Utah) partnered with Agfa HealthCare to integrate imaging from its 21 hospitals and from its more than 150 clinics. Also in the US, the Ochsner Health System, based in New Orleans, has recently deployed IMPAX Data Center, consolidating data from disparate multi-vendor PACS and clinical systems from its seven hospitals and 35 health clinics onto a single point of storage.
In Canada, the province of New Brunswick contacted the company to deliver a Diagnostic Imaging Repository based on the IMPAX Data Center. In the province of Ontario, Agfa HealthCare will team up with Teranet to implement the systems needed to centrally store digital patient images and reports of 33 hospitals. Furthermore, the US Air Force granted IMPAX 6.3 and the IMPAX Data Center an 'Authority to Connect', confirming that these systems meet the medical and system, but also the strict security requirements, to be installed on US Air Force networks.

Further major PACS agreements include the contract with CETIR Group Mèdic, one of Spain's leading private radiology providers. The group has its headquarters just outside Barcelona, and over 20 satellite sites in the Catalan region. Still in Spain, the Basque autonomy chose Agfa HealthCare to digitize all its acute-care imaging facilities, with the purchase and deployment of CR and IMPAX solutions.

The largest specialist heart and lung center in the UK, the Royal Brompton and Harefield NHS Trust, installed IMPAX PACS and RIS and the IMPAX Cardiovascular Suite in both its hospitals.
The IMPAX Data Center will enable a fully secured flow of data between the hospitals.

In China, the First Affiliated Hospital of China Medical University selected Agfa for the implementation of the second phase of its RIS/PACS program. The project is an important showcase for RIS/PACS integration in China. Today, Agfa HealthCare is a global imaging IT leader with over 2,000 IMPAX installations in over 30 countries.

Agfa's PACS and RIS systems 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.

ENTERPRISE IT

Agfa HealthCare took a major step in its strategy to expand its position in Europe by winning one of the largest European health information projects to date. Supported by a consortium of companies, Agfa HealthCare will install its ORBIS solution at the 37 hospitals of the French Assistance Publique – Hôpitaux de Paris (AP-HP) hospital network. Given AP-HP's strong reputation and the complexity and scope of the project, the contract is bound to become a key lever for Agfa HealthCare's future success in enterprise IT. The agreement is worth 95 million Euro.

Agfa HealthCare also further strengthened its leading position in the German-speaking region of Europe through contracts with prominent healthcare organizations. The three hospitals of the Märkische Kliniken GmbH hospital group (Germany), for instance, replaced their existing, highly diverse hospital software with ORBIS.

At the end of 2008, ORBIS was successfully installed at over 850 care centers and the system is used daily by over 500,000 physicians and nurses.

Furthermore, over 1,000 medical laboratories are also using Agfa HealthCare's IT solutions, and a unique portal for allowing general practitioners to retrieve their patients' lab results, has been launched in France in the last quarter of 2008.

AGFA SPECIALTY PRODUCTS

Agfa Specialty Products' head office is located in Mortsel (Belgium). The division has sales organizations in eight countries. Its production sites are situated in Belgium, the United States, China and Argentina.

Million Euro	2008	2007	% change
Sales	**287**	274	4.7%
Recurring EBITDA*	**22**	41	-46.3%
% of sales	**7.7%**	15.0%	
Recurring EBIT*	**17**	35	-51.4%
Operating result	**16**	34	-52,9%

* Before restructuring and non-recurring items.

Excluding currency effects, Agfa Specialty Products' 2008 sales grew 5.6% (4.7% including currency effects) to 287 million Euro. Specialty Products posted a positive sales 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 Agfa Specialty Products' large industrial customers operate.

Film is still the most suitable medium for a lot of specific, industrial applications. Agfa Specialty Products took new steps in its ambition to profitably exploit its film production through a successful strategy of consolidation in a declining market. With this goal, its state-of-the-art production facilities strive to manufacture as cost-efficiently as possible, without compromizing on quality.

INNOVATIVE SOLUTIONS FOR INDUSTRIAL APPLICATIONS

Agfa Specialty Products supplies consumables, systems and services to a variety of industrial markets. Its portfolio contains classic film products as well as innovative products and systems for new markets.

In most of the markets, analog systems are gradually replaced by digital alternatives. In some segments, however, film is able to stand its ground as it guarantees high quality and is easy to use, whereas the transition to digital technology often demands substantial investments.

Agfa Specialty Products' activities can be subdivided in Classic Film, Film Manufacturing Services and New Business.

CLASSIC FILM

Agfa Specialty Products' activities in the classic film markets can be broken down into four main areas.

Motion Picture: Due to the trend of releasing movies simultaneously all over the world, film producers have to ensure that all movie theatres timely receive a first hand and excellent copy of their movie. In the movie industry, Agfa supplies both *color print film*, as well as *sound recording film* to all leading motion picture film laboratories throughout the world.
In recent years however, larger movie theatres have started investing in digital alternatives. Due to the combined effect of this trend and the economic slowdown, this segment's 2008 sales have declined compared to 2007.

Printed Circuit Board Film: Agfa Specialty Products is the world's largest producer of phototooling film for the production of *printed circuit boards*. Producers of electronics use the film to register the extremely fine conductive lines on printed circuit boards. In 2008, Agfa's PCB film turnover increased compared to the previous year.

Aerial Photography: Agfa Specialty Products has a leading position in the small, but profitable aerial photography market with films, chemicals, photo paper and software. In this segment, the downward trend in analog products in favor of digital technology is becoming increasingly apparent.
However, in 2008, Agfa Specialty Products was able to limit its sales decrease in this market by gaining market share.
Derived from its film for aerial photography, Agfa Specialty Products also produces and markets a range of black & white films, as well as color films for use in traffic and surveillance cameras.

Microfilm Archiving: Agfa Specialty Products' microfilm is known for its high sensitivity and exceptional image quality. Even in the digital era, microfilm is still an excellent medium for long term storage of image and data files. Museums and libraries, for example, often put their entire collections on microfilm. In 2008, Agfa was able to maintain its market share in this declining market.

FILM MANUFACTURING SERVICES

Agfa's activities in Film Manufacturing Services are focused on specialty films for very particular applications.

Non-Destructive Testing (NDT): Agfa Specialty Products produces high-quality X-ray film for *non-destructive testing*. When Agfa divested its NDT business group to General Electric Company (GE) in 2003, both parties signed a long-term agreement whereby Agfa continued to produce and supply X-ray film to GE. Continuing the trend of the previous years and driven by an increasing market demand, this segment was able to post significant growth in 2008.

Specialty Foils & Components: Agfa supplies state-of-the-art *PET* film bases, chemical materials and high-tech (semi-)finished materials to industrial customers who mainly use them for the production of imaging products. These materials can be tailor-made according to customer specific requirements. In 2008, sales in this segment increased sharply, mainly driven by high-volume film contracts with customers in the imaging industry.

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: At the graphic trade fair *drupa* 2008, Agfa Specialty Products launched a new polyester-based synthetic paper. Marketed under the Synaps brand, the paper is noted for its exceptionally fast drying time and its resistance to water, tearing and UV light, which allows it to be used in outdoor environments. Its unique ink-receiving layer gives Synaps the distinct look and feel of a luxury paper. Synaps can be printed with standard inks, on all *offset* printing presses, as well as UV *inkjet* printers. Synaps is suitable for a wide variety of applications, such as labels, indoor and outdoor displays, premium commercial printwork and certain types of packaging.

At *drupa*, the new Agfa product was embraced with great enthusiasm by many professional tradeshow visitors. In the third quarter of 2008, an agreement was signed with Igepa Belux, which will distribute Synaps in Belgium and Luxembourg. Towards the end of 2008, Nekoosa Coated Products started to distribute Synaps in the USA.

Membranes: Agfa Specialty Products and the Flemish Institute for Technology Research (VITO) have set up a strategic co-operation framework aimed at developing different types of *membranes*. In 2008, the market introduction of the Zirfon Perl separator membranes for the electrolysis of water marked a new step towards the large-scale production of hydrogen as an innovative source of energy.

Agfa and VITO continue to jointly develop new types of membranes for additional applications, such as biological water treatment and the production of bio-ethanol.

Security & Identification: With the increasing attention given to security and identification, authorities invest in high-tech electronic ID-documents of which the authenticity can be checked quickly and efficiently. Agfa Specialty Products responds to this 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's competence in PET manufacturing allowed it to develop reliable and long-lasting ID-card materials. Furthermore, Agfa's know-how in imaging is the cornerstone for its recognized fraud-proof color picture technology, which probably is best in class for these high-demanding applications. This technology allows digitized color images to be chemically transferred onto the inner layer of the ID-card, underneath the security printing.
2008 sales again were marked by the contract for the production of new electronic ID-cards for the citizens of Morocco.

Orgacon Electronic Materials: Agfa Specialty Products is an expert in the field of products based on conductive polymers used as an antistatic protection layer for films and components. Based on these products, Agfa has developed – among other products – printing inks, pastes and emulsions for the production of transparent electrodes used in *electroluminescent (EL)* lamps. These conductive organic Orgacon products are very flexible. Manufacturers of electronics use them to meet the demand of consumers for more compact and lighter electronic devices. Additional research is expected to lead to new applications for Orgacon materials, such as displays, touch screens, solid lighting, and flexible solar cells.

Agfa Specialty Products is developing new products based on its technologic know-how for completely new markets. A good example is the Synaps synthetic paper, which was launched at *drupa* and is now available in the market.

Other examples are our Zirfon Perl separator membranes for applications including water treatment and the separation of gasses, developed in collaboration with the Flemish Institute for Technological Research (Vlaamse Instelling voor Technologisch Onderzoek or VITO).

In 2008, Agfa Materials changed and reinforced its Executive Committee, which will allow the organization to tackle the challenges in its various markets and to execute its business strategy.
The organization is on track with its efforts to align its operational costs with the evolution in its traditional markets.

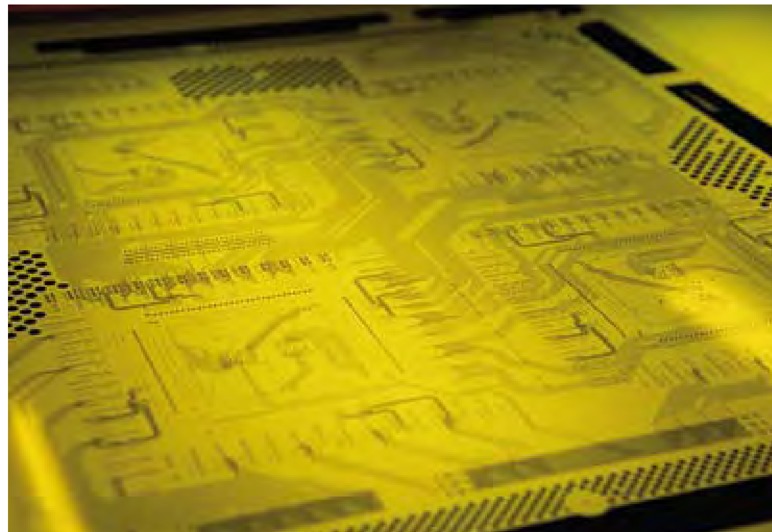
STRATEGY

Agfa Specialty Products' strategy is based on two cornerstones.

Firstly, Agfa Specialty Products aims at consolidating its leading position in traditional, film-based products. Hence, its organization is strictly focused on cost-efficiency, lean manufacturing without compromising on quality and close co-operation with its customers.

Secondly, Agfa Specialty Products strives to intensify the development of innovative products for completely new markets. Examples of these products are synthetic papers, membranes, specialty materials for electronic ID-documents and conductive organic pastes and inks. It goes without saying that the business group will continue to invest in research and development, marketing and production capabilities. Targeted strategic partnerships are being set up and acquisitions will be considered carefully if opportunities should occur.
Based on its existing knowledge, experience and production infrastructure, Agfa Specialty Products is continuously looking for new opportunities in target markets within and outside the imaging industry with new products such as special foils and chemicals.

Agfa Specialty Products is part of the Agfa Materials organization. In addition to the Agfa Specialty Products activities, Agfa Materials also produces all film and related chemicals for the Agfa HealthCare and Agfa Graphics business groups, as well as a number of third parties.



Agfa is the world's largest producer of film for the production of printed circuit boards. Producers of electronics use the superior Idealine films to register extremely fine conductible lines on printed circuit boards.

Agfa supplies color print film, which is used to make copies of movies for cinemas, as well as sound recording film. All leading motion picture film laboratories throughout the world use film products from Agfa, because they are fully compatible with all industry standards and ideally suited for bulk printing from color intermediates.

RISK FACTORS

MARKET, TECHNOLOGY AND COMPETITION RISKS

As with any company, Agfa is continually confronted with market and competition risks.
Its traditional imaging business in Graphics as well as in HealthCare is faced with rapid changes in technology and has in the past been characterized by price erosion.

The economic crisis has an impact on the demand for our products, as well as for the products of our competitors. This is primarily the case for investment goods, but for Agfa Graphics and Agfa Specialty Products, the crisis also negatively affects the demand for consumables.

Agfa is also introducing many new technologies, such as industrial inkjet for Graphics and, for HealthCare, computed and direct radiography as well as information systems. The digital imaging and information market place, in which Agfa is increasingly operating, is highly competitive and subject to rapid change.

COST OF RAW MATERIALS

Agfa relies on other companies to supply certain key raw materials. The most important of these are aluminum and silver. Fluctuating raw material prices and any failure to obtain the needed raw materials on a timely basis could adversely affect Agfa's business, operational result and financial status. Furthermore, Agfa may choose to hedge a portion or the totality of its raw materials exposure, as it deems appropriate.

PRODUCT LIABILITY

The activities of the Group may expose Agfa to product liability claims. Particularly with respect to its HealthCare activities, Agfa complies completely with regulatory systems in many different countries. To mitigate product liability risks, Agfa has implemented a strict quality policy and control and has concluded a general insurance policy.
Agfa has never suffered significant losses with respect to product liability, but there can be no assurance that this will not occur in the future.

ENVIRONMENTAL MATTERS

Agfa is subject to many environmental requirements in the various countries in which it operates, including air and waste water emissions, hazardous materials and spill prevention and clean up. Significant operating and capital expenditures are required to comply with applicable standards. Provision is also made for current and reasonably foreseeable compliance and remediation costs.

PROPRIETARY TECHNOLOGY

Agfa owns, has applications pending for and is licensed under many patents relating to a variety of products as well as software. The company relies on a combination of patent, copyright, trademark and trade secret legislation, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and to protect its proprietary rights. On the other hand, the Group has a policy of strictly respecting third parties intellectual property rights. Agfa is not aware that any of its products are infringing upon the intellectual property rights of others. However, there can be no assurance that third parties will not claim such infringements in the future.

LITIGATION

Agfa is currently not involved in any major litigation apart from those related to the AgfaPhoto insolvency, which are commented in detail under footnote 15 p.90 and footnote 26 p.105 of the financial statements.

CORPORATE GOVERNANCE

Since its listing on Euronext Brussels in June 1999, Agfa-Gevaert NV has paid a lot of attention to the transparency policies while defining the governance of the Company. A lot of our existing policies were already in line with the Belgian Corporate Governance Code as issued end 2004. In line with the directives of this Code of 2004, the Board of Directors of Agfa-Gevaert has revised the Corporate Governance Charter on January 30, 2009. On this occasion the Board of Directors has already amended the Corporate Governance Charter in line with the 2009 Draft of the Belgian Corporate Governance Code (the '2009 Code') in order to be well prepared to use the 2009 Code as reference for the financial year starting on January 1, 2009. Agfa-Gevaert's Corporate Governance Charter is published on the website: ***www.agfa.com/investorrelations.***

The governance structure is built up round the Board of Directors, the Chief Executive Officer (CEO) and the Executive Committee (Exco). The Board of Directors is assisted by a Nomination and Remuneration Committee, an Audit Committee and a Strategic 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 for the General Meeting of Shareholders (such as amendments to the articles of association, capital increases other than through the authorized capital, capital decreases).

The powers and operation of the Board of Directors are described extensively in the Corporate Governance Charter.

The articles of association determine that the Board of Directors meets whenever the interest of the Company so requires or following a request by two directors. In 2008, thirteen (13) meetings took place, including one (1) telephone conference and one (1) unanimous consent in writing.

In the course of 2008, the Board of Directors discussed and decided upon, inter alia: defining the corporate strategy and key policies, perspectives for 2008 and action plans for 2009 and 2010, risk management, the approval of budgets, cost control scenario's, legal restructuring, the evolution of important litigation and the approval of the annual accounts.

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 Corporate Governance Charter 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 2008, there were no occurrences where a director had directly or indirectly conflicting interests with a decision made by the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

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

The mandates as a director of the Company of Messrs. Chaffart, Duron, Oosterlinck, Van Miert and Verhoeven came to an end during the General Meeting of Shareholders of April 29, 2008. Messrs. Chaffart, Oosterlinck and Verhoeven did not seek re-election. During the General Meeting of Shareholders of April 29, 2008, the shareholders reappointed Messrs. Duron and Van Miert as directors for a new three-year term.

Also at the General Meeting of Shareholders of April 29, 2008, Messrs. Michel Akkermans, Roland Junck and Horst Heidsieck were appointed as new directors for a period of three years.

Mr. Julien De Wilde has been elected as Chairman of the Board of Directors on April 29, 2008.

As from April 29, 2008, the Board of Directors consists of the following members:

Mr. Julien De Wilde (1)	member since 2006	Chairman, Director of companies
Mr. Jo Cornu	member since 2002	CEO
Mr. Michel Akkermans (1)	member since 2008	Director of companies
Mr. John Buttrick (1)	member since 2003	Director of companies
Mr. Willy Duron (1)	member since 2008	Director of companies
Mr. Horst Heidsieck (1)	member since 2008	Director of companies
Mr. Roland Junck (1)	member since 2008	Director of companies
Mr. Christian Leysen (1)	member since 2003	Director of companies
Mr. Karel Van Miert (1)	member since 2001	Director of companies

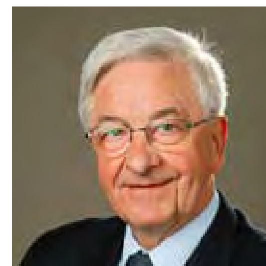
(1) Independent director in accordance with article 526ter of the Belgian Code of Companies.

As from April 29, 2008, Mr. Wilfried Van Lishout is Company Secretary in succession of Mr. Werner Vanderhaeghe.

In addition to his tenure on the Board of the Company, Mr. Van Miert also has five 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 Belgian Code on Corporate Governance 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. Furthermore, Mr. Van Miert explicitly confirmed his commitment to spend sufficient time to fulfil his mandate within Agfa-Gevaert.

At the General Meeting of Shareholders of April 28, 2009, the mandates as a director of Messrs. John Buttrick, Julien De Wilde and Christian Leysen come to an end. Mr. J. Buttrick will not seek re-election. Messrs. Christian Leysen and Julien De Wilde seek re-election, whereby J. De Wilde seeks re-election as permanent representative of De Wilde J Management BVBA. Messrs. Michel Akkermans and Horst Heidsieck have announced to continue their mandates as permanent representative of respectively Pamica NV and Value Consult Management- und Unternehmensberatungsgesellschaft mbH. The shareholders will therefore be asked at the General Meeting to approve the above-mentioned.

CV'S OF THE MEMBERS OF THE BOARD OF DIRECTORS



Julien De Wilde (°1944 - Belgian) obtained an engineering degree from the Catholic University of Louvain (Belgium). From 1969 onwards he held various managerial positions at Texaco. 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 Board of Alcatell 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 Board 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.

Julien De Wilde became a member of Agfa's Board of Directors in 2006. Since April 2008 he became Chairman of the Board of Directors.

Current mandates

Chairman Board of Directors Metris Group, Nyrstar NV.
Director Bekaert NV, J & L Partners NV, KBC Bank NV, Vanbreda International NV and Telenet NV.
Honorary Chairman Agoria.

Michel Akkermans (°1960 - Belgian) holds a master of sciences 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 2002, Michel Akkermans became Chairman and CEO of Clear2Pay, an innovative e-finance company focused on delivering globally applicable solutions for secure electronic payments.

Michel Akkermans became a member of the Board of Directors in 2008.

Current mandates

Chairman and CEO Clear2Pay NV.
Director Pamica NV, Quest for Growth NV, Vanbreda International NV and Approach NV.

John Buttrick (°1957 – American) graduated from the Northwestern University (USA) and has a legal degree from Villanova University School of Law (USA). 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 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 a private investor and the managing director at Plastic Energy Americas LLC.

John Buttrick became a member of the Board of Directors in 2003.

Current mandates

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

Jo Cornu (°1944 - Belgian) 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 Board of Alcatel NV and from 1995 to 1999 he was COO for Alcatel Telecom. Later he became an advisor to the Chairman of the Board of Directors of Alcatel. From 2005 to 2007, Jo Cornu was Chairman of the ISTAG Group (Information Society Technologies Advisory Group) of the European Commission. From the beginning of March 2007 to the end of January 2008, he was Chairman of Medea +, the Eureka Cluster for micro electronics research in Europe.

Jo Cornu became a member of the Board of Directors in 2002. At the end of November 2007, Jo Cornu was appointed CEO of Agfa-Gevaert, as permanent representative of Mercodi BVBA.

Current mandates

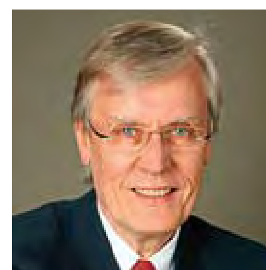
Director KBC Group NV and Thales SA.
Business manager BVBA Mercodi.

Willy Duron (°1945 - Belgian) has a master of mathematics from Ghent University (Belgium) and a master of actuarial science from the Catholic University of Louvain (Belgium). He began his career in 1970 as an actuary for ABB Insurance (Assurantie van de Belgische Boerenbond), where he became Director Life and Reinsurance in 1984 and later Vice Director-General. He became Chairman of the Executive Board of KBC Insurance in 2000 and President of the Executive Board of KBC Bank and Insurance Holding Company in 2003. From early 2005 to late 2006, he was CEO of KBC Group NV.

Willy Duron became a member of the Board of Directors in 2008.

Current mandates

Director Van Lanschot Bankiers, Ravago Plastics NV, Van Breda Risk & Benefits, Tigenix, K.U.Leuven, Universitaire Ziekenhuizen Gasthuisberg, Universitair Centrum Kortenberg, W&K.
Chairman of the Audit Committee K.U.Leuven and Universitaire Ziekenhuizen Gasthuisberg.



Horst Heidsieck (°1947 - German) 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 seven 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, helping senior management to materialize improvement potentials in their companies.

Horst Heidsieck became a member of the Board of Directors in 2008.

Current mandates

President Mauser Holding GmbH and Rail One GmbH.
Director Coperion GmbH.

Roland Junck (°1955 - Luxembourger) 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. In 2002 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 Arcelor Mittal and a member of the Group's Management Board. Following the reorganization 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. In February 2009, he was appointed CEO of Nyrstar NV.

Roland Junck became a member of the Board of Directors in 2008.

Current mandates

Director Arcelor Mittal China Holding, Café Lemont International, Connex, Ecoverdi International SA, Interseroh AG, Nyrstar NV, SAM HWA Steel SA and Sacred Heart University.

Christian Leysen (°1954 - Belgian) obtained a degree of commercial engineering and a masters degree in law at the Vrije Universiteit Brussel (Belgium). In 1984 he founded Xylos, a service provider in information and communication technology. In 1989 he became responsible for the day-to-day management of the maritime and logistics company Ahlers, where he has been CEO since 1994. From 2000 to 2002, he was a member of the Antwerp city council and Chairman of the Board of Directors of Antwerpse Waterwerken. In 2004, he became Chairman of the Board of Directors of the University of Antwerp Management School.

Christian Leysen became a member of the Board of Directors in 2003.

Current mandates

Chairman Ahlers NV, Xylos NV, Axe Investments NV and University of Antwerp Management School.
Business manager Anacom BVBA.
Director KBC Group NV, De Post NV, Tradicor NV, Synvest NV, ADM CVBA and Designcenter De Winkelhaak NV.

Karel Van Miert (°1942 - Belgian) obtained a degree in diplomatic sciences at Ghent University (Belgium), followed by a postgraduate course at the European University Center of Nancy (France). 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 Brussel and from 1978 to 1988 he 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).

Karel Van Miert became a member of the Board of Directors in 2001.

Current mandates

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

COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

AUDIT COMMITTEE (AC)

The Audit Committee will complete the tasks as described in article 526bis§4 of the Belgian Code of Companies and assists the Board of Directors in achieving its mission of control in the broadest sense. Its powers and the way it functions are described extensively in the Corporate Governance Charter.

As from April 29, 2008, date on which F. Chaffart and A. Oosterlinck were replaced by H. Heidsick and R. Junck, the Audit Committee includes four non-executive independent directors, i.e. Messrs. W. Duron, Chairman, J. Buttrick, H. Heidsieck and R. Junck. They all meet the requirements described in article 526bis§2 of the Belgian Code of Companies, with respect to the expertise in the field of accounting and audit. The Committee held six meetings in 2008.

Amongst other items the following topics were discussed in 2008: the verification of the annual accounts 2007, the quarterly results of 2008 and the reports of the internal audit department, the follow-up of important legal issues such as the AgfaPhoto file and the Kodak case, the legal restructuring and the evaluation of risk management in the Group.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The powers and the way the Nomination and Remuneration Committee functions are described extensively in the Corporate Governance Charter. The Nomination and Remuneration Committee consists exclusively of non-executive directors.

Since April 29, 2008, date on which Mr. L. Verhoeven was replaced as member of the Committee by Mr. M. Akkermans, the Committee consists of 4 members, i.e. Mr. C. Leysen, Chairman, and Messrs. J. De Wilde, M. Akkermans and K. Van Miert. The Committee had five meetings in 2008 and the following items, amongst others, were discussed in the course of 2008: performance and remuneration of the Exco and executive management, pension obligations, HR management and delegation of powers to the CEO.

STRATEGIC COMMITTEE (SC)

The powers and the way the Strategic Committee functions are described extensively in the Corporate Governance Charter. The Strategic Committee advises the Board of Directors about the strategic policy options and, in particular, about strategic developments in the areas where the Company operates. The Strategic Committee also advises the Board about the five-year plan which the Executive Management submits every year, concerning strategic matters such as acquisitions, disinvestments, strategic partnerships, and the execution and follow-up of such issues. The Committee was established through a decision of the Board of Directors on December 12, 2007. The Chairman is Mr. Julien De Wilde and the members are the Chairmen of the other Committees. There were two meetings in 2008.

PRESENCE AT THE MEETINGS OF THE BOARD OF DIRECTORS AND THE COMMITTEES

Name	Board	AC	NRC	SC
Mr. Julien De Wilde	12/12		5/5	2/2
Mr. Michel Akkermans	6/7		3/3	
Mr. John Buttrick	10/12	6/6		
Mr. Ferdinand Chaffart**	5/5	3/3		
Mr. Jo Cornu	12/12			
Mr. Willy Duron	11/12	5/6		2/2
Mr. Horst Heidsieck*	5/7	1/3		
Mr. Roland Junck*	6/7	3/3		
Mr. Christian Leysen	12/12		5/5	2/2
Mr. André Oosterlinck**	5/5	3/3		
Mr. Karel Van Miert	10/12		5/5	
Mr. Ludo Verhoeven**	5/5		1/2	

* Appointed on April 29, 2008. **Director and member until April 29, 2008.

MANAGEMENT OF THE COMPANY

CEO AND EXCO

On June 18, 2008 the Board of Directors decided, with respect to the executive management of the Company, to switch from an Executive Committee to a managing director/CEO system, whereby the CEO will be assisted by the Exco.

The executive management is at present entrusted to Mr. Jo Cornu, CEO, assisted by the Exco. Together they form the Executive Management. The CEO is responsible for the implementation of the Company's policy and strategy laid down by the Board of Directors. Consequently, he has the most extensive powers regarding 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 CEO regularly reports about his activities and about the development of the subsidiaries and affiliated companies.

During its meeting of April 29, 2008 the Board of Directors decided to appoint, with effect as from May 5, 2008, Mr. Luc Delagaye, Lichtelarestraat 53/E, 9080 Lochristi, as member of the Exco of the Company.

During its meeting of June 18, 2008 the Board of Directors decided to appoint, with immediate effect Mr. Kris Hoornaert, Leuvensestraat 84, 3300 Tienen, as member of the Exco of the Company in replacement of Mrs. Anne Vleminckx.

Since June 18, 2008 the Exco is composed as follows:

Mr. Albert Follens	Vice-Chairman, and Corporate HR Director
Mr. Kris Hoornaert	Chief Financial Officer
Mr. Stefaan Vanhooren	President Agfa Graphics
Mr. Christian Reinaudo	President Agfa HealthCare
Mr. Luc Delagaye	President Agfa Materials

REMUNERATION

The remuneration policy of the Company with regard to Directors and members of the Executive Management is described in the Corporate Governance Charter.

BOARD OF DIRECTORS

The following standard remunerations are provided:

Annual fixed remuneration (for a maximum of 7 meetings per year)	
President*	180,000 Euro
Members	50,000 Euro
Audit Committee (AC) (for a maximum of 5 meetings per year)	
President	25,000 Euro
Members	12,500 Euro
Nomination and Remuneration Committee (NRC) (for a maximum of 3 meetings per year)	
President	15,000 Euro
Members	7,500 Euro
Strategic Committee (SC)	
President	no remuneration provided
Members	no remuneration provided

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

Variable remuneration
- of 2,500 Euro for every meeting exceeding the set maximum of 7, 5 or 3 meetings for respectively the fixed remuneration or the variable remuneration related to the AC or NRC;
- an additional remuneration of 3,000 Euro for intercontinental travelling.

In its meeting of January 30, 2009, the Board of Directors has – in view of the economic crisis – decided to halve this year's standard remunerations of the members of the Board, i.e. the period from the Annual General Meeting of April 2008 till the Annual General Meeting of April 2009.

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 2008 is as follows:

EURO	Board of Directors	Committees	TOTAL
Mr. Michel Akkermans	16,666.67	2,500.00	19,166.67
Mr. John Buttrick	57,333.33	10,833.33	68,166.67
Mr. Ferdinand Chaffart	33,333.33	8,333.33	41,666.67
Mr. Jo Cornu*	33,333.33	0	33,333.33
Mr. Julien De Wilde	76,666.67	0	76,666.67
Mr. Willy Duron	33,333.33	11,458.33	44,791.67
Mr. Horst Heidsieck	16,666.67	4,166.67	20,833.33
Mr. Roland Junck	16,666.67	4,166.67	20,833.33
Mr. Christian Leysen	33,333.33	15,000.00	48,333.33
Mr. André Oosterlinck	16,666.67	4,166.67	20,833.33
Mr. Karel Van Miert	33,333.33	10,000.00	43,333.33
Mr. Ludo Verhoeven	33,333.33	2,500.00	35,833.33
TOTAL	400,666.67	73,125.00	473,791.67

* Executive director.

EXCO AND CEO

The overall gross remuneration for those who were members of the Exco in 2008, amounted to 1,931,009 Euro (excluding the employer's social contribution). For 2008, no variable remuneration was attributed.
For these members pension contributions amounting to 304,302 Euro were paid as well as 75,765 Euro in the form of fringe benefits. These fringe benefits may vary from member to member and include a home PC, a company car, the renting of an appartment, a net cost allowance and various insurances (directors' liability, travel assistance, medical insurance, personal accident).

The CEO received a remuneration of 1,629,485 Euro. This remuneration is exclusive of the remuneration as member of the Board of Directors. For the remuneration paid to the CEO, Mercodi BVBA, represented by Mr. Jo Cornu, the Company does not have to pay employer's social contributions, nor pension contributions. The CEO received fringe benefits for an amount of 1,616 Euro.
The CEO also will not receive a variable remuneration for his performance in 2008.

The remunerations attributed in 2007 and 2008 are not comparable, on the one hand because of a huge variation in the number of Exco members in this period, on the other hand because of the fact that the interpretation of the position of CEO was subject to important changes.

In 2008, no severance payments were paid to the Executive Management.

STOCK OPTIONS GRANTED TO THE MEMBERS OF THE EXCO (AT THE END OF 2008)

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

	2000	2001	2002	2003	2004	2005	2006	TOTAL
STRIKE PRICE (EURO)	22.00	20.00	18.00	18.27	19.95	22.57	18.60	
Dhr. Albert Follens	7,500	11,600	19,000	16,350	20,000	22,000	24,000	**120,450**
Dhr. Stefaan Vanhooren	0	0	6,300	8,650	8,500	22,000	30,000	**75,450**
TOTAL	7,500	11,600	25,300	25,000	28,500	44,000	54,000	195.900

The Board of Directors decided not to issue a Long Term Incentive Plan in 2008.

At the end of 2008, the members of the Exco owned a total of 195,900 options, which were granted to them in different tranches.

MOST IMPORTANT RECRUITMENT AND TERMINATION CONDITIONS WITH REGARD TO DIRECTORS AND MEMBERS OF THE EXECUTIVE MANAGEMENT

Directors are appointed for a maximum term of three 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.

Some members of the Executive Management are appointed for an indefinite term, others for a finite term. Any member may be removed from his function at any time, without prejudice to the contractual arrangements of the individuals concerned.

No termination conditions with regard to members of the Exco with a seniority of more than 15 year were made. For the other members of the Executive Management contractual arrangements were made. The period of notice for contracts of an indefinite term is minimum six months. For contracts of a finite term the period of notice is maximum six months.

During the meeting of the Board of Directors on June 18, 2008, it was established that the change of control arrangement, whereby a certain individual is entitled to a certain remuneration by the Company in case he terminates his contractual agreements because of a change of control in the Company, became null and void. Therefore it has been decided to end this arrangement. Mr. Christian Reinaudo has a change of control arrangement in his contractual arrangements with Agfa HealthCare NV.

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.

The adapted version of the Code is available on the Company's website as part of the Corporate Governance Charter.

MAIN SHAREHOLDERS

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

- Classic Fund Management AG with 5.70% of the outstanding shares as from September 1, 2008,
- Franklin Templeton Investment Corporation with 4.94% of the outstanding shares as from December 4, 2008,
- JP Morgan Securities Ltd. with 3.10% of the outstanding shares as from January 19, 2009.

Furthermore, the Company has 3.15% of its own stock as treasury stock.

AUDITOR

Agfa-Gevaert NV's auditor is KPMG represented by Mr. Erik Helsen. World-wide fees in relation to services provided by the auditor amounted to 4,892,535 Euro in 2008. This sum comprises fees of 3,151,468 Euro for the audit of the annual financial statements, 179,526 for other audit services, 486,928 Euro for tax services and 1,074,613 Euro for other non-audit related services.

GENERAL INFORMATION ABOUT THE COMPANY

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

The full and annotated financial data and statements as from 2004 are available via the website of the Company, www.agfa.com, or at the registered office of the Company itself.

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

AVAILABILITY OF INFORMATION

The Company's articles of association 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 on 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, including the report of the statutory auditor with respect to the financial years 2004, 2005, 2006, 2007 and 2008, can be found on the website (www.agfa.com) and 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 on the website, www.agfa.com, and in printed form in Dutch and English.

CORPORATE SUSTAINABILITY

Corporate Sustainability is a business approach to create long-term value for all stakeholders. It is Agfa's mission to be the partner of choice in imaging and information systems by offering leading edge technology and new ways of working. An important criterion for the successful implementation of this mission is the ability to conduct the Company's business in a profitable way and in line with the environmental and social expectations of its stakeholders.

The Company publishes the information on its sustainability activities in a concise biennial report, completed with an update every other year.
The report provides an overview of Agfa's strategies, activities and progress in the field of sustainability, and is published on Agfa's website: www.agfa.com.

ENVIRONMENT

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

In line with its environmental targets, Agfa succeeded in considerably reducing the usage of natural resources and in diminishing the emissions to the air. Comparing the situation at the end of 2001 with that of December 2008 resulted in the following observations.

The consumption of water, excluding cooling water, has been cut back by 30.8% and the consumption of energy decreased 22.6% thanks to the restructuring of global manufacturing. Volatile organic compounds (VOC) were reduced by 76.4% due to the closure of the triacetate department in Mortsel (Belgium) and the installation of a regenerative thermal oxidizer in Mortsel and Suzano (Brazil). CO_2 emissions decreased strongly by 45.4%.
The main reason for this success is the global reorganization of Agfa's manufacturing sites.

Although Agfa's manufacturing plants have made excellent progress in improving the eco-efficiency for many environmental parameters, the Company is convinced that there is still room for improvement. This is reflected in the 2005-2009 Corporate environmental targets: continuous improvement of the above mentioned environmental parameters is the main goal. The operating plants have defined targets and are pursuing specific local environmental objectives.

The major manufacturing plants are updating and completing their inventory of areas and installations with historical and current risks of soil and/or groundwater contamination. They will also develop plans to monitor and remedy possible contamination. To maintain or to implement the ISO 14001 standard is a priority for all manufacturing sites.

SUMMARY OF ENVIRONMENTAL ACHIEVEMENTS IN 2008

Agfa performed well in achieving its five-year Corporate environmental objectives.

In all manufacturing sites an internal management system for environmental issues according to the principles of the ISO 14001 standard is in place. In addition, all the main manufacturing plants are formally ISO 14001 certified by an external auditor.

To a large extent, Agfa's 2008 achievements were in line with the Company's target for continuous improvement. The Company performed better for most absolute and specific environmental indicators.

The total production volume decreased by 2.1% compared to 2007. The growth of the production activities in the printing plate manufacturing sites was counterbalanced by a decrease in the production of the sites that produce film and chemicals. This confirms Agfa's technology and business model aimed at replacing our customers' systems which consume relatively high amounts of chemical resources by sustainable systems using less chemistry and energy.

The total water consumption decreased 5.0% compared to 2007. Cooling water consumption went down by 4.8%. Water consumption, cooling water excluded, fell by 5.1%, mainly due to less production volume.
The specific water consumption, cooling water excluded, remained stable at 13 m^3 per tonne of product.

In 2008, the waste water load diminished by 555 tonnes or 24.6%, due to a decreased Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD) in Mortsel, which improved its production processes.

CO_2 direct emissions reduced by 6,692 tonnes or 5.1%, mainly in Mortsel and Wiesbaden (Germany). In Mortsel, this was due to the reduced production volume. Since 2008, an active CO_2 reduction program allows the Wiesbaden plant to operate for 32% on electricity from CO_2 neutral sustainable sources. Suzano (Brazil) operates for 100% on CO_2 emission-free electricity from renewable origins.

Total emissions to air, CO_2 excluded, increased by 14.7 tonnes or 3.6% compared to 2007 due to the use of a combined heat and power plant in Mortsel. VOC emissions were reduced by 5.0%.
Volatile Inorganic Compounds (VIC) emissions remained stable.

The total waste volume in absolute figures went further down by 9.7% since 2007. The reduction was mainly recorded in Mortsel due to less aluminum waste as well as to a waste reduction plan. The hazardous waste volume, as well as the specific hazardous waste went down by ca. 11% and the non hazardous waste volume went down by 8.1% in 2008.

As a result, hazardous waste remained stable in relative importance.

Total energy consumption was reduced by 0.7% in 2008. Natural gas consumption went up by 4.0%. This increase is due to the use of a combined heat and power plant in Mortsel, and was almost offset by gas savings in Wiesbaden (Germany), Leeds (UK), Pont-à-Marcq (France), Wuxi Printing (China) and Branchburg (USA). Consumption of electricity fell by 9.2% in 2008 compared to 2007. Mortsel now produces about 25% of its own electricity demand.

Specific energy consumption almost remained constant over the same period.

Mortsel reported environmental incidents to the Belgian authorities. They mainly concerned minor violations of the waste water permit. In spite of the increasingly stringent legislation, the number of incidents remained stable.

Leeds also reported two environmental incidents to its authorities, concerning events potentially giving rise to pollution. On the other hand, both Leeds and Wiesbaden received awards for their environmental performances. Leeds received the Process Premier Award at the Business Commitment to the Environment Environmental Leadership Awards. Wiesbaden obtained an *ökoprofit* certificate from the city of Wiesbaden.

Only Mortsel reported external complaints in 2008. They mainly concerned noise. The number of complaints was halved compared to 2007, thanks to the company's policy of open communication with its neighbors. As part of a regular consultation procedure with the neighbourhood committee, corrective measures to solve these problems have been discussed and agreed upon.

In 2008 no sites reported environmental fines.

In January 2007, Agfa's own combined heat and power plant came into operation.
Thanks to this installation the Company now produces about 25% of its own electricity demand.

CORPORATE CITIZENSHIP & COMMUNITY PARTICIPATION

Agfa invests time, money and effort in forging strong and sustainable relationships with the communities in which it operates. In many of the countries where Agfa is active, the Company is confronted with social, economic and environmental challenges, which are outside the normal scope of its business activities.
By taking a dedicated and active interest in resolving issues, by improving the quality of life in local communities, and by taking a proactive stance with stakeholder groups, Agfa aims to make a tangible difference to people's lives.

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

- The project **'Música é Imagem'** is sponsored by Agfa in Suzano city (Brazil). More than 70 children take choir classes and participate in sports activities and after school tutoring three times a week.
- In Colombia, Agfa donates cash contributions to an institution called **'Colombia Herida'** which supports soldiers injured in combat.
- Agfa USA matches employee contributions to the **'United Way'** project. Contributors to this project can specify which philanthropic causes they wish to support.
- In 2008, Agfa HealthCare donated two CR 30-X digitizers and three DRYSTAR 5302 printers via the Chines Red Cross organization in order to support the province of **Sichuan** which was hit by a heavy earthquake on May 12, 2008.
- Agfa Graphics organized a genuine auction of Agfa products on its booth during the 2008 *drupa* trade show. Also, works of art were put on sale from renowned Belgian artists Panamarenko, Luc Tuymans and Agfa colleague Marc Van Boom, as well as signed sports t-shirts by Pele and wide-format prints.
  With the money raised, a water pump project in **Dara, Burkina Faso** was sponsored.
  It is located near to a small hospital, three kilometres outside of Dara and will provide more than 10,000 people with daily fresh water.

The Group also supports **Agfa Aid**, an organization of Agfa volunteers. The mission of Agfa Aid is to support small-scale projects, mainly focused on children. Agfa colleagues are directly involved in these projects. Agfa Aid raises funds through benefit concerts and the collection of donations.

Agfa Aid has projects all over the world:

- **Centro Andino** (South America): material and financial support for hospitals and schools.
- **SOS Brazil** (Brazil): a horticultural school, community house and workshop project.
- **Hogar Para Todos** (Ecuador): scholarships and support to schools and orphanages.
- **Gammol** (Gambia): water supply projects.
- **Bayti** (Morocco): literacy project and day center for street children.
- **Moeders voor Moeders** (Belgium): food and material support to underprivileged families in Antwerp.
- **De Markgrave** (Belgium): activity center for the blind and partially sighted.
- **Fepts** (India): support for an orphanage and a school.
- **Talmid** (Rumania): educational support for Roma gipsies.
- **Azia** (Nigeria): support for the construction of a school.

The **Kalutara project** in Sri Lanka, for which Agfa Aid offered support and materials for building houses and a local school, is completed.

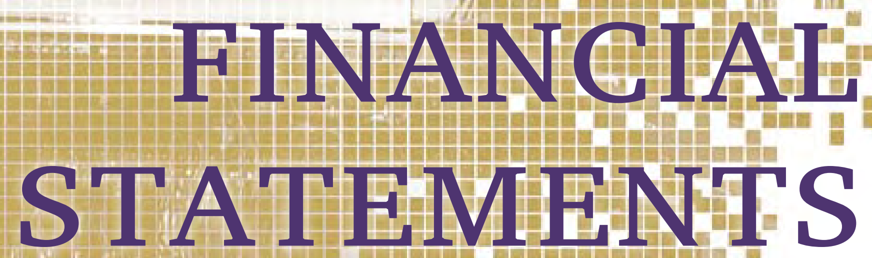
HUMAN RESOURCES

In the present rapidly changing business environment, the ability to learn and to quickly acquire new competencies is a key competitive advantage for future growth. All employees should therefore be able to continuously develop and learn new competencies.

To this aim, Agfa has implemented a wide set of policies, programs and actions.

Employability, from a company as well as from an individual perspective, is a key objective for Agfa’s management in this period of intensive transformation of Agfa’s industry and its company activities.

Agfa aims to be an employer with clearly defined and applied health and safety standards, respecting all legal requirements and adhering to the overall principles of the international declaration of human rights.


FINANCIAL
STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

In accordance with article 119 of the Company Code

ACCOUNTING PRINCIPLES

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

COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2008, the Group's sales decreased 7.6% to 3,032 million Euro (3,283 million Euro in 2007). High raw material prices and the strong Euro had a negative impact on Agfa's sales in the first half of 2008, whereas the effects of the deteriorating economic conditions became more visible in the second half of the year. Excluding currency effects, the sales decline was limited to 4.2%.

In the first half of the year, Agfa Graphics' growth in digital computer-to-plate (CtP) was able to offset the combined effect of the economic slowdown in the USA and the market-driven decline in the analog computer-to-film (CtF).
At *drupa*, the four-yearly graphic trade show in Düsseldorf, Germany, the business group signed significant orders for its prepress and industrial inkjet portfolio.
In the second half of the year the economic slowdown affected the CtF and CtP segment. As a result, Graphics' sales decreased 5.9% (excluding currency effects 2.2%) to 1,522 million Euro.

In Agfa HealthCare, the traditional film segment continued its market-driven decline, whereas the hardcopy segment 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 Agfa HealthCare, especially in North America and the UK. In the fourth quarter, the impact of the economic slowdown became more apparent as some care organizations postponed their investments in Enterprise IT, Imaging IT and Computer Radiography (CR) equipment. Sales of Agfa HealthCare decreased 12.1% (excluding currency effects 8.6%) to 1,223 million Euro.

Specialty Products posted a positive sales 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. Specialty Products' sales increased 5.6% (including currency effects 4.7%) and reached 287 million Euro.

In 2008, the Group applied an impairment loss on goodwill and intangible assets of 119 million Euro as a result of the revised economic assumptions of the five-year plan. Including this impairment loss, the 2008 operating result of the Group was minus 20 million Euro, versus 125 million Euro in the previous year. The financial result was minus 86 million Euro, versus minus 63 million Euro in 2007. Income before taxes thus reached minus 106 million Euro, against 62 million Euro in 2007.

In 2008, the Group applied an exceptional tax charge of 34 million Euro related to the reversal of deferred tax assets as a result of the revised economic assumptions of the five-year plan.

The Group's net result in 2008, including the impairment loss and the exceptional deferred tax charge, amounted to minus 167 million Euro or minus 134 cents per share, compared to a net profit of 42 million Euro or 34 cents per share in 2007.

Excluding the impairment loss, the exceptional tax charge and the restructuring costs, the Group would have posted a positive net result.
The notes to the consolidated financial statements are an integral part of the Board of Directors' report and provide detailed information about the developments and the results of the company through financial and – if necessary – non-financial indicators (e.g. environmental and personnel matters), a description of and the measures to control the main risks and uncertainties (e.g. hedging), information concerning research and development and the use of financial instruments by the Group.

OPINION ON THE FAIR PRESENTATION IN ACCORDANCE WITH THE ROYAL DECREE OF NOVEMBER 14, 2007

The Board of Directors and the Executive Management of Agfa-Gevaert NV, represented by

Mr. Julien De Wilde, Chairman of the Board of Directors, Mr. Jo Cornu, President and Chief Executive Officer, and Mr. Kris Hoornaert, Chief Financial Officer hereby declare that, to the best of their knowledge,

- the consolidated financial statements give a true and fair view of the Group's net worth and financial position and of its results in accordance with International Financial Reporting Standards;
- the annual report gives a true and fair view of the developments and results of the company and its subsidiaries included in the consolidated financial statements, as well as a description of the main risks and uncertainties which the Group is facing.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Prins Boudewijnlaan 24d
2550 Kontich
Belgium

Tel. +32 (0)3 821 17 00
Fax +32 (0)3 825 20 25
www.kpmg.be

Statutory auditor's report to the general meeting of shareholders of Agfa-Gevaert NV on the consolidated financial statements for the year ended 31 December 2008

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

Unqualified audit opinion on the consolidated financial statements with explanatory paragraph

We have audited the consolidated financial statements of Agfa-Gevaert NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated balance sheet amounts to € 3.160 million and the consolidated income statement shows a loss for the year (group share) of € 167 million.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Maatschappelijke zetel – siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met handelsvorm - Société civile à forme commerciale
RPR - RPM 0419122548
Rechtsgebied Brussel - Ressort judiciaire Bruxelles

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of 31 December 2008 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Without contradicting the aforementioned opinion we draw your attention to note 2 and note 6 of the consolidated financial statements, which refers to the Group's liquidity position and management's evaluation and assumptions in relation to events or conditions that may materially affect the net debt position and the realization of the business plans. These business plans were the basis for the assessment of the carrying value of the three business groups in the 2008 consolidated financial statements.

Additional comment

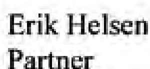
The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment which does not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, 1 April 2009

KPMG Réviseurs d'Entreprises
Statutory auditor
represented by



Erik Helsen
Partner

AGFA-GEVAERT GROUP ■ CONSOLIDATED STATEMENTS OF INCOME

MILLION EURO	Note	2008	2007
Net sales	4	**3,032**	**3,283**
Cost of goods sold		(2,067)	(2,136)
Gross profit		**965**	**1,147**
Selling expenses		(439)	(523)
Research and development expenses		(175)	(191)
General administration expenses		(225)	(262)
Other operating income	7	451	333
Other operating expenses	8	(597)	(379)
Operating result		**(20)**	**125**
Interest income (expense) – net	9	(38)	(40) [1]
Other non-operating income (expense) – net	9	(48)	(23) [1]
Non-operating result		**(86)**	**(63)**
Income before income taxes		**(106)**	**62**
Income taxes	10	(60)	(19)
Net income of consolidated companies		**(166)**	**43**
of which attributable to minority interest		1	1
of which attributable to Agfa-Gevaert NV stockholders (net result)		**(167)**	**42**
of which discontinued operations	15	(16)	(24)
Basic earnings per share (Euro)	28	(1.34)	0.34
Diluted earnings per share (Euro)	28	(1.34)	0.34
Basic earnings per share from continuing operations (Euro)	28	(1.21)	0.53
Diluted earnings per share from continuing operations (Euro)	28	(1.21)	0.53

[1] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income 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 statements of income. 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 5 million Euro. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

AGFA-GEVAERT GROUP ■ CONSOLIDATED BALANCE SHEETS

MILLION EURO	Note	Dec. 31 2008	Dec. 31 2007
ASSETS			
Non-current assets		**1,029**	**1,243**
Intangible assets	12	647	816
Property, plant and equipment	13	369	407
Investments	14	13	20
Non-current assets classified as held for sale	19	-	-
Current assets		**1,849**	**1,986**
Inventories	16	575	578
Trade receivables		750	861
Other receivables and other assets	17	329	363
Cash and cash equivalents	18	150	152
Deferred charges		19	21
Derivative financial instruments	6	26	11
Deferred taxes	10	**282**	**330**
TOTAL ASSETS		**3,160**	**3,559**
EQUITY AND LIABILITIES			
Shareholders´ equity	20	**704**	**891**
Capital stock of Agfa-Gevaert NV		140	140
Share premium of Agfa-Gevaert NV		109	109
Retained earnings		981	939
Reserves		(273)	(288)
Net income		(167)	42
Translation differences		(90)	(54)
Minority interest		4	3
Non-current liabilities		**1,493**	**1,488**
Liabilities for post-employment benefits	21	601	654
Liabilities for personnel commitments		18	24
Financial obligations more than one year	22	809	740
Provisions more than one year	24	64	69
Deferred income		1	1
Current liabilities		**900**	**1,115**
Financial obligations less than one year	22	14	133
Trade payables		226	275
Deferred revenue & advance payments		112	96
Miscellaneous liabilities	23	205	237
Liabilities for personnel commitments		71	89
Provisions less than one year	24	255	275
Deferred income		5	7
Derivative financial instruments	6	12	3
Deferred taxes	10	**63**	**65**
TOTAL EQUITY AND LIABILITIES		**3,160**	**3,559**

AGFA-GEVAERT GROUP ■ CONSOLIDATED STATEMENTS OF SHAREHOLDERS´ EQUITY

MILLION EURO	Capital stock of Agfa-Gevaert NV	Share premium of Agfa-Gevaert NV	Retained earnings	Reserve for own shares	Revaluation reserve	Share-based payment reserve	Hedging reserve	Net income	Translation Differences	Minority interest	TOTAL
December 31, 2006	**140**	**109**	**987**	**(296)**	**0**	**8**	**(1)**	**15**	**(32)**	**3**	**933**
Changes in shareholders´ equity resulting from capital contributions and dividend payments											
Dividend payments	-	-	(63)	-	-	-	-	-	-	-	**(63)**
Other changes in shareholders´ equity not recognized in income											
Warrants exercised	-	-	-	-	-	-	-	-	-	-	**-**
Stock options exercised	-	-	-	-	-	-	-	-	-	-	**-**
Share-based payments	-	-	-	-	-	2	-	-	-	-	**2**
Revaluation of available-for-sale financial assets	-	-	-	-	(2)	-	-	-	-	-	**(2)**
Cash flow hedges	-	-	-	-	-	-	1	-	-	-	**1**
Treasury shares	-	-	-	-	-	-	-	-	-	-	**-**
Translation differences	-	-	-	-	-	-	-	-	(22)	-	**(22)**
Other	-	-	-	-	-	-	-	-	-	-	**-**
Changes in shareholders´ equity recognized in income											
Allocation to retained earnings	-	-	15	-	-	-	-	(15)	-	-	**0**
Income after taxes for the period January 1 till December 31, 2007	-	-	-	-	-	-	-	42	-	-	**42**
December 31, 2007	**140**	**109**	**939**	**(296)**	**(2)**	**10**	**0**	**42**	**(54)**	**3**	**891**
Changes in shareholders´ equity resulting from capital contributions and dividend payments											
Dividend payments	-	-	-	-	-	-	-	-	-	-	**-**
Other changes in shareholders´ equity not recognized in income											
Warrants exercised	-	-	-	-	-	-	-	-	-	-	**-**
Stock options exercised	-	-	-	-	-	-	-	-	-	-	**-**
Share-based payments	-	-	-	-	-	2	-	-	-	-	**2**
Revaluation of available-for-sale financial assets	-	-	-	-	(1)	-	-	-	-	-	**(1)**
Impairment loss recognized on available-for-sale financial assets	-	-	-	-	2	-	-	-	-	-	**2**
Cash flow hedges	-	-	-	-	-	-	9	-	-	-	**9**
Treasury shares	-	-	-	-	-	-	-	-	-	-	**-**
Translation differences	-	-	-	-	-	-	-	-	(36)	-	**(36)**
Other	-	-	-	-	-	-	3	-	-	-	**3**
Changes in shareholders´ equity recognized in income											
Allocation to retained earnings	-	-	42	-	-	-	-	(42)	-	-	**0**
Net income of consolidated companies for the period January 1 till December 31, 2008	-	-	-	-	-	-	-	(166)	-	-	**(166)**
Attribution of net income to minority interest	-	-	-	-	-	-	-	(1)	-	1	**0**
December 31, 2008	**140**	**109**	**981**	**(296)**	**(1)**	**12**	**12**	**(167)**	**(90)**	**4**	**704**

AGFA-GEVAERT GROUP ■ CONSOLIDATED STATEMENTS OF CASH FLOW

MILLION EURO	Note	2008	2007
Cash and cash equivalents at beginning of year		**151**	**83**
Operating result		(20)	125
Current tax expense	10	(10)	(53)
Depreciation, amortization and impairment losses		235	148
Changes in fair value of derivative financial instruments		(4)	(2)
Adjustment for other non-cash income		(1)	(2)
Movement in long-term provisions		(103)	(106)
(Gains) / losses on retirement of non-current assets	7/8	(23)	(17)
Loss (Gains) on divestiture	5	-	1
Gross cash provided by operating activities		**74**	**94**
of which discontinued operations	15	(14)	(35)
Decrease / (Increase) in inventories		(2)	26
Decrease / (Increase) in trade accounts receivable		107	1
Increase / (Decrease) in trade accounts payable and deferred revenue		(47)	(30)
Increase / (Decrease) in deferred revenue and advance payments		14	13
Movement in short-term provisions		(43)	(14)
Movement in other working capital		(22)	18
Net cash provided by operating activities		**81**	**108**
of which discontinued operations	15	0	(13)
Cash outflows for additions to intangible assets	12	(14)	(29)
Cash outflows for additions to property, plant and equipment	13	(49)	(71)
Cash inflows from disposals of intangible assets	12	2	2
Cash inflows from disposals of property, plant and equipment	13	34	37
Cash inflows from disposals of assets held for sale		-	19
Cash inflows (outflows) from equity and debt instruments		41	67
Cash outflows for previous acquisitions	5	-	(38)
Cash inflows from divestiture	5	-	2
Interests and dividends received		3	3 [1]
Net cash provided by / (used in) investing activities		**17**	**(8)** [1]
of which discontinued operations	15	0	34 [1]
Dividend payments to stockholders	20	-	(63)
Prefinancing by / (of) AgfaPhoto related to previous Consumer Imaging divestiture		(4)	(17)
Net issuances of debt		(56)	106
Interest paid		(41)	(43) [1]
Other financial flows		3	(9) [1]
Net cash provided by / (used in) financing activities		**(98)**	**(26)** [1]
of which discontinued operations	15	0	(13) [1]
Change in cash and cash equivalents due to business activities		0	74
Change in cash and cash equivalents due to exchange rate movements		(2)	(6)
Cash and cash equivalents at end of year	18	**149**	**151**

[1] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income 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 statements of income and consequently to 'Other financial flows' in the consolidated statements of cash flow. Comparative information for the year 2007 has been restated.

1 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

Agfa-Gevaert NV ('the Company') is a company domiciled in Belgium. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associated companies. The consolidated financial statements were authorized for issue by the Board of Directors on April 1, 2009. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union up to December 31, 2008.

The Group did not apply any European carve-outs from IFRS hence the consolidated financial statements fully comply with IFRS. The Group has not early adopted any new IFRS requirements that were not yet effective in 2008. 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 realizable value, fair value or recoverable amount. Whenever IFRS provides an option between cost and another measurement basis, the cost approach is applied.

The preparation of 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.

The accounting policies have been consistently applied by Group companies and are consistent with those used in the previous year, except for the presentation of Interest income (expense) and Other non-operating income (expense) in the income statement. See note 9 Financial income and expenses.

(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 recognized 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 unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associated companies are eliminated to the extent of the Group's interest in the entity. Unrealized gains arising from transactions with associated companies are eliminated against the investment in the associated company. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(D) FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities measured in historical cost that are denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

Financial statements of foreign group companies

The results and financial position of all the Group entities (none of which 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 recognized as a separate component of equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognized in the income statement when the gain or loss on disposal is recognized.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(E) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not currently hold or issue derivatives for trading purposes. Derivative financial instruments that are economic hedges but that do not meet the strict IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting criteria, however, are accounted for as financial assets or liabilities at fair value through profit or loss.

Derivative financial instruments are initially recognized at fair value on the date at which a derivative contract is entered into and are subsequently re-measured at their fair value. Depending on whether cash flow or net investment hedge accounting is applied or not, any gain or loss is either recognized directly in equity or in the income statement.

Cash flow, fair value or net investment hedge accounting is applied to all hedges that qualify for hedge accounting when required documentation of the hedging relationship is in place and when the hedge is determined to be effective.

The fair values of derivative interest contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Fair value hedges

When a derivative financial instrument hedges the changes in fair value of a recognized asset or liability or an unrecognized firm commitment, any resulting gain or loss on the hedging instrument is recognized in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the income statement.

Cash flow hedges

When a derivative financial instrument hedges the variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction, the effective portion of any resulting gain or loss on the hedging instrument is recognized directly in equity. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the cost of the asset or liability. When the hedge relates to financial assets or liabilities, the cumulative gain or loss on the hedging instrument is reclassified from equity 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 recognized). The gain or loss relating to any ineffective portion is recognized immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting but the hedged transaction is still expected to occur, the cumulative gain or loss (at that point) remains in equity and is reclassified in accordance with the above policy when the hedged transaction occurs.
If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is recognized in the income statement immediately.

Hedge of a net investment in a foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on the translation of the liability to the functional currency are recognized directly in equity.

Where a derivative financial instrument hedges a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, while the ineffective portion is reported in the income statement.

(F) SEGMENT REPORTING

Segment reporting is based on two segment reporting formats. The primary reporting format represents three businesses – Graphics, HealthCare and Specialty Products – reflecting the Group's management structure. The secondary reporting format represents the Group's four geographical markets: Europe, NAFTA, Latin America and Asia/Oceania/Africa.

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 business segment can be summarized as follows:

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

The main exception to the above principle relates to the film and chemicals manufacturing part of the operational unit Materials that produces goods for all the business segments. The operational unit Materials is the combination of the dedicated part of the business segment Specialty Products and the manufacturing of film consumables worldwide. Operating income and expenses and operating assets and liabilities that relate to film consumables remain allocated to the different business segments using allocation keys.

The results, assets and liabilities related to inactive employees are reported under Unallocated. 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. The balances reported under Unallocated also comprise the outstanding balances resulting from distribution, supply and service agreements concluded between the Group and AgfaPhoto together with liabilities related to the former Consumer Imaging business segment that remain with the Group.

(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 purchase method.

Goodwill is not amortized but tested for impairment on an annual basis and whenever there is an indication that the cash generating unit to which goodwill has been allocated may be impaired. The impairment testing process is described in the appropriate section of these policies.

Goodwill is stated at cost less accumulated impairment losses.

In respect 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 recognized exceeds the cost of the business combination, such excess is recognized immediately in the income statement.

(H) INTANGIBLE ASSETS

Intangible assets with indefinite useful lives, such as trademarks, are stated at cost less accumulated impairment losses.
Intangible assets with indefinite useful lives are not amortized. Instead, they are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.
Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives, such as acquired technology and customer relationships are amortized on a straight-line basis over their estimated useful lives, generally for periods ranging from 3 to 20 years. In accordance with IFRS 3 *Business Combinations*, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the entity.

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will be a success, and certain criteria, including technological and commercial feasibility, have been met. Capitalized development costs are amortized on a systematic basis over their expected useful lives.

(I) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and impairment losses.
The production cost of self-constructed assets includes the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation and write-downs of assets used in construction. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to construction. Borrowing costs are not capitalized.
Expenses for the repair of property, plant and equipment are usually charged against income when incurred. They are, however, capitalized when they increase the future economic benefits embodied in the item of property, plant and equipment.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the item, except where the declining-balance basis is more appropriate in light of the actual utilization pattern. Land is not depreciated.

The estimated useful lives of the respective asset categories are as follows:

Buildings	20 to 50 years
Outdoor infrastructure	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	6 to 12 years
Laboratory and research facilities	3 to 5 years
Vehicles	4 to 8 years
Computer equipment	3 to 5 years
Furniture and fixtures	4 to 10 years

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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

Investments classified as non-current assets comprise participations in companies in which the Group has no control.
Where the Group holds, directly or indirectly, more than 20% of the voting power and / or exercises significant influence over the financial and operating policies, the investments are referred to as associated companies. Investments in associated companies are accounted for using the equity method. If there is an indication that an investment in an 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 and are stated at fair value, except for those equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Those equity instruments that are excluded from fair valuation are stated at cost. A gain or loss arising from a change in fair value of an investment classified as available-for-sale that is not part of a hedging relationship is recognized directly in equity. When the investment is sold, collected, or otherwise disposed of, or when the carrying amount of the investment is impaired, the cumulative gain or loss previously recognized in equity is transferred to the income statement.
The fair value of investments available-for-sale is their quoted bid price at the balance sheet date.

(K) LOANS AND RECEIVABLES

Loans and receivables are carried at amortized cost less impairment losses. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at the balance sheet date. An impairment loss is recognized in the income statement for the difference between the carrying amount of the receivables and the present value of the estimated future cash flows.

(L) IMPAIRMENT

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually and upon the occurrence of an indication of impairment.
The impairment tests are performed annually at the same time each year and at the cash-generating unit level. The Group defines its cash-generating units based on the way that it monitors its goodwill and will derive economic benefit from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these cash-generating units with their recoverable amount, based on their future projected cash flows discounted at an appropriate pre-tax rate of return. The discount rate reflects the current assessment of the time value of money and the risks specific to the cash-generating unit. An impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's property, plant and equipment, intangible assets with finite useful lives and financial assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.
The recoverable amount of the Group's property, plant and equipment and intangible assets with finite useful lives is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of the Group's loans and receivables is the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.
An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

(M) INVENTORIES

Raw materials, supplies and goods purchased for resale are valued at purchase cost. Work in progress and finished goods are valued at the cost of production. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation and write-downs of assets used for production. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to production. Administrative costs are included where they are attributable to production.
Inventories are valued using the weighted-average cost method.
If the purchase or production cost is higher than the net realizable value, inventories are written down to net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits.

(O) DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

A discontinued operation is a component of the Group that either has been disposed of; or is classified as held for sale and represents a separate major line of business and is part of a single co-ordinated plan to dispose of a separate major line of business; or is a subsidiary acquired exclusively with a view to resale.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the Group measures the carrying amount of the asset (or all the assets and liabilities in the disposal group) in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of their carrying amounts and fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Non-current assets classified as held for sale are no longer amortized or depreciated.

(P) SHARE CAPITAL

Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognized as liabilities in the period in which they are declared.

(Q) INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between the initial amount and the maturity amount being recognized in the income statement over the expected life of the instrument on an effective interest rate basis.

(R) INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

(S) EMPLOYEE BENEFITS

Post employment benefits

Post employment benefits comprise pensions, post employment life insurance and medical care.

The majority of the Group's employees are eligible for retirement benefits under defined contribution and defined benefit plans provided through separate funds, insurance plans or unfunded arrangements.

(1) **Defined contribution plans:**
Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

(2) **Defined benefit plans:**
For defined benefit plans, the amount recognized in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains and losses and less any past service costs not yet recognized and the fair value of any plan assets. Where the calculation results in a net surplus, the recognized asset does not exceed the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that the net cumulative unrecognized gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that excess is recognized in the income statement over the expected average remaining working lives of the employees participating in that plan. Otherwise, the actuarial gain or loss is not recognized.

Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognized as an expense immediately.
The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.
The amount charged to the income statement consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses.

Pre-retirement pensions are treated as termination benefits.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans, post employment life insurance and medical care, is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Termination benefits

Termination benefits are recognized as a liability and an expense when a Group company is demonstrably committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.
Where termination benefits fall due more than twelve months after the balance sheet date, they are discounted using a discount rate which is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Equity compensation benefits

The Group has equity-settled share-based payment transactions. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, equity is increased by the amount of the proceeds received.

(T) PROVISIONS

Provisions are recognized in the balance sheet when a Group company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.
If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.
Future operating costs are not provided for.
In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.
A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(U) TRADE AND OTHER PAYABLES

Trade and other payables are stated at their cost.

(V) REVENUE

The Group recognizes revenue in the income statement when significant risks and rewards of ownership have been transferred to the buyer, when the amount of revenue can be measured reliably and there are no significant uncertainties regarding recovery of the consideration due, the associated costs or the possible return of goods.

For product sales including the sale of consumables, chemicals, spare parts, stand-alone equipment sales and software licenses, these criteria are generally met at the time the product is shipped and delivered to the customer and, depending on delivery conditions, title and risk have passed to the customer and acceptance of the product has been obtained.

Revenue related to services, including maintenance is recognized on a straight-line basis over the period during which the services are performed.

The Group also enters into arrangements combining multiple deliverables such as software, hardware/equipment and services, including training, maintenance and post-contract customer support. Such arrangements are assessed to determine whether the deliverables represent separate units of accounting. The delivered elements are subject to separate recognition only if (a) they have value to the customer on a stand-alone basis, (b) there is objective and reliable evidence of the fair value of the undelivered element(s) and (c), in case a general right of return exists relative to the delivered element(s), delivery or performance of the undelivered element(s) is considered probable and in the control of the company.

To the extent that the multiple-element arrangements do not involve significant modification or customization of the software element, the total arrangement fee is allocated to each deliverable of the arrangement based upon its relative fair value as determined by 'vendor specific objective evidence'. Vendor specific objective evidence of fair value for the elements of an arrangement is based upon established list prices for each element, when sold separately on the market.

Revenue allocated to each deliverable within a multiple-element arrangement, not requiring significant modification of the software, is recognized on an element-by-element basis when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured.

When the fair value of one or more delivered elements in the arrangement cannot be determined objectively, but objective evidence of fair value exists for all undelivered elements, the Group defers revenue for the undelivered elements and recognizes the residual amount of the arrangement fee related to the delivered elements when the above mentioned recognition criteria are met.

Within the HealthCare business segment, the vast majority of the multiple-element arrangements do not require significant modification or customization of the software element. Revenue related to the hardware component of the arrangement is generally recognized when the product is delivered to the customer and creates value on a stand-alone basis. Revenue related to the software component of the arrangement is recognized after successful installation at the client's premises. Any related services are recognized as rendered.

For equipment sales that require substantive installation activities within the Graphics business segment, revenue is recognized when the installation of the equipment has been finalized in accordance with the contractually agreed specifications and the system is ready to be used by the customer.

Revenue related to multiple-element arrangements that require significant customization or modification of the software, is recognized following the percentage of completion method. This method applies to HealthCare solutions which have not met the three major milestones as defined in the 'Solution Launch Process', so-called pilot projects. The contract stage of completion is calculated as the ratio of total contract costs incurred compared to the estimated total contract costs for completing the project. If no sufficient basis to measure progress to completion is available, revenue is recognized upon final acceptance of the customer.

Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges. A provision for product warranty is made at the time of revenue recognition and reflects the estimated cost of replacement that will be incurred by the Group.

(W) EXPENSES

Interest income / (expense)

Interest income / (expense) comprises of interest payable on borrowings and interest receivable on funds invested. Other non-operating income / (expense) comprises of foreign exchange gains and losses with respect to non-operating activities and gains and losses on hedging instruments with respect to non-operating activities.
Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in the income statement on the date that the dividend is declared.
All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.
Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

(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 year ended on December 31, 2008 and have not been applied in preparing the consolidated financial statements. It relates to:

- IFRS 8 *Operating Segments*
  In November 2006, the IASB issued the new standard IFRS 8 *Operating Segments*, applicable for annual periods beginning on or after January 1, 2009. This standard requires the disclosure of financial segmented information on the level of operating segments in the notes to the financial statements. The identification of operating segments should be based on internal reports that are regularly reviewed by the entity's chief operating decision maker in evaluating segment performance and in deciding how to allocate resources to the different operating segments.

  Currently the Group presents segment information with respect to its business and geographical segments (see note 4 Segment reporting). The application of this new standard will not have an impact on the reportable segments of the Group.

- Revised IAS 1 *Presentation of Financial Statements*
  In September 2007, the IASB issued a revision to the existing standard IAS 1 *Presentation of Financial Statements.* The revised standard introduces a statement of comprehensive income, comprising all items of income and expenses that are not recognized in profit and loss (i.e. non-owner changes in equity).
  Applying the revised standard IAS 1, components of comprehensive income can no longer be presented in the statement of changes in equity. The income tax relating to each component of other comprehensive income should be disclosed separately.

  The revised standard is applicable to annual periods beginning on or after January 1, 2009. The new standard will affect the presentation of the consolidated statements of shareholders' equity in the notes to the financial statements, but will neither affect the recognition nor the measurement of items of comprehensive income or items of profit and loss.

- Revised IAS 23 *Borrowing Costs*
  In March 2007, the IASB issued a revision to the existing standard IAS 23 *Borrowing Costs*. The revised standard removes the option to immediately expense borrowing costs directly attributable to the assets that take a substantial period of time to get ready for use of sale. An entity shall be required to capitalize such borrowing costs as part of the cost of such asset.

  The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. IAS 23 revised will not have a material impact on the consolidated financial statements.

- IFRIC 13 *Customer Loyalty Programmes*
  In June 2007, the IFRIC issued IFRIC 13 *Customer Loyalty Programmes*, applicable for annual periods beginning on or after July 1, 2008. The interpretation addresses the accounting for customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods. At the moment of the initial sale, the fair value of the awards credits shall be deferred. The application of this interpretation will not have a material impact on the consolidated financial statements.

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
  In January 2008, the IASB issued a revision to the existing standard IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*, applicable for annual periods beginning on or after January 1, 2009, to clarify the terms ‘vesting conditions’ and ‘cancellations’.

  The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These other features would need to be included in the grant date fair value for transactions with employees and others providing similar services. The standard further specifies that all cancellations – whether by the entity or by other parties – should receive the same accounting treatment. The implementation of this revised standard will not have a material impact on the consolidated financial statements.

- Amendments to IAS 27 *Consolidated and Separate Financial Statements (2008)*
  In January 2008, the IASB issued an amendment to the existing standard IAS 27, applicable for annual periods beginning on or after July 1, 2009. The revised standard requires that the effect of all transactions with non-controlling interests should be recorded in equity separately from equity of the owners of the parent. Changes in a parent’s ownership in a subsidiary that do not result in the loss of control should be accounted for as equity transactions. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or a loss is recognized in profit or loss.
  The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests as from January 1, 2010.

- Revised IFRS 3 *Business Combinations (2008)*
  In January 2008, the IASB issued a revision to the existing standard IFRS 3 *Business Combinations*, applicable for annual periods beginning on or after July 1, 2009. The revised standard continues to apply the acquisition method for business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure non-controlling interest in the acquiree at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively for all acquisitions as from January 1, 2010.

- Amendments to IAS 32 *Financial Instruments: Presentation* and to IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation*
  In February 2008, the IASB issued a revision to the existing standard IAS 32 and IAS 1, applicable for annual periods beginning on or after January 1, 2009. This amendment requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have an impact on the consolidated financial statements.

- *Improvements to International Financial Reporting Standards 2008*
  In May 2008, the IASB issued *Improvements to International Financial Reporting Standards 2008*, a collection of non-urgent, minor amendments to existing standards. The standard includes 35 amendments split into two parts, amendments that result in accounting changes for presentation, recognition or measurement purposes and amendments that are terminology changes only. The amendments will not have a material impact on the consolidated financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible hedged items*
  In July 2008, the IASB issued an amendment to IAS 39 *Financial Instruments – Eligible hedged items*, applicable to annual periods beginning on or after July 1, 2009. This amendment provides additional guidance concerning specific positions that qualify for hedging – ‘eligible hedged items’. The amendment addresses two particular situations: the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged item in particular situations. This amendment will not have a material impact on the consolidated financial statements.

- Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*
  In October 2008, the IASB issued amendments to IAS 39 and IFRS 7 applicable to annual periods beginning on or after July 1, 2008. These amendments allow the reclassification of non-derivative financial assets out of the 'fair value through profit and loss' category and financial assets out of the 'available-for-sale' category in limited circumstances. Such reclassification will trigger additional disclosure requirements. The amendment will not have an impact on the consolidated financial statements.

- IFRIC 15 *Agreements for the Construction of Real Estate*
  In July 2008, the IFRIC issued IFRIC 15 *Agreements for the Construction of Real Estate*, applicable for annual periods beginning on or after January 1, 2009. This interpretation clarifies whether IAS 18 *Revenue* or whether IAS 11 *Construction Contracts* should be applied to particular transactions. The interpretation is not applicable to the Group.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
  In July 2008, the IFRIC issued IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*, applicable for annual periods beginning on or after October 1, 2008. The interpretation clarifies the accounting treatment in respect of net investment hedging and specifically confirms that net investment relates to differences in functional currency and not presentation currency. It moreover specifies that the hedging instrument of a net investment hedge can be held by every group company, except for foreign operation itself. The application of this interpretation will not have an impact on the consolidated financial statements.

- IFRIC 17 *Distribution of Non-cash Assets to Owners*
  In November 2008, the IFRIC issued IFRIC 17 *Distribution of Non-cash Assets to Owners*, applicable for annual periods beginning on or after July 1, 2009. This interpretation clarifies that a non-cash distribution payable should be recognized as dividend payable when the dividend is appropriately authorized and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. When the entity settles the dividend payable, the difference between the effective dividend paid and the carrying amount of the net assets should be recognized in profit and loss.
  This interpretation will not have an impact on the consolidated financial statements.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed below.

(A) GOODWILL AND INTANGIBLE ASSETS

Purchase Price Allocation: goodwill and fair values of intangible assets acquired in a business combination

According to the definitions of IFRS 3 *Business Combinations* the standard of value to be used in the application of purchase accounting rules is the 'fair value'. 'Fair value' is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Guidance on fair value measurements with respect to intangible assets acquired in a business combination indicates that quoted market prices in active markets provide the most reliable estimate of fair value. If no market exists for an intangible asset, the fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and willing parties, on the best information available, including the outcome of recent transactions for similar assets and the results of using other fair value measurement techniques, such as discounting estimated future net cash flow from the asset.
As the Group's intangible assets are normally inherently unique, particularly in the case of intellectual property, and not traded on active markets, the fair values are determined by hypothesizing what a market price would be if there was a market, based on management assumptions about the future and using a valuation model. For complex valuation issues, the Group often obtains assistance from third party valuation specialists.
As a valuation methodology, the Group typically utilizes the 'income approach'. The application of the 'income approach' results in estimated fair values that are net present values of estimated attributable cash flows or cost savings because of ownership of the intangible asset. The purchase price allocation process involves significant management judgement and estimation. Allocation of the purchase price affects the future results of the Group, as intangible assets with finite useful lives are amortized whereas goodwill and intangible assets with indefinite useful lives are not amortized, and could result in differing amortization charges based on the allocation to goodwill, intangible assets with indefinite useful lives and intangible assets with finite useful lives.
Further information is provided in note 12.

Useful lives of intangible assets with finite useful lives

The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Group. Acquired technology and customer relationships are the most crucial recognized intangible assets for the Group.
For acquired technology, the estimation of the remaining useful life is based on the analysis of factors such as typical product life cycles in the industry and technological and commercial obsolescence arising mainly from expected actions by competitors or potential competitors. At December 31, 2008, the net carrying value of the Group's acquired technology amounted to 104 million Euro. The Group's acquired technology has an estimated weighted average remaining useful life of approximately 12 years. Shorter than expected product life cycles as well as higher than expected technological and commercial obsolescence may lead to a reduction in the useful life and an increase in amortization expense. The useful lives are periodically reviewed and revised if necessary.
For acquired contractual customer relationships, the estimated remaining useful life is assessed by reference to customer attrition rates. For the estimation of appropriate customer attrition rates, the Group assesses the probability that existing contracts will be renegotiated. For the assessment of the probability that existing contracts can be renegotiated, demand as well as competition and other factors such as technological lock-in and related sunk costs are of importance. At December 31, 2008, the net carrying value of the Group's acquired contractual customer relationships amounted to 33 million Euro. The Group's acquired contractual customer relationships have an estimated weighted average remaining useful life of approximately 16 years. An increase in customer attrition rates may lead to a reduction in the useful life and an increase in amortization expense. The useful lives are periodically reviewed and revised if necessary.
Further information is provided in note 12.

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

Testing cash-generating units (CGU's) with goodwill for impairment is an area involving management judgement, requiring assessment as to whether the carrying amount of a cash-generating unit can be supported by the net present value of future cash flows derived from the assets that belong to that cash generating unit, using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters as noted below.

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses including: management's expectations of growth in revenue, changes in operating margin, timing and amount of future capital expenditure, uncertainty of future technological developments, long-term growth rates and the selection of discount rates to reflect the risks involved.

The Group prepares and internally approves formal five-year plans for its businesses and uses these as the basis for impairment reviews. For the periods beyond the five-year plans, forecast growth rates do not exceed the long-term average rate for the industries in which the cash-generating unit operates.

The discount rate used to calculate the CGU's value in use is based on an average market participant's weighted average cost of capital (WACC) increased with an additional risk premium to both the cost of equity and the cost of debt.

Changing the assumptions selected by management, in particular the discount rate and operating margin and growth rate assumptions used in the cash flow projections, could significantly affect the Group's results.

The annual impairment test for goodwill, which the Group performed in the fourth quarter of 2008, revealed an impairment loss of 84 million Euro on goodwill of the CGU 'HealthCare'.

Further information is provided in note 12.

(B) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's total income tax charge. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax charge in the period in which such determination is made.

The Group regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If the Group continues to operate at a loss in certain jurisdictions or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Group could be required to reverse certain deferred tax assets resulting in a substantial increase in the Group's effective tax rate. At year-end, the review of the deferred tax asset position of the Group has resulted in an exceptional reversal of deferred tax assets amounting to 34 million Euro.

Further information is provided in note 10.

(C) WRITE-DOWNS FOR EXCESS AND OBSOLETE INVENTORY LOSSES

The Group recognizes write-downs for excess and/or obsolete inventories based primarily on estimated forecast of product demand. Several factors may influence the realizability of its inventories, including a decision to exit a product line, technological changes and new product development. These factors could result in an increase in the amount of excess or obsolete inventories. Additionally, the Group's estimates of future product demand may prove to be inaccurate, in which case the Group may have understated or overstated the write-downs required for excess and obsolete inventories. Although the Group makes every effort to ensure the accuracy of its forecasts of future product demand, significant unanticipated changes in demand or technological developments could materially impact the value of its inventories and its reported operating results if its estimates prove to be inaccurate. However, actual results have not differed materially from the Group's estimates. The Group recorded 37 million Euro and 46 million Euro in inventory write-down charges for the years ended December 31, 2008 and 2007, respectively.

(D) PENSION ACCOUNTING

The liabilities and net periodic pension cost of the Group's retirement plans are determined using actuarial valuations that involve several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets.
The discount rate assumptions reflect the rates available on high-quality corporate bonds of appropriate duration at the balance sheet date.
The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns.
Actual results that differ from the Group's actuarial assumptions or changes in actuarial assumptions are recorded as unrecognized gains and losses. To the extent that the net cumulative unrecognized gain or loss exceeds ten percent of the greater of the defined benefit obligation and the fair value of plan assets, that excess is recognized in the income statement over the expected average remaining working lives of the employees participating in that plan. The recognition of actuarial gains and losses is determined separately for each defined benefit plan. While the Group believes that the actuarial assumptions used are appropriate, significant differences in actual experience or significant changes in future assumptions would affect the Group's retirement obligations and future net periodic pension cost.

The following information illustrates the sensitivity to a change as at December 31, 2008 in certain assumptions for the retirement plans of the Group's material countries (Belgium, Germany, US and UK).

CHANGE IN ASSUMPTION

MILLION EURO	Effect on 2009 pre-tax expected net periodic pension cost	Effect on December 31, 2008 Defined benefit obligation
One percentage point decrease in discount rate	10	185
One percentage point increase in discount rate	(9)	(164)
One percentage point decrease in expected return on assets	7	-
One percentage point increase in expected return on assets	(7)	-
Improvement in mortality table, assuming employees live one year longer	4	35

A 1% increase or decrease in the assumed medical cost trend rate would not have a significant impact on the accumulated post-employment benefit obligation or the aggregate of the service cost and interest cost. Under the post-retirement medical plan, eligible members are entitled to an account that can be used to pay for medical cost at retirement. The size of this account is independent of the actual medical cost or future increases in medical cost. Further information is provided in note 21A.

(E) PROVISIONS WITH RESPECT TO THE INSOLVENCY OF AGFAPHOTO GMBH – FORMER CONSUMER IMAGING ACTIVITIES

On November 1, 2004, the Group sold all of its Consumer Imaging activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. The AgfaPhoto group of companies fully operated the Consumer Imaging business from that moment on until the end of May 2005, when AgfaPhoto GmbH filed for insolvency, followed by insolvency filings of some of the AgfaPhoto sales organizations.

In October 2005, the receiver of AgfaPhoto GmbH decided to liquidate the company. Although AgfaPhoto GmbH and its subsidiaries operated completely independently from the Group, the insolvency and liquidation of AgfaPhoto GmbH and some of its subsidiaries has affected the Group in several ways.

According to the Share Purchase Agreement, the Group agreed to act for a limited period of time as a service provider and distributor for AgfaPhoto. As such it pre-financed AgfaPhoto's working capital, for which it 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 this agreement, the Group should pay for the goods supplied by AgfaPhoto GmbH only when the end customer has paid its invoices and to the extent that the Group itself is not exposed to additional commercial and financial risks.

In 2008, the Group continued to conduct negotiations with several receivers in various jurisdictions in order to settle outstanding balances resulting from distribution, supply and service agreements. These negotiations have resulted in a number of settlements, e.g. in Belgium, Spain and France, even before 2008. The negotiations with the receiver of AgfaPhoto GmbH, while still ongoing, have not resulted in a settlement and the receiver of AgfaPhoto GmbH initiated arbitration proceedings in December 2007 before the ICC International Court of Arbitration in Paris, France, in connection with a dispute over the outstanding balances resulting from distribution, supply and service agreements.

The receiver of AgfaPhoto Austria Ges.m.b.H. initiated ICC arbitration proceedings in September 2008 in connection with a dispute over the outstanding balances resulting from the distribution, supply and service agreements in Austria only.

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

The Group is also confronted with a number of claims by its former Consumer Imaging employees that transferred to AgfaPhoto. In Germany, the Supreme Labor Court (Bundesarbeitsgericht) rendered, in the course of 2008, final judgements in 19 cases. The Court's decisions on, and clarification of, many disputed labor law issues led to an accelerated resolution of a number of pending labor cases in Germany, in conformity with the Group's risk assessments and provisions.

As highlighted above, the main disputes are between certain Agfa group companies, on the one hand, and AgfaPhoto Holding Gmbh or the receiver of AgfaPhoto GmbH, on the other hand, most of them being currently subject to arbitration proceedings. These claims, which we strongly believe to be unsubstantiated and without merit are for amounts largely in excess of the fair value of the CI-business at the time of divestiture and lack any relationship to the cause and losses resulting from the liquidation of the consumer imaging business. Moreover, some amounts claimed are so claimed in duplicate either by the same party on different legal grounds or against different constellations of Agfa defendants, or by both AgfaPhoto Holding GmbH and the receiver of AgfaPhoto GmbH. Due to what we believe to be the highly speculative nature of the claims and counterclaims asserted by the AgfaPhoto parties, we deem it impossible to arrive at a reliable estimate of the financial implications of the different proceedings.

The Group has adequately constituted provisions for probable losses related to the distribution agreements and the different settlements as well as for other claims and costs, such as employee-related claims.

The Group recognizes provisions for estimated loss contingencies when it assesses that a loss is probable and the amount of the loss can be reasonably estimated. Provisions for contingent losses are based upon assumptions and estimates, and advice of legal counsel regarding the probable outcomes of the matter. As new developments occur or more information becomes available, it is possible that the assumptions and estimates in these matters will change.
Further information is provided in notes 15 and 26.

(F) REVENUE RECOGNITION WITH REGARD TO MULTIPLE-ELEMENT ARRANGEMENTS

The application of the current revenue recognition guideline with regard to multiple-element arrangements requires judgement to determine whether or not an arrangement contains multiple elements, and if so, whether reliable vendor-specific objective evidence of fair value exists for those elements. Allocating the total arrangement fee, including any discounts, to each deliverable based on vendor specific objective evidence of fair value involves the use of significant estimates and assumptions. Changes to the elements in a multiple-element arrangement and the respective fair value of the related elements could materially impact the amount of earned and unearned revenue.

3 COMPANIES CONSOLIDATED

The 2008 Consolidated Financial Statements of the Group include the Company and 117 consolidated subsidiaries (2007: 126 consolidated subsidiaries) controlled by the Company.
Further information is provided in note 29.

Excluded from the consolidation in 2008 are 8 subsidiaries (2007: 8 subsidiaries) that in aggregate are of minor importance to the net worth, financial position and earnings of the Group. The subsidiaries excluded from the consolidation represent on an aggregate level less than 1 percent of Group sales.

In 2008 there were no material acquisitions for the Group.

4 SEGMENT REPORTING

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

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

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

The business segments Graphics, HealthCare and Specialty Products comprise the following activities:

Graphics supplies complete pre-press solutions including consumables, equipment and software for the markets of commercial, newspaper and package printing. It also provides complete printing systems for the industrial inkjet printing market.

HealthCare supplies hospitals and other healthcare centres with state-of-the-art systems, including consumables, equipment, software and services, for the capture, process and management of diagnostic images and IT solutions that integrate clinical systems, including diagnostic information, with administrative information across all hospital operations.

Specialty Products concentrates on the production of specific consumables for specialized industries. Its main products are film for non-destructive testing, motion picture film, film for the production of printed circuitboards and film for third parties.

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

- *The results (mainly expenses), assets and liabilities regarding inactive employees*
  Inactive employees are defined as permanently retired employees, former employees with vested rights, and other 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.
- *The outstanding balances resulting from distribution, supply and service agreements concluded between the Group and AgfaPhoto*
  Further information is provided in note 15.
- *The liabilities related to the former Consumer Imaging business segment that remain with the Group*

The operating expenses from discontinued operations, amounting to 16 million Euro, are all absorbed by the three business segments.

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

- Margin on sales is the ratio of operating result to sales.
- Gross operating cash flow is the excess of cash receipts over cash disbursements before any application of funds.
- Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.
- Segment result is segment revenue minus segment expenses excluding administrative expenses.

KEY DATA BY BUSINESS AND REGION

Businesses	Graphics		HealthCare		Specialty Products		Unallocated		Agfa-Gevaert Group	
MILLION EURO	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net sales (external)	**1,522**	1,617	**1,223**	1,392	**287**	274	**-**	-	**3,032**	3,283
Change	**(5.9)%**	(5.6)%	**(12.1)%**	(4.1)%	**4.7%**	15.6%	**-**	-	**(7.6)%**	(3.5)%
Operating result	**53**	27	**(88)**	67	**16**	34	**(1)**	(3)	**(20)**	125
Margin on sales	**3.5%**	1.7%	**(7.2)%**	4.8%	**5.6%**	12.4%	**-**	-	**(0.7)%**	3.8%
Segment result	**151**	142	**29**	201	**25**	45	**-**	(1)	**205**	387
Segment assets	**890**	1,014	**1,383**	1,617	**175**	154	**40**	31	**2,488**	2,816
Segment liabilities	**350**	463	**413**	450	**45**	48	**658**	667	**1,466**	1,628
Gross cash flow	**47**	59	**86**	95	**21**	35	**(80)**	(95)	**74**	94
Capital expenditures	**34**	48	**25**	48	**4**	4	**-**	-	**63**	100
Amortization and depreciation	**52**	63	**59**	71	**5**	6	**-**	-	**116**	140
Impairment losses recognized	**-**	5	**119**	3	**-**	-	**-**	-	**119**	8
Other non cash expenses	**119**	137	**123**	135	**14**	17	**37**	32	**293**	321
R&D expenses	**59**	79	**108**	106	**8**	6	**-**	-	**175**	191
Number of employees at year end (Full heads)	**5,487**	6,071	**6,229**	6,694	**740**	662	**-**	-	**12,456**	13,427

Regions	Europe		NAFTA		Latin America		Asia/Oceania/ Africa		Agfa-Gevaert Group	
MILLION EURO	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net sales (external) by market	**1,656**	1,740	**592**	724	**211**	205	**573**	614	**3,032**	3,283
Net sales (external) by point of origin	**1,881**	1,950	**586**	714	**171**	181	**394**	438	**3,032**	3,283
Change	**(3.5)%**	(1.1)%	**(17.9)%**	(11.7)%	**(5.5)%**	4.0%	**(10.0)%**	(1.8)%	**(7.6)%**	(3.5)%
Segment assets	**1,704**	1,924	**479**	576	**100**	99	**205**	217	**2,488**	2,816
Segment liabilities	**1,222**	1,339	**186**	224	**16**	17	**42**	48	**1,466**	1,628
Operating result	**23**	59	**(60)**	35	**4**	11	**13**	20	**(20)**	125
Margin on sales	**1.2%**	3.0%	**(10.2)%**	4.9%	**2.3%**	6.1%	**3.3%**	4.6%	**(0.7)%**	3.8%
Capital expenditures	**48**	83	**10**	9	**2**	4	**3**	4	**63**	100
Amortization and depreciation	**95**	115	**10**	13	**3**	3	**8**	9	**116**	140
Impairment losses recognized	**73**	7	**46**	1	**-**	-	**-**	-	**119**	8
R&D expenses	**142**	152	**31**	37	**-**	-	**2**	2	**175**	191
Number of employees at year end (Full heads)	**8,609**	9,222	**2,091**	2,385	**605**	618	**1,151**	1,202	**12,456**	13,427
Number of employees at year end (Full time equivalents)									**12,152**	13,124

RECONCILIATION OF SEGMENT ASSETS AND LIABILITIES WITH BALANCE SHEET TOTALS AND RECONCILIATION OF SEGMENT RESULT WITH TOTAL NET RESULT OF THE GROUP

MILLION EURO	2008	2007
Segment result	**205**	**387**
General administration expenses	(225)	(262)
Interest income / (expense) – net	(38)	(40) *
Other non-operating income / (expense) – net	(48)	(23) *
Income taxes	(60)	(19)
Minority interest	(1)	(1)
Net result for the accounting period	**(167)**	**42**
Segment assets	**2,488**	**2,816**
Investments	13	20
Receivables under finance leases	178	208
Cash and cash equivalents	150	152
Deferred tax assets	282	330
Derivative financial instruments	26	11
Other unallocated receivables	23	22
Total assets	**3,160**	**3,559**
Segment liabilities	**1,466**	**1,628**
Financial obligations	823	873
Deferred tax liabilities	63	65
Shareholders' equity	704	891
Derivative financial instruments	12	3
Other unallocated liabilities	92	99
Total liabilities	**3,160**	**3,559**

* Restated. Further information is provided in note 9.

5 ACQUISITIONS AND DIVESTITURES

During 2008 there were no major acquisitions nor divestitures.

DIVESTITURES 2007

On February 13, 2007 the Group sold its investment in Xitron Inc. This divestiture had the following effect on the Group's assets and liabilities as per December 31, 2007:

MILLION EURO	
Goodwill	1
Inventories	1
Trade receivables	1
Loss on divestiture	(1)
Net cash inflow	**2**

PREVIOUS ACQUISITIONS

In January 2007, the final part of the earn-out (38 million Euro) related to the acquisition of GWI (acquired in 2005) has been paid out upon achievement of particular milestones.

6 FINANCIAL RISK MANAGEMENT

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. The Group's objectives, policies and processes in managing the financial risks are described further in this note.

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, having a delegating authority over all third party banking and financing operations in the Group. Derivatives used are over-the-counter instruments, particularly forward exchange contracts and interest rate swaps.

(A) MARKET RISK

I Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The foreign currency risk management distinguishes between three types of foreign currency risk: foreign currency transaction risk, foreign currency translation risk and foreign currency economic risk.

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. 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 the 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.

In monitoring the foreign currency risk exposures, the central treasury department focuses on the transaction and translation risk exposures whereas business management seeks to manage the foreign economic risk through natural hedges.

Each of the above types of foreign currency risk exposure impacts the financial statements differently. The central treasury department monitors and manages foreign currency exposure from the view of its impact on either the balance sheet or the income statement.

Foreign currency balance sheet transaction risk

The currencies that primarily impact the net foreign currency exposure on the balance sheet are the US Dollar, Pound Sterling and Canadian Dollar.

With regard to these currencies, the Group was exposed as of December 31, 2008 to the following foreign currency risk:

IN MILLION FOREIGN CURRENCY	Net exposure of receivables and payables	Hedging		Net position
		Cash, cash equivalents loans & deposits	Derivatives	
December 31, 2008				
USD	119.7	(63.4)	(46.0)	10.3
GBP	41.9	36.0	(52.0)	25.9
CAD	12.4	(31.6)	17.0	(2.2)
December 31, 2007				
USD	90.9	40.3	(114.9)	16.3
GBP	46.6	29.3	(114.6)	(38.7)
CAD	7.6	(75)	65.5	(1.9)

The aim of Group's management regarding balance sheet transaction exposure is to minimize, over the short term, the revaluation results – both realized and unrealized – of balance sheet items that are denominated in a currency other than the company's functional currency.
In order to keep the exposures within predefined risk adjusted limits, the central treasury department economically hedges the net outstanding monetary balance sheet items in foreign currency using derivative financial instruments such as forward exchange contracts and option contracts. As of December 31, 2008, the outstanding derivative financial instruments are all forward exchange contracts with maturities of generally less than one year.

Where derivative financial instruments are used to economically hedge the foreign exchange exposure of recognized monetary assets or liabilities, no hedge accounting is applied. Changes in the fair value of these derivative financial instruments are recognized in the income statement.

Foreign currency balance sheet translation risk

When the functional currency of the entity that holds the investment is different from the functional currency of the related subsidiary, the currency fluctuations on the net investment directly affect the shareholders' equity ('Translation differences') unless any hedging mechanism exists.

All subsidiaries and associated companies have as functional currency the currency of the country in which they operate, except for the Group's foreign operations in Latin America where the functional currency is the US Dollar. The currencies giving rise to the Group's balance sheet translation risk are primarily US Dollar and Canadian Dollar.

	Net investment in a foreign entity	
IN MILLION FOREIGN CURRENCY	December 31, 2008	December 31, 2007
USD	392	443
CAD	360	385

The central treasury department monitors the balance sheet translation exposure of the Group at least on a quarterly basis. The Treasury Committee proposes corrective actions if needed to the Executive Management.

The Group utilizes US Dollar denominated bank loans (117 million Euro) in order to hedge the foreign currency exposure of the Group's net investment in its subsidiary in the United States (Agfa Corporation). As of December 31, 2008, the hedge of the net investment in Agfa Corporation (USA) has been determined to be effective and as a result the effective portion of the result on the hedging instruments has been recognized directly in equity (Translation differences: 31 million Euro).

Foreign currency income statement risk

Foreign currency income statement risk includes both the risk of the variability of cash flows in respect of forecasted transactions as a result of changes in exchange rates and the risk that the net income generated by foreign operations may vary in amount when translated into the presentation currency (Euro). The central treasury department monitors and manages both risks simultaneously.

The currencies that primarily impact the net foreign currency exposure on the income statement are US Dollar, currencies highly correlated to the US Dollar – i.e. Hong Kong Dollar and Chinese Renminbi – and Pound Sterling. The Group's exposure to US Dollar is affected by the impact of the price of the commodities silver and aluminum.

The Executive Management decides on the hedging policy of aforementioned currency exposures considering the market situation and upon proposal of the Treasury Committee. The objective of the Group's management of income statement exposure is mainly to increase the predictability of results but also to protect the business within a defined time horizon in which the business cannot react to the changing environment (e.g. by adapting prices or shifting production).

The Group designated forward 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. The portion of the gain or loss on the forward exchange contracts that is determined to be an effective hedge is recognized directly in equity (December 31, 2008: 9 million Euro). Amounts removed from equity and recognized in profit and loss in 2008 amounted to 5 million Euro and have been deducted from cost of sales.

Sensitivity analysis

A strengthening / weakening of the Euro by 10% against the currencies listed hereafter with all other variables held constant, would have increased (decreased) profit or loss by the amounts shown below. The analysis has been carried out on the net exposure, net of the use of derivative financial instruments.

For the US Dollar and Canadian Dollar, the sensitivity analysis also includes the impact on the Group's equity ('Translation differences') of a 10% change calculated based on the closing rates existing at year-end.
The analysis has been carried out on the net exposure to translation risk, i.e. net of the US Dollar denominated bank loans that are used to hedge the foreign currency exposure of the Group's net investment in its subsidiary 'Agfa Corporation'. The sensitivity analysis has been performed on the same basis for 2007.

	Profit & loss			
	2008		2007	
MILLION EURO	Strengthening of the Euro by 10%	Weakening of the Euro by 10%	Strengthening of the Euro by 10%	Weakening of the Euro by 10%
USD and currencies highly related to the USD HKD - RMB	5.9	(5.9)	2.1	(2.1)
CAD	(4.0)	4.0	(6.3)	6.3
GBP	(8.3)	8.3	(3.4)	3.4

	Translation differences			
	2008		2007	
MILLION EURO	Strengthening of the Euro by 10%	Weakening of the Euro by 10%	Strengthening of the Euro by 10%	Weakening of the Euro by 10%
USD	(16)	16	(19)	19
CAD	(21)	21	(27)	27

II Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to changes in interest rates relates to the Group's net financial debt position, including the FX-swaps that economically hedge intercompany loans and deposits. For the most important currencies the following interest rate profile exists at the reporting date:

IN MILLION FOREIGN CURRENCY	2008			2007		
	Outstanding amount		Notional amount derivative financial instruments	Outstanding amount		Notional amount derivative financial instruments
	At floating rate	At fixed rate		At floating rate	At fixed rate	
EUR	486	200	100	408	200	100
USD	46	-	-	136	-	-
GBP	51	-	-	59	-	-
RMB	6	-	-	6	-	-
JPY	17	-	-	16	-	-

As of December 31, 2008, part of the interest rate risk of the Group was hedged via an interest rate collar having a total notional amount of 100 million Euro, maturing in 2009. The interest rate collar is designated as a 'cash flow hedge', hedging the variability in interest rates on Euro denominated long term bank loans. The interest rates are capped between 4% (cap) and 3.15% (floor). The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (December 31, 2008: 0 million Euro).

Sensitivity analysis

A change of 100 basis points in interest rates at December 31, 2008 would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

MILLION EURO	Profit and loss		Equity hedge reserve	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
December 31, 2008				
Net impact	(4.5)	4.9	-	(0.3)
December 31, 2007				
Net impact	(5.6)	5.3	1.2	(0.6)

III Commodity price risk

The Group purchases the larger part of its raw materials in US Dollar. The most important raw material exposures in US Dollar are silver and aluminum.

In order to minimize its exposure to commodity price volatility, the Group concludes forward contracts – mainly for silver and aluminum – whenever the situation is adequate. These contracts are accounted for as executory contracts. As of December 31, 2008, a large part of the volume of silver and aluminum was economically hedged by forward contracts.

From the 2008 total purchases of goods and services, silver and aluminum represents approximately 25%.

(B) CREDIT RISK

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation and cause the Group to incur a financial loss. The Group manages exposure to credit risk by working with upfront agreed counterparty credit limits and through diversification of counterparties. Credit risk arises mainly from the Group's receivables from customers, investments and foreign currency forward contracts.

The exposure to credit risk from customer receivables is monitored on an ongoing basis by the Credit Committee. Credit limits are set for each customer based on its creditworthiness and are reviewed periodically by the Committee. In monitoring the credit risk, customers are grouped in risk categories according to their characteristics.

Goods sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. In normal circumstances, the Group does not require collateral in respect of trade or other receivables.

Transactions involving derivative financial instruments are only allowed with counterparties that have good credit ratings. To minimize the concentration of counterparty risk, the Group enters into derivative transactions with a number of financial institutions. Investments are only allowed in liquid assets.

Exposure to credit risk

As a result of the Group's broad customer portfolio, there were no significant concentrations of credit risk at the balance sheet date. The carrying amounts of the financial assets, including derivative financial instruments, in the balance sheet reflect the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date per class of financial asset is as follows:

MILLION EURO	2008	2007
Available-for-sale financial assets	14	17
Held-to maturity investments	-	-
Financial assets at fair value through profit and loss		
Derivative financial instruments – assets	26	11
Other	2	3
Loans and receivables	993	1,150
Cash on hand, demand deposits and checks *	143	147

* Marketable securities have been classified as available-for-sale (2008: 7 million Euro; 2007: 5 million Euro).

The Company has guaranteed debt owed to banks for some of its wholly-owned subsidiaries. The maximum amount guaranteed is 8 million Euro and the outstanding debt amounts to 4 million Euro.

The Group has negotiated an equipment finance agreement with a global finance company that provides financial services to specified customers of the Group. This agreement requires payment from the Group in the event of default on payment by the respective debtor limited to a predetermined percentage of the total capital base of the financed equipment. The Group has accounted for a financial liability calculated based on expected credit losses. The amount recognized approximates fair value.

Impairment losses

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables, being the difference between the carrying amount and the present value of the estimated future cash flows. Specific loss allowances are established for individually significant exposures after consultation with the Credit Committee. Groups of similar assets which are of minor importance are subject to a collective loss allowance.

The ageing of trade receivables, receivables under finance lease and loans receivable at the reporting date was:

	2008		2007	
MILLION EURO	Gross value	Impairment loss	Gross value	Impairment loss
Trade receivables				
Not past due	638	(4)	724	(4)
Past due 0 - 30 days	37	(1)	41	(1)
Past due 31 - 90 days	32	(2)	41	(1)
Past due more than 90 days	102	(52)	120	(59)
Receivables under finance leases				
Not past due	181	(3)	208	(4)
Past due 0 - 30 days	3	(3)	1	(1)
Past due 31 - 90 days	1	(1)	3	(1)
Past due more than 90 days	5	(5)	7	(5)
Loans receivable and accrued interest				
Not past due	2	-	5	-
Past due 0 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-

Past due amounts were not impaired when collection is still considered likely or sufficient collaterals have been obtained.

The movement in the allowance for impairment losses in respect of loans and receivables during the year was:

MILLION EURO	2008	2007
Balance at January 1	**76**	**73**
Additions/reversals charged to profit and loss	18	6
Deductions from allowance *	(23)	(10)
Reclassification	-	5
Exchange differences	0	2
Balance at December 31	**71**	**76**

* Write-offs for which an allowance was previously recorded.

During 2008, the Group's investment in Medivision Medical Imaging Ltd. classified as available-for-sale financial asset was subject to an impairment loss as a result of a significant and prolonged decline in the fair value of the investment below its cost. The amount of the cumulative loss (2 million Euro) was reclassified from equity to non-operating income (expense) (note 9).

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in meeting commitments related to financial liabilities when they fall due.

The Group ensures that it has sufficient liquidity to meet its liabilities. Liquidity risk is managed by maintaining a sufficient degree of diversification of funding sources.

The Group has a policy in place to limit concentrations related to liquidity risk. The total share of gross drawn term debt and all undrawn committed facilities provided by one bank or bank group should not exceed predetermined limits. No loan exposures are allowed with banks or financial groups rated below the A level. Risk concentrations are monitored on an ongoing basis by the Treasury Committee.

In managing its liquidity risk, the Group has a revolving multi-currency committed credit facility it can access to meet its liquidity needs. The revolving multi-currency committed credit facilities have been negotiated for a period until 2012. Drawdowns under these lines are made for shorter periods but the Group has the discretion to roll-over the liability under the existing committed loan agreement.

In the liquidity analysis presented below, repayments of the committed facilities are included in the earliest time band the Group could be required to repay its liabilities. The earliest time band of the revolving multi-currency credit facilities is determined by the six-monthly evaluation of covenants, which are mainly based on EBITDA ratios. Under the current business plans used for impairment testing computations there is no indication of obstacles for a roll-over of the revolving credit lines until their contractual due date. Contractual maturity dates and notional amounts of the committed credit facilities are disclosed in note 22 Financial Liabilities.

Remaining contractual maturities of financial liabilities, including principal and interest payments are as follows:

2008			Remaining contractual maturities			
MILLION EURO	Carrying amount	Contractual undiscounted cash flows *	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Debenture	200	261	-	9	44	208
Revolving multi-currency credit facilities – drawn portion	612	614	614	-	-	-
Uncommitted bank facilities and bank overdrafts	10	10	2	6	1	1
Commercial paper program	-	-	-	-	-	-
Trade payables	226	226	226		-	-
Derivative financial instruments						
Forward exchange contracts designated as cash flow hedges:						
Outflow	-	(82)	(36)	(46)	-	-
Inflow	9	91	49	42	-	-
Other forward exchange contracts:						
Outflow	-	(456)	(407)	(49)	-	-
Inflow	5	461	408	53	-	-

* The amounts of contractual undiscounted cash flows related to non-derivative financial liabilities are determined based on conditions existing on the balance sheet date, i.e. exchange rates and interest rates. The amount of interest payments is based on outstanding amounts at the balance sheet date. The contractual undiscounted cash flows of forward exchange contracts are determined using currency forward rates.

Maturities of future lease payments from finance lease liabilities are provided in note 22 Financial liabilities.

2007 MILLION EURO	Carrying amount	Contractual undiscounted cash flows *	Remaining contractual maturities: 3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Debenture	200	270	-	9	44	217
Revolving multi-currency credit facilities – drawn portion	568	571	571	-	-	-
Uncommitted bank facilities and bank overdrafts	41	41	35	4	1	1
Commercial paper program	63	63	63	-	-	-
Trade payables	275	275	275		-	-
Derivative financial instruments						
Forward exchange contracts designated as cash flow hedges:						
Outflow	-	-	-	-	-	-
Inflow	-	-	-	-	-	-
Other forward exchange contracts:						
Outflow	-	(935)	(555)	(380)	-	-
Inflow	7	942	557	385	-	-

* The amounts of contractual undiscounted cash flows related to non-derivative financial liabilities are determined based on conditions existing on the balance sheet date, i.e. exchange rates and interest rates. The amount of interest payments is based on outstanding amounts at the balance sheet date. The contractual undiscounted cash flows of forward exchange contracts are determined using currency forward rates.

Maturities of future lease payments from finance lease liabilities are provided in note 22 Financial liabilities.

(D) CAPITAL MANAGEMENT

The Executive Management seeks to maintain a balance between the components of the shareholders' equity and the net financial debt at an agreed level. Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalents. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements, with the exception of the statutory minimum equity funding requirements that apply to its subsidiaries in the different countries.

In previous years, the Group purchased its own shares in the market. These shares are intended to be used for issuing shares under the Group's different option plans. The Group does not have a defined share buy-back plan.

(E) FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All derivative financial instruments are recognized at fair value in the balance sheet.

The fair values of financial assets and liabilities by class, together with the carrying amounts shown in the balance sheet, are presented in the table on the next page. The Group aggregates its financial instruments into classes based on their nature and characteristics.

MILLION EURO	Note	December 31, 2008		December 31, 2007	
		Carrying amount	Fair value	Carrying amount	Fair value
Available for sale financial assets	14				
carried at fair value (incl. marketable securities)		8	8	9	9
carried at cost		6	-	8	-
Financial assets / liabilities at fair value through profit and loss					
Classified as held for trading					
Forward exchange contracts designated as cash flow hedges					
Assets		9	9	-	-
Liabilities		-	-	-	-
Other forward exchange contracts					
Assets		17	17	10	10
Liabilities		(12)	(12)	(3)	(3)
Interest rate instruments designated as cash flow hedges		0	0	1	1
Other derivative financial instruments					
Assets		-	-	-	-
Liabilities		-	-	-	-
Designated at fair value through profit and loss	14	2	2	3	3
Held-to-maturity investments	14	-	-	-	-
Loans and receivables					
LT loans receivable – other	14	2	2	4	4
Accrued interest on loans receivable		1	1	1	1
Trade receivables		750	750	861	861
Receivables under finance leases	17	178	178	208	208
Miscellaneous receivables – AgfaPhoto	15	32	32	24	24
Miscellaneous receivables – other	17	30	30	52	52
Cash	18	143	143	147	147
Liabilities at amortized cost	22				
Liabilities to banks		10	10	41	41
Multi-currency credit facilities		612	612	568	568
Debentures		200	77	200	182
Commercial paper program		-	-	63	63
Finance lease liabilities		1	1	1	1
Trade payables		226	226	275	275
Miscellaneous payables – AgfaPhoto	15	34	34	28	28

BASIS FOR DETERMINING FAIR VALUES

Significant methods and assumptions used in estimating the fair values of financial instruments are as follows:

Available-for-sale financial assets

Investments in equity securities, other than associated companies, are classified as available-for-sale and are stated at fair value, except for unquoted equity instruments whose fair value cannot be estimated reliably. The fair value of available-for-sale financial assets is determined by reference to their quoted market price at the balance sheet date.

Financial assets and liabilities at fair value through profit and loss

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. 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 financial assets designated at fair value through profit and loss is their quoted market price.

Loans and receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of lease receivables is based on the present value of future minimum lease payments discounted at a market rate of interest for similar assets.

Liabilities at amortized cost

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at market rates of interest at the reporting date. With the exception of the debenture, all carrying amounts of financial liabilities approximate fair value as drawdowns are made for short periods. The fair value of the debenture is the quoted market price at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease contracts.

7 OTHER OPERATING INCOME

MILLION EURO	2008	2007
Exchange gains	287	195
Changes in fair value of financial instruments	62	29
Gains on the retirement of fixed assets	24	20
Reversal of unutilized provisions	20	23
Finance lease income	14	15
Write-backs on loans and receivables	7	13
Rental income	1	3
Other income	36	35
TOTAL	451	333

Changes in the fair value of financial instruments mainly relate to revaluation gains on derivatives, not designated as hedging instruments (2008: 59 million Euro, 2007: 27 million Euro), and gains from ineffectiveness on hedging instruments designated as cash flow hedges (2008: 3 million Euro, 2007: 2 million Euro).

8 OTHER OPERATING EXPENSES

MILLION EURO	2008	2007
Exchange losses	293	201
Impairment loss on intangible assets	119	8
Changes in fair value of financial instruments	58	27
Restructuring expenses	41	17
Write-downs on loans and receivables	25	19
Expenses related to discontinued operations (note 15)	16	28
Provisions	2	6
Rent	1	2
Loss on retirement of fixed assets	1	3
Other expenses	41	68
TOTAL	597	379

Changes in the fair value of financial instruments mainly relate to revaluation losses on derivatives, not designated as hedging instruments (2008: 56 million Euro, 2007: 26 million Euro), and losses from ineffectiveness on hedging instruments designated as cash flow hedges (2008: 2 million Euro, 2007: 1 million Euro).

RESTRUCTURING CHARGES

In 2008, the Group recorded restructuring charges of 41 million Euro. These charges mainly include employee termination costs.

9 FINANCIAL INCOME AND EXPENSES

MILLION EURO	2008	2007*
Interest income (expense)		
Interest income		
on bank deposits	3	3
Interest expense		
on bank loans	(31)	(23)
on debentures	(9)	(9)
on commercial paper	(1)	(11)
Interest income (expense) – net	**(38)**	**(40)**
Other non-operating income (expense)		
Interest portion of interest-bearing provisions	(37)	(35)
Net change in fair value of derivative financial instruments not part of a hedging relationship	(8)	10
Exchange result on non-operating activities	7	(13)
Interest paid / accrued on other liabilities	(6)	(7)
Interest received on other assets	3	10
Losses on the sale of marketable securities	(3)	-
Impairment loss recognized on available for sale financial assets	(2)	-
Result on the sale of Indaver	-	16
Other non-operating income (expense)	(2)	(4)
Other non-operating income (expense) – net	**(48)**	**(23)**

* As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income 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 statements of income. 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 5 million Euro. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

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

10 INCOME TAXES

RECOGNIZED IN THE INCOME STATEMENT

MILLION EURO	2008	2007
Current tax expense	10	53
Deferred tax expense / (income)	50	(34)
Total income tax expense / (income) in income statement	**60**	**19**

RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

Summary 2008

MILLION EURO	Basis for tax computation	Tax expense / (tax income)	Tax rate
Accounting profit before tax and before consolidation entries	196	55	28.06%
Consolidation entries (mainly related to intercompany dividends)	(302)	5	
Accounting profit (loss) before tax	(106)	60	-56.60%

Reconciliation of effective tax rate

MILLION EURO	Before consolidation entries	Consolidation entries	After consolidation entries
Accounting profit before tax	196	(302)	(106)
Theoretical income tax expense / (income)	(36)	(2)	(38)
Theoretical tax rate (*)	**-18.37%**		**35.85%**
Disallowed items	7		7
Impact of tax credits & other deduction from tax basis	(18)		(18)
Impairment losses – not tax deductible	27		27
Tax losses of the year for which no deferred tax asset has been recorded	34		34
Tax losses used in 2008 for which no deferred tax asset has been recorded	(2)		(2)
Reversal of deferred tax balances recorded previous years: primarily related to tax losses	57		57
Tax income recorded on losses from previous years	(2)		(2)
Impact of temporary differences: true-up of last years' provision to tax return	(3)		(3)
Other	(2)		(2)
Actual income tax expense / (income)	**62**	**(2)**	**60**

Effective tax rate	**-56.60%**

* The theoretical tax rate is the weighted average tax rate of the Company and all subsidiaries included in the consolidation.

Summary 2007

MILLION EURO	Basis for tax computation	Tax expense / (tax income)	Tax rate
Accounting profit before tax and before consolidation entries	63	19	30.16%
Consolidation entries (mainly related to intercompany dividends)	(1)	-	
Accounting profit before tax	62	19	30.65%

Reconciliation of effective tax rate

MILLION EURO	Before consolidation entries	Consolidation entries	After consolidation entries
Accounting profit before tax	63	(1)	62
Theoretical income tax expense	16		16
Theoretical tax rate (*)	**25.40%**		**25.81%**
Disallowed items	14		14
Impact of tax credits & other deduction from tax basis	(31)		(31)
Tax free income: primarily related to gains on sale of shares	(7)		(7)
Tax expense due to tax audits	2		2
Tax losses of the year for which no deferred tax asset has been recorded	36		36
Tax losses used in 2007 for which no deferred tax asset has been recorded	(1)		(1)
Reversal of deferred tax balances recorded previous years: primarily related to tax losses	7		7
Impact of changes to tax rates	(8)		(8)
Other	(9)		(9)
Actual income tax expense / (income)	**19**		**19**
Effective tax rate			**30.65%**

* The theoretical tax rate is the weighted average tax rate of the Company and all subsidiaries included in the consolidation.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

MILLION EURO	December 31, 2008			December 31, 2007		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	183	49	134	209	73	136
Property, plant and equipment	11	28	(17)	10	32	(22)
Investments	9	-	9	9	-	9
Inventories	19	6	13	24	1	23
Receivables	9	7	2	48	3	45
Provisions and liabilities for post-employment benefits	51	33	18	59	37	22
Other current assets & other liabilities	-	14	(14)	5	51	(46)
Deferred tax assets and liabilities related to temporary differences	**282**	**137**	**145**	**364**	**197**	**167**
Tax loss carry-forwards	70	1	69	91	1	90
Excess tax credits	5	-	5	8	-	8
Deferred tax assets / liabilities	**357**	**138**	**219**	**463**	**198**	**265**
Set off of tax	(75)	(75)	-	(133)	(133)	-
Net deferred tax assets / liabilities	**282**	**63**	**219**	**330**	**65**	**265**

The realization of deferred tax assets is dependent on the realization of the business plans of the business segments Graphics and HealthCare.

UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of 'tax loss carry-forwards', 'tax credits' and 'temporary differences' for the amounts stated hereafter because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom:

- Tax loss carry-forwards: 152 million Euro (2007: 85 million Euro);
- Tax credits: 24 million Euro (2007: 24 million Euro);
- Temporary differences: 54 million Euro (2007: 54 million Euro).

MOVEMENT IN TEMPORARY DIFFERENCES DURING 2007-2008

MILLION EURO	December 31, 2006	Recognized in income	Translation differences	December 31, 2007	Recognized in income	Translation differences	December 31, 2008
Intangible assets	112	25	(1)	136	(2)	-	134
Property, plant and equipment	(37)	15	-	(22)	5	-	(17)
Investments	(2)	11	-	9	0	-	9
Inventories	21	3	(1)	23	(10)	-	13
Receivables	58	(13)	-	45	(43)	-	2
Provisions and liabilities for post-employment benefits	84	(57)	(5)	22	(7)	3	18
Other current assets & other liabilities	(50)	4	-	(46)	32	-	(14)
Deferred tax assets and liabilities related to temporary differences	**186**	**(12)**	**(7)**	**167**	**(25)**	**3**	**145**
Tax loss carry-forwards	40	50	-	90	(22)	1	69
Excess tax credits	12	(4)	-	8	(3)	-	5
Deferred tax assets / liabilities	**238**	**34**	**(7)**	**265**	**(50)**	**4**	**219**

11 PERSONNEL EXPENSES

Personnel expenses in 2008 amounted to 853 million Euro compared to 975 million Euro in 2007. The breakdown of personnel expenses is as follows:

MILLION EURO	2008	2007
Wages and salaries	683	769
Social expenses	170	206
TOTAL	853	975

The average number of employees in equivalent heads for 2008 amounted to 12,486 (2007: 13,553). Classified per corporate function, this average can be presented as follows:

MILLION EURO	2008	2007
Manufacturing / Engineering	4,156	4,552
R & D	1,543	1,646
Sales & Marketing / Service	4,708	5,099
Administration	2,079	2,256
TOTAL	12,486	13,553

12 INTANGIBLE ASSETS

MILLION EURO	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives							
		Trademarks	Capitalized development costs	Technology	Contractual customer relationships	Trademarks	Management information systems	Industrial property rights and other licences	Advance payments to acquire intangible assets	TOTAL
Gross carrying amount December 31, 2007	**553**	**17**	**29**	**203**	**90**	**5**	**90**	**85**	**-**	**1,072**
Exchange differences	(18)	-	-	(1)	-	-	1	-	-	**(18)**
Change in consolidation scope	-	-	-	-	-	-	-	-	-	**-**
Capital expenditures	-	-	4	-	-	-	2	8	-	**14**
Retirements	-	-	-	-	-	-	-	(3)	-	**(3)**
Transfers	-	-	-	-	-	-	-	(2)	-	**(2)**
Gross carrying amount December 31, 2008	**535**	**17**	**33**	**202**	**90**	**5**	**93**	**88**	**-**	**1,063**
Accumulated amortization, write-downs and impairment losses December 31, 2007	**0**	**0**	**8**	**68**	**34**	**3**	**77**	**66**	**-**	**256**
Exchange differences	(1)	(1)	-	-	-	-	1	1	-	**0**
Change in consolidation scope	-	-	-	-	-	-	-	-	-	**-**
Amortization and write-downs during the year	-	-	6	18	5	1	5	7	-	**42**
Impairment loss during the year	84	5	-	12	18	-	-	-	-	**119**
Retirements	-	-	-	-	-	-	-	(1)	-	**(1)**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Accumulated amortization, write-downs and impairment losses December 31, 2008	**83**	**4**	**14**	**98**	**57**	**4**	**83**	**73**	**-**	**416**
Net carrying amount December 31, 2007	**553**	**17**	**21**	**135**	**56**	**2**	**13**	**19**	**-**	**816**
Net carrying amount December 31, 2008	**452**	**13**	**19**	**104**	**33**	**1**	**10**	**15**	**-**	**647**

In the fourth quarter of 2008, the Group performed its annual impairment tests for goodwill for its different cash generating units (see infra). The intangible assets constituting the cash generating units to which goodwill has been allocated, were tested at the same time.
Their recoverable amount has been determined based on their value in use, i.e. the present value of the estimated future cash flows to be derived from these intangible assets. The discount rate used in calculating the present value of the estimated future cash flows reflects current market assessments, as described below in the section Impairment tests for goodwill.

For some intangible assets allocated to the CGU HealthCare, the present value of the expected future cash flows was lower than their carrying amounts. As a result, the Group recognized an impairment loss on trademarks (5 million Euro), on acquired technology (12 million Euro) and on contractual customer relationships (18 million Euro). The impairment loss is included in other operating expenses (note 8).

IMPAIRMENT TESTS FOR GOODWILL

For the financial statements of the Group, goodwill is tested for impairment annually and whenever there is an indication of impairment. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit. In line with the definition of cash-generating units, the management of the Group has identified the business segments as the cash-generating units, i.e. Graphics, HealthCare and Specialty Products. The business segment is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment test for goodwill is performed by comparing the carrying amount of each cash-generating unit (CGU) to its recoverable amount. The recoverable amount of the CGU has been determined based upon a value in use calculation.

The value in use is determined as the present value of estimated future cash flows that are derived from the current long-term planning of the Group. The discount rate used in calculating the present value of the estimated future cash flows, is a pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the CGU.

The discount rate used to calculate the CGU's value in use is based on an average market participant's weighted average cost of capital (WACC) increased with an additional risk premium to both the cost of equity and the cost of debt.

The pre-tax discount rates used in calculating the present values of estimated future cash flows are derived from the WACC by means of iteration.

CGU Graphics

At December 31, 2008, the carrying amount of the CGU Graphics comprises goodwill of 26 million Euro.

In the fourth quarter of 2008, the Group performed its annual impairment test for goodwill for the CGU Graphics and, based on the assumptions used, the calculated value in use is higher than its carrying amount and no impairment loss was recognized.

The value in use of the CGU Graphics has been determined based on estimated cash flow projections covering the next five years. The estimated cash flow projections are based upon the strategic business plan formally approved by the Board of Directors. After five years a terminal value is computed using a growth rate of 0.6% for the prepress business and 3.0% for the inkjet business.

The key assumptions used in the annual impairment test are determined by the business segment's key management and are based on past performance and management's expectations for the market development.

Key assumptions are:

- Pre-tax discount rate: 12.71%.
- Terminal growth rate (after five years): 0.6% for the prepress business and 3.0% for the inkjet business.
- Aluminum: 1,891 Euro/Ton.
- Silver: 10.36 Euro/Troz.
- Exchange rate US dollar/Euro: 1.40.
- Net working capital: the estimated future cash flows take into account strong efforts to improve working capital.
- Sales and gross margin: sales and gross margin reflect management's best expectations, based on past experience and taken into account the specific business risks.
- The value in use also takes into account a forecasting risk.

CGU HealthCare

At December 31, 2008, the carrying amount of the CGU HealthCare comprises goodwill of 425 million Euro.

In the fourth quarter of 2008, the Group performed its annual impairment test for goodwill for the CGU HealthCare. Based on the assumptions used, the calculated value in use of the CGU was lower than its carrying amount. The Group recognized an impairment loss of 84 million Euro on goodwill in other operating expenses (note 8).

The value in use of the CGU HealthCare has been determined based on estimated cash flow projections covering the next five years. The estimated cash flow projections are based upon the strategic business plan formally approved by the Board of Directors. After five years a terminal value is computed using a growth rate in the division Information Technologies (IT solutions) of 2.29% and a negative growth rate in the division Imaging Systems of 7.39%. These growth rates are derived from respective market information.

The main assumptions used in the annual impairment test are determined by the business segment's key management and are based on past performance and management's expectations for the market development.

Key assumptions are:

- Pre-tax discount rate: 14.61%.
- Terminal growth rate (after 5 years): + 2.29% for IT Systems and -7.39% for Imaging Systems.
- Silver: 10.36 Euro/Troz.
- Exchange rate US dollar/Euro: 1.40.
- Net working capital: the estimated future cash flows in the five-year plan take into account strong efforts in improving working capital.

- Sales and gross margin: sales and gross margin reflect management's best expectations, based on past experience and take into account the specific business risks. In the five-year plan, it is assumed that the decline in sales of the traditional imaging business will be absorbed by the increase in sales of the division Information Technologies. The global growth of HealthCare IT is the main driver for achieving the business plan, enabled by introducing existing IT solutions – e.g. IMPAX, ORBIS, Cardio – to multiple countries. A strong focus on achieving cost efficiencies is incorporated in the plan.
- The value in use also takes into account a forecasting risk.

CGU Specialty Products

At December 31, 2008, the carrying amount of the CGU Specialty Products comprises goodwill of 1 million Euro.

For the CGU Specialty Products, the calculated value in use is higher than its carrying amount. The value in use of the CGU Specialty Products has been determined based on cash flow projections covering the next five years. The cash flow projections are based upon a business plan formally approved by the Board of Directors which foresees a growth in new businesses, based on Agfa's core competences, (Synaps synthetic paper, membranes, functional fluids, materials for security and identification cards, conductive organic products) that should largely compensate for the expected decrease in the classic film business. Management consequently expects an improvement of the gross margin.

13 PROPERTY, PLANT AND EQUIPMENT

MILLION EURO	Land, buildings and infrastructure	Machinery and technical equipment	Furniture, fixtures and other equipment	Construction in progress and advance payments to vendors and contractors	TOTAL
Gross carrying amount December 31, 2007	**381**	**1,434**	**256**	**26**	**2,097**
Exchange differences	(1)	11	-	-	**10**
Change in consolidation scope	-	-	-	-	**-**
Capital expenditures	2	13	14	20	**49**
Retirements	(20)	(11)	(15)	(1)	**(47)**
Transfers	-	19	1	(21)	**(1)**
Gross carrying amount December 31, 2008	**362**	**1,466**	**256**	**24**	**2,108**
Accumulated depreciation, write-downs and impairment losses December 31, 2007	**250**	**1,230**	**210**	**-**	**1,690**
Exchange differences	2	7	-	-	**9**
Change in consolidation scope	-	-	-	-	**-**
Depreciation and write-downs during the year	8	46	20	-	**74**
Impairment loss during the year	-	-	-	-	**-**
Retirements	(14)	(10)	(12)	-	**(36)**
Transfers	-	1	1	-	**2**
Accumulated depreciation, write-downs and impairment losses December 31, 2008	**246**	**1,274**	**219**	**-**	**1,739**
Net carrying amount December 31, 2007	**131**	**204**	**46**	**26**	**407**
Net carrying amount December 31, 2008	**116**	**192**	**37**	**24**	**369**

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

The Group, as lessee, leases mainly production equipment under a number of finance lease agreements. At the end of the lease term, the Group has the option to purchase the leased asset at a beneficial price. As of December 31, 2008 the net carrying amount of fixed assets held under finance leases amounted to 1 million Euro (2007: 1 million Euro). The leased assets secure lease obligations (note 22). Lease payments do not include contingent rent.

The Group, as lessor, included assets subject to operating leases in its balance sheet under the captions 'Buildings' and 'Other Equipment'. The depreciation of these assets is consistent with the Group's normal depreciation policy. At the end of December 2008, the assets subject to operating leases have a total net carrying amount of 8 million Euro (2007: 9 million Euro). The future minimum lease income under non-cancellable operating leases is presented in note 25.

14 INVESTMENTS

MILLION EURO	2008	2007
Held-to-maturity investments	-	-
Financial assets designated at fair value through profit and loss	2	3
Available-for-sale financial assets	7	12
Investments in associated companies	2	1
Loans and receivables	2	4
TOTAL	13	20

Available-for-sale financial assets comprise investments in equity securities, other than associated companies, and are stated at fair value, except for unquoted equity instruments whose fair value cannot be estimated reliably. Available-for-sale financial assets carried at fair value (December 31, 2008: 1 million Euro; December 31, 2007: 4 million Euro) mainly comprise some shares in an investment fund. Available-for-sale financial assets carried at cost (December 31, 2008: 6 million Euro; December 31, 2007: 8 million Euro) comprise some investments in equity instruments that do not have a quoted market price and whose fair value cannot be estimated reliably.

Financial assets designated at fair value through profit and loss comprise an investment in a mutual fund designated as such upon initial recognition. Changes in the fair value of both the financial asset and the corresponding liability are recognized in profit and loss.

15 DIVESTITURE OF CONSUMER IMAGING – DISCONTINUED OPERATIONS

RECEIVABLES AND PAYABLES RELATED TO DISCONTINUED OPERATIONS

MILLION EURO		December 31, 2008	December 31, 2007
ASSETS			
Miscellaneous receivables	B	32	24
LIABILITIES			
Miscellaneous liabilities	B	34	28

RESULT OF DISCONTINUED OPERATIONS

The table below shows for 2008 a loss from discontinued operations of 17 million Euro before income taxes and 16 million Euro net of income taxes.

MILLION EURO	December 31, 2008 Result of discontinued operations	December 31, 2007 Result of discontinued operations
Operating expenses	(16)	(28)
Operating result from discontinued operations	**(16)**	**(28)**
Non-operating result	(1)	-
Income (loss) before income taxes	**(17)**	**(28)**
Tax impact (current & deferred)	1	4
Income (loss) net of income taxes	**(16)**	**(24)**

On November 1, 2004, the Group sold all of its Consumer Imaging activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. The AgfaPhoto group of companies fully operated the Consumer Imaging business from that moment on until the end of May 2005, when AgfaPhoto GmbH filed for insolvency, followed by insolvency filings of some of the AgfaPhoto sales organizations.

The Group had agreed to act – for a limited period of time – as a service provider and distributor for AgfaPhoto because AgfaPhoto lacked the necessary IT-systems. As such, the Group pre-financed AgfaPhoto's working capital, for which it was reimbursed by the collection of trade receivables from customers.

The receivables and payables stated in the overview above mainly result from the distribution and service agreement concluded between the Group and AgfaPhoto.

Immediately after the insolvency filing of AgfaPhoto GmbH, the Group, in order to support the receiver and the new management in the objective to preserve the operations and employment of the AgfaPhoto Group, agreed to continue to perform certain distribution, invoicing and collection activities for the account of AgfaPhoto GmbH and its subsidiaries. To this end an agreement was signed with AgfaPhoto GmbH's receiver and the new management of AgfaPhoto GmbH. According to this agreement, the Group should pay for the goods supplied by AgfaPhoto GmbH only when the end customer has paid its invoices and to the extent that the Group itself is not exposed to additional commercial and financial risks.

In October 2005, the receiver of AgfaPhoto GmbH decided to liquidate the company. In 2008, the Group continued to conduct negotiations with the receiver of AgfaPhoto GmbH as well as with certain local receivers of the AgfaPhoto sales organizations in order to settle the outstanding balances resulting from distribution, supply and service agreements. These negotiations have resulted in a number of settlements, e.g. in Belgium, Spain and France.

The negotiations with the receiver of AgfaPhoto GmbH, while still ongoing have not resulted in a settlement and 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 the outstanding balances resulting from distribution, supply and service agreements.

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.

The clarification of outstanding balances resulting from the distribution, supply and service agreements is still ongoing with respect to several countries, and substantial progress has been achieved in the course of 2008.

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

With respect to employee-related claims in Germany, where the vast majority of Consumer Imaging employees had been transferred to AgfaPhoto, Germany's Supreme Labor Court (Bundesarbeitsgericht) rendered, in the course of 2008, final judgments in 19 cases. The Court's decisions on, and clarification of, many disputed labor law issues led to an accelerated resolution of a number of pending labor cases in Germany, in conformity with the Group's risk assessments and provisions.

In connection with the divestment of the Consumer Imaging activities, the Group agreed to bear, under certain conditions, demolition costs for buildings that had been built under leasehold rights in Leverkusen, Germany. Substantial progress has been made in the course of 2008 in discussions with the owner of the real estate, in conformity with the Group's risk assessments and provisions.

After the insolvency of AgfaPhoto GmbH, a number of Consumer Imaging / AgfaPhoto customers discontinued monthly payments of installments under leasing contracts for minilabs because of alleged problems with the servicing of those minilabs. Because of its support function in favor of AgfaPhoto – intended to be temporary only, as described above – Agfa Finance now finds itself as plaintiff as well as defendant in a number of cases involving such payments in several countries. These cases are in conformity with the Group's risk assessments and provisions.

16 INVENTORIES

MILLION EURO	2008	2007
Raw materials and supplies	77	69
Work in process, finished goods and goods purchased for resale	496	507
Advance payments	2	2
TOTAL	575	578

Accumulated write-downs on inventories increased by 15 million Euro during 2008 (2007: decrease 6 million Euro).

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

MILLION EURO	2008	2007
Cost of raw materials, supplies and goods purchased for resale	1,240	1,232
Cost of services purchased	139	81
TOTAL	1,379	1,313

17 OTHER RECEIVABLES AND OTHER ASSETS

MILLION EURO	2008	2007
Receivables under finance leases	178	208
Claims for tax refunds	61	60
Receivables against AgfaPhoto Group companies (note 15)	32	24
Accrued interest on loans receivable	1	1
Other	57	70
TOTAL	329	363

Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments. These receivables amounted to 190 million Euro as of December 31, 2008 (2007: 219 million Euro) and will bear interest income until their maturity dates of 22 million Euro (2007: 26 million Euro). As of December 31, 2008, the write-downs on the receivables under finance leases amounted to 12 million Euro (2007: 11 million Euro).

The receivables under finance leases are as follows:

MILLION EURO	2008			2007		
	Total future payments	Unearned interest income	Present value	Total future payments	Unearned interest income	Present value
Not later than one year	84	10	74	95	13	82
Between one and five years	127	12	115	149	13	136
Later than five years	1	-	1	1	-	1
TOTAL	212	22	190	245	26	219

The Group leases out its commercial equipment under finance leases mainly via Agfa Finance (i.e. Agfa Finance NV and its subsidiaries) and via Agfa Corporation (USA).

At the inception of the lease, the present value of the minimum lease payments generally amounts to at least 90% of the fair value of the leased assets.

The major part of the leases concluded with Agfa Finance typically run for a non-cancellable period of four years. The contracts generally include an option to purchase the leased equipment after that period at a price that generally lies between 2% and 5% of the gross investment at the inception of the lease. Sometimes, the fair value of the leased asset is paid back by means of a purchase obligation for consumables at a value higher than its market value, in such a way that this mark-up is sufficient to cover the amount initially invested by the lessor. In these types of contracts the mark-up and/or the lease term can be subject to change.

Agfa Finance offers its products via its subsidiaries in the USA, Canada, Australia, France, Italy and Poland and its branches in Europe (Spain, Switzerland, Benelux, Germany, UK and the Nordic countries) and Japan. As of December 31, 2008, the present value of the total future lease payments for Agfa Finance amounted to 168 million Euro (2007: 187 million Euro).

Agfa Corporation has a lease portfolio with an average remaining term of 20 months. The options at the end of these contracts are to purchase, to renew or to return the leased equipment at a value which is expected to be the fair value at the date the option becomes exercisable. As of December 31, 2008, the present value of the total future lease payments amounted to 22 million Euro (2007: 32 million Euro)

18 CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents with its corresponding balance sheet items can be presented as follows:

MILLION EURO	2008	2007
Marketable securities and other instruments	7	5
Cash on hand, demand deposits and checks	143	147
Total cash and cash equivalents as reported in the balance sheet	**150**	**152**
Accounts receivable under cash management agreements (reported in the balance sheet as other receivables)	1	-
Liabilities under cash management agreements (reported in the balance sheet as Miscellaneous liabilities)	(2)	(1)
Total cash and cash equivalents as reported in the cash flow statement	**149**	**151**

19 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In 2008 there were no non-current assets classified as held for sale. In 2007 the disposal of the non-current assets classified as held for sale generated cash inflows of 19 million Euro.

20 SHAREHOLDERS' EQUITY

The various components of Shareholders' Equity and the changes therein from December 31, 2006 to December 31, 2008 are presented in the Consolidated Statements of Shareholders' Equity.

Capital stock and share premium

The issued capital of the Company as of December 31, 2008 amounts to 140 million Euro, represented by 128,888,282 fully paid ordinary shares without par value.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At December 31, 2008 the Group held 4,099,852 (2007: 4,099,852) of the Company's shares. During 2008, no stock options were exercised.

Revaluation reserve

The revaluation reserve comprises the revaluation of the Group's investment in Medivision Medical Imaging Ltd., classified as available-for-sale, and some other small investments. During 2008, the Group's investment in Medivision Medical Imaging Ltd. was subject to an impairment loss as a result of a significant and prolonged decline in the fair value of the investment below its cost. The amount of the cumulative loss (2 million Euro) was reclassified from equity to non-operating income (expense) (note 9).

Share-based payment reserve

According to IFRS 2, the calculated fair value of share-based payment transactions – the Long Term Incentive Plan tranche no. 7 and tranche no. 8 – is expensed over the vesting period with a corresponding increase in equity (2008: 2 million Euro).

Hedging reserve

The Group designated forward 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. The portion of the gain or loss on the forward exchange contracts that is determined to be an effective hedge is recognized directly in equity (December 31, 2008: 9 million Euro).

In the framework of the current turmoil on the financial markets, some commodity contracts with initial value dates in 2009 have been rolled over to contracts having the same terms and characteristics but shorter value dates. The resulting gain (December 31, 2008: 3 million Euro) has been recognized in equity and shall remain in equity until the commodities are purchased by the Group in line with its expected usage requirement.

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign group companies, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Dividends

In 2008, no dividend has been paid out based on the decision of the General Assembly of Shareholders of Agfa-Gevaert NV on April 29, 2008.
In 2007, a dividend of 63 million Euro (0.5 Euro per ordinary share) has been paid out based on the decision of the General Assembly of Shareholders of Agfa-Gevaert NV on April 24, 2007.

21 EMPLOYEE BENEFITS

(A) LIABILITIES FOR POST-EMPLOYMENT AND LONG-TERM BENEFIT PLANS

Agfa-Gevaert Group companies maintain retirement benefits in most countries in which the Group operates. These plans generally cover all employees and generally provide benefits that are related to an employee's remuneration and years of service. The Group also provides post-retirement medical benefits in the US and long-term benefit plans in Germany. These benefits are accounted for under IAS 19 and are treated as post-employment and long-term benefit plans. At December 31, 2008, the Group's total net liability for post-employment and long-term benefit plans amounted to 601 million Euro (654 million Euro at December 31, 2007), comprising of the following:

MILLION EURO	December 31, 2007	December 31, 2008
Net liability for material countries	480	456
Net liability for termination benefits	137	111
Net liability for non-material countries	37	34
Total net liability	**654**	**601**

The principle for determining the Group's material countries is based on the level of IAS 19 pension expense. Material countries represent more than 90% of the Group's total IAS 19 pension expense.

Defined Contribution Plans

In the case of defined contribution plans, Agfa-Gevaert Group companies pay contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, the Group companies have no further payment obligation. The regular contributions constitute an expense for the year in which they are due. In 2008, the defined contribution plan expense for the Group's material countries amounted to 10 million Euro (11 million Euro in 2007).

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

Defined Benefit Plans

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

For the defined benefit plans, the total expense for 2008 for the Group's material countries amounted to 46 million Euro (48 million Euro for 2007):

	2007			2008		
MILLION EURO	Retirement plans	Other post-employment and long-term benefit plans	TOTAL	Retirement plans	Other post-employment and long-term benefit plans	TOTAL
Service cost, exclusive of employee contributions	20	1	21	16	1	17
Interest cost	87	4	91	89	4	93
Expected return on assets	(74)	0	(74)	(68)	0	(68)
Recognized past service cost	1	1	2	0	1	1
Amortization of unrecognized (Gain) / Losses	10	(2)	8	4	0	4
(Gain) / Losses on settlements or curtailments	0	0	0	(1)	0	(1)
Net periodic pension cost	**44**	**4**	**48**	**40**	**6**	**46**

The change in net liability recognized during the years 2007 and 2008 is set out in the table below.

MILLION EURO	2007			2008		
	Retirement plans	Other post-employment and long-term benefit plans	TOTAL	Retirement plans	Other post-employment and long-term benefit plans	TOTAL
Net liability at January 1	452	52	504	433	47	480
Net periodic pension cost	44	4	48	40	6	46
Employer contributions	(64)	(5)	(69)	(76)	(6)	(82)
Currency effects: charge (or credit)	1	(4)	(3)	9	3	12
Net liability at December 31	**433**	**47**	**480**	**406**	**50**	**456**

During the next fiscal year 2009, the Group expects to contribute 85 million Euro for its material retirement and other post-employment plans.

The defined benefit obligation, plan assets and funded status for the Group's material countries are shown below.

At December 31, 2008, the total defined benefit obligation for the Group amounted to 1,590 million Euro (1,698 million Euro at December 31, 2007). Of this amount, 948 million Euro (1,043 million Euro at December 31, 2007) related to wholly or partly funded plans and 642 million Euro (655 million Euro at December 31, 2007) related to unfunded plans.

MILLION EURO	2007			2008		
	Retirement plans	Other post-employment and long-term benefit plans	TOTAL	Retirement plans	Other post-employment and long-term benefit plans	TOTAL
Change in defined benefit obligation						
Defined benefit obligation at January 1	1,829	72	1,901	1,633	65	1,698
Service cost, exclusive of employee contributions	20	1	21	16	1	17
Employee contributions	1	0	1	1	0	1
Interest cost	87	4	91	89	4	93
Benefit payments	(101)	(5)	(106)	(102)	(6)	(108)
Past service cost	1	0	1	0	0	0
Settlement or curtailment	0	0	0	(2)	0	(2)
Actuarial (gains) / losses	(130)	0	(130)	(54)	(2)	(56)
Currency effects: charge (or credit)	(74)	(7)	(81)	(56)	3	(53)
Defined benefit obligation at December 31	**1,633**	**65**	**1,698**	**1,525**	**65**	**1,590**
Change in Plan Assets						
Fair value of assets at January 1	1,045	0	1,045	985	0	985
Employer contributions	64	5	69	76	6	82
Employee contributions	1	0	1	1	0	1
Actual return on assets	38	0	38	(180)	0	(180)
Benefit payments	(101)	(5)	(106)	(102)	(6)	(108)
Currency effects: (charge) or credit	(62)	0	(62)	(49)	0	(49)
Fair value of assets at December 31	**985**	**0**	**985**	**731**	**0**	**731**
Funded Status at December 31						
Funded status	(648)	(65)	(713)	(794)	(65)	(859)
Unrecognized net (gain) or loss	215	15	230	388	14	402
Unrecognized past service cost	0	3	3	0	1	1
Net (liability) at December 31	**(433)**	**(47)**	**(480)**	**(406)**	**(50)**	**(456)**

Principal actuarial assumptions at balance sheet date (weighted averages)

MILLION EURO	December 31, 2007	December 31, 2008
Discount rate	5.7%	6.3%
Expected return on plan assets	7.1%	6.8%
Future salary increases	3.0%	3.0%

Discount rate and salary increases have been weighted by the defined benefit obligation. Expected return on plan assets has been weighted by fair value of plan assets.

History of Asset values, DBO, Surplus / Deficit in Scheme and Experience Gains and Losses

MILLION EURO	December 31, 2007	December 31, 2008
Fair value of plan assets	985	731
Present value of defined benefit obligation	1,698	1,590
Surplus / (Deficit) in the plan	(713)	(859)

MILLION EURO	2007	2008
Experience gains / (losses) on plan assets	(36)	(248)
Experience gains / (losses) on plan liabilities	3	(35)
Gain / (loss) on plan liabilities due to change in assumptions	127	91

Fair value of assets, split by major asset class

MILLION EURO	December 31, 2008
Equity instruments	336
Debt instruments	378
Other	17
TOTAL	731

(B) EQUITY COMPENSATION BENEFITS

I Long Term Incentive Plan (tranche no. 1)

On November 10, 1999, the Group established a stock warrant plan (the Long Term Incentive Plan – tranche no. 1) for the members of the Board of Management (today: Executive Management) of the Company and of the 'Vorstand' of Agfa-Gevaert AG and certain key managers. One warrant gives the holder the right to subscribe to one new ordinary share of the Company. In total 581,100 warrants were issued and allocated to the beneficiaries of the plan. Each beneficiary was entitled to receive 13 warrants for each share in the Company which they had purchased and deposited as the Initial Investment. The warrants were offered free of charge for shares of the Initial Investment acquired at 22 Euro per share (or higher). For an Initial Investment lower than 22 Euro per share a price equal to 1/13 of the positive difference between 22 Euro per share and the price effectively paid per share had to be paid. In accordance with the program, the warrants are only exercisable as from January 1, 2003 until November 10, 2008, after which date they become null and void. The exercise price of the warrants is equal to 22 Euro.

The following table summarizes information about the stock warrants outstanding at December 31, 2008:

Warrants granted	581,100
Warrants forfeited during 2001	19,500
Warrants forfeited during 2002	78,000
Warrants forfeited during 2003	58,500
Warrants forfeited during 2004	249,600
Warrants forfeited during 2005	13,000
Warrants exercised during 2005	88,282
Warrants forfeited during 2006	18,359
Warrants forfeited/lapsed during 2008	55,859
Warrants outstanding at December 31, 2008	**0**

II Long Term Incentive Plan (tranche no. 2)

On April 25, 2000, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 2) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels VII, VIII and IX of the Company or at equivalent levels within the Group, designated thereto by the Board of Management (today: Executive Management) of the Company. One option gives the holder the right to buy one ordinary share of the Company. In total 416,950 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from January 1, 2004 until June 5, 2009, after which date they become null and void. The exercise price of the options is equal to 22 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	416,950
Options forfeited during 2001	15,000
Options forfeited during 2003	17,100
Options forfeited during 2004	193,300
Options exercised during 2004	4,200
Options exercised during 2005	86,778
Options forfeited during 2006	6,300
Options forfeited during 2007	10,500
Options forfeited during 2008	28,950
Options outstanding at December 31, 2008	**54,822**

III Long Term Incentive Plan (tranche no. 3)

On June 18, 2001, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 3) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. One option gives the holder the right to buy one ordinary share of the Company. In total 522,940 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from July 6, 2004 until July 6, 2010, after which date they become null and void. The exercise price of the options is equal to 20 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	522,940
Options forfeited during 2001	19,000
Options forfeited during 2003	19,000
Options forfeited during 2004	6,200
Options exercised during 2004	50,480
Options exercised during 2005	164,230
Options forfeited during 2006	3,100
Options forfeited during 2007	3,100
Options outstanding at December 31, 2008	**257,830**

IV Long Term Incentive Plan (tranche no. 4)

On June 17, 2002, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 4) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. One option gives the holder the right to buy one ordinary share of the Company. In total 600,300 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from August 26, 2005 until August 27, 2011, after which date they become null and void. The exercise price of the options is equal to 18 Euro.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	600,300
Options forfeited during 2002	6,300
Options forfeited during 2003	31,500
Options exercised during 2005	7,800
Options exercised during 2006	2,460
Options forfeited during 2006	5,800
Options exercised during 2007	2,900
Options forfeited during 2007	2,900
Options outstanding at December 31, 2008	**540,640**

V Long Term Incentive Plan (tranche no. 5)

On April 29, 2003, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 5) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group. One option gives the holder the right to buy one ordinary share of the Company. In total 567,974 options were issued and allocated to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options are only exercisable as from July 28, 2006 until July 27, 2013, after which date they become null and void. The exercise price of the options is equal to 18.27 Euro.

The fair value of the Long Term Incentive Plan tranche no. 5 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

Fair value of option granted	6.60
Share price	18.63
Exercise price	18.27
Grant date	September 26, 2003
Expected volatility	32.40 %
Expected dividends / year	0.60
Risk-free interest rate curve	2.09%-4.34%

Expected volatility is calculated based on historical volatility of the share price over a one-year period. The options granted under the Long Term Incentive Plan tranche no. 5 vested in July 2006, after a three-year period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	567,974
Options forfeited during 2004	2,800
Options exercised during 2006	2,800
Options forfeited during 2006	5,600
Options forfeited during 2007	11,450
Options outstanding at December 31, 2008	**545,324**

VI Long Term Incentive Plan (tranche no. 6 and no. 6a)

On June 22, 2004, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 6 and no. 6a) for the members of the Board of Management (today: Executive Management) of the Company and executives employed at levels A, B and C of the Company or at equivalent levels within the Group.
One option gives the holder the right to buy one ordinary share of the Company. In total 488,880 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 6 are only exercisable as from August 10, 2007 until August 10, 2011, after which date they become null and void. The exercise price of the options is equal to 19.95 Euro.

The options offered under tranche no. 6a are only exercisable as from December 15, 2007 until December 14, 2011, after which date they become null and void. The exercise price of the options is equal to 24.02 Euro.
The fair value of the Long Term Incentive Plan tranche no. 6 and no. 6a at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

	Tranche no. 6	Tranche no. 6a
Fair value of option granted	6.84	8.00
Share price	23.27	26.59
Exercise price	19.95	24.02
Grant date	October 10, 2004	February 13, 2005
Expected volatility	24.61%	27.83 %
Expected dividends / year	0.60	0.56
Risk-free interest rate	3.67%	3.00%

Expected volatility is calculated based on historical volatility of the share price over a one-year period. The options granted under the Long Term Incentive Plan tranche no. 6 and no. 6a respectively vested in August and December 2007, after a three-year vesting period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested.

The following table summarizes information about the stock options outstanding at December 31, 2008:

	Tranche no. 6	Tranche no. 6a
Options granted	471,380	17,500
Options forfeited during 2005	3,080	-
Options forfeited during 2006	5,600	-
Options forfeited during 2007	11,300	-
Options forfeited during 2008	-	12,500
Options outstanding at December 31, 2008	**451,400**	**5,000**

VII Long Term Incentive Plan (tranche no. 7)

On June 22, 2005, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 7) for the members of the Executive Committee (today: Executive Management) of the Company and executives employed at levels I and II of the Company and for specifically appointed personnel members of the Group. One option gives the holder the right to buy one ordinary share of the Company. In total 589,650 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 7 are only exercisable as from July 15, 2008 until July 15, 2012, after which date they become null and void. The exercise price of the options is equal to 22.57 Euro.

The fair value of the Long Term Incentive Plan tranche no. 7 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

Fair value of option granted	6.23
Share price	22.85
Exercise price	22.57
Grant date	September 14, 2005
Expected volatility	28%
Expected dividends / year	0.56
Risk-free interest rate	3%

Expected volatility is calculated based on historical volatility of the share price over a one-year period. The options granted under the Long Term Incentive Plan – tranche no. 7 vested in July 2008 after a three-year vesting period from grant date. The calculated fair value was expensed over the vesting period according to the modified grant date method, by reference to the number of options that ultimately vested. For 2008, the expense amounts to 1 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	589,650
Options forfeited during 2006	33,200
Options forfeited during 2007	72,160
Options forfeited during 2008	45,190
Options outstanding at December 31, 2008	**439,100**

VIII Long Term Incentive Plan (tranche no. 8)

On June 21, 2006, the Group established a stock option plan (the Long Term Incentive Plan – tranche no. 8) for the members of the Executive Committee (today: Executive Management) of the Company and executives employed at levels I and II of the Company and for specifically appointed personnel members of the Group. One option gives the holder the right to buy one ordinary share of the Company. In total 733,570 options were granted to the beneficiaries of the plan. The options were offered free of charge. In accordance with the program, the options under tranche no. 8 are only exercisable as from July 17, 2009 until July 17, 2013, after which date they become null and void. The exercise price of the options is equal to 18.60 Euro.

The fair value of the Long Term Incentive Plan tranche no. 8 at grant date has been calculated using a Trinomial Lattice model for Bermudian options with discrete dividend parameters.

Following key parameters were used in the valuation model:

Fair value of option granted	4.17
Share price	18.12
Exercise price	18.60
Grant date	September 15, 2006
Expected volatility	28.50%
Expected dividends / year	0.56
Risk-free interest rate	4.18%

Expected volatility is calculated based on historical volatility of the share price over a one-year period. The options vest over three years from grant date onwards. The calculated fair value is expensed over the vesting period according to the modified grant date method. Vesting expectations are based on historical data of option forfeitures. For 2008, the expense amounts to 1 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options granted	733,570
Options forfeited during 2007	48,810
Options forfeited during 2008	29,060
Options outstanding at December 31, 2008	**655,700**

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

22 FINANCIAL LIABILITIES

MILLION EURO	2008	2007
Non-current liabilities	**809**	**740**
Revolving multi-currency credit facility [1]	606	538
Liabilities to banks [2]	2	2
Debentures [3]	200	200
Liabilities under finance lease agreements [4]	1	-
Current liabilities	**14**	**133**
Commercial paper program	-	63
Revolving multi-currency credit facility [1]	6	30
Liabilities to banks [2]	8	39
Liabilities under finance lease agreements [4]	-	1

[1] *Revolving multi-currency committed unsecured credit facilities*

The Company disposes of a revolving multi-currency committed credit facility for a total notional amount of 710 million Euro. In general, drawdowns under these lines are made for periods from one month up to one year but the Group has the discretion to roll-over the liability under the existing committed loan agreement. These loan facilities are unsecured.

Interest rates of part of the Euro denominated long-term facilities are capped between 4% (cap) and 3.15% (floor) by the use of an interest rate collar with a notional amount of 100 million Euro, maturing in 2009 (note 6). The Company has designated the interest rate collar as cash flow hedge.

The split over the relevant periods is as follows:

MILLION EURO	Notional amount		Outstanding amount		Currency	Interest rate	
MATURITY DATE	2008	2007	2008	2007		2008	2007
2008	-	60	-	30	EUR	-	4.88%-4.92%
2009	20	25	4	-	CLP	8.20%-12.12%	-
			-	7	RMB	-	5.02%
			2	3	COP	17.98%	15.39%
2012	690	690	86	83	USD	4.32%	5.18%-5.70%
			520	445	EUR	3.06%-5.39%	4.83%-5.18%
TOTAL	**710**	**775**	**612**	**568**			

[2] *Liabilities to banks*

Maturities of long-term unsecured facilities were as follows:

MILLION EURO	2008		2007	
MATURING IN	Outstanding amount	Weighted average interest rate	Outstanding amount	Weighted average interest rate
< 5 years	1	4.14%	1	2.30%
> 5 years	1	7.44%	1	6.58%
TOTAL	**2**		**2**	

Short-term facilities

Short-term liabilities to banks are mainly unsecured. The weighted average interest rate of these facilities is 6.05% (2007: 5.32%).

3 *Debentures*

In May 2005, the Company issued a bond with nominal value of 200 million Euro. The bond carries a 4.375% coupon and matures in June 2015. Interests are payable annually in arrears. The issue price was 101.956%. The bond is carried at amortized cost.

4 *Liabilities under finance lease agreements*

Lease agreements in which the Group is a lessee, give rise to financial liabilities in the balance sheet, equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. These liabilities amounted to 1 million Euro as of December 31, 2008.

The financial liabilities are payable as follows:

MILLION EURO	2008			2007		
	Total future payments	Unexpired interest expense	Present value	Total future payments	Unexpired interest expense	Present value
Not later than one year	-	-	-	1	-	1
Between one and five years	1	-	1	-	-	-
Later than five years	-	-	-	-	-	-
TOTAL	1	-	1	1	-	1

23 MISCELLANEOUS LIABILITIES

Miscellaneous liabilities can be presented as follows:

MILLION EURO	2008	2007
Tax liabilities	43	62
Liabilities against AgfaPhoto Group companies (note 15)	34	28
Liabilities for social expenses	33	37
Payroll liabilities	14	17
Accrued interest on liabilities	8	8
Other miscellaneous liabilities	73	85
TOTAL	205	237

Tax liabilities include not only Group companies' own tax liabilities, but also taxes withheld on behalf of third parties.

Liabilities for social expenses include, in particular, social insurance contributions that have not been paid at the balance sheet date.

Other miscellaneous liabilities comprise of numerous individual items such as guarantees, commissions to customers, liabilities under cash management, etc.

24 PROVISIONS

(A) CURRENT

MILLION EURO	Environmental	Trade-related	Taxes	Other	TOTAL
Provisions at December 31, 2007	**13**	**57**	**76**	**129**	**275**
Change in consolidation scope	-	-	-	-	**-**
Provisions made during the year	3	144	38	81	**266**
Provisions used during the year	(1)	(150)	(33)	(69)	**(253)**
Provisions reversed during the year	(3)	(8)	(4)	(19)	**(34)**
Translation differences	-	1	(1)	-	**0**
Transfers	1	-	4	(4)	**1**
Provisions at December 31, 2008	**13**	**44**	**80**	**118**	**255**

Provisions for trade-related commitments include subsequent payments to customers relating to goods and services purchased in the accounting period, such as customer bonuses or rebates in kind or in cash, warranty liabilities, agents' commissions and impending or anticipated losses on purchase or sales contracts.

Other provisions relate mainly to provisions set up for restructuring expenses (note 8). Other provisions moreover include provisions for litigation, claims and the negative outcome of commitments.

The Group is subject to numerous environmental requirements in various countries in which it operates, including those governing air and wastewater emissions, the management of hazardous materials and spill prevention and cleanup. In order to comply with applicable standards and regulations, the Group has made significant expenditures and set up provisions. Provisions for environmental protection relate to future relandscaping, landfill modernization and the remediation of land contaminated by past industrial operations. Provisions for environmental protection moreover include provisions for litigation with respect to environmental contamination.

(B) NON-CURRENT

MILLION EURO	
Provisions at December 31, 2007	**69**
Provisions made during the year	8
Provisions used during the year	(2)
Provisions reversed during the year	(6)
Translation differences	-
Transfers	(5)
Provisions at December 31, 2008	**64**

25 OPERATING LEASES

Leases as lessee

The Group leases mainly buildings and infrastructure under a number of operating lease agreements. The future lease payments under these non-cancellable operating leases are due as follows:

MILLION EURO	2008	2007
Not later than one year	44	39
Between one and five years	90	68
Later than five years	3	4
TOTAL	137	111

Leases as lessor

The Group leases out business accommodation and other equipment under operating leases. Non-cancellable operating lease rentals are as follows:

MILLION EURO	2008	2007
Not later than one year	4	4
Between one and five years	5	5
Later than five years	-	-
TOTAL	9	9

26 COMMITMENTS AND CONTINGENCIES

MILLION EURO	2008	2007
Guarantees	55	44
Other	1	2
TOTAL	56	46

Total purchase commitments in connection with major capital expenditure projects for which the respective contracts have already been awarded or orders placed amounted to 2 million Euro as of December 31, 2008 (2007: 3 million Euro).

LEGAL RISKS / CONTINGENCIES

AgfaPhoto

In connection with the divestment of the Consumer Imaging business of Agfa-Gevaert AG and certain of its subsidiaries, the Group has entered into various contractual relationships with AgfaPhoto Holding GmbH and AgfaPhoto GmbH, Leverkusen, Germany, and its subsidiaries in various jurisdictions (the 'AgfaPhoto Group'), providing for the transfer of its Consumer Imaging business, including assets, liabilities, contracts and employees, to AgfaPhoto Group companies.

Subsequent to the divestment, insolvency proceedings have been opened with respect to AgfaPhoto GmbH and a number of its subsidiaries in both Germany and other jurisdictions. The Group has been named as a defendant in lawsuits or other actions in various jurisdictions in connection with a number of disputes including labor law disputes in Germany, seeking a variety of damages and other relief relative to the insolvency proceedings and subsequent liquidation of the AgfaPhoto Group companies. The Group believes that it has meritorious defenses in these lawsuits and other actions and is defending itself vigorously.

Subsequent to the divestment, Agfa-Gevaert NV and Agfa-Gevaert AG initiated arbitration proceedings before the ICC International Court of Arbitration in Paris, France, in connection with a trademark license dispute with AgfaPhoto Holding GmbH. In the course of this dispute, the Group has received a number of counterclaims. The Group has rejected all of the counterclaims as without merit. In December 2007, the majority of the arbitrators decided in favor of AgfaPhoto Holding GmbH on the merits regarding the termination of the Trademark License Agreement, but the arbitration proceedings are still ongoing with respect to quantum (damages). The Group believes that it has meritorious defenses with respect to the counterclaims on quantum and is defending itself vigorously.

Also with respect to this divestment, AgfaPhoto Holding GmbH initiated arbitration proceedings before the ICC International Court of Arbitration in Paris and claims alleged damages suffered as a result of misconduct of the seller in connection with the sale of the Consumer Imaging division and the insolvency of AgfaPhoto GmbH. The Group has rejected all of the claims as unsubstantiated and without merit. The Group believes that it has meritorious defenses with respect to these claims and is defending itself vigorously.

Also with respect to this divestment, 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 Consumer Imaging division and the insolvency of AgfaPhoto GmbH. The Group has rejected all of the claims as unsubstantiated and without merit. The Group believes that it has meritorious defenses with respect to these claims and is defending itself vigorously.

Finally, 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. The Group has rejected all of the claims as unsubstantiated and without merit. The Group believes that it has meritorious defenses with respect to these claims and is defending itself vigorously.

As highlighted above, the main disputes are between certain Agfa group companies, on the one hand, and AgfaPhoto Holding Gmbh or the receiver of AgfaPhoto GmbH, on the other hand, most of them being currently subject to arbitration proceedings. These claims, which we strongly believe to be unsubstantiated and without merit are for amounts largely in excess of the fair value of the CI-business at the time of divestiture and lack any relationship to the cause and losses resulting from the liquidation of the consumer imaging business. Moreover, some amounts claimed are so claimed in duplicate either by the same party on different legal grounds or against different constellations of Agfa defendants, or by both AgfaPhoto Holding GmbH and the receiver of AgfaPhoto GmbH. Due to what we believe to be the highly speculative nature of the claims and counterclaims asserted by the AgfaPhoto parties, we deem it impossible to arrive at a reliable estimate of the financial implications of the different proceedings.

Other risks and contingencies

Further legal risks for the Group exist with regard to patent disputes in the United States.
Agfa-Gevaert NV and Agfa Corporation are engaged as either plaintiff or defendant in patent infringement suits involving Eastman Kodak Company. A final judgement was entered in this action on December 10, 2008. The Court ruled that there was no liability for Agfa. Eastman Kodak Company appealed this decision and Agfa cross-appealed. The Group believes that it has meriotious defences in these lawsuits and is defending itself vigorously.

27 RELATED PARTY TRANSACTIONS

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

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

	2008		2007	
MILLION EURO	Directors	Executive Management	Directors	Executive Management
Short-term employee benefits	0.5	3.6	0.8	3.3
Post-employment benefits	-	0.3	-	0.6
Termination benefits	-	-	-	1.5
Share-based payment	-	0.2	-	0.3
TOTAL	0.5	4.1	0.8	5.7

As of December 31, 2008 there were no loans outstanding to members of the Executive Management nor to members of the Board of Directors.
Pension provisions for members and retired members of the Executive Management, amounting to 16 million Euro, are reflected in the balance sheet of the Group at December 31, 2008.

Other related party transactions

Transactions with related companies are mainly trade transactions and are priced at arm's length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

28 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at December 31, 2008 was based on the net loss attributable to ordinary shareholders of minus 167 million Euro (2007: net profit of 42 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2008 of 124,788,430 (2007: 124,788,263).

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

Number of ordinary shares at January 1, 2008	124,788,430
Effect of options excercised during 2008	-
Weighted average number of ordinary shares at December 31, 2008	124,788,430

EURO	2008	2007
Basic earnings per share	**(1.34)**	**0.34**

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at December 31, 2008 was based on the net loss attributable to ordinary shareholders of minus 151 million Euro (2007: net profit of 66 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2008 of 124,788,430 (2007: 124,788,263).

EURO	2008	2007
Basic earnings per share from continuing operations	**(1.21)**	**0.53**

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2008 was based on the net loss attributable to ordinary shareholders of minus 167 million Euro (2007: net profit of 42 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2008 of 124,788,430 (2007: 124,788,263).

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

Weighted average number of ordinary shares at December 31, 2008	124,788,430
Effect of stock options on issue (note 21)	-
Weighted average number of ordinary shares (diluted) at December 31, 2008	124,788,430

The average fair value of one ordinary share during 2008 was 4.97 Euro.

EURO	2008	2007
Diluted earnings per share	**(1.34)**	**0.34**

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share from continuing operations at December 31, 2008 was based on the net loss attributable to ordinary shareholders of minus 151 million Euro (2007: net profit of 66 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2008 of 124,788,430 (2007: 124,788,263).

EURO	2008	2007
Diluted earnings per share from continuing operations	**(1.21)**	**0.53**

29 INVESTMENTS IN SUBSIDIARIES AND OTHER COMPANIES AGFA-GEVAERT GROUP

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

Consolidated companies, December 31, 2008		
Name of the company	Location	Effective interest %
Agfa (Pty.) Ltd.	Isando/Rep. of South Africa	100
Agfa (Wuxi) Imaging Co., Ltd.	Wuxi/PR China	99.16
Agfa (Wuxi) Printing Plate Co. Ltd.	Wuxi/PR China	100
Agfa ASEAN Sdn. Bhd.	Petaling Jaya/Malaysia	100
Agfa Corporation	Ridgefield Park/United States	100
Agfa de Mexico S.A. de C.V.	Sta. Clara Ecatepec/Mexico	99.80
Agfa Graphics Germany GmbH & Co. KG	Cologne/Germany	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.	Nunawading/Australia	100
Agfa Graphics Argentina S.A.	Buenos Aires/Argentina	100
Agfa Graphics Ireland Ltd.	Kildare/Ireland	100
Agfa Graphics Ltd.	Leeds/United Kingdom	100
Agfa Graphics Netherlands B.V.	Amstelveen/Netherlands	100
Agfa Graphics Norway AS	Skytta/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.	Milan/Italy	100
Agfa Graphics Sp. z.o.o.	Warsaw/Poland	100
Agfa HealthCare AG	Dübendorf/Switzerland	100
Agfa HealthCare Argentina S.A.	Buenos Aires/Argentina	100
Agfa HealthCare Australia Limited	Melbourne/Australia	100
Agfa HealthCare Brazil Ltda.	Sao Paulo/Brazil	100
Agfa HealthCare Chile Ltda.	Santiago de Chile/Chile	100
Agfa HealthCare Colombia Ltda.	Bogota/Colombia	100
Agfa HealthCare Corporation	Ridgefield Park/United States	100
Agfa HealthCare Czech s.r.o.	Prague/Czech Republic	100
Agfa HealthCare Denmark A/S	Holte/Denmark	100
Agfa HealthCare Enterprise Solutions S.A.	Artigues près Bordeaux/France	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 Hungary Kft.	Budapest/Hungaria	100
Agfa HealthCare Inc.	Waterloo/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.	Helfenterbrück/Luxemburg	100
Agfa HealthCare Malaysia Sdn. Bhd.	Kuala Lumpur/Malaysia	100
Agfa HealthCare Mexico S.A. de C.V.	Mexico City/Mexico	100
Agfa HealthCare Norway AS	Skytta/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 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 HealthCare Venezuela S.A.	Caracas/Venezuela	100
Agfa Hong Kong Ltd.	Hong Kong/PR China	100
Agfa Graphics Hungary Kft.	Budapest/Hungary	100
Agfa Inc.	Toronto/Canada	100
Agfa India Private Ltd.	Mumbay/India	100
Agfa Industries Korea Ltd.	Kyunggi-do/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.	Pinewood/United Kingdom	100
Agfa Materials Taiwan Co. Ltd.	Taipei/Taiwan	100
Agfa OOO Ltd.	Moscow/Russian Federation	100
Agfa Graphics Czech Republic S.r.o.	Prague/Czech Republic	100
Agfa Singapore Pte. Ltd.	Singapore	100
Agfa Solutions SAS	Rueil-Malmaison/France	100
Agfa Sp. z.o.o.	Warsaw/Poland	100
Agfa Taiwan Co. Ltd.	Taipei/Taiwan	100
Agfa-Dotrix NV	Ghent/Belgium	100
Agfa-Gevaert A.E.B.E.	Athens/Greece	100
Agfa-Gevaert A/S	Holte/Denmark	100
Agfa-Gevaert AB	Kista/Sweden	100
Agfa Graphics Switzerland AG	Dübendorf/Switzerland	99.34
Agfa-Gevaert Aktiengesellschaft für Altersversorgung	Leverkusen/Germany	100
Agfa-Gevaert Argentina S.A.	Buenos Aires/Argentina	100
Agfa-Gevaert B.V.	Rijswijk/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 Graphics Austria GmbH	Vienna/Austria	100
Agfa-Gevaert Graphic Systems GmbH	Cologne/Germany	100
Agfa-Gevaert HealthCare GmbH	Cologne/Germany	100
Agfa-Gevaert International Holding S.à r.l.	Luxemburg/Luxemburg	100
Agfa-Gevaert International NV	Mortsel/Belgium	100
Agfa-Gevaert International S.à r.l.	Luxemburg/Luxemburg	100
Agfa-Gevaert Investment Fund NV	Mortsel/Belgium	100
Agfa-Gevaert Japan, Ltd.	Tokyo/Japan	100
Agfa-Gevaert Limited	Melbourne/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.	Glenfield/New Zealand	100
Agfa-Gevaert S.A.	Rueil-Malmaison/France	99.99
Agfa-Gevaert S.A.U.	Barcelona/Spain	100
Agfa-Gevaert S.p.A.	Milan/Italy	100
Agfa-Gevaert, Lda.	Linda-a-Velha/Portugal	100
Agfa HealthCare AG	Trier/Germany	100
GWI Research Ges.mbH	Vienna/Austria	100
GWI Research GmbH	Trier/Germany	100

HYDmedia GmbH	Rottenburg/Germany	100
Lastra Attrezzature S.r.l.	Manerbio/Italy	60
Luithagen NV	Mortsel/Belgium	100
Med2Rad S.r.l.	Macerata/Italy	100
New ProImage America Inc.	Ridgefield Park/United States	100
New ProImage Ltd.	Tel Aviv/Israel	100
OY Agfa-Gevaert AB	Espoo/Finland	100
PlanOrg Medica GmbH	Jena/Germany	63.50
Plurimetal do Brasil Ltda.	Rio de Janeiro/Brasil	100
Quadrat NV	Mortsel/Belgium	100
Shanghai Agfa Imaging Products Co., Ltd.	Shanghai/PR China	100
Tiani Nordic ApS	Aalborg/Denmark	100

Subsidiaries not included in the consolidated financial statements, December 31, 2008

Name of the company	Location	Effective interest %
Agfa Argentina S.A.C.I.	Buenos Aires/Argentina	100
Agfa Graphics Germany Verwaltungsgesellschaft mbH	Cologne/Germany	100
Agfa HealthCare Solutions LLC	Dubai/United Arab Emirates	100
Agfa-Gevaert SKK	Teheran/Iran	76
Agfa-Gevaert Unterstützungskasse GmbH	Leverkusen/Germany	100
CAWO Photochem. Werk GmbH	Schrobenhausen/Germany	100
GST Grafic Service Team Verwaltungs GmbH	Cologne/Germany	100
Mortselse Immobiliënvennootschap NV	Mortsel/Belgium	100

Associated companies, December 31, 2008

Name of the company	Location	Effective interest %
ADM C.V.	Antwerp/Belgium	12.50
GWI Klinik Management GmbH	Feldafing/Germany	50
Idoc NV	Brussels/Belgium	33.33
Medicalis Corp.	Waterloo/Canada	20.78
Medivision Medical Imaging Ltd.	Yokneam Elit/Israel	15.59
PlanOrg Informatik GmbH	Jena/Germany	25.50
SIEDA GmbH	Kaiserslautern/Germany	25.18
Smart Packaging Solutions SAS	Rousset/France	30
ZTG	Krefeld/Germany	6

30 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In the fourth quarter of 2008, the Executive Management of the Company decided to set up a worldwide savings program with the goal to reduce the Group's operational costs by 120 million Euro before the end of 2010. This savings program mainly concerns a reduction of the sales and general administration costs and relates to both personnel related expenses as well as non-personnel related expenses, such as infrastructure costs and costs related to the purchase of goods and services. The restructuring charges for this worldwide savings plan recognized in 2008 were 18 million Euro. Some parts of the plan were only communicated to the personnel affected by it after the balance sheet date. The total restructuring charge for 2009 and 2010 related to this plan is estimated at 25 million Euro.

In the US, the Group has decided to make changes to its pension plan and post-retirement medical and life insurance plan. The pension plan in the US is closed to new entrants and members do not accrue future service benefits. Following the 2009 plan change, past service benefits accrued under the pension plan will no longer be linked to future salary increases. Under the US post retirement medical plan, active and retired members are entitled to a notional account that can be used to pay their medical costs at retirement. This plan is also closed to new entrants. Following the 2009 plan change, the value of this account will be eliminated for participants who do not meet the age of 50 and 10 years of service eligibility requirement as of April 1, 2009, and the account will be frozen for all members who meet the eligibility requirement. The post-retirement life insurance benefits have also been eliminated for members who do not meet the eligibility requirement, for those that are eligible, there is no change in the benefit that will be available. The impact of these plan changes for 2009 is estimated at a one time income of 15 million Euro.

STATUTORY ACCOUNTS

The following pages are extracts of the statutory annual accounts of Agfa-Gevaert NV prepared under Belgian accounting policies. The management report of the Board of Directors to the Annual General Meeting of Shareholders and the annual accounts of Agfa-Gevaert NV as well as the Auditor's report, will be filed with the National Bank of Belgium within the statutory stipulated periods. These documents are available on request from Agfa's Investor Relations department and at www.agfa.com/investorrelations.

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Agfa-Gevaert Group.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Agfa-Gevaert NV for the year ending December 31, 2008 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

INCOME STATEMENTS

	MILLION EURO	2008	2007
I	**Operating income**		
A	Turnover	803	911
B	Increase (+); decrease (-) in stocks of finished goods, work and contracts in progress	(16)	(5)
C	Own construction capitalised	14	14
D	Other operating income	70	156
TOTAL OPERATING INCOME		**871**	**1,076**
II	**Operating charges**		
A	Raw materials, consumables and goods for resale		
	1 Purchases	528	545
	2 Increase (-); decrease (+) in stocks	(8)	16
B	Services and other goods	159	206
C	Remuneration, social security costs and pensions	208	232
D	Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	82	112
E	Increase (+); Decrease (-) in amounts written off stocks, contracts in progress and trade debtors	0	(4)
F	Increase (+); Decrease (-) in provisions for liabilities and charges	(24)	(42)
G	Other operating charges	15	12
TOTAL OPERATING CHARGES		**960**	**1,077**
III	**Operating Profit / (Loss)**	(89)	(1)
IV	**Financial income**	145	50
V	**Financial charges**	(217)	(182)
VI	**Profit / (Loss) on ordinary activities before taxes**	(161)	(133)
VII	**Extraordinary income**	36	83
VIII	**Extraordinary charges**	(6)	(75)
IX	**Profit / (Loss) for the period before taxes**	(131)	(125)
IXbis	**B Transfer to deferred taxation**	0	0
X	**Income taxes**	2	3
XI	**Profit / (Loss) for the period**	(129)	(122)
XII	**Transfer to untaxed reserve**	0	0
XIII	**Profit / (Loss) for the period available for appropriation**	(129)	(122)
Result Appropriation			
A	Profit to be appropriated	401	530
	1 Profit / (Loss) for the period available for appropriation	(129)	(122)
	2 Profit brought forward	530	652
B	Transfer from capital and reserves	0	0
C	Transfers to other reserves	0	0
D	1 Profit / (Loss) to be carried forward	(401)	(530)
F	Distribution of profit	0	0

SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

BALANCE SHEET

	MILLION EURO	Dec. 31, 2008	Dec. 31, 2007
ASSETS			
II	Intangible assets	42	100
III	Tangible assets	19	27
IV	Financial assets	1,950	3,890
V	Receivables over 1 year	11	8
VI	Stocks and contracts in progress	135	144
VII	Amounts receivable within 1 year	1,259	143
VIII	Investments	8	43
IX	Cash at bank and in hand	2	1
X	Deferred charges and accrued income	0	0
	TOTAL	3,426	4,356
LIABILITIES			
I	Capital	140	140
II	Share premium account	109	109
IV	Reserves	412	412
V	Profit carried forward	401	530
VI	Investment grants	1	1
		1,063	1,192
VII	Provisions and deferred taxation	152	176
VIII	Amounts payable after more than 1 year	320	322
IX	Amounts payable within 1 year	1,860	2,616
X	Accrued charges and deferred income	31	50
	TOTAL	3,426	4,356

SUMMARY VERSION OF STATUTORY ACCOUNTS OF AGFA-GEVAERT NV

STATUTORY REPORT

Mortsel, April 1, 2009

COMMENTS ON THE ANNUAL ACCOUNTS

The annual accounts, which will be presented to the General Meeting of Shareholders of April 28, 2009, were approved by the Board of Directors.

The loss to be appropriated for the financial year 2008 amounted to 128,923,576.09 Euro.

It is proposed to distribute the result to be appropriated as follows:

- a reduction of 128,923,576.09 Euro to the profit to be carried forward.
  As a consequence, the profit to be carried forward now amounts to 400,874,828.96 Euro

Based on the profit and loss account, the Board of Directors concludes that the Company has suffered a loss for two consecutive years. Article 96, 6° of the Code of Companies requires that the Board of Directors justifies the accounting principles in the assumption of going concern. In its assessment on this matter, the Board of Directors refers to the equity of the Company, and more specifically to the section Profit carried forward (400,874,828.96 Euro), which is considered – on a non-consolidated base – to be more than adequate. As the going concern assumption of a holding company, such as Agfa-Gevaert, basically depends on the group as a whole, the Board refers to notes 2 and 6 to the consolidated financial statements which include an overview of the management's judgements and estimates, as well as the specific company risks, which have been used and taken into consideration by the Board of Directors when preparing the consolidated financial statements in accordance with the going concern principles as provided in IAS 1 - § 25 en § 26.

INFORMATION RELATED TO THE IMPLEMENTATION OF THE EU TAKEOVER DIRECTIVE

The Board of Directors of Agfa-Gevaert NV hereby declares that the Annual Report 2008 has been prepared in accordance with article 34 of the Royal Decree of November 14, 2007. The Board hereby explains that:

- a comprehensive overview of the prevailing capital structure, dated March 31, 2009, can be found in the Corporate Governance chapter (p.41) and in the Shareholder Information;
- no special rights are attached to the issued shares of the Company;
- the Company has entered into certain financial agreements which would either become effective, be amended and / or terminated due to any change of control over the Company as a result of a public takeover bid;
- there are no statutory restrictions with respect to the transfer of securities of the exercise of voting rights;
- the Company isn't aware of the existence of shareholder agreements resulting in restrictions on the transfer of securities and / or on the voting rights;
- the agreements with the members of the Executive Management no longer contain a 'change of control' clause, whereby they would receive compensation if their agreement with the Company would terminate as a result of a change of control over the Company.

GLOSSARY

chemistry-free printing plate
A *printing plate* that does not require chemical processing after imaging.

color print film
Film on which copies of the master version of a motion picture film are printed. These copies are distributed to the cinemas.

computed radiography (CR)
The technology of making X-ray images with conventional X-ray equipment but whereby the images are captured on re-usable image plates, instead of X-ray film.
The information on the plates is read by a digitizer and provides a digital image. Dedicated imaging software (such as Agfa's Musica) can be used to automatically maximize the quality of the images for diagnostic purposes. The digital images can also be completed with manual inputs (annotations, measurements, etc.) and are ready for archiving on a PACS system.
see also direct radiography

computed tomography (CT)
A CT scanner uses a series of X-rays to create image 'slices' of the body. Agfa's product portfolio does not include CT scanners, but its PACS systems are used for the management and the (3D) visualization of the digital images. Agfa's *hardcopy* printers are used to produce high quality prints of the images.

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 onto (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 onto printing plates directly from computer files without the intermediate step of film.
see also computer-to-film

DebugIT (Detecting and Eliminating Bacteria UsinG Information Technology)
DebugIT is one of the European Union's latest healthcare IT projects. The main objectives are to build IT tools that should have a significant impact for the monitoring and control of infectious diseases and antimicrobial resistances in Europe. The project is coordinated by Agfa HealthCare.

digitizer
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 optimization or completion as well as for archiving the images on *PACS* systems. DR systems are mostly used in centralized radiology environments.
see also computed radiography

drupa
drupa is the world's most important trade fair for the printing industry. It is organized every 4 years in Düsseldorf, Germany, and attracts over 400.000 visitors from all over the world. The 14th edition of drupa was held from May 29, 2008 to June 11, 2008.

EBIT
Earnings before Interest and Tax.

EBITDA
Earnings before Interest and Tax, Depreciation and Amortization.

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. Agfa 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 organizations 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 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.

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

hardcopy
A hardcopy is the printed version of a digital image. Agfa's hardcopy printers are used for printing medical images from various sources: *Computed Tomography (CT)* scans, *Magnetic Resonance Imaging (MRI)* scans, *Computed Radiography*, *Direct Radiography* etc. Agfa produces both the so-called 'wet' and 'dry' printers. Wet laser technology implies the use of aqueous chemical solutions to develop the image. The environmentally friendly dry technology prints the image directly from the computer onto a special film by thermal effect.

IMPAX
see Picture Archiving and Communication System and *Radiology Information System*

inkjet technology
Any printer that transfers extremely small droplets of ink onto paper to create an image, from small models for office use over medium models - e.g. for poster printing - to larger equipment for industrial applications.

large format printer
A large format printer sometimes referred to as a wide format printer is a digital printer that prints on sheets or rolls 24-inches / 60 cm wide or more.

laser
Abbreviation for Light Amplification by Stimulated Emission of Radiation: a device that amplifies a single frequency of light within the spectrum to create a directional, intense beam. That beam of light can be used to write data on a *printing plate* or film. There are thermal lasers and visible-light lasers. The first are used with materials sensitive to heat; the latter image materials sensitive to light and can be divided into green, violet and red laser beams. Red is rarely chosen nowadays, while violet lasers' popularity has increased substantially because of their easy operation, high reliability and low cost.

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's product portfolio does not include MRI scanners but its PACS systems are used for the management and visualization of the digital images. Agfa's *hardcopy* printers are used to produce high quality prints of the images.

membrane
Thin, flexible layer or material designed to separate components of a solution.

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

NAFTA (North American Free Trade Agreement)
The trade bloc in North America whose members are Canada, Mexico and the United States.

no bake (printing plate)
To reach long print-runs, most *thermal printing plates* need to be baked in an oven. With Agfa Graphics' no bake thermal printing plate it is possible to produce more than 500,000 impressions without baking, saving time and energy cost.

non-destructive testing
To check the structure and tolerance of materials without damaging or deforming them.

offset
Printing technique where thin aluminum *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 onto a rubber blanket attached to a second cylinder and then transferred from the blanket to the paper or other medium.

PET (polyethylene terephthalate or polyester)
Polyethylene terephthalate or polyester is a chemical prepared with a base of ethylene glycol and terephtalic acid. It is the basic raw material for the substrate of photographic film; it is coated with different types of purpose specific chemical layers, such as for medical and graphic purposes.

Picture Archiving and Communication System (PACS)
Agfa's PACS solutions are marketed under the name IMPAX. PACS was originally developed to efficiently manage the distribution and archiving of 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, orthopedics and women's care. Extensive PACS systems are also used to connect all hospital departments that intensively use clinical images on one network. Agfa's MUSICA software is used to process and optimize the images on the PACS system.

platesetter
A platesetter digitally images the pages or artwork of printed matter from the computer onto *printing plates*, which are then processed and mounted on a printing press. There are flatbed platesetters and drum based systems. In the first the printing plates remain flat during the imaging process, whereas in the latter the printing plates are wrapped around or inside a drum.

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).

Positron Emission Tomography (PET)
A radioactive substance is administered to the patient before he/she is examined with the PET scanner. The substance accumulates in the organs. If the organs are affected by malignant tumors, the substance will concentrate in the affected areas. The PET scanner records the energy from the substance, thus mapping tumors and occasional secondary tumors. Agfa's product portfolio does not include PET scanners, but its *PACS* systems are used to manage and to visualize the digital images.

prepress
The preparation and processing of content and document files for final output to *printing plates*, including high-resolution scanning of images, color separation, different types of *proofs*, etc.

printed circuit board (PCB)
A thin plate on which chips and other electronic components are placed. Computers consist, principally, of one or more boards.

printing plate
for CtF
Printing plates consist of a high-quality aluminum substrate with a coating designed to respond to relatively high levels of ultraviolet (UV) light energy. An exposed film is vacuum contacted with a plate. The UV light source copies the artwork from the film onto the plate, whereby the art or page elements are opaque parts of the film and the rest is transparent. The UV light hits the plate only where the film is transparent. A chemical developing process etches the exposed elements, and leaves unchanged the non-exposed parts. The ink adheres to the exposed - or chemically treated - parts during the printing process.

for CtP
Printing plate consisting of a high-quality grained and anodized aluminum substrate and a (silver or photopolymer) coating several thousand times more sensitive than that of analog plates. The *lasers* used to expose these plates typically operate on thermal energy or visible light. The coatings respond to the laser energy creating chemical/physical changes to the plate surface. Just as with 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 colors will be reproduced on press - the customer (print buyer) decides whether the job is ready to go to the printing press. This 'representation' of the final result is made possible by Agfa's high-tech color management software systems.

Radiology Information System (RIS)
Agfa'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).

RSNA (Radiological Society of North America)
The RSNA's mission is to promote and develop the highest standards of radiology and related sciences through education and research. The RSNA's annual meeting, held in Chicago (Illinois, USA), is the largest medical meeting in the world, with over 700 technical exhibitors and over 60,000 visitors.

screening
The creation of a pattern of dots of different sizes used to reproduce color or greyscale continuous-tone images. There are two main types of screening: regular patterns or conventional screening and random patterns known as stochastic screening.

screen printing
The printing procedure, during which a viscous ink is applied through a metal or nylon gauze onto the paper. The gauze is made impermeable by use of stencils in the non-printing parts.

sound recording film
This type of polyester based film is especially designed for recording and printing all current types of soundtracks, such as analog, Dolby, Digital, DTS (Digital Theater Systems) and SDDS (Sony Dynamic Digital Sound).

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

teleradiology
Through an advanced PACS and a secured internet connection, hospitals and imaging centers can submit their digital medical images to radiologists and diagnostic centers located elsewhere in the world. This process is called teleradiology. It can compensate for the shortage of radiologists; physicians use it to submit images to colleagues for fast second opinion reporting.

thermal (printing plate)
Technology where the *platesetter* uses thermal energy to expose the *printing plates*.

ThermoFuse
Agfa's ThermoFuse technology physically bonds images to the *printing plate* without any chemical processing. The result is highly stable and predictable thermal imaging that effectively eliminates variables and compromises on press.

UV curable ink
UV curable inks consist mainly of acrylic monomers. After printing, the ink is transformed into a hard polymerized film by a high dose of UV light. The advantage of UV curable inks is that they dry instantly, can print on a wide range of uncoated substrates and make a very robust image. The ink does not contain hazardous components such as Volatile Organic Compounds (VOC) or solvents and does not evaporate.

violet laser
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.

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

workflow management software
Software that allows operators to control the *prepress* process with a software interface. It also streamlines the flow of work by automating individual steps in the process, thus saving time and reducing costs.

Published by Agfa-Gevaert NV
Corporate Communication
Septestraat 27
B-2640 Mortsel
Belgium
PHONE +32 3 444 7124
FAX +32 3 444 4485
www.agfa.com

Agfa, the Agfa Rhombus, and other mentioned Agfa products and services are trademarks of the Agfa Group. They may be registered in certain jurisdicitions in the name of Agfa, Belgium, or one of its affilates. All other trademarks, product names, and company names or logos cited herein, are the property of their respective owners.

All prepress using Agfa systems

Printed with :Ampio Thermal plates using :Sublima screening technology (280 lpi)

Imposition and contract proofing with :SherpaProof

Workflow management :ApogeeX

Design, production & co-ordination: Magelaan, Ghent

Photography: Agfa Publishing Library

Lithography & printing: Maes, Ghent

AGFA-GEVAERT GROUP ■ CONSOLIDATED STATEMENTS OF INCOME 2004-2008

MILLION EURO	2008	2007	2006	2005	2004 [1]
Net sales	**3,032**	**3,283**	**3,401**	**3,308**	**3,762**
Cost of goods sold	(2,067)	(2,136)	(2,102)	(2,096)	(2,265)
Gross profit	**965**	**1,147**	**1,299**	**1,212**	**1,497**
Selling expenses	(439)	(523)	(564)	(583)	(701)
Research and development expenses	(175)	(191)	(193)	(191)	(191)
General administration expenses	(225)	(262)	(281)	(228)	(269)
Other operating income	451	333	312	326	540
Other operating expenses	(597)	(379)	(508)	(404)	(1,005)
Operating result	**(20)**	**125**	**65**	**132**	**(129)**
Interest income (expense) – net	(38)	(40) [2]	(32)	(18)	(19)
Other non-operating income (expense) – net	(48)	(23) [2]	(32)	(7)	(37)
Non-operating result	**(86)**	**(63)**	**(64)**	**(25)**	**(56)**
Income before income taxes	**(106)**	**62**	**1**	**107**	**(185)**
Income taxes	(60)	(19)	15	(125)	39
Net income of consolidated companies (before share of results of associated companies)	**(166)**	**43**	**16**	**(18)**	**(146)**
Net income of consolidated companies	**(166)**	**43**	**16**	**(18)**	**(146)**
of which attributable to minority interest	1	1	1	1	(1)
of which attributable to Agfa-Gevaert NV stockholders (net result)	**(167)**	**42**	**15**	**(19)**	**(145)**
of which discontinued operations	(16)	(24)	(36)	(120)	(340)
Basic earnings per share (Euro)	(1.34)	0.34	0.12	(0.15)	(1.15)
Diluted earnings per share (Euro)	(1.34)	0.34	0.12	(0.15)	(1.15)

[1] As reported in 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment (2 million Euro)*.

[2] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income 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 statements of income. 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 5 million Euro. The Group believes that this revised presentation provides information that is more relevant to users of the financial statements.

AGFA-GEVAERT GROUP ■ CONSOLIDATED BALANCE SHEETS 2004-2008

MILLION EURO	Dec. 31 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004 (1)
ASSETS					
Non-current assets	**1,029**	**1,243**	**1,407**	**1,561**	**1,011**
Intangible assets	647	816	856	924	338
Property, plant and equipment	369	407	455	502	519
Investments	13	20	29	32	38
Long-term loans receivable	-	-	65	102	112
Derivative financial instruments	-	-	2	1	4
Non-current assets classified as held for sale	**-**	**-**	**3**	**5**	**-**
Current assets	**1,849**	**1,986**	**2,071**	**2,129**	**2,035**
Inventories	575	578	624	586	576
Trade receivables	750	861	885	854	744
Other receivables and other assets	329	363	456	498	391
Cash and cash equivalents	150	152	85	169	293
Deferred charges	19	21	19	20	18
Derivative financial instruments	26	11	2	2	13
Deferred taxes	**282**	**330**	**351**	**287**	**310**
TOTAL ASSETS	**3,160**	**3,559**	**3,832**	**3,982**	**3,356**
EQUITY AND LIABILITIES					
Shareholders' equity	**704**	**891**	**933**	**1,032**	**1,082**
Capital stock of Agfa-Gevaert NV	140	140	140	140	140
Share premium of Agfa-Gevaert NV	109	109	109	109	107
Retained earnings	981	939	987	1,069	1,284
Reserves	(273)	(288)	(289)	(301)	(262)
Net income	(167)	42	15	(19)	(145)
Translation differences	(90)	(54)	(32)	31	(44)
Minority interest	4	3	3	3	2
Non-current liabilities	**1,493**	**1,488**	**1,269**	**1,394**	**1,052**
Liabilities for post-employment benefits	601	654	721	709	727
Liabilities for personnel commitments	18	24	30	29	35
Financial obligations more than one year	809	740	445	552	247
Provisions more than one year	64	69	72	102	43
Deferred income	1	1	1	2	-
Current liabilities	**900**	**1,115**	**1,517**	**1,445**	**1,185**
Financial obligations less than one year	14	133	344	296	239
Trade payables	226	275	313	309	323
Deferred revenue & advance payments	112	96	87	66	46
Miscellaneous liabilities	205	237	341	365	211
Liabilities for personnel commitments	71	89	93	77	72
Provisions less than one year	255	275	319	301	282
Deferred income	5	7	13	15	5
Derivative financial instruments	12	3	7	16	7
Deferred taxes	**63**	**65**	**113**	**111**	**37**
TOTAL EQUITY AND LIABILITIES	**3,160**	**3,559**	**3,832**	**3,982**	**3,356**

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

AGFA-GEVAERT GROUP ■ CONSOLIDATED STATEMENTS OF CASH FLOW 2004-2008

MILLION EURO	2008	2007	2006	2005	2004 [1]
Cash and cash equivalents at beginning of year	**151**	**83**	**168**	**290**	**394**
Operating result	(20)	125	65	132	(129)
Current tax expense	(10)	(53)	(54)	(106)	(84)
Depreciation, amortization and impairment losses	235	148	159	161	291
Changes in fair value of derivative financial instruments	(4)	(2)	(3)	7	4
Adjustment for other non-cash income	(1)	(2)	(1)	-	-
Movement in long-term provisions	(103)	(106)	9	(50)	(11)
(Gains) / losses on retirement of non-current assets	(23)	(17)	(21)	(11)	(17)
Loss on Consumer Imaging net assets carved-out	-	-	-	-	270
Tax expense on disposals	-	-	-	-	46
Loss (Gains) on divestiture	-	1	4	-	(126)
Gross cash provided by operating activities	**74**	**94**	**140**	**133**	**244**
of which discontinued operations	(14)	(35)	(51)	(55)	(138)
Decrease / (Increase) in inventories	(2)	26	(58)	2	81
Decrease / (Increase) in trade accounts receivable	107	1	(57)	(37)	(58)
Increase / (Decrease) in trade accounts payable and deferred revenue	(33)	(17)	38	(26)	83
Movement in short-term provisions	(43)	(14)	37	23	(34)
Movement in other working capital	(22)	18	7	(13)	(13)
Net cash provided by operating activities	**81**	**108**	**107**	**82**	**303**
of which discontinued operations	0	(13)	(25)	(27)	(117)
Cash outflows for additions to intangible assets	(14)	(29)	(28)	(28)	(12)
Cash outflows for additions to property, plant and equipment	(49)	(71)	(77)	(78)	(100)
Cash inflows from disposals of intangible assets	2	2	-	-	1
Cash inflows from disposals of property, plant and equipment	34	37	27	27	55
Cash inflows from disposals of assets held for sale	-	19	4	-	-
Cash inflows (outflows) from equity and debt instruments	41	67	62	12	6
Cash outflows for taxes paid on previous disposals	-	-	-	(42)	-
Cash outflows for acquisitions	-	-	-	(361)	(122)
Cash outflows for previous acquisitions	-	(38)	(53)	-	-
Cash inflows from divestiture	-	2	13	-	129
Cash inflows related to purchase price adjustments of previous acquisitions	-	-	-	3	-
Interests and dividends received	3	3 [2]	6	21	18
Net cash provided by / (used in) investing activities	**17**	**(8) [2]**	**(46)**	**(446)**	**(25)**
of which discontinued operations	0	34 [2]	37	21	59
Dividend payments to stockholders	-	(63)	(63)	(76)	(95)
Repurchase of own shares	-	-	-	(31)	-
Capital contributions	-	-	-	2	-
Prefinancing by / (of) AgfaPhoto related to previous Consumer Imaging divestiture	(4)	(17)	(4)	27	-
Net issuances of debt	(56)	106	(39)	319	(231)
Interest paid	(41)	(43) [2]	(38)	(28)	(39)
Other financial flows	3	(9) [2]	14	36	(20)
Net cash provided by / (used in) financing activities	**(98)**	**(26) [2]**	**(130)**	**249**	**(385)**
of which discontinued operations	0	(13) [2]	(4)	27	-
Change in cash and cash equivalents due to business activities	0	74	(69)	(115)	(107)
Change in cash and cash equivalents due to exchange rate movements	(2)	(6)	(16)	(7)	3
Cash and cash equivalents at end of year	**149**	**151**	**83**	**168**	**290**

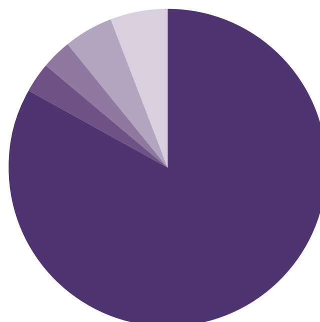
[1] As reported in 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro).
[2] As reported 2007, restated. In the course of 2008, the definition of 'Interest income (expense)' in the consolidated statements of income has been narrowed and comprises only interests 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 statements of income and consequently to 'Other financial flows' in the consolidated statements of cash flow. Comparative information for the year 2007 has been restated.

SHAREHOLDER INFORMATION

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

SHAREHOLDER STRUCTURE (MARCH 31, 2009)

- 5.70% Classic Fund Management AG
- 4.94% Franklin Templeton Investment Corporation
- 3.15% Treasury Shares
- 3.10% JP Morgan Securities Ltd.
- 83.11% Free Float



SHARE INFORMATION

First day of listing	June 1, 1999
Number of shares outstanding on Dec.31, 2008	124,788,430
Market capitalization on Dec.31, 2008	232 million Euro

IN EURO	2008	2007	2006	2005	2004
Earnings per share (net result)	(1.34)	0.34	0.12	(0.15)	(1.15)
Net operating cash flow per share	0.65	0.87	0.86	0.65	2.40
Gross dividend	0	0	0.50	0.50	0.60
Year end price	1.86	10.49	19.36	15.41	24.96
Year's high	10.65	20.20	21.35	27.50	25.90
Year's low	1.77	6.63	13.95	14.92	18.24
Average volume of shares traded/day	1,099,793	1,020,110	851,367	471,175	364,220
Weighted average number of ordinary shares	124,788,430	124,788,263	124,781,170	125,603,444	126,008,540

SHAREHOLDER QUERIES

Investor Relations department
Septestraat 27, B-2640 Mortsel, Belgium
www.agfa.com/investorrelations

PHONE +32-(0)3-444 7124
FAX +32-(0)3-444 4485
investor.relations@agfa.com

FINANCIAL CALENDAR 2009

First quarter 2009 results	April 28, 2009
Annual General Meeting	April 28, 2009
Second quarter 2009 results	July 28, 2009
Third quarter 2009 results	October 30, 2009

AGFA

4LN7M