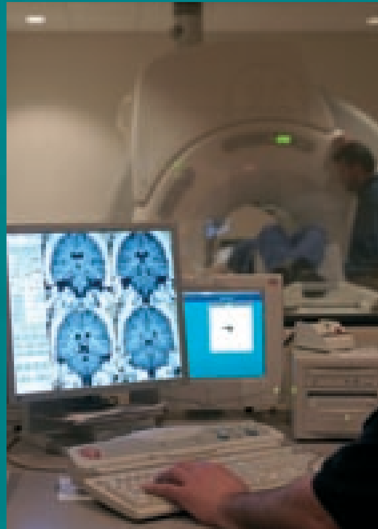
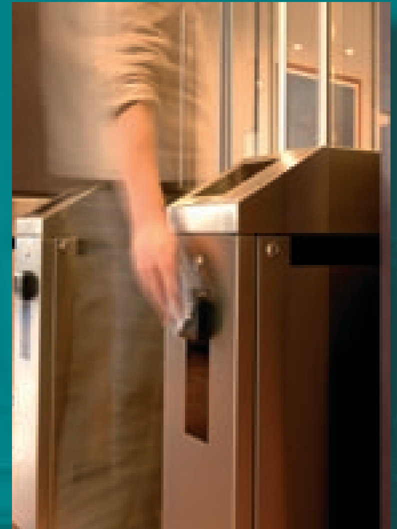
Agfa-Gevaert
Annual Report 2005

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Key Figures

Million Euro	2005	2004[1]	2003	2002	2001
Net sales	3,308	3,762	4,215	4,683	4,911
change vs. previous year	(12.1)%	(10.7)%	(10.0)%	(4.6)%	(6.6)%
Graphics	1,733	1,673	1,622	1,813	1,890
Share of Group sales	52.4%	44.5%	38.5%	38.7%	38.5%
HealthCare	1,405	1,361	1,408	-	-
Share of Group sales	42.5%	36.2%	33.4%	-	-
Specialty Products	170	129	315	-	-
Share of Group sales	5.1%	3.4%	7.5%	-	-
Technical Imaging[2]	-	-	-	1,822	1,823
Share of Group sales	-	-	-	38.9%	37.1%
Consumer Imaging (divested 2004)	-	599	870	1,048	1,198
Share of Group sales	-	15.9%	20.6%	22.4%	24.4%
Gross profit	1,212	1,497	1,766	1,978	1,792
EBIT[3]	244	292	384	471	260
Restructuring/non recurring expenses	(112)[4]	(109)	(87)	(78)	(524)
Operating result	132	(129)[5]	528[6]	393	(264)
Non-operating result	(25)	(56)	(71)	(97)	(120)
Income tax	(125)[7]	39	(135)	(99)	133
Net income of consolidated companies (before share of results of associatied companies)	(18)	(146)	322	197	(251)
Share of results of associated companies	-	-	-	(3)	(38)
Net income of consolidated companies	(18)	(146)	322	194	(289)
of which attributable to minority interest	1	(1)	(1)	-	(1)
of which attributable to Agfa-Gevaert NV stockholders	(19)	(145)	323	194	(288)
Net result of the accounting period	(19)	(145)	323	194	(288)
Cash flow					
Gross operating cash flow	133	244	393	482	226
Net operating cash flow	82	303	522	611	738
Capital expenditures[8]	(106)	(112)	(178)	(167)	(186)
Balance sheet - Dec. 31					
Shareholders' equity	1,032	1,082	1,373	1,386	1,268
Net financial debt	679	193	233	573	842
Net working capital[9]	684	850	1,642	1,598	1,672
Total assets	3,982	3,356	3,839	4,159	4,527
Share information in Euro					
Earnings per share (EPS), net result	(0.15)	(1.15)	2.44	1.39	(2.06)
Net operating cash flow per share	0.65	2.40	3.95	4.38	5.27
Gross dividend	0.50	0.60	0.75[10]	0.50	0.23
Book value per share	8.27	8.58	10.90	9.95	9.07
Number of ordinary shares at year-end	124,780,270	126,054,680	126,000,000	139,231,600	139,850,000
Weighted average number of ordinary shares	125,603,444	126,008,540	132,045,438	139,611,425	139,927,261
Employees (at year end)					
Full time equivalent permanent	14,442	14,387	17,340	19,341	21,038

[1] as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro) - [2] till end 2002 HealthCare, Non-Destructive Testing (divested end 2003) and Specialty Products together made the Business Segment Technical Imaging - [3] before restructuring/non recurring items and gains/losses on divestitures - [4] including a provision of 55 million Euro related to the liquidation of AgfaPhoto - [5] including a net capital loss of 312 million Euro on the divestiture of Consumer Imaging and Monotype - [6] including a capital gain of 231 million Euro on the divestiture of Non-Destructive Testing - [7] including the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture - [8] for intangible assets and property, plant and equipment - [9] current assets minus current liabilities - [10] including an extraordinary dividend of 25 Eurocents related to the divestiture of Non-Destructive Testing

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 company has production facilities around the world, with the largest production and research centers in Belgium, the United States, Germany and China. This global production network enables the company to meet the specific needs of each market, to limit the risks of currency fluctuations and to reduce transportation costs.

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-Gevaert has two large and focused business groups, Agfa Graphics and Agfa HealthCare, and a smaller business unit: Agfa Specialty Products. They each have strong market positions and well defined strategies.

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.

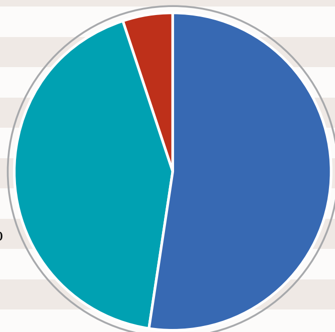
Agfa Graphics is rapidly developing its position in the new segments of industrial inkjet by offering comprehensive digital solutions for various applications such as posters, banners, signage, displays, labels and packaging materials. Its experience in both imaging and emulsion technology has provided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

Agfa HealthCare

Agfa HealthCare supplies hospitals and other healthcare centers with state-of-the-art systems for capturing, processing and managing diagnostic images and with IT solutions that integrate the imaging workflow into the overall hospital operations across departmental disciplines.

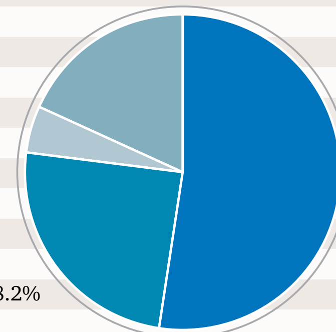
In addition, Agfa HealthCare is a leader in the fast growing IT systems market that span the entire healthcare enterprise and through which healthcare facilities become more efficient and effective, and with improved patient care as a result.

Share of Group Sales 2005
By Business Group/Unit



- Graphics 52.4%
- HealthCare 42.5%
- Specialty Products 5.1%

Share of Group Sales 2005
By Region



- Europe 52.4%
- NAFTA 24.6%
- Latin America 4.8%
- Asia/Oceania/Africa 18.2%

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 motion picture film, microfilm and film for *non-destructive testing*.

New organization

At the start of 2006, Agfa's organizational structure changed to allow the business groups to better pursue their own distinct strategies with optimum focus on their customers and to deliver additional value to customers, shareholders and employees.
An Executive Committee, assisted by a small Corporate Center, leads the Group's parent company. The Group's operational activities are divided in two large independent business groups, Agfa Graphics and Agfa HealthCare, and a smaller unit, Agfa Specialty Products. All groups have full operational responsibilities, authority and accountability.

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
1999	IPO - listed on stock market in Brussels and Frankfurt
2002	Bayer sells its remaining 30% stake in Agfa
2004	Divestiture of consumer photo activities
2005	Acquisitions of GWI and Heartlab
2006	KBC sells its 27% stake in Agfa

Letter to the Shareholders

Dear shareholders,

2005 was a year in which we strengthened our leadership in our traditional markets and made significant progress in the development of key positions in new growth markets. 2005 was also a challenging year in which we faced difficult trading conditions, characterized by steeply increasing raw material costs and price erosion.

In the past years, Agfa has successfully made the transition from analog to digital imaging technologies. Today, Agfa is present in one out of two printing houses and one out of two hospitals in the world with its imaging and information systems.

In recent years, Graphics confirmed its leadership in the pre-press sector by setting new standards in computer-to-plate technology and launched major breakthrough products and technologies, including the world's first hybrid digital inkjet press and Agfa's proprietary inks for the industrial inkjet market. HealthCare strengthened its position in conventional medical imaging, and expanded its hospital IT and cardio portfolio by acquiring GWI and Heartlab, leaders respectively in the European hospital IT market and in cardiology solutions for the US. Specialty Products reinforced its leading position in traditional film-based products as well as in niche markets.

However, 2005 was also a challenging year due to the accelerated decline of some of the traditional business markets, further increasing raw material costs and price erosion. These could not yet be offset by the initiatives to reduce costs and increase prices. An unexpected event was the insolvency filing and subsequent liquidation of AgfaPhoto, the company which acquired Agfa's former Consumer Imaging business in November 2004. To cover Agfa's exposure in this matter, we booked a provision of 55 million Euro and reversed 54 million Euro of deferred tax assets.

Agfa remains committed to its mission: to be the partner of choice in all the markets in which it operates. We do this by offering leading edge technologies, innovative ways of working and an in-depth understanding of the businesses and individual needs of our customers. We are convinced that this is the right approach for the long-term success of our company.

We will therefore continue to drive growth in our new businesses in 2006, and will address the challenges in our traditional segments. We will further establish our position in the industrial inkjet market and expand our healthcare IT business. As for our traditional imaging businesses, we will strengthen our leadership position with continued innovation in line with the changing market environments.

As of January 1, 2006, the business groups have been given operational independence to focus even more effectively on their respective customers. Streamlining their organizations will improve our customer service and responsiveness and will result in better products. In the end, being closer to the market will allow us to be more cost efficient and enable us to pursue all options for growth.

In March 2006, Monty Haymon has declared not to seek re-election as a member of the Board. We thank him for his valued contribution and service to the Group. The Board of Directors will propose the Annual General Meeting of Shareholders to appoint Julien De Wilde as an independent director.

Also in March 2006, KBC sold their 27% share in Agfa-Gevaert. KBC became an Agfa-Gevaert shareholder as a result of their merger in 2005 with Almanij, parent company of the Gevaert holding. The latter had already been a shareholder of Agfa-Gevaert since Agfa's IPO on June 1, 1999. The sale took place through a successful placement with a large number of institutional investors, mainly in Europe, which illustrates the confidence of the financial markets in the strategy and strengths of Agfa.

Agfa has a clearly defined strategy, based on the reinforcement of the traditional imaging businesses and the expansion into new growth markets. Implementing this strategy will deliver value for our customers, our shareholders and our employees. The Board of Directors has confidence in the future and will invite the Annual General Meeting of Shareholders to approve a gross ordinary dividend per share of 50 Eurocents.

We sincerely thank our customers - printers, hospitals and specialty industries - and our distributors for their confidence in our solutions and services and for the good relations we have enjoyed with them over the years. This forms the basis for our success in the transition from an analog imaging product company to an innovative provider of digital imaging and IT solutions and services. We also thank our employees for their continuous commitment. This commitment is precisely what will enable us to drive our company forward and achieve profitable growth.

Ludo Verhoeven
Chairman of the Board of Directors

Marc Olivié
President and Chief Executive Officer

Management Report

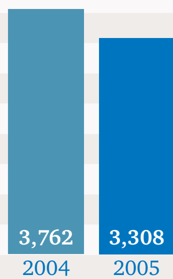
Executive Committee
(2006)

from left to right

Anne Vleminckx	Chief Financial Officer
Philippe Houssiau	President Agfa HealthCare
Albert Follens	Chief Operating Officer
Stefaan Vanhooren	President Agfa Graphics
Marc Olivié	President and Chief Executive Officer
Werner Vanderhaeghe	General Counsel and Company Secretary

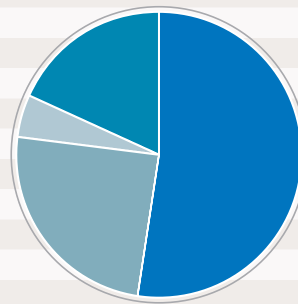
Group Sales

Million Euro



Share of Group Sales 2005

Percent by region



Agfa-Gevaert has two large and focused business groups: Graphics and HealthCare. They each have strong market positions and well defined strategies. One out of every two printing companies and one out of every two hospitals in the world are Agfa customers. The Group is leveraging this solid customer base and its core competencies to build new growth platforms: industrial inkjet for Graphics and enterprise IT for HealthCare. Agfa's smaller Specialty Products division supplies a wide variety of film-based products and high-tech solutions to customers outside the printing and healthcare markets.

Agfa-Gevaert recorded sales in 2005 of 3,308 million Euro, a decrease of 12.1% compared to 2004, due to the changes in the portfolio. The year was characterized by steeply increasing raw material costs and gradually decreasing price erosion. In Graphics, the digital prepress activities continued their solid volume growth, more than compensating for the decline in analog prepress. HealthCare's results were driven by the seasonally strong IT business and the difficult trading conditions for film related activities. Agfa's 2005 results were also affected by the unexpected insolvency filing and subsequent liquidation of AgfaPhoto, leading to a 2005 net loss of 19 million Euro.

Agfa's 2005 financial statements reflect several changes in its business portfolio. Most important were the acquisition of *GWI*, the German hospital information system provider which was consolidated as from mid January 2005; and the acquisition of *Heartlab*, a leading designer and supplier of image and information networks for cardiology based in the USA, consolidated as from June 2005. In 2005, Agfa also acquired the remaining shares of *Med2Rad*, the leading developer and supplier of RIS (*Radiology Information Systems*) in Italy.

Comparisons with the previous year should also take into account the acquisitions of the Italian *printing plate* manufacturer Lastra, the French company in Hospital Information Systems (HIS), *Symphonie On Line*, the developer of workflow solutions for the printing industry, *ProImage* and the divestitures of Consumer Imaging and Monotype Corporation, all in 2004. These portfolio changes make comparisons with 2004 more relevant for the business groups Graphics and HealthCare, than for the Agfa-Gevaert Group as a whole.

Words in *italic* are explained in the Glossary (page 115).

Key Figures P&L

Million Euro	2004[1]	2005
Sales	3,762	3,308
Gross profit	1,497	1,212
Sales & General Administration Costs	(970)	(811)
EBITDA[2]	477	405
as a % of sales	12.7%	12.2%
Restructuring[3]	(109)	(112)
Net exceptional loss related to divestitures	(312)	-
Operating result	(129)	132

[1] as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* of 2 million Euro
[2] before restructuring and non-recurring expenses
[3] including non-recurring expenses

Sales

Agfa's 2005 sales amounted to 3,308 million Euro. The decrease of 12.1% compared to 3,762 million Euro in 2004 is primarily the result of the divestiture of Consumer Imaging in 2004. Excluding divestitures, Agfa's sales of continuing businesses increased by 6.4%.

High volume growth in digital printing plates and actions to contain price erosion resulted in an increase of sales in Graphics from 1,673 million Euro in 2004 to 1,733 million Euro in 2005. The price increases, which were announced early 2006, will have an impact from the second quarter of 2006.

Sales for HealthCare increased from 1,361 million Euro in 2004 to 1,405 million Euro, mainly as a result of the acquisitions made in 2005. The decline in the traditional film and print markets in the US and price erosion also had a major impact on the total sales. As a result, the share of IT-solutions now accounts for 29% of HealthCare's sales.

Europe accounted for 52.4% of Group sales (2004: 51.7), NAFTA for 24.6% (2004: 25.4), Latin America for 4.8% (2004: 4.4) and Asia together with the rest of the world for 18.2% (18.5).

Results

Gross profit reached 1,212 million Euro, compared to 1,497 million Euro in 2004. This decrease is due to the impact of adverse external factors: price erosion and raw material costs. The gross profit margin was 36.6%, against 39.8% in 2004.

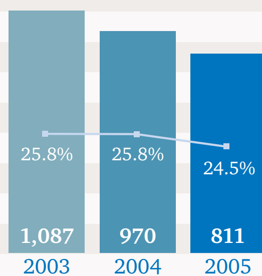
To counter the effects of price erosion, Graphics implemented targeted price increases. The impact of these increases, however, was not sufficient to offset the steep rise in raw material costs in 2005.

In 2005, HealthCare experienced weak trading conditions for its film products, mainly in the US, which affected HealthCare's results.

Agfa continued its efforts to reduce the company's sales and general administration costs. At the end of 2005 they amounted to 24.5% of the group's sales. In 2005, these costs totaled 811 million Euro, a decrease of 16,4% compared to the previous year. Research and development expenses remained stable at 191 million Euro, or 5.8% of sales.

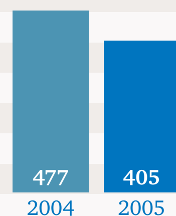
Evolution SG&A Expenses

MILLION EURO / % OF SALES



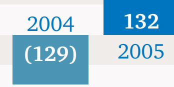
EBITDA[1]

MILLION EURO



Operating Result

MILLION EURO



[1] before restructuring and non-recurring expenses

Net other operating expenses, excluding restructuring charges, non-recurring items and gains/losses on divestitures, amounted to 21 million Euro, against 44 million Euro in the previous year. Actions have been taken to contain future retiree medical benefits costs in the Group's US affiliate. This has resulted in a one-off income of 25 million Euro, which is part of other operating items.

Agfa's *EBITDA* before restructuring charges and non-recurring items, reached 405 million Euro, against 477 million Euro in 2004, or, as a percentage of sales, 12.2%, compared to 12.7% in the previous year.

In 2005, restructuring charges and non-recurring items amounted to 112 million Euro, and included a provision of 55 million Euro in relation to the liquidation of AgfaPhoto.

The 2005 operating result amounted to 132 million Euro, against minus 129 million Euro in the previous year. The operating result of 2004 included a net exceptional loss of 312 million Euro related to the divestitures of Consumer Imaging and Monotype Corporation.

The non-operating result, which includes the financial charges, reached minus 25 million Euro versus minus 56 million Euro in 2004.

Income before taxes amounted to 107 million Euro, compared to minus 185 million Euro in 2004. Income taxes were 125 million Euro, and were affected by the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture.

As a result the Group posted a net loss of 19 million Euro or minus 15 Eurocents per share, compared to a net loss of 145 million Euro or minus 115 Eurocents per share in 2004.

AgfaPhoto

In November 2004, Agfa divested its consumer imaging business to a group of investors in a management buy out/in. Since then the consumer imaging business has been operated through a group of companies under the name of AgfaPhoto. Agfa was convinced that AgfaPhoto would be successful as an independent company provided it was managed as an 'entrepreneurial' business. Therefore Agfa provided significant financial and other support to AgfaPhoto. However, at the end of May 2005, AgfaPhoto GmbH unexpectedly filed for insolvency and in October 2005, the court appointed receiver decided to liquidate the company.

Key figures Balance sheet

Assets — Million Euro on Dec. 31

	2004	2005
Non-current assets	1,011	1,561
Current assets	2,035	2,129
Other assets	310	292
Total	3,356	3,982

Liabilities

	2004	2005
Liabilities	2,274	2,950
Equity	1,082	1,032
Total	3,356	3,982

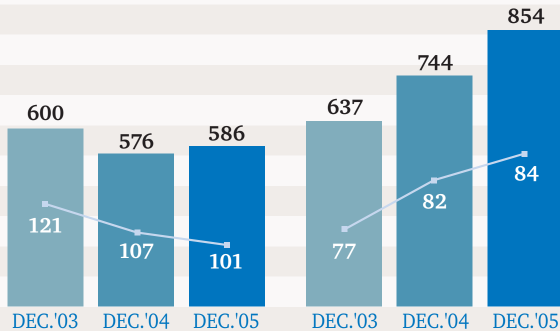
Although both groups are totally independent, the insolvency and subsequent decision to liquidate AgfaPhoto has affected Agfa in several ways. As part of the Share Purchase Agreement, Agfa agreed to act for a limited period of time as a service provider and distributor for AgfaPhoto. As such it pre-financed AgfaPhoto's working capital, for which it is reimbursed by the collection of trade receivables from customers. To cover losses related to the distribution agreement and other claims and costs, such as environmental and clean up costs, a provision of 55 million Euro was set up. In addition, the deferred tax assets set up at the time of the divestiture will be available for use only later than anticipated. In order to correctly reflect this in its financial statements, Agfa decided to reverse 54 million Euro of these tax assets.

Agfa is also confronted with a number of claims from AgfaPhoto's employees who had transferred to the new company. Agfa is convinced it has provided all the relevant consultative bodies and all the employees with correct and complete information in due time and that it has acted strictly in accordance with all legal consultation procedures and regulations.

Finally, Agfa has two disputes with AgfaPhoto Holding GmbH, the purchaser and parent company of the AgfaPhoto Group which are not involved in the insolvency filing.

The first dispute relates to the AgfaPhoto trademark. In order to support the AgfaPhoto business, Agfa had granted a royalty free trademark license to the purchaser to be used in conjunction with the business. As a result of the decision of the insolvency administrator to liquidate the business, Agfa terminated the AgfaPhoto trademark licensing agreement. The termination has been challenged by the Purchaser and in accordance with the Share Purchase Agreement, Agfa has initiated arbitration proceedings to enforce its rights.

The second dispute is unrelated to the insolvency of AgfaPhoto and regards the purchase price. Under the provisions of the Share Purchase Agreement the purchase price was determined to be 112 million Euro on the basis of the fully audited closing financial statements. The Purchaser disagrees with this determination and currently the parties are commencing an expert dispute resolution proceeding as provided for in the Purchase Agreement. Although the outcome of these proceedings is uncertain, Agfa is convinced that there is no reason to recognize an impairment loss in relation to the purchase price and the connected vendor loan granted by Agfa.



Balance sheet

At the end of December 2005, total assets amounted to 3,982 million Euro, compared to 3,356 million Euro at the end of 2004. The increase is primarily due to the consolidation of GWI and Heartlab which Agfa acquired in 2005.

Working Capital

In 2005, Agfa further reduced its working capital. Inventories increased from 576 million Euro in 2004 to 586 million Euro at the end of 2005. Expressed in days, inventories stood at 101 days at the end of December 2005, virtually reaching the target of 100 days.

Trade receivables stood at 854 million Euro or 84 days, compared to 744 million Euro at year-end 2004 or 82 days. Trade payables increased from 369 million Euro or 68 days to 375 million Euro or 64 days.

Agfa will continue its efforts to lower its working capital.

Financial debt

Net financial debt reached 679 million Euro at the end of the year, against 193 million Euro at the end of 2004. This increase is mainly due to the payment of 361 million Euro for acquisitions and the phase out of the securitization of receivables (61 million Euro). Agfa's gearing ratio remains strong at 65.8%.

Shareholders′ equity

Shareholders’ equity amounted to 1,032 million Euro, compared to 1,082 million Euro at the end of 2004.

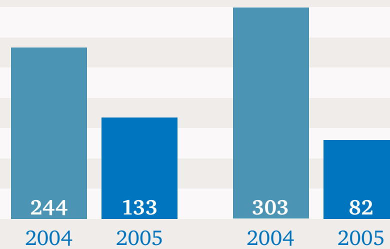
Cash flow

The gross operating cash flow of 2005 amounted to 133 million Euro. The net operating cash flow, which also takes into account changes in working capital, reached 82 million Euro. Capital expenditures amounted to 106 million Euro.

Operating Cash flow

Gross Net

MILLION EURO



Research & Development

Agfa is one of Belgium's leading innovators with 191 million Euro spent on Research & Development in 2005. 38% of R&D was related to the Graphics business group, 61% to HealthCare and 1% to Specialty Products.

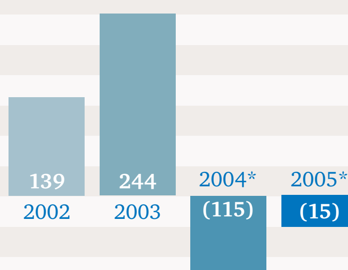
Investing in new technologies, solutions and products is absolutely vital in the highly competitive markets in which Agfa is active. The shift from analog to digital technology has shortened the life cycle of many products and challenges R&D to achieve ever shorter development times and faster market introductions. Agfa's research strategy combines in-house development, external partnerships and acquisitions of new technologies to effectively and efficiently bring the solutions needed to the market.

Research in Graphics is concentrating on continuous improvements and innovation in the area of digital printing plates and industrial inkjet printing. An example of Agfa's in-house product innovation is :Azura, the industry's first *chemistry-free printing plate*. It was launched at the end of 2004 and has already been adopted by more than 400 printers worldwide. At the end of 2005, Agfa launched the :Amigo thermal plate, an important addition to the portfolio of printing plates based on Agfa's patented chemistry-free imaging technology. With :Amigo, Agfa brings the benefits of this advanced and ecologically friendly technology to higher volume printers, including the very large format market.

In HealthCare, Agfa's R&D efforts are focused on the development of breakthrough technologies in the imaging portfolio and on the integration and migration of the different hospital IT platforms in the portfolio to one single IT platform. A fine example of technology acquisition is GWI's ORBIS, the leading hospital-wide IT solution in Germany, which was launched internationally at the end of 2005. Agfa's digital imaging and information technology solutions offer the healthcare markets the tools to achieve their medical and financial objectives: improving patient care and making healthcare spending more affordable and controllable.

As for Specialty Products, R&D concentrates on identification card materials with built-in security features and on transparent inks, films and coatings used as flexible electrodes in *electroluminescent (EL)* lamps, touch screens, displays and printable electronic devices.

Earnings per Share



* number of shares used for calculation:
2004: 126,008,540 / 2005: 125,603,444

Agfa Transformation Program

In February 2005, Agfa-Gevaert launched the Agfa Transformation Program (ATP) to give the business groups operational independence and allow them to better pursue their own distinct strategies with optimum focus on their customers. By giving the Graphics and HealthCare business groups full operational responsibilities, authority and accountability, they will be able to deliver additional value to customers, shareholders and employees.

Human resources

At the end of 2005, Agfa employed a total of 14,442 full time equivalents (FTE) compared with 14,387 at the end of 2004. Staff levels increased with 912 FTE's as a result of the acquisitions made in 2005 of GWI, Heartlab and Med2Rad. These were partially offset by the previously announced initiatives to reduce SG&A expenditure and to improve manufacturing efficiency which will result in a worldwide reduction of staff levels by 1,050 full time equivalents by the end of 2006. As part of this project 857 FTE's left the company in 2005.

Outlook

Early in 2006, Graphics announced significant price increases for most of its products to compensate for the rising raw material costs and to continue investing in leading-edge technologies and innovative solutions. These price increases will have an impact from the second quarter of 2006. Graphics is also making significant progress with the implementation of its inkjet strategy and introduced a number of breakthrough inkjet products and technologies in February 2006.

Due to the increasing share of IT in HealthCare's portfolio, seasonality will become even more pronounced. While IT sales will continue to grow, film products are expected to decrease further as a result of the continued market transition to filmless systems. Agfa will continue to invest in the HealthCare IT organization to accelerate the international rollout of the ORBIS hospital wide IT solution. HealthCare will also address the growing imaging center segment through the launch of a new entry-level CR *digitizer* and more intense cooperation with dealer networks.

In 2006 the transition in both major business groups will be continued. Agfa is convinced that it is following the right strategies for the long-term success of the businesses. While maximizing the results in the traditional areas, Agfa will continue to drive growth in new markets.

Agfa Graphics

Agfa Graphics

Million Euro	2005	2004	% change
Sales	**1,733**	1,673	3.6%
EBITDA[1]	**155**	175	-11.4%
% of sales	**8.9%**	10.5%	
EBIT[1]	**75**	104	-27.9%
Operating result[2]	**53**	169	-68.6%

[1] before restructuring and non-recurring items but including a 13 million Euro income related to changes in the retiree medical plan in the Group's US affiliate

[2] Operating result in 2004 was impacted by 118 million Euro gain on the divestiture of Monotype

Agfa Graphics' sales amounted to 1,733 million Euro, an increase of 3.6% compared to 2004. Excluding divestitures, sales increased by 6.4%, due to substantial volume growth, mainly in digital *printing plates*.

Graphic's EBITDA before restructuring and non-recurring items decreased from 175 million Euro to 155 million Euro, or, as a percentage of sales from 10.5% to 8.9%. This is the result of further increases in raw material costs and of price erosion, which were partially offset by the cost savings initiatives launched since the beginning of 2005. The beneficial effect of Agfa's targeted actions to counter price erosion increased over the course of the year, as did the impact of ongoing savings initiatives.

Market trends

As important as electronic media may have become today, it is the industry's conviction that print media will continue to play a key role in tomorrow's communications mix.

After a number of difficult years, the printing sector, a market of 750 billion Euro, is reviving. This positive trend is reflected in the printing business index, which shows a sustained upturn in printing activity. As product and information life cycles shorten, there is an overall trend towards smaller, more targeted print runs, resulting in an increase in *prepress* and in digital printing activities.

Prepress segment

In 2005, digital *computer-to-plate* technologies overtook analog technologies in volume, the result of an evolution that started ten years ago. Computer-to-plate technology will continue to gain market share as small and mid-sized printers also move to digital prepress processes. As two thirds of industry revenues are generated by printers with fewer than twenty employees, this implies that small and mid-sized printers will lead growth in the printing industry over the coming years.

"After an extensive search, it was clear that Agfa offered the most intelligent solution for our business. Agfa's :Arkitex Courier technology will replace our current transmission system for the distribution of the pages of The New York Times to the company's U.S. printing plants. Our printing plates will be made on the twenty new violet CtP systems we bought from Agfa. By aligning with Agfa, we look forward to being able to expand our future production capabilities and provide additional value to our customers."

David Thurm, Chief Information Officer
The New York Times Company
New York, USA

Digital printing segment

Many markets, such as packaging (boxes, cartons, labels), advertising (point-of-purchase materials, billboards) and decoration (floor coverings, wallpaper) have a need for small print runs. These kinds of output have often been created with *flexo* and *screen printing* technologies with high start-up costs. In a digital printing process, changing print jobs can be done much faster and at lower cost. This makes digital printing highly suitable for smaller print runs and ideal for printing variable data, such as direct mail.

Inkjet is the most versatile digital printing technology, and therefore the technology with the largest growth potential. It can use a huge variety of inks and print on a wide range of media, and the printing engines can be integrated directly into other print or manufacturing processes.

Strategy

Agfa Graphics aims to continuously offer its customers - in prepress and in industrial inkjet printing - innovative technologies to help them increase their productivity and to improve their competitive position in the printing market.

Reinforce market and technological leadership in prepress

Graphics' main activities are in the prepress area, a 7 billion Euro market segment that is mature and consolidated. Agfa is one of the leaders in this market and offers its customers integrated solutions rather than separate products. This strategy has proven to be successful in the technological transition from *computer-to-film* to computer-to-plate systems.

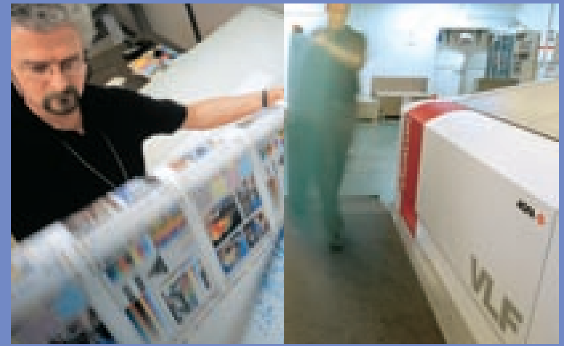
In 2005, Graphics continued to strengthen its leading position in this market through innovative technologies, cost leadership and market consolidation, such as through the integration of *Lastra*, the Italian printing plate manufacturer acquired in August 2004. The focus is on the growth segments of software and packaging and newspaper printing. From a regional point, Graphics focuses on the rapidly expanding markets in the Asian region.

Developing a leading position in industrial inkjet printing

The industrial inkjet market offers an important opportunity for future growth.
By 2010 this market will reach a size of around ten billion Euro, larger than the total prepress market. Graphics strives to be a leader in specific industrial inkjet segments, such as *large-format* printing, screen printing and packaging. Within these segments it focuses on the growth markets of advertising, industrial printing and customized printing.

"Agfa and Imprimerie Moderne de l'Est share the same interests, which results in a real dialogue. With the two new :Avalon platesetters and the new :Amigo printing plates we have been able to speed up our plate production significantly. This technology offers plenty of ecological and economical advantages: less chemistry on the printing plate and the printing press, less waste and less water consumption. We can reduce our costs without having to compromise on our production quality."

Henry Labat, Director Prepress and Environment
Imprimerie Moderne de l'Est
Baume-les-Dames, France



To realize its growth strategy in industrial inkjet, Graphics is building on its experience and know-how in the field of imaging, workflow solutions, chemicals and substrates, and on its customer network. Combined with its proprietary inkjet technology and the development and production alliances with industry leaders, this will result in innovative and high performing solutions for print providers.

Product development

For **commercial and packaging printers**, Agfa launched :Avalon, a new generation of *thermal platesetters*, providing higher levels of functionality, reliability and convenience. Furthermore Agfa introduced the :Amigo thermal plate, the first addition to its portfolio of ThermoFuse plates. ThermoFuse is Agfa's patented imaging technology made popular by the success of the :Azura *chemistry-free* plate. This technology eliminates the possible imaging deviations of conventional plate processing as it no longer requires chemical processing of the printing plate. At the same time, it offers plate performance equivalent to conventional plates, thus improving convenience and reliability in platemaking and printing, and it is environmentally friendly. The range of digital thermal printing plates will be expanded further in the course of 2006.

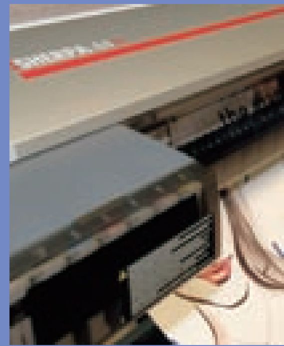
Agfa also continued to expand and improve its workflow systems for commercial and packaging printers. :ApogeeX 2.5, including new *proofing* and output capabilities, is the latest edition of Agfa's advanced *workflow management software*, which sets new performance standards for workflow automation and productivity in the printing industry. Furthermore, Agfa expanded the capabilities of :Delano, its complete web-based *production management system*. New *soft-proofing functionalities* allow for on-line file submission and page approval.

In **newspaper printing**, Graphics continued to expand its prepress equipment portfolio with the launch of the new *violet* :Advantage Xm and Xs *platesetters*. They bring digital platemaking to smaller newspaper printers and printers with medium throughput requirements or hybrid portfolios.

Several new software packages make Agfa also a real publishing partner for newspaper printers, helping them efficiently manage their entire business. Agfa boosted productivity of the :Arkitex workflow by adding new proofing tools to it, and launched :Arkitex IntellTrack for newspapers, a new enterprise-wide tracking system that automatically acquires audit data at every point in the production workflow. Agfa also launched a PC version of the :IntelliTune image correction software and it introduced a new version of :AdManager, a highly flexible system to control the creation of newspaper ads.

"The prerequisites for our new computer-to-plate unit were size, conservation issues, ease of operation and price. They were all confirmed with Agfa's :Xcalibur-45E and :Azura plate processor. Agfa's solution is the only one that could eliminate water and chemicals in our prepress operation. The money we saved on handling labor, excess water and chemicals is more than sufficient to offset the lease repayments on new technology equipment. Agfa has put us in the category of modern printers."

Terry Bouggas, Managing Director
St George Graphics & Printers Pty Ltd
Sydney, Australia



Agfa took major steps in the implementation of its **industrial inkjet** strategy by introducing several new industrial inkjet printing systems. These systems are based on Agfa's in-house imaging, ink and printing expertise and also built on joint development and manufacturing partnerships.

Agfa introduced the :Grand Sherpa Universal AM *inkjet printer*, a large-format inkjet printer that prints signs and billboards. It has been optimized for use with new inks, which provide vivid colors, fast drying times, improved scratch resistance and which are suitable for a wide range of uncoated media. Agfa also showed prototypes of industrial inkjet systems that have been developed in collaboration with leading technology partners. Using Agfa's newest *UV-curable inks* in combination with our state-of-the-art universal inkjet *print heads* (:UPH), these systems offer fast precision printing onto flexible and rigid media, such as posters, billboards, banners, displays, decorative media and signage, and accommodate the needs of high-volume industrial operations. These systems will be commercially available from the second quarter of 2006. From then on, they will enhance the demand for ink, Agfa's new consumable in this promising market segment. For the :Dotrix industrial inkjet press, Agfa launched new :Agorix inks, which are stable, fast-curing and easy to handle, and which provide high-quality images with sharp, vibrant colors for industrial and outdoor applications. In addition, they are compatible with a wide range of substrates.

Major contracts

In the **newspaper** segment, Agfa confirmed its leading position with an installed base of over 1,500 newspaper computer-to-plate (CtP) systems. More and more printers are using Agfa's visible-light CtP systems to improve quality, lower maintenance costs and extend editorial and advertising cut off times. In addition, Agfa's software for newspapers grew 15% in 2005. 75% of all newspaper publishers worldwide are now using Agfa software to increase their efficiency and productivity. In 2005, the New York Times Company and Agfa entered into a five-year strategic alliance, whereby Agfa became their preferred prepress supplier. Other important contracts with leading newspaper groups include the Hong Kong Wen Wei Po and the Indian Hindu, which has a circulation of more than one million copies. The Hindu installed four :Polaris and two :Advantage DL *violet laser* CtP systems. Belgium's leading newspaper publisher Rossel signed a contract for the installation of four additional :Polaris violet CtP units and printing plates.

In 2005, Agfa Graphics kept its North American customers on the fast track to improving their business. Agfa's commitment to technology and ongoing R&D proved to be essential, especially in these times of rising raw material costs. During the past year, Agfa gained a lot of new customers with :Azura, the unique chemical-free digital plate based on Agfa's patented ThermoFuse coating technology.

Agfa also continued to grow in the **commercial printing** segment. By the end of 2005, more than 400 commercial printers around the world were already using Agfa's innovative chemistry-free printing plate system :Azura, launched in November 2004. Furthermore, contracts were signed with The Wyndeham Press Group (UK), which rolled-out the :ApogeeX 2.5 workflow system throughout the entire group, and with Infopress, the largest Romanian commercial printer, for :Thermostar printing plates. Thermal computer-to-plate also did very well in India, where seven :Xcalibur XXT systems were installed.

:Sublima *screening* technology, which has now also been added into Agfa's workflow software :ApogeeX, and which has been expanded to third-party computer-to-plate engines, drew its 1,000th customer in the third quarter.

In **packaging** printing, New Island Printing Holdings, one of China's largest producers of high-quality packaging and paper products, bought an :Xcalibur VLF XXT Elite System, :ApogeeX packaging workflow, :Sublima screening, :Alterno color conversion software and a :Grand Sherpa proofing system. Also in packaging, the Swedish printer Flexmed purchased a :Dotrix inkjet press for printing blister packaging materials for the pharmaceutical industry at a more competitive cost than is possible with conventional printing. In the meantime all :Dotrix printers in the market have made the switch to the newly introduced :Agorix inks, which significantly improve the image quality.

Industrial inkjet proofing systems, as well as the new :Grand Sherpa Universal AM *large-format inkjet printer*, which was launched in May at the FESPA trade fair in Munich, met with great success in 2005. Agfa was able to post record sales for its proofing and large-format systems.

Agfa exceeded its sales expectations at Print, the North American printing industry's main trade event held in Chicago every four years. Agfa sold more than one hundred new digital systems, including platesetters, software, industrial inkjet printers, and consumables.

In China, Agfa continued to increase its printing plate production. In addition to analog plates, Graphics began selling locally produced digital printing plates in the first quarter of 2005, which makes it the first major company to manufacture both types of plates in China. Agfa is the current leader for computer-to-plate applications in this market, for which demand keeps growing.

Agfa HealthCare

Agfa HealthCare

Million Euro	*2005*	*2004*	*% change*
Sales	**1,405**	1,361	3.2%
EBITDA[1]	**237**	305	-22.3%
% of sales	**16.9%**	22.4%	
EBIT[1]	**163**	225	-27.6%
Operating result	**138**	192	-28.1%

[1] before restructuring and non-recurring items but including a 12 million Euro income related to changes in the retiree medical plan in the Group's US affiliate

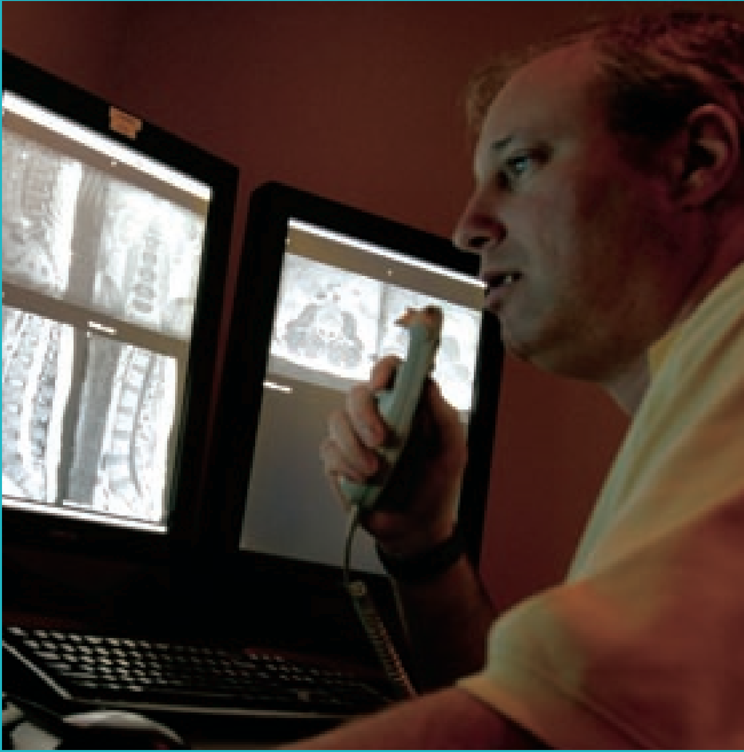
Agfa HealthCare's 2005 sales amounted to 1,405 million Euro, an increase of 3.2% compared to 2004. The increase is mainly the result of the growth strategy in new areas such as enterprise IT and cardiology. Price pressure on the traditional imaging products continued, with some improvement in the second half of the year.

HealthCare's EBITDA before restructuring and non-recurring items amounted to 237 million Euro, compared to 305 million Euro in 2004, or, as a percentage of sales 16.9% compared to 22.4%. The business group made significant progress in developing new digital businesses, through a combination of targeted acquisitions and portfolio renewal in radiology. Price erosion and high silver prices, combined with the fact that HealthCare's growing IT solutions could not yet fully compensate for the decline in the traditional film business, had an impact on HealthCare's results. The IT portion of revenue in HealthCare, however, increased to 29.0% compared to 18.2% in 2004.

Market trends

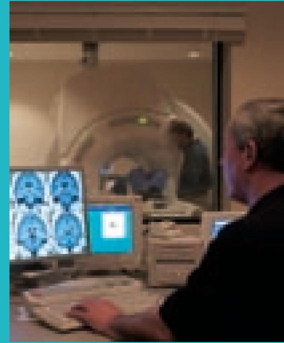
Medical costs are rising as a result of the aging population, the significant increase in chronic diseases and the growing importance of preventive healthcare. To keep high-quality healthcare affordable, to increase the efficiency of the care process and to decrease the number of medical errors, healthcare providers are investing in high-tech digital systems, often encouraged by local and national authorities.

The first step in this evolution towards digital healthcare is often the conversion to *Computed Radiography (CR)*. CR technology delivers high-quality digital X-ray images, suitable for on-screen diagnosis. Nevertheless, many radiologists still prefer to print a hardcopy on a dedicated *hardcopy printer*. In addition, although the use of classic X-ray film is declining in developed markets, the market continues to grow in developing countries.



"At Vision Imaging we are committed to providing patients the highest degree of accuracy for early detection and treatment by using cutting edge technology for precise imaging. Thanks to Agfa's IMPAX image management solution we can make studies available on-line to referring physicians using our password protected Agfa web browser. Our radiologists personally interpret and guarantee a signed report faxed to the referring physician, within 60 to 90 minutes after completion of the imaging study."

Steven E. Rinehouse, MD
President of Vision Imaging
Hazleton, Pennsylvania, USA



An accelerated technology shift in the diagnostics segment also results in a growing number of medical images. As the most advanced medical scanners produce hundreds of images per examination, printing is no longer an option. Therefore hospitals are installing departmental or hospital-wide software packages for image management, known as *Picture Archiving and Communication Systems (PACS)*. In addition, many radiology departments invest in a *Radiology Information System (RIS)* to manage workflow and resource allocation. Other hospital departments, such as cardiology and orthopedics, also require increasingly sophisticated imaging and IT systems for both diagnostic and departmental management purposes.

The ultimate step in the digitization of the healthcare organization is the implementation of an IT solution which manages its entire administrative and clinical workflow. These enterprise wide solutions facilitate internal and external communication, improve patient care and reduce administrative costs. They result in an *Electronic Patient Record or Electronic Medical Record (EPR/EMR)*, which holds the complete medical information of individual patients. Because of their positive impact on the healthcare organization's efficiency and cost structure, the implementation of these IT systems is supported by governments all over the world.

Strategy

HealthCare's strategy is built on three pillars: radiology, departmental solutions and enterprise-wide healthcare information systems. HealthCare's roots are in radiology, where it has more than 100 years of experience. The business group will realize further growth in this traditional market through the continuous conversion of its large customer base from analog to digital. Therefore HealthCare is continuously modernizing and enhancing its portfolio. Furthermore it is extending its presence in the growing imaging center and private practice segments.

Agfa is renowned for its expertise in managing, processing and storing medical images. Building on its own knowledge and on strategic partnerships and acquisitions, HealthCare is now penetrating image intensive hospital departments other than radiology, including cardiology, women's care and orthopedics. In 2005, Agfa acquired *Heartlab*, a leading designer and supplier of image and information networks for cardiology, thus significantly enhancing its cardiovascular solutions portfolio.

HealthCare will also continue to expand its leading position in enterprise-wide healthcare information systems. Major steps were taken through the acquisitions of the French company *Symphonie On Line* in 2004 and the German company *GWI* in the beginning of 2005. Through the acquisition of GWI, Agfa was able to integrate ORBIS, one of the most successful modular hospital IT solutions on the market, into its enterprise-wide solutions portfolio.

"In a true partnership spirit, Agfa supported our concept of a 21st century hospital. Integrating Agfa's Radiology Information System (RIS) and IMPAX Picture Archiving and Communications System (PACS) with the hospital's current SAP-based hospital information system and installing Agfa's DX-S digitizer in the examination room, revolutionized the way Maasland Hospital operates. We've doubled the throughput in the radiology room, while providing better image quality and improving patient comfort during the examination."

Dr. Harold Kint,
President of the Radiologists' Association Maasland Hospital
Sittard, the Netherlands

HealthCare's strategy is also supported by the developments in the field of imaging technologies. HealthCare's imaging systems offer superior image processing capabilities and outstanding image quality for a complete range of applications. The MUSICA processing software, for example, clearly visualizes all details, whatever their size or their contrast, thus giving the radiologist easier access to the diagnostic information contained in the image. HealthCare is constantly widening its unique package of imaging technologies, which also includes systems for *Computer Assisted Reading*.

Acquisitions

Through the acquisitions of Symphonie On Line (October 2004) and GWI (January 2005), Agfa established a leadership position in healthcare IT and acquired an installed base of 3,200 medical sites in Germany, Austria, Switzerland and France. The transaction price for the acquisition of Symphonie On Line amounted to 42.0 million Euro. For GWI, the transaction price consisted of an up-front payment of 256.5 million Euro and an earn-out of up to 95 million Euro, pending the meeting of certain objectives. GWI has 729 full time equivalants. Taking into account the revenues of GWI's acquisitions, German BOSS AG and French EuropMedica, 2004 annualized revenues were 118 million Euro.

In June 2005, Agfa announced that the acquisition of the American company Heartlab, Inc. had been concluded for a total of 112 million Euro. Heartlab's 2004 revenues were 38 million USD. Also in June, Agfa announced that it had acquired the remaining shares of *Med2Rad*, the leading developer and supplier of RIS in Italy. Agfa had owned a 30% participation in Med2Rad since 2002. The transaction price for the remaining 70% of the shares amounted to 3.4 million Euro, including acquisition costs.

Product development

In 2005, Agfa launched a large number of breakthrough technologies in the fields of CR, PACS and enterprise-wide IT.

Following the introduction in 2004 of two new *digitizers* – the tabletop CR 25.0 and the high-speed CR 75.0 – Agfa extended its CR range in 2005 through the launch of its breakthrough system, DX-S. The integration of newly developed technologies unique to Agfa enables the highly innovative DX-S digitizer to provide a level of image quality, speed and flexibility that significantly exceeds anything currently available in the CR market place.

Agfa also launched a CR *radiotherapy* solution, based on the CR 25.0 digitizer. This complete system for acquiring radiographic images has been specifically made to address the particular

"Healthcare facilities and medical professionals need better access to critical information and decision support tools that will allow them to continually improve patient care at lower cost. Agfa's proven experience in the development and implementation of large-scale hospital information systems resulted in more transparency and organizational efficiency in all our hospital departments."

Michael Thoss, Central Service Manager Organization & IT
DRK Kliniken Berlin
Berlin, Germany

challenges faced by professionals within the radiotherapy department. The system can be used to localize the areas in the body that need radiation treatment as well as to verify the effects of the treatment. At the annual meeting of the Radiological Society of North America in Chicago, Agfa introduced *IMPAX* Enterprise, a healthcare IT workflow solution that integrates the next generation of Agfa's PACS (IMPAX 6.0), Agfa's RIS and the company's System Monitoring and Management Service (SMMS). SMMS manages and monitors Agfa's applications, hardware, operating systems and databases on a continuing 24/7 basis throughout the hospital.

Having introduced dedicated systems for orthopedics and women's care in the previous years, Agfa launched a new cardiology portfolio in 2005. The portfolio facilitates accurate cardiology diagnosis from a single point of access and improves patient care by enhancing communication across the enterprise. It includes Agfa Heartlab Cardiovascular, the industry's first fully web-based cardiovascular information system.

In November, Agfa and Siemens signed a bilateral agreement which authorizes Agfa to distribute Siemens' *Direct Radiography (DR)* Mammomat Novation digital mammography system. The system complements Agfa's women's care portfolio. As part of the agreement Siemens will further expand its offering of Agfa's CR systems.

Only months after the acquisition of GWI in January 2005, Agfa was already able to show the first results of the cooperation when it introduced the first product portfolio combining GWI's ORBIS system and Agfa's IMPAX. At the end of the year Agfa started with the internationalization of its hospital information solution in France. Belgium followed at the beginning of 2006. At the HIMSS exhibition in San Diego in February 2006, Agfa presented its integrated portfolio strategy for the North-American healthcare market, including image management solutions and hospital-wide information management solutions.

Major contracts

In 2005 Agfa continued to strengthen its leading position in PACS. With more than 900 IMPAX installations worldwide, Agfa is the global leader in this market segment.

Within the scope of the English prestigious Connecting for Health project, the National Health Service selected the partnership between Agfa and Accenture for the installation of healthcare IT networks in the North East and East hospital clusters in England. Agfa will provide PACS and CR solutions to the hospitals in these regions. The NHS program is considered to be the world's largest government-sponsored rollout of healthcare IT solutions. Agfa is the only PACS supplier to have won contracts for two out of the five clusters.

Agfa HealthCare holds a very strong position in the Asia-Pacific region, leading the PACS-market in most major countries, winning its first IMPAX contract in China in 2005. An important development following the acquisition of Heartlab was a contract with the prestigious National Taiwan University Hospital for an integrated RIS/PACS/Cardio system.

Agfa also further strengthened its strong presence within the US government's PACS market in 2005. The United States Air Force's Air Mobility Command granted Agfa the Top Security Clearance for its IMPAX version 4.5. Agfa is the only PACS vendor to achieve this major command certificate. Furthermore a number of products and services in Agfa's portfolio have earned the qualification necessary for listing on the US Defense Department's internal online electronic catalog, which makes it easier for military hospitals to purchase Agfa's products. The US Army's Fort Knox (Kentucky) base hospital and two other Army medical sites in Indiana and Wisconsin have integrated IMPAX into their existing systems. Additional army facilities in other states will also integrate into the US army's IMPAX network.

Also in the United States, Agfa became the sole RIS, PACS and CR supplier for Health Inventures (Colorado), a major developer of outpatient services and healthcare centers with more than 100 surgery centers, imaging centers and surgical hospitals in its customer portfolio. The Hackensack Radiology Group integrated Agfa's RIS in its existing IMPAX system and assisted Agfa's introduction of its dedicated RIS/PACS solution for imaging centers into the US. By adapting its systems to the needs of smaller healthcare facilities Agfa anticipates the increasing importance of imaging centers, the fastest growing segment of the US radiology market.

Canada's Capital Health selected Agfa's integrated RIS, PACS and speech recognition for its 13 hospitals, thus becoming Agfa's largest integrated implementation in North America. NORTH Network, Canada's most comprehensive video conference-based telemedicine network, selected IMPAX for its users throughout the province of Ontario. Ontario's largest hospital group, the Niagara Health System, was the first customer in Canada to implement IMPAX 6.0.

In Finland, Agfa was selected to install a RIS/PACS solution in South Eastern Finland as part of the KAAPO project, which aims to create an integrated regional healthcare network to serve 300,000 people.

Other major contracts for PACS and clinical information systems were also secured in the United States, Australia, Belgium, the Netherlands, Ireland, Switzerland, Italy, Spain, Taiwan and the Middle East. In hospital IT, Agfa currently has more than 700 ORBIS installations in Germany, Austria and Switzerland. In this region Agfa concluded 36 new ORBIS contracts in 2005. In France, where ORBIS was launched at the end of the year, the first contracts have already been signed.

Agfa Specialty Products

Agfa Specialty Products

Million Euro	2005	2004[2]	% change
Sales	**170**	129	31.8%
EBITDA[1]	**13**	19	-31.6%
% of sales	**7.6%**	14.7%	
EBIT[1]	**6**	11	-45.5%
Operating result	**(59)**	2	

[1] before restructuring and non-recurring items
[2] excluding Consumer Imaging

Agfa Specialty Products offers specific, mainly film-based, consumables and services to industrial markets outside the scope of Graphics and HealthCare. Its activities are subdivided into the following groups: Identification & Security, Advanced Materials, Phototooling, Motion Pictures, Microfilm, Specialty Foils & Components, Aerial Photography and Film for Non-Destructive Testing.

In 2005, Specialty Products' sales amounted to 170 million Euro. Its EBITDA before restructuring charges and non-recurrent items reached 13 million Euro compared to 19 million Euro in 2004, or, as a percentage of sales 7.6% compared to 14.7%.

"Together with Agfa we will provide Morocco with the world's first large-scale ID system based on contactless smart card technologies for the production of about 20 million ID cards. To ensure maximum security and to make the ID cards as counterfeit-proof as possible, we have selected the best security technologies available. Agfa's proven imaging know-how and graphic personalization technologies will contribute to the success of this prestigious project."

Pierre Maciejowski, Managing Director
Thales Security Systems
Meudon-la-Forêt (Paris), France

Market trends and strategy

Today, the film businesses in Motion Pictures, *Non-Destructive Testing, Phototooling* and Aerial Photography are stable or even slightly growing. However, in order to compensate for the future anticipated decline of some of its film-based products, Specialty Products strives for additional profitable growth by expanding its portfolio with innovative products and materials, based on its existing know-how and skills and on strategic partnerships. The company sees substantial growth opportunities for Advanced Materials, Specialty Foils & Components and new solutions for Phototooling. It is also addressing the promising identification documents market with a total system approach.

Major contract

Specialty Products' largest contract in 2005 was in the field of Identification and Security. In October, Agfa announced that it will provide the French company Thales Security Systems with a complete sub-system consisting of production and personalization equipment, consumables and materials for the production of about 20 million e-ID cards for the population of Morocco.

Product portfolio

Identification & Security

Identification & Security supplies complete systems and consumables for the production of high security identification documents. Agfa is not only targeting the high-end segment of identity cards and passports, but also the market for corporate security cards.

Advanced Materials

For the electronics industry, the Advanced Materials group supplies transparent inks, films and coatings used as flexible electrodes in *electroluminescent (EL)* lamps, touch screens, displays and printable electronic devices. Among Agfa's biggest customers in this field are mobile phone producers using EL lamps to illuminate mobile phone keypads.

Image courtesy of AAMHatch Pty Ltd., North Ryde, NSW, Australia.

Agfa Specialty Products is also active in a number of specialized niche markets such as motion picture film, aerial photography and film for the production of printed circuit boards.

Phototooling
Phototooling produces film for the production of *printed circuit boards (PCB)*. Agfa has a significant market share in this field.

Motion Pictures
Agfa supplies digital and analog *sound recording film* and *color print film,* which is used to make copies of movies for cinemas. All of the leading motion picture film laboratories in the world are using Agfa film.

Microfilm
Microfilm is still the best medium for long-term data storage with proven cost efficiency and reliability. Agfa's microfilm is known for its high sensitivity and exceptional image quality.

Specialty Foils & Components
Agfa sells state-of-the-art *PET*-film bases, chemical materials and high-tech semi-finished materials to third parties for the production of imaging products.

Aerial Photography
The Aerial Photography group offers films, chemistry, photographic paper and software for airborne image capture for use in civil and military mapping applications.

Film for non-destructive testing
After the divestiture of its non-destructive testing business in 2003, Agfa signed a long-term supply agreement with General Electric Company according to which the latter has become the exclusive provider of Agfa's X-ray film for non-destructive testing.

Registration Document

On April 4, 2006, the CBFA authorized Agfa-Gevaert NV to use the present 2005 Annual Report as a Registration Document each time it publicly offers securities pursuant to the Belgian legislation relating to public offerings of securities by means of the procedure of dissociated information and this for a period of 12 months.

In the context of this procedure, a transaction note and a summary need to be attached to the Registration Document. The Registration Document, together with the transaction note and the summary constitute the issue prospectus.
In accordance with Belgian legislation, this prospectus must be submitted to the CBFA for approval.

Information regarding the responsible persons for the content of the registration document

The Board of Directors of Agfa-Gevaert NV, represented by all its members referred to in the Corporate Governance Chapter (p.36), assumes the responsibilty for the contents of this Registration Document. The Board of Directors declares that, after having taken all reasonable measures to guarantee this, and insofar as known, the information contained in this document is in accordance with the real situation, and that no information which would change the tenor of this document was omitted.

This annual report contains forward-looking statements. Such forward-looking statements include unknown risks, uncertainties and other factors that could lead to the current results, financial condition, performance and accomplishments that may differ from any future results, financial condition, performance and accomplishments, expressed or implied by such forward-looking statements. Given these risk factors, forward-looking statements do not contain any guarantees.

Information regarding the responsible statutory auditor

The statutory auditor of the Company is Klynveld Peat Marwick Goerdeler Auditors, a civil limited liability company in the form of a CVBA, having its registered offices at Bourgetlaan 40, 1130 Brussels (IBR N° B00001), represented by Messrs. Theo Erauw and Erik Helsen, auditors.

The consolidated and non-consolidated accounts for the three previous financial years have been audited by the statutory auditor, who has approved these without any reservation.

Risk Factors

Market, technology and competition risks

As any company, Agfa is 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.
Agfa is also introducing many new technologies, such as industrial inkjet for Graphics or computed and direct radiography as well as information systems for HealthCare. The digital imaging and information marketplace 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 ones are aluminum (approximately 135,000 tons per year) and silver (approximately 900 tons per year). Changing 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. In particular with respect to its HealthCare activities, Agfa is complying with various regulatory systems in 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 been suffering 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 several environmental requirements in the various countries in which it operates, including those with respect to air and wastewater emissions, hazardous materials and spill prevention and clean up. It makes significant operating and capital expenditures to comply with applicable standards.
Current and reasonably foreseeable compliance and remediation costs are provided for.

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 laws, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and to protect its proprietary rights.
The most important litigation which is currently subject to an arbitration procedure concerns the AgfaPhoto trademark license with AgfaPhoto Holding (see also under footnote 15 p.80 and footnote 27 p.98 of the Financial Statements).

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 the ones related to the AgfaPhoto insolvency, which are commented in detail under footnote 15 p.80 and footnote 27 p.98 and of the financial statements.

Corporate Governance

Corporate Governance is an important tool to improve constantly and systematically the way the Group is managed and the way we safeguard the interests of shareholders and stakeholders. From the first date of listing on Euronext Brussels in July 1999, Agfa-Gevaert NV has paid great attention to correct and transparent policies when determining the policy of the Group. Most of the then existing policies were already in conformity with the Belgian Code on Corporate Governance for listed companies, as issued in December 2004. Since January 1, 2006, the Company complies in all material respects with this Code and the full “Corporate Governance Charter” is published on the website: www.agfa.com/investorrelations.

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

The Board of Directors

As ultimate management body of the Company, the Board of Directors is empowered to do and perform whatever shall be necessary or useful for the achievement of the corporate purpose, with the exception of the powers reserved by law to the General Meeting of Shareholders (such as amendments to the bylaws, capital increases otherwise than through the authorized capital, capital decreases).

In the course of 2005, the Board of Directors has discussed and decided upon, inter alia, defining the corporate strategy and key policies; the development of new businesses and discontinuation of existing businesses, the establishment or closure of subsidiaries; the approval of budgets, the funding, investments, divestments; the nomination, remuneration and monitoring of executives; the supervision and control of the implementation of decisions; the approval of the financial statements; and the proposal to the shareholders of the allocation and distribution of the result.

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

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

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

Directors likely to have conflicting interests with regard to any item on the agenda must disclose the conflict before any deliberation and abstain from deliberating and voting on that item. More particularly, the directors must not put themselves in situations described in the Code of Conduct of the Company. Should such event occur beyond their will, then they must disclose it before any deliberation relating to the conflicting item and abstain from deliberating and voting on that item.

In 2005 no situations occurred whereby a director had directly of indirectly conflicting interests with a decision of the Board of Directors, with the exception of the decision of the Board of Directors dated June 22, 2005 to grant stock options to the members of the Executive Committee and senior management under the "Long Term Incentive Plan 2005", at the occasion of which Mr. Marc Olivié (Chairman of the Executive Committee as permanent representative of MRO Management BVBA) as beneficiary of 42,200 options had a conflicting interest of a patrimonial nature as set out in Article 523 of the Belgian Code of Companies. Mr. Olivié has abstained from the deliberation and vote regarding this item. In this respect reference is made to the minutes of the Board of Directors: *"The Board unanimously decides, with the exception of Mr. Olivié who abstained from the deliberation and vote, to approve the issue of stock options under the stock option plan of the Company in accordance with the terms and conditions as set out at this meeting and as contained in the document attached to these minutes entitled 'Long Term Incentive Plan 2005'; the Board further decides to authorise the Executive Committee to sign all documents and in general take all useful measures in this respect".*

The bylaws provide that the Board of Directors assembles whenever the interests of the Company require it or when two directors make a demand for it. In 2005, seven meetings were held. All directors were present at those meetings except for Mr. Buttrick, who was excused at the Board meeting of August 17, 2005; Mr. Gedopt at the Board meetings of January 25, 2005, March 8, 2005 and April 26, 2005; and Mr. Oosterlinck at the Board meeting of April 26, 2005.

Extraordinary General Meeting of 2005

On March 8, 2005, the Board of Directors decided to call an Extraordinary General Meeting in order to amend the bylaws. This Extraordinary Meeting was scheduled to be held immediately following the Annual General Meeting of April 26, 2005. Since on that Meeting the required quorum to vote validly was not reached, the Extraordinary General Meeting was reported to May 24, 2005.

The key items on the agenda that were approved by this Extraordinary General Meeting are the authorisation for a term of 18 months to buy back a maximum of 10% of the Company's shares; the reduction of the maximum term for directors from six to three years; the discontinuation of the variable part of the remuneration of the non-executive directors (effective as of January 1, 2006) and the right for shareholders representing at least 5% of the stock capital to propose items on the General Meeting's agenda.

The Meeting has also approved the addition to the Company's bylaws of internal rules for the functioning of the Board of Directors and its committees. The Board of Directors has accordingly adopted, in the course of 2005, additional policies with respect to its organisation and decision-making processes and to the appointment, assignment, remuneration and resignation of members of the Executive Committee. These policies are described extensively in the Corporate Governance Charter of the Company.

Composition of the Board of Directors

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

In March 2005, Messrs. Pol Bamelis and Dietrich von Kyaw declared that they would no longer be eligible as directors. Mr. Bamelis has been succeeded as Chairman of the Board of Directors by Mr. Ludo Verhoeven. Mr. Verhoeven has been succeeded as CEO and Chairman of the Executive Committee by Mr. Marc Olivié (as permanent representative of MRO Management BVBA).

On January 1, 2006 the Agfa-Gevaert NV Board of Directors' members were:

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

(*) independent director

Mr. Werner Vanderhaeghe, General Counsel, was elected Company Secretary at the Board meeting of April 26, 2005.

Messrs. Chaffart and Leysen represented the largest shareholder, Gevaert NV, and Mr. Cornu is director of KBC, parent company of Gevaert NV. On March 10, 2006, KBC Group, parent company of Gevaert NV, announced that it has sold its 27% share in Agfa-Gevaert NV through a placement to institutional investors.

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

Messrs. Buttrick, Haymon, Oosterlinck and Van Miert are considered as independent from the main shareholders and management, as described in the Corporate Governance Charter. In 2005, they had no close business, family or other relationship with the Company, its controlling shareholders, its management or any party that could create a conflict of interest such as to affect their independent judgement.

In addition to his tenure on the Board of the Company, Mr. Van Miert also has seven other mandates as a director or member of the supervisory board in publicly listed companies, one of which as a director of another publicly listed company in Belgium (Solvay SA).
The Lippens Code contains a provision which recommends to limit the number of outstanding mandates with publicly listed companies to a maximum of five. The Board of Directors is nevertheless of the opinion that Mr. Van Miert's broad international experience and network offers a considerable added value to the Company. Mr. Van Miert furthermore explicitly confirmed his commitment to spend sufficient time in order to fulfil his mandate within Agfa-Gevaert NV.

In March 2006, Mr. Haymon stated that he would not seek re-election as director.
In the Annual General Shareholders' Meeting of April 25, 2006, the Board of Directors will propose to the shareholders to nominate Mr. Julien De Wilde as new independent director and to reappoint Messrs. Buttrick and Leysen as directors as their mandates expire. The Board of Directors would like to thank Mr. Haymon for his valued commitment and service to the Company.

Committees established by the Board of Directors

Audit Committee

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

The Audit Committee includes three non-executive directors of which the majority is independent, i.e. Messrs. Chaffart, Chairman, Buttrick and Oosterlinck.
The Committee had four meetings in 2005 and all members of the Committee were present at the meetings, except for Mr. Buttrick who was excused at the meeting of August 17, 2005. The following items were, inter alia, discussed in 2005: the verification of the annual accounts 2004; the follow-up of acquisition and divestment projects; the follow-up of the AgfaPhoto file; the long term share incentive program; a proposal for a syndicated loan facility; the evaluation of the Enterprise Risk Management (ERM) project; and the review of the Corporate Governance Charter.

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee includes three non-executive directors, which are Messrs. Cornu, Chairman, Van Miert and Verhoeven, and had six meetings in 2005.
Mr. Van Miert is an independent director, and Mr. Cornu, Chairman, also complied with all criteria of independence at the time of his nomination.
All members of the Committee were present at the six meetings and the following items were, inter alia, discussed in the course of 2005: the organization, the functioning and the remuneration of the Executive Committee and executive management; the long term share incentive program; and the policy concerning People and Performance Development.

Executive Committee

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

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

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

Composition of the Executive Committee

At its meeting on January 25, 2005, the Board of Directors decided to add four new members to the Executive Committee. On April 26, 2005, Mr. Verhoeven succeeded Mr. Bamelis as Chairman of the Board of Directors and resigned from the Executive Committee that same date. Mr. Verhoeven was succeeded as CEO by Mr. Marc Olivié in his capacity as permanent representative of MRO Management BVBA.

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

Mr. Marc Olivié	Chief Executive Officer and Chairman, as permanent representative of MRO Management BVBA
Mrs. Anne Vleminckx	Chief Financial Officer
Mr. Albert Follens	Chief Operating Officer
Mr. Philippe Houssiau	President Agfa HealthCare
Mr. Stefaan Vanhooren	President Agfa Graphics
Mr. Werner Vanderhaeghe	General Counsel and Company Secretary, acts as Secretary to the Executive Committee

Remuneration

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

From January 1, 2006 onwards, non-executive and independent directors are no longer entitled to variable, performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.
One part of the remuneration is related to the dividend per share. The following fringe benefits are linked to the mandate of Chairman of the Board of Directors: a company car, mobile phone and home PC plus a number of insurances. The cost hereof in 2005 amounted to 3,652 Euro.
Remuneration for the CEO and the members of the Executive Committee on the other hand is composed of a fixed part and a variable performance-related part.

The individual remuneration for the members of the Board of Directors in the annual accounts 2005 (executives as well as non-executives), is as follows:

	FIXED			*VARIABLE*	*TOTAL*
In Euro	*Board of Directors*	*Committees*	*Total*		
Mr. Pol Bamelis[1]	40,282.31	8,000.00	48,282.31	8,000.00	**56,282.31**
Mr. John Buttrick	42,500.00	7,500.00	50,000.00	20,000.00	**70,000.00**
Mr. Ferdinand Chaffart	36,391.15	16,000.00	52,391.15	20,000.00	**72,391.15**
Mr. Jo Cornu	30,000.00	17,000.00	47,000.00	20,000.00	**67,000.00**
Mr. Marc Gedopt[2]	16,667.00	0.00	16,667.00	2,000.00	**18,667.00**
Mr. Monte Haymon	45,000.00	0.00	45,000.00	20,000.00	**65,000.00**
Mr. Christian Leysen	30,000.00	0.00	30,000.00	20,000.00	**50,000.00**
Mr. Marc Olivié[3]	19,167.00	0.00	19,167.00	12,000.00	**31,167.00**
Mr. André Oosterlinck	30,000.00	10,000.00	40,000.00	20,000.00	**60,000.00**
Mr. Karel Van Miert	30,000.00	12,500.00	42,500.00	20,000.00	**62,500.00**
Mr. Ludo Verhoeven[4]	213,333.00	7,500.00	220,833.00	20,000.00	**240,833.00**
Mr. Dietrich von Kyaw[5]	10,833.00	0.00	10,833.00	8,000.00	**18,833.00**
Total	**544,173.46**	**78,500.00**	**622,673.46**	**190,000.00**	**812,673.46**

(1) Chairman until April 26, 2005
(2) Executive Director until January 15, 2005 and member until April 26, 2005
(3) Executive Director as from April 27, 2005
(4) Executive Director as from January 1, 2005 to April 26, 2005. Chairman as from April 27, 2005
(5) Member until April 26, 2005

The total remuneration of the non-executive directors in 2005 amounted to 752,339.46 Euro, of which 548,339.46 Euro as a fixed remuneration for directorship, membership of the Committees and attendance fees and 168,000.00 euro as a variable sum. The variable part is prorated to the dividend per share: for every 5 Eurocents dividend per share exceeding 15 Eurocents per share, a director receives a gross remuneration of 2,000 Euro. There are no stock options or warrants granted to these non-executive directors. As indicated above, this variable part of the remuneration of non-executive directors has been abolished in compliance with the Lippens Code and the Corporate Governance Charter of the Company per January 1, 2006.

The executive directors received in their capacity of director in 2005 a gross remuneration of 60,334 Euro, of which 38,334 Euro as fixed remuneration for their directorship and 22,000 Euro as variable amount.

The overall gross remuneration for 2005[6] paid to those who were member of the Executive Committee in 2005, amounted to 3,012,137.79 Euro, of which 2,519,247.13 Euro as a fixed remuneration and 492,890.66 Euro as a variable amount, 1,189,195.76 Euro pension contributions and 54,566.80 Euro in the form of fringe benefits. These fringe benefits include a home PC, a company car, a net cost allowance and various insurances (directors' liability, travel assistance, hospitalisation, private accidents, labour accidents, life).

As part of the above sums the remuneration for the mandate of Managing Director and Chairman of the Executive Committee (CEO) in 2005 amounted to 1,075,372.72 Euro, of which 828,746.72 Euro as a fixed remuneration and 246,626 Euro as variable sum, 321,699.59 Euro pension contributions and 13,283.96 Euro in the form of fringe benefits. Mr. Verhoeven exercised this mandate for the period from January 1 until April 26, 2005. Since April 27, 2005, Mr. Olivié (permanent representative of MRO Management BVBA) holds this position.

Stock Options granted to the members of the Executive Committee (situation end of 2005)

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

	1999	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*Total*
strike price (in Euro):	22.00	22.00	20.00	18.00	18.27	19.95	22.57	
Mr. A. Follens	13,000	7,500	11,600	19,000	16,350	20,000	22,000	**109,450**
Mr. P. Houssiau	0	0	0	0	8,650	8,500	22,000	**39,150**
Mr. S. Vanhooren	0	0	0	6,300	8,650	8,500	22,000	**45,450**
Mrs. A. Vleminckx	0	0	3,100	6,300	8,650	8,500	22,000	**48,550**
Mr. M. Olivié	0	0	0	0	0	0	42,200	**42,200**
Total	**13,000**	**7,500**	**14,700**	**31,600**	**42,300**	**45,500**	**130,200**	**284,800**

At the end of 2005, the members of the Executive Committee (including the CEO) owned a total of 284,800 options or warrants, which were granted to them in different tranches.

[6] From February 1, 2005 onwards with regard to Messrs. Olivié (as permanent representative of MRO Management BVBA), Houssiau and Vanhooren, and Mrs. Vleminckx; as from January 1, 2005 with regard to Mr. Follens and Mr. Verhoeven (until April 26, 2005).

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

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

Members of the Executive Committee are appointed for a fixed[1] term but may be removed from their function at any time, without prejudice to the contractual arrangements of the individuals concerned. The tenure of directors that are appointed to the Executive Committee does not automatically end in case of termination for whatever reason of their tenure as director.

All members of the executive management are entitled in conformity with the applicable criteria developed by case law and certain formulas to a severance payment equal to, on average, two times their gross yearly remuneration. Their contracts furthermore include a so-called “change of control” provision whereby they receive a compensation equal to two times their yearly gross remuneration in case of termination by them of their contracts following a change of control over the Company (non-cumulative with the above severance payment). Mr. Olivié (as permanent representative of MRO Management BVBA) in his capacity of CEO and Chairman of the Executive Committee is furthermore entitled in case of early termination of his contract by Agfa-Gevaert NV to an indemnity equal to the gross amount of his remuneration which is due until the expiry of his contract on April 30, 2008 (non-cumulative with the above change of control provision).

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.

Main shareholders

On March 10, 2006, KBC Group announced it has sold its 27% share in Agfa-Gevaert through a placement to institutional investors.

According to the information available to the Company at the time of publication of this annual report, its main shareholders include now Nordea Investment Funds S.A., which holds 4.08% of the outstanding shares as of March 13, 2006, and Merril Lynch Investment Managers Group Ltd., which holds 3.81% of the outstanding shares as of March 17, 2006. Furthermore, Agfa-Gevaert NV had 3.15% of its own stock as treasury stock at the end of 2005.

Auditor

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

World-wide fees in relation to services provided by the auditor amounted to 5,094,090 Euro in 2005. This sum comprises fees of 3,551,571 Euro for the audit of the annual financial statements and 587,136 Euro for tax services. 955,383 Euro related to other rendered services, mainly financial due diligence assistance in acquisitions or divestitures.

[1] Mr. Olivié (as permanent representative of MRO Management BVBA) is appointed for a period of three years (27.04.05 – 30.04.08). Mr. Follens for a period of five years (01.10.01 – 30.09.06). The other members have been appointed for an indefinite term.

Financial Statements

Report of the Board of Directors in accordance with article 119 of the Companies Code

1. 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 (p. 49 to p. 57).

2. Comments on the consolidated financial statements

Agfa's 2005 sales amounted to 3,308 million Euro. The decrease of 12.1% compared to 3,762 million Euro in 2004 is primarily the result of the divestiture of Consumer Imaging in 2004.

The 2005 operating result amounted to 132 million Euro, against minus 129 million Euro in the previous year. It was impacted by price erosion, raw material costs and difficult trading conditions for the traditional HealthCare film products. The 2005 operating result included the provision of 55 million Euro in relation to the liquidation of AgfaPhoto. The liquidation also resulted in the reversal of 54 million Euro deferred tax assets set up for the Consumer Imaging divestiture.

As a result the Group posted a net loss of 19 million Euro, compared to a net loss of 145 million Euro in 2004.

The notes to the consolidated financial statements (p. 49 to p. 104 of this registration document) 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.

To the Shareholders of Agfa-Gevaert NV

We have audited the accompanying consolidated balance sheets of Agfa-Gevaert NV and its subsidiaries (“the Group”) as of December 31, 2005 and December 31, 2004, and the related consolidated income statements, statements of changes in equity and cash flows statements for the years then ended, with a balance sheet total of 3,982 million Euro (2004: 3,356 million Euro) and a loss for the year of 19 million Euro (2004: loss of 145 million Euro). These consolidated financial statements are the responsibility of the Company’s Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Unqualified audit opinion on the consolidated financial statements

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, based on our audits, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2005 and December 31, 2004, and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Additional information

The following additional information is provided in order to complete the audit report but does not alter our audit opinion on the consolidated financial statements:

- As statutory auditor we are also responsible for examining the consolidated Board of Directors’ report in accordance with auditing standards generally accepted in Belgium. The Board of Directors is responsible for the preparation and assessment of the information to be included in the consolidated Board of Directors’ report. The consolidated Board of Directors’ report contains the information required by law and is in accordance with the consolidated financial statements. We are, however, unable to express an opinion on the description of the principal risks and uncertainties which the Group is facing, on its state of affairs, 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 contradictions with the information of which we became aware during our audit.

BCV Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren – Réviseurs d’Entreprises
Statutory Auditor

Represented by

T. Erauw E. Helsen

Mortsel, March 24, 2006

Million Euro	Note	2005	2004(*)
Net sales	4	3,308	3,762
Cost of goods sold		(2,096)	(2,265)
Gross profit		1,212	1,497
Selling expenses		(583)	(701)
Research and development expenses		(191)	(191)
General administration expenses		(228)	(269)
Other operating income	6	326	540
Other operating expenses	7	(404)	(1,005)
Operating result		132	(129)
Interest income / (expense) – net	8	(18)	(19)
Other non-operating income / (expense) – net	9	(7)	(37)
Non-operating result		(25)	(56)
Income before income taxes		107	(185)
Income taxes	10	(125)	39
Net income of consolidated companies		(18)	(146)
of which attributable to minority interest		1	(1)
of which attributable to Agfa-Gevaert NV stockholders (net result)		(19)	(145)
of which discontinued operations	*15*	*(120)*	*(340)*
Basic earnings per share (Euro)	29	(0.15)	(1.15)
Diluted earnings per share (Euro)	29	(0.15)	(1.15)
Basic earnings per share from continuing operations (Euro)	29	0.80	1.55
Diluted earnings per share from continuing operations (Euro)	29	0.80	1.54

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

Agfa-Gevaert Group Consolidated Balance Sheets

Million Euro	Note	Dec. 31, 2005	Dec. 31, 2004(*)
ASSETS			
Non-current assets		1,561	1,011
Intangible assets	12	924	338
Property, plant and equipment	13	502	519
Investments	14	32	38
Long-term loans receivable	15	102	112
Derivative financial instruments	25	1	4
Non-current assets classified as held for sale	19	5	-
Current assets		2,129	2,035
Inventories	16	586	576
Trade receivables		854	744
Other receivables and other assets	17	498	391
Cash and cash equivalents	18	169	293
Deferred charges		20	18
Derivative financial instruments	25	2	13
Deferred taxes	10	287	310
TOTAL ASSETS		3,982	3,356
EQUITY AND LIABILITIES			
Shareholders' equity	20	1,032	1,082
Capital stock of Agfa-Gevaert NV		140	140
Share premium of Agfa-Gevaert NV		109	107
Retained earnings		1,069	1,284
Reserves		(301)	(262)
Net income		(19)	(145)
Translation differences		31	(44)
Minority interest		3	2
Non-current liabilities		1,394	1,052
Liabilities for post-employment benefits	21	709	727
Liabilities for personnel commitments		29	35
Financial obligations more than one year	22	552	247
Provisions more than one year	24	102	43
Deferred income		2	-
Derivative financial instruments	25	-	-
Current liabilities		1,445	1,185
Financial obligations less than one year	22	296	239
Trade payables		375	369
Miscellaneous liabilities	23	365	211
Liabilities for personnel commitments		77	72
Provisions less than one year	24	301	282
Deferred income		15	5
Derivative financial instruments	25	16	7
Deferred taxes	10	111	37
TOTAL EQUITY AND LIABILITIES		3,982	3,356

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

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, 2004	140	107	1,284	(266)	1	-	1	(143)	(44)	2	1,082
Changes in accounting policies (IFRS 2)	-	-	-	-	-	2	-	(2)	-	-	-
Restated balance per December 31, 2004	140	107	1,284	(266)	1	2	1	(145)	(44)	2	1,082
Change in accounting policy (IFRS 3, negative goodwill)	-	-	6	-	-	-	-	-	-	-	6
Changes in shareholders' equity resulting from capital contributions and dividend payments											
Dividend payments	-	-	(76)	-	-	-	-	-	-	-	(76)
Other changes in shareholders' equity not recognized in income											
Warrants exercised	-	2	-	-	-	-	-	-	-	-	2
Stock options exercised	-	-	-	5	-	-	-	-	-	-	5
Share-based payments	-	-	-	-	-	3	-	-	-	-	3
Revaluation of available-for-sale financial assets	-	-	-	-	(5)	-	-	-	-	-	(5)
Cash flow hedges	-	-	-	-	-	-	(7)	-	-	-	(7)
Treasury shares	-	-	-	(36)	-	-	-	-	-	-	(36)
Translation differences	-	-	-	-	-	-	-	-	75	-	75
Other	-	-	-	1	-	-	-	-	-	1	2
Changes in shareholders' equity recognized in income											
Allocation to retained earnings	-	-	(145)	-	-	-	-	145	-	-	0
Income after taxes for the period January 1 till December 31, 2005	-	-	-	-	-	-	-	(19)	-	-	(19)
December 31, 2005	140	109	1,069	(296)	(4)	5	(6)	(19)	31	3	1,032

Agfa-Gevaert Group Consolidated Statements of Cash Flow

Million Euro	Note	2005	2004(*)
Cash and cash equivalents at beginning of year		290	394
Operating result		132	(129)
Current tax expense	10	(106)	(84)
Depreciation, amortization and impairment losses		161	291
Changes in fair value of derivative financial instruments		7	4
Movement in long-term provisions		(50)	(11)
(Gains) / losses on retirement of non-current assets	6/7	(11)	(17)
Gains on disposals	5	-	(126)
Loss on Consumer Imaging net assets carved-out	5	-	270
Tax expense on disposals	5	-	46
Gross cash provided by operating activities		133	244
of which discontinued operations	*15*	*(55)*	*(138)*
Decrease / (Increase) in inventories		2	81
Decrease / (Increase) in trade accounts receivable		(37)	(58)
Increase / (Decrease) in trade accounts payable		(26)	83
Movement in short-term provisions		23	(34)
Movement in other working capital		(13)	(13)
Net cash provided by operating activities		82	303
of which discontinued operations	*15*	*(27)*	*(117)*
Cash outflows for additions to intangible assets	12	(28)	(12)
Cash outflows for additions to property, plant and equipment	13	(78)	(100)
Cash inflows from disposals of intangible assets	12	-	1
Cash inflows from disposals of property, plant and equipment	13	27	55
Cash inflows from disposals	5	-	129
Cash inflows / (outflows) from equity and debt instruments		12	6
Cash outflows for taxes paid on previous disposals		(42)	-
Cash outflows for acquisitions	5	(361)	(122)
Cash inflows related to purchase price adjustments of previous acquisitions		3	-
Interests and dividends received		21	18
Net cash provided by/(used in) investing activities		(446)	(25)
of which discontinued operations	*15*	*21*	*59*
Dividend payments to stockholders	20	(76)	(95)
Repurchase of own shares		(31)	-
Capital contributions		2	-
Prefinancing by / (of) AgfaPhoto related to previous CI divestiture		27	-
Net issuances of debt		319	(231)
Interest paid		(28)	(39)
Other financial flows		36	(20)
Net cash provided by/(used in) financing activities		249	(385)
of which discontinued operations	*15*	*27*	-
Change in cash and cash equivalents due to business activities		(115)	(107)
Change in cash and cash equivalents due to exchange rate movements		(7)	3
Cash and cash equivalents at end of year	18	168	290

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

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 entities. The consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2006. 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, 2005. The Group did not apply any European carve-outs from IFRS meaning that the consolidated financial statements fully comply with IFRS. The Group has not made any early applications of any new IFRS requirements that are not effective in 2005.

(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 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.

(c) Changes in accounting policies

The accounting policies have been consistently applied by Group companies and, except for the changes in accounting policies as stated below, are consistent with those used in the previous year.

Share-based Payment

In 2004 the IASB issued IFRS 2 *Share-based Payment*. This Standard requires share-based payments made to employees to be recognized in the financial statements based on the fair value of the awards measured at grant date. The Group adopted IFRS 2 on January 1, 2005 and restated the comparative 2004 income statement by recognizing an additional compensation expense of 2 million Euro. As the grants are equity settled the net impact on the January 1, 2005 equity is zero. In accordance with IFRS 2, the Group applied the new share-based payments accounting requirements to all awards granted after November 7, 2002 which had not yet vested at January 1, 2005. The Standard therefore applies to the stock options under the Long Term Incentive Plan tranche no. 5 (2003), tranche no. 6 and no. 6a (2004) and tranche no. 7 (2005). The charge for these equity-settled share-based payment transactions in the 2005 income statement amounts to 3 million Euro. Further information is provided in note 21B.

Goodwill and Intangible Assets

On March 31, 2004 the IASB issued IFRS 3 *Business Combinations*, revised IAS 36 *Impairment of Assets*, and revised IAS 38 *Intangible Assets*. The Group prospectively adopted the standards for goodwill and intangible assets existing at March 31, 2004 on January 1, 2005, whereas goodwill and intangible assets recognized from business combinations entered into after March 31, 2004 were accounted for immediately in accordance with the new requirements. As a result, goodwill was not amortized during 2005 but instead is reviewed at least annually for impairment in accordance with the revised IAS 36 *Impairment of Assets*. During the comparative year 2004, goodwill amortization amounted to 29 million Euro. The carrying amount of negative goodwill as at January 1, 2005 (6 million Euro) has been derecognized with a corresponding adjustment to the opening balance of retained earnings.
The Group has reassessed the useful lives of its intangible assets in accordance with the transitional provisions of IAS 38. No adjustment resulted from this reassessment.

1. Significant accounting policies
continued

Non-current assets held for sale
In 2004 the IASB issued IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. IFRS 5 requires that non-current assets held for sale (and disposal groups) are presented separately from other assets in the balance sheet and measured at the lower of their carrying amount and fair value less costs to sell. Such assets shall be measured in accordance with their applicable accounting policy prior to their classification as held for sale and are no longer depreciated. The transitional provisions require a prospective application of this standard. At December 31, 2005 non-current assets held for sale amounted to 5 million Euro.

Minority interests
The amendment to IAS 1 *Presentation of Financial Statements* requires minority interests to be disclosed within equity. The presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity has been modified accordingly.

(d) 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.

Associates
Associates 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 associates 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 associate, 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 associate.

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 associates are eliminated to the extent of the Group’s interest in the entity. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. 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.

(e) 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 have a functional currency that is the currency of a hyperinflationary economy) that have

1. Significant accounting policies
continued

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 at the date of the balance sheet.

(f) 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 in 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.

1. Significant accounting policies
continued

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.

(g) 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.

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.

(h) Business combinations and related goodwill

Goodwill arising on 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 of associates, the carrying amount of goodwill is included in the carrying amount of the investment of the associate.
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.

(i) 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.

1. Significant accounting policies
continued

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.

(j) 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. 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.

(k) 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 associate 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.

1. Significant accounting policies
continued

(l) 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 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.

(m) 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.

(n) 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.

(o) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

(p) 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.

1. Significant accounting policies continued

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 IFRSs. 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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. Significant accounting policies
continued

(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 vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest.

1. Significant accounting policies
continued

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.

(u) 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.

(v) Trade and other payables

Trade and other payables are stated at their cost.

(w) Revenue

For the sale of goods, revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.
Revenue is recognized when there are no significant uncertainties regarding recovery of the consideration due, the associated costs or the possible return of goods.
Royalties and rentals are included in revenue and recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and can be measured reliably. The income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

(x) Expenses

Interest income / (expense)

Interest income / (expense) comprises interest payable on borrowings and interest receivable on funds invested. Other non-operating income / (expense) comprises 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.

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 were 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 notes 5 and 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, 2005, the net carrying value of the Group's acquired technology amounted to 180 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, 2005, the net carrying value of the Group's acquired contractual customer relationships amounted to 78 million Euro. The Group's acquired contractual customer relationships have an estimated weighted average remaining useful life of approximately 15 years. An increase in customer attrition rates may lead to a reduction in the useful life and an

2. Critical accounting estimates, and judgements in applying accounting policies continued

increase in amortization expense. The useful lives are periodically reviewed and revised if necessary.
Further information is provided in notes 5 and 12.

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

Testing cash-generating units 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.
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.
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. Further information is provided in notes 10 and 15.

(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 46 million Euro and 67 million Euro in inventory write-down charges for the years ended December 31, 2005 and 2004, respectively.

2. Critical accounting estimates, and judgements in applying accounting policies
continued

(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 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. 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, 2005 in certain assumptions for the retirement plans of the Group's material countries (Belgium, Germany, US and UK).

Change in Assumption	*Effect on 2006 pre-tax expected net periodic pension cost (million Euro)*	*Effect on December 31, 2005 Defined benefit obligation (million Euro)*
One percentage point decrease in discount rate	17	284
One percentage point increase in discount rate	(16)	(245)
One percentage point decrease in expected return on assets	10	-
One percentage point increase in expected return on assets	(10)	-

Further information is provided in note 21A.

(e) Long-term loans receivable - Vendor Note for the settlement of the divestiture Consumer Imaging

On November 1, 2004, the Group sold all of its Consumer Imaging's activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. In this respect Agfa-Gevaert AG sold its subsidiary, AgfaPhoto Holding GmbH together with its subsidiaries (the Group's former Consumer Imaging division) to NannO Foto GmbH as agreed in the Share Purchase Agreement dated August 18, 2004 as amended by the Amendment to Share Purchase Agreement and Share Transfer Agreement dated November 2 and 3, 2004. NannO Foto GmbH subsequently merged with AgfaPhoto Holding GmbH and the merged entity was renamed as AgfaPhoto Holding GmbH, Leverkusen.
In conformity with the "Share Purchase Agreement", management has prepared Closing Financials (comprising a "Restructuring Balance Sheet" and a "Closing Balance Sheet") in accordance with "Agfa's Accounting Principles" (based on IAS/IFRS). The Closing Financials have been audited by the Group's statutory auditor KPMG Belgium.
Management has determined the purchase price on the basis of the Closing Financials at 112 million Euro.
Agfa-Gevaert AG and NannO Foto GmbH have agreed to settle the purchase price by means of a "Vendor Note" for the same amount. The "Vendor Note" is repayable by AgfaPhoto Holding GmbH in 12 quarterly instalments on February 1, May 1, August 1 and November 1 of each year, beginning on November 1, 2005.
The "Vendor Note" bears 10% interest annually.

2. Critical accounting estimates, and judgements in applying accounting policies
continued

The "Vendor Note" is fully secured by a lease portfolio of 175 million Euro. The 175 million Euro is the net book value of the lease receivables that were transferred to AgfaPhoto. Therefore, management has assessed the credit risk related to the "Vendor Note" as low.

The Group manages the "Vendor Note Collateral Account" on which the lease payments by AgfaPhoto customers are collected. The instalment of the "Vendor Note" on November 1, 2005, i.e. 10 million Euro as well as the interests accrued up to December 2005 (i.e. 11 million Euro) have been transferred from the "Vendor Note Collateral Account" to an account owned by the Group. Therefore, the balance sheet as of December 31, 2005 shows a receivable of 102 million Euro against AgfaPhoto Holding GmbH resulting from the aforementioned "Share Purchase Agreement".

The buyer has raised objections (by means of a Disagreement Notice) against the closing financials that, if not resolved, could impact the purchase price of 112 million Euro. The Group believes that the claims and objections set forth in the Disagreement Notice (i) reflect bad faith on the part of AgfaPhoto Holding GmbH, (ii) lack clarity, (iii) are not specified and are unsupported, (iv) are inconsistent with IAS/IFRS, (v) are inconsistent with the Group's accounting policies and are arbitrary, and (vi) include other errors.
The objections could not be resolved in subsequent negotiations and the parties have agreed to submit the "Disputed Items" to an accounting firm for review and decision. Although the outcome of such review is uncertain, management is of the opinion that no loss with respect to this purchase price dispute should be recognized.

(f) Provision with respect to the insolvency of AgfaPhoto GmbH – former Consumer Imaging activities

On November 1, 2004, the Group sold all of its Consumer Imaging's activities, including the production, sales and services related to photographic film, finishing products and Lab Equipment to AgfaPhoto Holding GmbH. Since then the Consumer Imaging business has been operated through a group of companies under the name AgfaPhoto. At the end of May 2005, AgfaPhoto GmbH filed for insolvency and in October 2005, its receiver decided to liquidate the company. Although, AgfaPhoto GmbH is a private company operating completely independent from the Group, its insolvency and liquidation 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 is reimbursed by the collection of trade receivables from customers.
To cover probable losses related to the distribution agreement and other claims and costs, such as environmental and clean up costs, the Group recognizes a provision of 55 million Euro.
The Group is also confronted with a number of claims from AgfaPhoto's employees who had transferred to AgfaPhoto. The Group is convinced it has provided all the relevant consultative bodies and all the employees with correct and complete information in due time and that it has acted strictly in accordance with all legal consultation procedures and regulations.
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.
Although it is not possible to predict with certainty the outcome of the matters mentioned above, the Group does not believe that outcomes different from the current assumptions and estimates should result in a material adverse effect on its financial position, results of operations for any future year.
Further information is provided in notes 15 and 27.

2. Critical accounting estimates, and judgements in applying accounting policies
continued

(g) Revenue recognition

Especially through its recent acquisitions Symphonie on Line, GWI and Heartlab, the HealthCare business segment, to a certain extent, has become a global healthcare IT company. Although software revenue transactions are properly accounted for by applying current accounting policies, the Group is considering an adaption of its current software revenue recognition policy taking into account the increasing complexity of its software arrangements.

3. Companies consolidated

The 2005 Consolidated Financial Statements of the Group include the Company and 102 consolidated subsidiaries (2004: 81 consolidated subsidiaries) controlled by the Company. Further information is provided in note 30.

Excluded from the consolidation in 2005 are 10 subsidiaries (2004: 13 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 September 2005, the accounts of Agfa OOO Ltd. (Moscow / Russian Federation) were included for the first time in the consolidation as from January 1, 2005 onwards.

Listed below are the material acquisitions of the Group for 2005.

On January 13, 2005, the Group acquired all of the shares of GWI. GWI, a private German AG founded in 1990, headquartered in Bonn/Germany, develops and markets administrative and clinical IT solutions for hospitals mainly through its fully integrated and scalable IT solution ORBIS®. The purchase price consists of an up-front payment of 256.5 million Euro and an earn-out of up to 95 million Euro, dependent on the achievement of specific commercial milestones.

On June 1, 2005, the Group acquired all of the shares of Heartlab, Inc. for 112 million Euro. Heartlab, Inc. is a designer and supplier of image and information networks for cardiology. The purchase price contains an earn-out of 4 million Euro. The earn-out is contingent upon achievement of contractually agreed milestones.

On June 1, 2005, the Group acquired the remaining shares (70 %) of Med2Rad for 3.4 million Euro. In 2002, the Group acquired 30 % of the shares of Med2Rad. Med2Rad is a developer and supplier of Radiology Information Systems in Italy.

4. Segment Reporting

Segment reporting is based on two segment reporting formats. The primary reporting format represents three businesses: Graphics, HealthCare and Specialty Products. The secondary reporting format represents the Group's four geographical markets.

The business segments comprise the following activities:

Graphics supplies complete prepress 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 centers 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 motion picture film, microfilm and film for non-destructive testing. For reporting purposes, the results, assets and liabilities regarding the service, distribution and supply agreement with AgfaPhoto are presented within Specialty Products, together with liabilities related to the former Consumer Imaging business segment that remain with the Group. Additionally, the costs and provisions regarding the insolvency of AgfaPhoto Group companies are reported in this segment (note 15).

The figures previously reported under 'discontinued operations' in the primary reporting format, are reflected in the business segment 'Specialty Products'.
The figures previously reported under 'discontinued operations' in the secondary reporting format, are reflected in the regions concerned.

Key data for business groups 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.

4. Segment Reporting
continued

Key data by business and region

Million Euro	Graphics 2005	Graphics 2004	HealthCare 2005	HealthCare 2004
Net sales (external)	1,733	1,673	1,405	1,361
Change	3.6%	3.1%	3.2%	(3.3)%
Operating Result	53	169(***)	138	192
Margin on sales	3.1%	10.1%	9.8%	14.1%
Segment result	167	286	238	281
Segment assets	1,246	1,139	1,716	1,027
Segment liabilities	624	667	765	556
Gross cash flow	56	118	134	252
Capital Expenditures	42	51	58	35
Amortization and depreciation	80	70	74	78
Impairment losses recognized	-	1	-	2
Other Non Cash expenses	107	-	187	-
Other Non Cash expenses (Net of reversal of provisions)	-	1	-	13
R&D expenses	73	66	116	85
Number of employees at year end (Full Heads)	7,154	7,165	7,197	6,438

(*) restated in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

(**) restated for the impact of the adoption of IFRS 2 *Share-based Payment*

(***) including gain on Agfa Monotype Corp. divestiture (126 million Euro)

Million Euro	Europe 2005	Europe 2004(*)	NAFTA 2005	NAFTA 2004(*)
Net sales (external) by market	1,733	1,948	815	954
Net sales (external) by point of origin	1,916	2,171	799	934
Change	(11.7)%	(10.6)%	(14.5)%	(13.0)%
Segment assets	2,062	1,461	678	503
Segment liabilities	1,478	1,277	307	285
Operating Result	37	(323)	57	176
Margin on sales	1.9%	(14.9)%	7.1%	18.8%
Capital Expenditures	89	86	7	9
Amortization and depreciation	126	114	18	43
Impairment losses recognized	-	113	-	1
R&D expenses	153	150	36	40
Number of employees at year end (Full Heads)	10,308	9,893	2,586	2,951
Number of employees at year end (Full time equivalents)				

(*) restated in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

(**) restated for the impact of the adoption of IFRS 2 *Share-based Payment*

4. Segment Reporting
continued

Specialty Products		*Agfa-Gevaert Group*	
2005	2004(*)	2005	2004
170	728	3,308	3,762
-	-	(12.1)%	(10.7)%
(59)	(490)	132	(129)**
-	-	4.0%	(3.4)%
(45)	(427)	360	140**
126	110	3,088	2,276
472	397	1,861	1,620
(57)	(126)	133	244**
6	26	106	112
7	27	161	175
-	113	-	116
83	-	377	-
-	58	-	72
2	40	191	191
488	1,116	14,839	14,719

Latin America		*Asia/Africa/ Australia*		*Agfa-Gevaert Group*	
2005	2004(*)	2005	2004(*)	2005	2004
159	164	601	696	3,308	3,762
136	141	457	516	3,308	3,762
(3.5)%	(4.1)%	(11.4)%	(8.8)%	(12.1)%	(10.7)%
97	74	251	238	3,088	2,276
18	10	58	48	1,861	1,620
14	10	24	8	132	(129)**
10.3%	7.1%	5.3%	1.6%	4.0%	(3.4)%
3	4	7	13	106	112
6	7	11	11	161	175
-	-	-	2	-	116
-	-	2	1	191	191
581	591	1,364	1,284	14,839	14,719
				14,442	14,387

4. Segment Reporting
continued

Reconciliation of segment assets and liabilities with balance sheet totals and reconciliation of segment result with total result of the Group.

MILLION EURO	2005	2004(*)
Segment result	360	140
General administration expenses	(228)	(269)
Interest income / (expense) – net	(18)	(19)
Other non-operating income / (expense) - net	(7)	(37)
Income taxes	(125)	39
Minority interest	(1)	1
Net result for the accounting period	(19)	(145)
Segment assets	3,088	2,276
Investments	32	38
Long-term loans receivable	102	112
Receivables under finance leases	272	249
Cash and cash equivalents	169	293
Deferred tax assets	287	310
Derivative financial instruments	3	17
Other unallocated receivables	29	61
Total assets	3,982	3,356
Segment liabilities	1,861	1,620
Financial obligations	848	486
Deferred tax liabilities	111	37
Shareholders' equity	1,032	1,082
Derivative financial instruments	16	7
Other unallocated liabilities	114	124
Total liabilities	3,982	3,356

(*) restated for the impact of the adoption of IFRS 2 *Share-based Payment*

5. Acquisitions and Divestitures

Acquisitions 2005

The acquisitions of GWI, Heartlab and Med2Rad had the following effect on the Group's assets and liabilities:

Million Euro	GWI	Heartlab	Med2Rad	Total
Intangible assets with indefinite useful lives				
Trademarks	17	-	-	17
Intangible assets with finite useful lives				
Technology	147	27	1	175
Trademarks	2	1	-	3
Customer related intangible assets	72	7	2	81
Other	1	-	-	1
Goodwill	206	77	3	286
Property, plant & equipment	4	7	-	11
Investments and other securities	1	-	-	1
Inventories	4	3	-	7
Trade receivables	29	6	1	36
Other receivables	7	1	-	8
Cash and cash equivalents	9	1	1	11
Minority interest	(1)	-	-	(1)
Liabilities for post-employment benefits	(1)	-	-	(1)
Personnel commitments	-	(2)	-	(2)
Financial obligations	(21)	(1)	-	(22)
Trade payables	(16)	(3)	(1)	(20)
Tax liabilities	(5)	-	(1)	(6)
Provisions	(4)	-	-	(4)
Other liabilities	(19)	(6)	-	(25)
Deferred tax liabilities	(82)	(6)	(1)	(89)
Consideration paid (including acquisition costs)	**350**	**112**	**5**	**467**
Consideration already paid in previous periods	-	-	(1)	(1)
Cash acquired	(9)	(1)	(1)	(11)
Earn-out	(90)	(4)	-	(94)
Net cash outflow	**251**	**107**	**3**	**361**

On January 13, 2005, the Group acquired all of the shares of GWI. The purchase price consists of an up-front payment of 256.5 million Euro and an earn-out of up to 95 million Euro, discounted over 3 years (discounted value 89.9 million Euro). This earn-out is dependent on the achievement of specific commercial milestones. In January 2006, part of this earn-out (52.5 million Euro) has been paid upon achievement of particular milestones.

On June 1, 2005, the Group acquired all of the shares of Heartlab Inc., a designer and supplier of image and information networks for cardiology. The purchase price of 112 million Euro contains an earn-out of 4 million Euro. The earn-out is contingent upon achievement of contractually agreed milestones.

Acquired technology, trademarks and customer related intangible assets are amortized over 3 to 20 years.
The goodwill on acquisition mainly relates to operating synergies and the assembled workforce.

5. Acquisitions and Divestitures
continued

Acquisitions 2004

The acquisitions of Lastra, Symphonie On Line, Dotrix and ProImage had the following effect on the Group's assets and liabilities:

Million Euro	*Lastra*	*Symphonie On Line*	*Dotrix*	*ProImage*	*Total*
Intangible assets with finite useful lives					
Technology	10	9	6	1	26
Trade names	1	-	-	1	2
Customer Contracts	-	4	-	2	6
Purchasing Contracts	7	-	-	-	7
Goodwill	9	25	-	5	39
Property, plant & equipment	72	3	-	-	75
Investments and other securities	14	-	-	-	14
Inventories	60	-	2	-	62
Trade receivables	44	15	3	1	63
Other receivables	6	3	2	-	11
Deferred charges	1	-	-	-	1
Deferred tax assets	11	-	-	-	11
Cash and cash equivalents	11	1	-	-	12
Liabilities for post-employment benefits	(6)	(1)	-	-	(7)
Personnel commitments	(1)	(2)	-	-	(3)
Financial obligations	(96)	(6)	-	-	(102)
Trade payables	(31)	(3)	(4)	-	(38)
Tax liabilities	-	(7)	-	-	(7)
Other liabilities	(7)	(1)	(1)	-	(9)
Provisions	(1)	-	(1)	-	(2)
Deferred income	(4)	-	-	-	(4)
Derivative financial instruments	(8)	-	-	-	(8)
Deferred tax liabilities	(13)	-	-	(1)	(14)
Minority interest	(1)	-	-	-	(1)
Consideration paid	78	40	7	9	134
Cash acquired	(11)	(1)	-	-	(12)
Net cash outflow	67	39	7	9	122

Lastra acquisition

During 2005, the purchase price has subsequently been adjusted for 3 million Euro which was refunded by the Sellers. This purchase price adjustment was recorded against goodwill.

Symphonie On Line acquisition

During 2005, the initial net assets acquired, have subsequently been adjusted to recognize a provision for a legal dispute. It has been contractually agreed that the Company will be refunded by the Sellers. Therefore, all indemnification payments to be made by the Sellers have been treated as an adjustment to the purchase price (6 million Euro).

5. Acquisitions and Divestitures
continued

Divestitures 2004

The divestiture of the business segment 'Consumer Imaging' had the following effect on the Group's income statement, assets and liabilities:

Million Euro	2004		
	Income and expenses excluding loss on divestiture	*Loss on divestiture[1]*	*Result of discontinued operations*
Net sales	599		599
Operating expenses	(661)	(430)	(1,091)
Operating result from discontinued operations	(62)	(430)	(492)
Non-operating result	(2)		(2)
Income (loss) before income taxes	(64)	(430)	(494)
Income taxes	15	139	154
Income (loss) net of income taxes	(49)	(291)	(340)

[1] The loss on divestiture consists of the following components:

Purchase price settled by "vendor note" (note 15)	112
Net assets transferred [2]	(382)
Loss on net assets carved-out	(270)
Impairment losses	(113)
Other expenses related to divestiture	(47)
Total loss on divestiture	(430)

The other expenses related to divestiture are mainly SAP migration expenses, fees for legal advice, audit and consultancy.

[2] The net assets transferred comprise the following items:

Intangible assets [3]	0
Property, plant and equipment [3]	0
Investments	3
Inventories	208
Trade receivables	182
Lease receivables	175
Other receivables	16
Deferred charges	1
Deferred tax assets	6
Liabilities for post-employment benefits	(72)
Personnel commitments	(20)
Long term provisions	(11)
Financial obligations	(1)
Trade payables	(49)
Other liabilities	(8)
Short term provisions	(48)
Total net assets transferred	382

[3] The transferred intangible assets and property, plant and equipment were fully impaired as a result of the divestiture (111 million Euro). The remainder 2 million Euro of the impairment loss relates to investments.

5. Acquisitions and Divestitures continued

The divestiture of Agfa Monotype Corporation had the following effect on the Group's assets and liabilities:

Million Euro	
Intangible assets	3
Property, plant and equipment	1
Trade receivables	7
Other receivables	3
Deferred tax assets	1
Trade payables	(1)
Other liabilities	(11)
Gain on disposal	126
Consideration received	129
Cash inflow from disposal	129

The pre-tax gain on disposal amounted to 126 million Euro (after tax 80 million Euro). Costs directly related to the divestiture amounted to 8 million Euro.

6. Other operating income

Million Euro	2005	2004
Exchange gains	183	249
Changes in fair value of financial instruments	37	54
Amendment Post Retirement Medical and Life Plan, Agfa Corp. (US)	25	-
Lease income	21	32
Gains on the retirement of fixed assets	12	26
Reversal of unutilized provisions	6	6
Rental income	3	7
Royalties	1	1
Gain on Agfa Monotype Corp. divestiture (note 5)	-	126
Other income	38	39
TOTAL	326	540

7. Other operating expenses

Million Euro	2005	2004(*)
Exchange losses	183	249
Provision related to insolvency of AgfaPhoto Group companies	55	-
Restructuring expenses	50	105
Changes in fair value of financial instruments	44	58
Write-downs of receivables	13	39
Provisions	2	6
Loss on retirement of fixed assets	1	9
Rent	1	2
Property taxes	1	1
Loss on divestiture Consumer Imaging (note 5)	-	430
Amortization of goodwill	-	29
Expenses related to Agfa Monotype Corp. divestiture	-	8
Other expenses	54	69
TOTAL	404	1,005

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment*

Restructuring charges

In 2005, the Group recorded restructuring charges of 50 million Euro. These charges included employee termination costs of 48 million Euro, inventory write-offs of 1 million Euro and other costs of 1 million Euro.

8. Interest income (expense)

Million Euro	2005	2004
Income from other securities and loans included in investments	1	-
Other interest and similar income	20	17
Interest and similar expenses	(39)	(36)
TOTAL	(18)	(19)

9. Other non-operating income (expense)

Million Euro	2005	2004
Exchange gains (net) related to equity hedge – capital reduction	26	-
Exchange gains (losses)	7	7
Revaluation gains (losses) on financial instruments	(5)	1
Write-downs / impairment losses on other investments	-	(3)
Interest portion of interest-bearing provisions	(34)	(40)
Miscellaneous non-operating income (expenses)	(1)	(2)
TOTAL	(7)	(37)

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	2005	2004
Current tax expense	(106)	(84)
Deferred tax expense/income	(19)	123
Total income tax (expense)/income in income statement	(125)	39

Relationship between tax expense and accounting profit

Summary 2005

Million Euro	*Basis for tax computation*	*Tax expense/ tax income*	*Tax rate*
Accounting profit before tax and before consolidation entries	121	125	103.31%
Consolidation entries (mainly related to intercompany dividends)	(14)		
Accounting profit before tax	107	125	116.82%

10. Income taxes
continued

Reconciliation of effective tax rate

Million Euro	Before consolidation entries	Consolidation entries	After consolidation entries
Accounting profit before tax	121	(14)	107
Theoretical income tax expense	34	0	34
Theoretical tax rate(*)	**28.10%**		**31.78%**
Disallowed items	7		7
Impact of special tax status:			
Belgian co-ordination centre	(20)		(20)
Taxable write-downs on shares	15		15
Unrecognized deferred tax assets on temporary differences	14		14
Tax expense due to tax audits	4		4
Reversal deferred tax assets recorded last year based on a tax plan(**)	54		54
Reversal deferred tax assets recorded previous years: Other	1		1
Tax losses for which no deferred tax asset has been recorded	7		7
Tax losses used for which no deferred tax asset has been recorded	(1)		(1)
Tax income recorded on losses from previous years	(1)		(1)
Deferred tax liability on tax effect on expected dividends in foreseeable future	3		3
Capital gain on sale of building: for tax purposes recognized in 2005; for reporting purposes in 2006	2		2
Tax credits for which no deferred tax assets have been recognized	6		6
Actual income tax expense / (income)	**125**		**125**
Effective tax rate			**116.82%**

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

(**) more information is given under note 15 'Divestiture of Consumer Imaging – discontinued operations'

10. Income taxes
continued

Summary 2004

Million Euro	*Basis for tax computation*	*Tax expense/ tax income*	*Tax rate*
Accounting profit before tax and before consolidation entries	(107)	(39)	36.45%
Consolidation entries (mainly related to intercompany dividends)	(76)		
Accounting profit before tax	(183)	(39)	21.31%

Reconciliation of effective tax rate

Million Euro	*Before consolidation entries*	*Consolidation entries*	*After consolidation entries*
Accounting profit before tax	(107)	(76)	(183)
Theoretical income tax expense	(52)	0	(52)
Theoretical tax rate (*)	48.60%		28.42%
Disallowed items	9		9
Amortization goodwill not deductible for tax purposes	4		4
Impact of special tax status: Belgian co-ordination centre	(22)		(22)
Tax free income related to dividend exemption	(30)		(30)
Taxable write-downs on shares	1		1
Tax credit resulting from investment deduction	(5)		(5)
Tax expense due to tax audits	4		4
Tax losses used for which no deferred tax asset has been recorded	(1)		(1)
Tax losses for which no deferred tax asset has been recorded	8		8
Tax income recorded on losses from previous years	(1)		(1)
Divestiture Consumer Imaging			
Disallowed items resulting from the loss on the sale of shares of CI Hold Co to AgfaPhoto	160		160
Release of deferred tax balances on the carved-out net assets Consumer Imaging	(6)		(6)
Deferred tax assets related to a tax plan: based on an estimated loss on the investment in Agfa-Gevaert AG	(108)		(108)
Actual income tax expense / (income)	(39)		(39)
Effective tax rate			21.31%

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

10. Income taxes
continued

Deferred tax assets and liabilities

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

Million Euro	December 31, 2005			December 31, 2004		
	Assets	*Liabilities*	*Net*	*Assets*	*Liabilities*	*Net*
Intangible assets	61	104	(43)	50	9	41
Property, plant and equipment	11	51	(40)	10	53	(43)
Investments	(3)	-	(3)	(3)	-	(3)
Inventories	30	2	28	34	9	25
Receivables	74	10	64	57	5	52
Provisions and liabilities for post-employment benefits	125	31	94	110	33	77
Other current assets & other liabilities	23	85	(62)	5	70	(65)
Deferred tax assets and liabilities related to temporary differences	321	283	38	263	179	84
Tax loss carry-forwards	112	-	112	165	-	165
Excess tax credits	26	-	26	24	-	24
Deferred tax assets/liabilities	459	283	176	452	179	273
Set off of tax	(172)	(172)	-	(142)	(142)	-
Net tax assets/liabilities	287	111	176	310	37	273

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: 19 million Euro (2004: 19 million Euro);
- Tax credits: 6 million Euro;
- Temporary differences: 14 million Euro.

At the time of the divestiture of 'Consumer Imaging', a deferred tax asset amounting to 108 million Euro was recognized based on the estimated loss on the investment in Agfa-Gevaert AG (tax loss carry-forward based on tax planning). Due to the insolvency of AgfaPhoto GmbH, the estimated loss on the aforementioned investment will be realized later than anticipated and consequently also the use of these planned tax losses. In order to correctly reflect this increased uncertainty in its financial statements, the Group decided to reverse 54 million Euro of deferred tax assets. This entry has largely impacted the effective tax rate of the Group.

10. Income taxes
continued

Movement in temporary differences during 2005

Million Euro	Dec. 31, 2004	Change of perimeter (note 3)	Recognized in income	Translation differences	Dec. 31, 2005
Intangible assets	41	(102)	18	-	(43)
Property, plant and equipment	(43)	(1)	4	-	(40)
Investments	(3)	-	-	-	(3)
Inventories	25	-	1	2	28
Receivables	52	-	12	-	64
Provisions and liabilities for post-employment benefits	77	1	7	9	94
Other current assets & other liabilities	(65)	3	1	(1)	(62)
Deferred tax assets and liabilities related to temporary differences	84	(99)	43	10	38
Tax loss carry-forwards	165	8	(62)	1	112
Excess tax credits	24	2	-	-	26
Deferred tax assets/liabilities	273	(89)	(19)	11	176

11. Personnel expenses

Personnel expenses in 2005 amounted to 1,060 million Euro compared to 1,167 million Euro in 2004.
The breakdown of personnel expenses is as follows:

Million Euro	2005	2004
Wages and Salaries	839	916
Social Expenses	221	251
TOTAL	1,060	1,167

The average number of employees in equivalent heads for 2005 amounted to 14,722 (2004: 16,224). Classified per corporate function, this average can be presented as follows:

	2005	2004
Manufacturing / Engineering	5,003	5,849
R & D	1,516	1,433
Sales & Marketing	5,443	5,758
Administration	2,760	3,184
TOTAL	14,722	16,224

12. Intangible assets

Million Euro	Goodwill	Intangible assets with indefinite useful lives		
		Trademarks	Capitalized development costs	Technology
Gross carrying amount December 31, 2004	399	-	-	-
Exchange differences	42	-	-	2
Change in consolidation scope	286	17	-	176
Capital expenditures	1	-	11	-
Change in accounting principles	6	-	-	-
Goodwill adjustment previous year	(3)	-	-	-
Retirements	-	-	-	-
Transfers	(138)	-	-	24
Gross carrying amount December 31, 2005	593	17	11	202
Accumulated amortization, write-downs and impairment losses December 31, 2004	138	-	-	-
Exchange differences	-	-	-	-
Change in consolidation scope	-	-	-	1
Amortization and write-downs during the year	-	-	1	16
Retirements	-	-	-	-
Transfers	(138)	-	-	5
Accumulated amortization, write-downs and impairment losses December 31, 2005	-	-	1	22
Net carrying amount December 31, 2004	261	-	-	-
Net carrying amount December 31, 2005	593	17	10	180

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

12. Intangible assets
continued

Intangible assets with finite useful lives					*Total*
Contractual customer relationships	*Trade-marks*	*Management information systems*	*Industrial property rights and other licences*	*Advance payments to acquire intangible assets*	
-	-	76	109	1	585
1	-	6	3	-	54
85	3	-	4	-	571
-	-	3	12	1	28
-	-	-	-	-	6
-	-	-	-	-	(3)
-	-	-	(5)	-	(5)
6	2	2	(33)	(1)	(138)
92	5	87	90	1	1,098
-	-	54	55	-	247
-	-	6	3	-	9
4	-	-	3	-	8
9	1	11	15	-	53
-	-	-	(5)	-	(5)
1	-	-	(6)	-	(138)
14	1	71	65	-	174
-	-	22	54	1	338
78	4	16	25	1	924

12. Intangible assets
continued

Impairment tests for goodwill
For the financial statements of the Group, goodwill is tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to its value in use.

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 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 Group calculates the cost of capital according to the WACC-formula. The cost of equity corresponds to the return expected by the stockholders and is computed from capital market information. The cost of debt used in calculating WACC is based on the terms for a ten-year corporate bond issue.
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, 2005, the carrying amount of the CGU 'Graphics' comprises goodwill of 32 million Euro.

For the CGU 'Graphics', the calculated value in use is higher than its carrying amount. The value in use of the CGU 'Graphics' has been determined based on cash flow projections covering the next 15 years. The cash flows for the first 5 years were based upon a business plan formally approved by the Board of Directors; years 5 to 15 were based upon Business Management's best expectations. After 15 years a terminal value is computed using a growth rate of 2 %.

Management has determined the following main assumptions based on past performance and its expectations for the market development:

- Pre-tax discount rate: 9.25 %;
- Terminal growth rate (after 15 years): 2 %;
- Sales: Management assumes normal market growth in the prepress business but strong growth for the Inkjet applications;
- Gross margin: Growth in gross margin is expected from the sales in the inkjet business in general and the sale of ink in particular.

CGU ´HealthCare´
At December 31, 2005, the carrying amount of the CGU 'HealthCare' comprises goodwill of 560 million Euro.

For the CGU 'HealthCare', the calculated value in use is higher than its carrying amount. The value in use of the CGU 'Healthcare' has been determined based on cash flow projections covering the next 5 years. The cash flow projections were based upon a business plan formally approved by the Board of Directors. 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 across the globe.

Management has determined the following main assumptions based on past performance and its expectations for the market development:

- Pre-tax discount rate: 9.75 %;
- Terminal growth rate (after 5 years): 2 %;
- Management assumes strong growth in sales of HealthCare IT.

CGU ´Specialty Products´
At December 31, 2005, 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 5 years. The cash flow projections were based

12. Intangible assets
continued

upon a business plan formally approved by the Board of Directors. The 5-year plan of the business segment 'Specialty Products' foresees a growth in ID&S and Advanced Materials that should largely compensate for the expected decrease in other production lines. 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, 2004	464	1,573	248	37	2,322
Exchange differences	14	38	12	1	65
Change in consolidation scope	3	4	14	-	21
Capital expenditures	4	38	17	19	78
Retirements	(25)	(54)	(23)	(1)	(103)
Transfers	(5)	32	(3)	(36)	(12)
Gross carrying amount December 31, 2005	455	1,631	265	20	2,371
Accumulated depreciation, write-downs and impairment losses December 31, 2004	288	1,312	203	-	1,803
Exchange differences	6	27	9	-	42
Change in consolidation scope	-	2	8	-	10
Depreciation and write-downs during the year	11	73	24	-	108
Retirements	(16)	(52)	(19)	-	(87)
Transfers	(3)	(2)	(2)	-	(7)
Accumulated depreciation, write-downs and impairment losses December 31, 2005	286	1,360	223	-	1,869
Net carrying amount December 31, 2004	176	261	45	37	519
Net carrying amount December 31, 2005	169	271	42	20	502

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

The Group leases buildings, infrastructure and 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, 2005 the net carrying amount of fixed assets held under finance leases amounted to 17 million Euro (2004: 22 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 caption 'Other Equipment'. The depreciation of these assets is consistent with the Group's normal depreciation policy. At the end of December 2005, the assets subject to operating leases have a total net carrying amount of 16 million Euro.
The future minimum lease income under non-cancellable operating leases is presented in note 26.

14. Investments

Million Euro	Investments in subsidiaries	Investments in other affiliated companies: Associated companies	Investments in other affiliated companies: Other companies	Other securities	Other loans	Total
Gross carrying amount						
December 31, 2004	-	33	1	41	4	79
Change in consolidation scope	-	-	-	1	-	1
Exchange differences	-	-	-	1	1	2
Other additions	-	1	-	2	14	17
Retirements	-	-	-	(14)	(9)	(23)
Transfers	-	(32)	(1)	31	-	(2)
Gross carrying amount						
December 31, 2005	-	2	0	62	10	74
Accumulated write-downs and impairment losses						
December 31, 2004	-	32	-	9	-	41
Exchange differences	-	-	-	-	-	-
Write-downs	-	-	-	2	-	2
Impairment losses	-	-	-	-	-	-
Retirements	-	-	-	(1)	-	(1)
Transfers	-	(32)	-	32	-	-
Accumulated write-downs and impairment losses						
December 31, 2005	-	-	-	42	-	42
Net carrying amount						
December 31, 2004	-	1	1	32	4	38
Net carrying amount						
December 31, 2005	-	2	0	20	10	32

15. Divestiture of Consumer Imaging – discontinued operations

Receivables and payables related to discontinued operations

		December 31, 2005
ASSETS		
Long-term loans receivable	A	102
Miscellaneous receivables	B	24
LIABILITIES		
Miscellaneous liabilities	B	44

A. Vendor Note for the settlement of the divestiture Consumer Imaging

On November 1, 2004, the Group sold all of its Consumer Imaging's activities, including the production, sales and services related to photographic film, finishing products and lab equipment to AgfaPhoto Holding GmbH. In this respect Agfa-Gevaert AG sold its subsidiary, AgfaPhoto Holding GmbH together with its subsidiaries (the Group's former Consumer Imaging division) to NannO Foto GmbH as agreed in the Share Purchase Agreement dated August 18, 2004 as amended by the Amendment to Share Purchase Agreement and Share Transfer Agreement dated November 2 and 3, 2004. NannO Foto GmbH subsequently merged with AgfaPhoto Holding GmbH and the merged entity was renamed as AgfaPhoto Holding GmbH, Leverkusen.

15. Divestiture of Consumer Imaging – discontinued operations continued

In conformity with the “Share Purchase Agreement”, management has prepared Closing Financials (comprising a “Restructuring Balance Sheet” and a “Closing Balance Sheet”) in accordance with “Agfa’s Accounting Principles” (based on IAS/IFRS). The Closing Financials have been audited by the Group’s statutory auditor KPMG Belgium. Management has determined the purchase price on the basis of the Closing Financials at 112 million Euro.

Agfa-Gevaert AG and NannO Foto GmbH have agreed to settle the purchase price by means of a “Vendor Note” for the same amount. The “Vendor Note” is repayable by AgfaPhoto Holding GmbH in 12 quarterly instalments on February 1, May 1, August 1 and November 1 of each year, beginning on November 1, 2005.
The “Vendor Note” bears 10% interest annually.

The “Vendor Note” is fully secured by a lease portfolio of 175 million Euro.
The 175 million Euro is the net book value of the lease receivables that were transferred to AgfaPhoto. Therefore, management has assessed the credit risk related to the “Vendor Note” as low.

The Group manages the “Vendor Note Colateral Account” on which the lease payments by AgfaPhoto customers are collected. The instalment of the “Vendor Note” on November 1, 2005, i.e. 10 million Euro as well as the interests accrued up to December 2005 (i.e. 11 million Euro) have been transferred from the “Vendor Note Collateral Account” to an account owned by the Group. Therefore, the balance sheet as of December 31, 2005 shows a receivable of 102 million Euro against AgfaPhoto Holding GmbH resulting from the aforementioned “Share Purchase Agreement”.

The buyer has raised objections (by means of a Disagreement Notice) against the Closing Financials that, if not resolved, could impact the purchase price of 112 million Euro. The Group believes that the claims and objections set forth in the Disagreement Notice (i) reflect bad faith on the part of AgfaPhoto Holding GmbH, (ii) lack clarity, (iii) are not specified and are unsupported, (iv) are inconsistent with IAS/IFRS, (v) are inconsistent with the Group’s accounting policies and are arbitrary, and (vi) include other errors.
The objections could not be resolved in subsequent negotiations and the parties have agreed to submit the “Disputed Items” to an accounting firm for review and decision. Although the outcome of such review is uncertain, management is of the opinion that no loss with respect to this purchase price dispute should be recognized.

B. Miscellaneous receivables and payables against AgfaPhoto

Since November 2004, the Consumer Imaging business has been operated through a group of companies under the name of AgfaPhoto.
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, the Group pre-financed AgfaPhoto’s working capital, for which it is reimbursed by the collection of trade receivables from customers. The miscellaneous receivables and payables stated in the overview above mainly result from the distribution agreement concluded between the Group and AgfaPhoto. The remainder of the balances against AgfaPhoto results from service agreements or supply agreements between the Group and AgfaPhoto.

At the end of May 2005, AgfaPhoto GmbH filed for insolvency and in October 2005, its receiver decided to liquidate the company. To cover probable losses related to the distribution agreement and other claims and costs, such as environmental and clean-up costs, the Group recognized a provision of 55 million Euro. In addition, due to the insolvency of AgfaPhoto GmbH, the tax loss carry forward for which a deferred tax asset amounting to 108 million Euro has been recognized at the time of the divestiture, is assumed to be used later than anticipated. In order to correctly reflect this increased uncertainty in its financial statements, the Group decided to reverse 54 million Euro of deferred tax assets.

15. Divestiture of Consumer Imaging – discontinued operations
continued

Result of discontinued operations

The operating result from discontinued operations for 2005 shown in the table below comprises afore mentioned provision of 55 million Euro.

MILLION EURO	2005 *Results of discontinued operations*	2004 *Results of discontinued operations*
Net sales	-	599
Operating expenses	(72)	(1,091)
Operating result from discontinued operations	(72)	(492)
Non-operating result	-	(2)
Income (loss) before income taxes	(72)	(494)
Deferred tax assets related to a tax plan (partly reversed in 2005)	(54)	108
Other income taxes	6	46
Income (loss) net of income taxes	(120)	(340)

16. Inventories

MILLION EURO	2005	2004
Raw materials and supplies	89	78
Work in process, finished goods and goods purchased for resale	495	497
Advance payments	2	1
TOTAL	586	576

Accumulated write-downs on inventories increased by 5 million Euro during 2005 (2004: decrease 19 million Euro).

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

MILLION EURO	2005	2004
Cost of raw materials, supplies and goods purchased for resale	1,217	1,252
Cost of services purchased	65	69
TOTAL	1,282	1,321

17. Other receivables and other assets

MILLION EURO	2005	2004
Receivables under finance leases	272	249
Claims for tax refunds	131	69
Receivables against AgfaPhoto Group companies (note 15)	24	-
Accrued interest on loans receivable	1	1
Short-term loans receivable	-	1
Other	70	71
TOTAL	498	391

17. Other receivables and other assets
continued

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 279 million Euro as of December 31, 2005 (2004: 257 million Euro) and will bear interest income until their maturity dates of 32 million Euro (2004: 28 million Euro). As of December 31, 2005 the write-downs on the receivables under finance leases amounted to 7 million Euro (2004: 8 million Euro).

The receivables under finance leases are as follows:

Million Euro	2005			2004		
	Total future payments	*Unearned interest income*	*Present value*	*Total future payments*	*Unearned interest income*	*Present value*
Not later than one year	120	17	103	115	15	100
Between one and five years	187	15	172	163	12	151
Later than five years	4	-	4	7	1	6
TOTAL	**311**	**32**	**279**	**285**	**28**	**257**

The Group leases out its commercial equipment under finance leases mainly via Agfa Finance (i.e. Agfa Finance NV and its subsidiaries) and its entities in North America, i.e. Agfa Corporation (USA) and Agfa Inc. (Canada). Also Agfa-Gevaert Ltda. (Chile) and Agfa de Mexico S.A. de C.V. have offered lease contracts to their customers.
At the inception of the lease, the present value of the minimum lease payments generally amounts to at least 95% 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 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, 2005, the present value of the total future lease payments amounted to 170 million Euro (2004: 166 million Euro).

The leases offered by Agfa Corporation have an average lease term between 54 and 60 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, 2005 the present value of the total future lease payments amounted to 97 million Euro (2004: 85 million Euro).

Agfa Inc. primarily offers lease contracts related to equipment for the business segment HealthCare. The average lease term for these contracts is 48 months. At the end of the lease term, there is a purchase option for 1 Canadian Dollar on all the lease contracts.
As of December 31, 2005 the present value of the total future lease payments amounted to 4 million Euro (2004: 5 million Euro).

As of December 31, 2005 the present value of the total future lease payments with regard to contracts offered by Agfa-Gevaert Ltda. and Agfa de Mexico S.A. de C.V. amounted to 8 million Euro (2004: 1 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	2005	2004
Marketable securities and other instruments	3	5
Cash on hand, demand deposits and checks	166	288
Total Cash and cash equivalents as reported in the Balance Sheet	**169**	**293**
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)	(3)	(2)
Revaluation financial assets available-for-sale	2	(2)
Total Cash and cash equivalents as reported in the Cash Flow Statement	**168**	**290**

19. Non-current assets classified as held for sale

MILLION EURO	2005	2004
Property, plant and equipment	5	-
Land, building and infrastructure	4	-
Machinery and technical equipment	1	-

The non-current assets classified as held for sale mainly relate to 2 buildings that will be sold, one in Sweden and one in the United Kingdom.

20. Shareholders´ equity

The various components of Shareholders' Equity and the changes therein from December 31, 2004 to December 31, 2005 are presented in the Consolidated Statements of Shareholders' Equity.

Capital stock and Share premium

The issued capital of the Company as of December 31, 2005 amounts to 140 million Euro, represented by 128,888,282 fully paid ordinary shares without par value. During 2005, 88,282 warrants (Long term Incentive Plan tranche no. 1) were exercised, resulting in an increase of the capital stock by 2 million Euro.

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, 2005 the Group held 4,108,012 (2004: 2,745,320) of the Company's shares. During 2005, the Company repurchased 1,621,500 own shares and 258,808 stock options, covered by own shares, were exercised.

Revaluation reserve

In order to manage the price risk on its Long Term Incentive Plan (tranche no. 2) the Company deposited 10.2 million Euro, pledged in favour of an investment banker. This available-for-sale financial asset was revalued to fair value with cumulative changes taken into the revaluation reserve (December 31, 2005: -2 million Euro).

The revaluation reserve moreover comprises the revaluation of the Group's investment in Medivision Medical Imaging Ltd. (December 31, 2005: -1 million Euro), classified as available-for-sale.

Share-based payment reserve

According to IFRS 2, the calculated fair value of share-based payment transactions, the Long Term Incentive Plan tranche no. 5, tranche no. 6, tranche no. 6a and tranche no. 7, is expensed over the vesting period with a corresponding increase in equity (3 million Euro).

20. Shareholders' equity continued

Hedging reserve

The Group designated forward exchange contracts as 'cash flow hedges' of its foreign currency exposure in US dollar, Hong Kong dollar and Pounds Sterling related to forecasted sales over the following 9 months. 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, 2005: - 6 million Euro).

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign group companies that are not integral to the operations of the Company, as well as from the translation of liabilities and financial instruments that hedge the Company's net investment in a foreign subsidiary.

Dividends

On March 8, 2006 a dividend of 62.4 million Euro (0.5 Euro per ordinary share) has been recommended by the Board of Directors, but has not yet been approved by the General Assembly of Shareholders of Agfa-Gevaert NV and is therefore not provided for.

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, 2005, the Group's total net liability for post-employment and long-term benefit plans amounted to 709 million Euro (727 million Euro at December 31, 2004), comprised as follows:

Million Euro	Dec. 31, 2004	Dec. 31, 2005
Net liability for material countries	526	517
Net liability for termination benefits	158	144
Net liability for non-material countries	43	48
Total net liability	727	709

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.

1. 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 2005, the defined contribution plan expense for the Group's material countries amounted to 9 million Euro (14 million Euro in 2004).

In Germany, employees of Agfa-Gevaert Healthcare GmbH, Agfa-Gevaert Graphics GmbH, and of Agfa Deutschland Vertriebsgesellschaft mbH & 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.

21. Employee benefits
continued

2. Defined Benefit Plans

For the defined benefit plans, the total expense for 2005 for the Group's material countries amounted to 49 million Euro (23 million Euro for 2004):

Million Euro	2004			2005		
	Retirement plans	*Other post-employment and longterm benefit plans*	*Total*	*Retirement plans*	*Other post-employment and longterm benefit plans*	*Total*
Service cost, exclusive of employee contributions	32	4	36	29	3	32
Interest cost	93	6	99	88	6	94
Expected return on assets	(61)	0	(61)	(66)	0	(66)
Recognized past service cost	0	(6)	(6)	0	(29)	(29)
Amortization of unrecognized (gain)/losses	14	(3)	11	17	2	19
(Gain)/losses on settlements or curtailments	(43)	(13)	(56)	(1)	0	(1)
Net periodic pension cost	35	(12)	23	67	(18)	49

The change in net liability recognized during the years 2004 and 2005 is set out in the table below.

Million Euro	2004			2005		
	Retirement plans	*Other post-employment and longterm benefit plans*	*Total*	*Retirement plans*	*Other post-employment and longterm benefit plans*	*Total*
Net liability at January 1	492	92	584	454	72	526
Net periodic pension cost	35	(12)	23	67	(18)	49
Employer contributions	(71)	(4)	(75)	(65)	(4)	(69)
Change in accounting policy	0	0	0	0	0	0
Currency effects: charge or (credit)	(2)	(4)	(6)	3	8	11
Net liability at December 31	454	72	526	459	58	517

The defined benefit obligation, plan assets and funded status for the Group's material countries are shown below.
At December 31, 2005, the total defined benefit obligation for the Group amounted to 2,032 million Euro (1,835 million Euro at December 31, 2004). Of this amount, 1,241 million Euro (1,076 million Euro at December 31, 2004) related to wholly or partly funded plans and 791 million Euro (759 million Euro at December 31, 2004) related to unfunded plans.

For 2004, the settlement or curtailment mainly relates to the divestiture of Consumer Imaging.
During 2005, the Agfa Corporation Post Retirement Medical and Life Plan in the US was changed. Under the new plan, active and retired members are entitled to a fixed 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. This plan change is accounted for as a past service cost under IAS19. Under IAS19, past service cost is recognized on a straight-line basis over the average period until the changes to the benefit plan become vested. To the extent that the changes to the benefit plan are vested immediately, this past service cost is recognized immediately in 2005.

21. Employee benefits
continued

Million Euro	2004			2005		
	Retirement plans	*Other post-employment and longterm benefit plans*	*Total*	*Retirement plans*	*Other post-employment and longterm benefit plans*	*Total*
Change in Defined Benefit Obligation						
Defined benefit obligation at January 1	1,658	99	1,757	1,740	95	1,835
Service cost, exclusive of employee contributions	32	4	36	29	3	32
Employee contributions	5	0	5	1	0	1
Interest cost	93	6	99	88	6	94
Benefit payments	(101)	(4)	(105)	(102)	(4)	(106)
Past service cost	0	0	0	0	(18)	(18)
Settlement or curtailment	(51)	(13)	(64)	(1)	0	(1)
Change in accounting policy	0	0	0	0	0	0
Actuarial (gains)/losses	137	10	147	110	2	112
Currency effects: charge or (credit)	(33)	(7)	(40)	70	13	83
Defined benefit obligation at December 31	**1,740**	**95**	**1,835**	**1,935**	**97**	**2,032**
Change in Plan Assets						
Fair value of assets at January 1	810	0	810	876	0	876
Employer contributions	71	4	75	65	4	69
Employee contributions	5	0	5	1	0	1
Actual return on assets	114	0	114	123	0	123
Benefit payments	(101)	(4)	(105)	(102)	(4)	(106)
Currency effects: (charge) or credit	(23)	0	(23)	50	0	50
Fair value of assets at December 31	**876**	**0**	**876**	**1,013**	**0**	**1,013**
Funded Status at December 31						
Funded status	(864)	(95)	(959)	(922)	(97)	(1,019)
Unrecognized net (gain) or loss	410	33	443	463	38	501
Unrecognized past service cost	0	(10)	(10)	0	1	1
Net (liability) at December 31	**(454)**	**(72)**	**(526)**	**(459)**	**(58)**	**(517)**

Principal actuarial assumptions at balance sheet date (weighted averages)

	Dec. 31, 2004	Dec. 31, 2005
Discount rate	5.0%	4.7%
Expected return on plan assets	7.4%	7.3%
Future salary increases	3.2%	3.3%

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.

21. Employee benefits
continued

B. Equity compensation benefits

1. "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 Committee) 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, 2005:

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 outstanding at December 31, 2005	**74,218**

For warrants exercised during 2005, the weighed average share price at date of exercise was 27.05 Euro.

2. "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 Committee) 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 Committee) 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, 2005:

Options granted	416,950
Options forfeited during 2001	15,000
Options forfeited during 2002	0
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 outstanding at December 31, 2005	**100,572**

For options exercised during 2005, the weighted average share price at date of exercise was 26.32 Euro.

21. Employee benefits
continued

3. "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 Committee) 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, 2005:

Options granted	522,940
Options forfeited during 2001	19,000
Options forfeited during 2002	0
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 outstanding at December 31, 2005	**264,030**

For options exercised during 2005, the weighted average share price at date of exercise was 26.33 Euro.

4. "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 Committee) 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, 2005:

Options granted	600,300
Options forfeited during 2002	6,300
Options forfeited during 2003	31,500
Options forfeited during 2004	-
Options exercised during 2005	7,800
Options outstanding at December 31, 2005	**554,700**

For options exercised during 2005, the weighted average share price at date of exercise was 20.61 Euro.

5. "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 Committee) 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.

21. Employee benefits
continued

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	32.4%
Expected dividends / year	0.6
Risk-free interest rate curve	
3 months - 9 years	2.09%-4.34%

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options vest over 3 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 2005, the expense amounts to 1.5 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2005:

Options granted	567,974
Options forfeited during 2003	0
Options forfeited during 2004	2,800
Options forfeited during 2005	-
Options outstanding at December 31, 2005	**565,174**

6. "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 Committee) 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
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	0.6	0.56
Risk-free interest rate	3.67%	3%

21. Employee benefits
continued

Expected volatility is calculated based on historical volatility of the share price over a 1-year period. The options vest over 3 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 2005, the expense amounts to 1 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2005:

	Tranche no. 6	*Tranche no. 6a*
Options granted	471,380	17,500
Options forfeited during 2005	3,080	-
Options outstanding at December 31, 2005	468,300	17,500

7. "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 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 1-year period. The options vest over 3 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 2005, the expense amounts to 0.5 million Euro.

The following table summarizes information about the stock options outstanding at December 31, 2005:

Options granted	589,650
Options forfeited during 2005	-
Options outstanding at December 31, 2005	589,650

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

22. Financial liabilities

MILLION EURO	2005	2004
Non-current liabilities	**552**	**247**
"Revolving multi-currency credit facility [1]	337	226
Liabilities to Banks [2]	3	6
Debentures [3]	200	-
Liabilities under finance lease agreements [4]	12	15
Current liabilities	**296**	**239**
Commercial paper program	100	-
Revolving multi-currency credit facility [1]	76	-
Liabilities to Banks [2]	116	235
Liabilities under finance lease agreements [4]	4	4

(1) "Revolving multi-currency" committed unsecured credit facilities

The Company negotiated revolving multi-currency committed credit facilities maturing in 2006 and 2008 for a total notional amount of 858 million Euro. In general, drawdowns under these lines are made for periods from 1 month up to 1 year. These loan facilities are unsecured.

The split over the relevant periods is as follows:

MILLION EURO

Maturity date	*Notional amount*		*Outstanding amount*		*Currency*	*Interest rate*	
	2005	2004	2005	2004		2005	2004
2006	128	377	6	7	USD	6.22%	2.53%-3.48%
			40	79	EUR	2.68%	2.31%-2.37%
			-	7	KRW	-	4.50%
			26	-	RMB	4.70 %	-
			3	4	TWD	1.95%	1.51%-1.57%
			1	4	INR	6.95%	6.75%-7.00%
			-	20	GBP	-	5.10%
2008	730	440	103	88	USD	4.61%-4.77%	2.89%
			200	-	EUR	2.68%	
			21	-	GBP	4.89%	
			13	17	AUD	5.91%	5.69%-5.71%
TOTAL	**858**	**817**	**413**	**226**			

(2) Liabilities to banks

Maturities of long-term unsecured facilities were as follows:

MILLION EURO

	2005		2004	
Maturing in	*Outstanding amount*	*Weighted average interest rate*	*Outstanding amount*	*Weighted average interest rate*
2011	1	5.87%		
2008	-	-	6	1.92%-4.11%
2007	2	1.86%		
	3		**6**	

22. Financial liabilities
continued

Short-term facilities
Short-term liabilities to banks are partly secured by a zero-coupon bond (6 million Euro). The weighted average interest rate of these facilities is 3.58 % (2004: 3.13%). The current bank loans are mainly denominated in Euro (95 million Euro).

(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 arrear. 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 16 million Euro as of December 31, 2005 and will bear interest until maturity date of 5 million Euro.

The financial liabilities are payable as follows:

MILLION EURO	2005			2004		
	Total future payments	*Unexpired interest expense*	*Present value*	*Total future payments*	*Unexpired interest expense*	*Present value*
Not later than one year	5	1	4	6	2	4
Between one and five years	12	3	9	16	5	11
Later than five years	4	1	3	7	3	4
TOTAL	21	5	16	29	10	19

23. Miscellaneous liabilities

Miscellaneous liabilities can be presented as follows:

MILLION EURO	2005	2004
Tax liabilities	112	63
Earn-out GWI (note 5)	53	-
Payroll liabilities	49	34
Liabilities against AgfaPhoto Group companies (note 15)	44	-
Liabilities for social expenses	31	28
Accrued interest on liabilities	7	1
Other miscellaneous liabilities	69	85
TOTAL	365	211

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 over at closing 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	Environ-mental	Trade-related	Taxes	Other	Total
Provisions at December 31, 2004	23	71	73	115	282
Change in consolidation scope	-	3	-	1	4
Provisions made during the year	2	45	49	75	171
Provisions used during the year	(1)	(42)	(46)	(66)	(155)
Provisions reversed during the year	-	(1)	(1)	(18)	(20)
Translation differences	2	7	6	4	19
Transfers	-	-	-	-	-
Provisions at December 31, 2005	26	83	81	111	301

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 7). 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 litigations with respect to environmental contamination.

AgfaPhoto insolvency risk
To cover probable losses related to the distribution agreement an other claims and costs, such as environmental and clean-up costs, the Group recognized a provision of 55 million Euro of which 35 million Euro was classified as current (note 15).

B. Non-current

Million Euro	
Provisions at December 31, 2004	43
Provisions made during the year	64
Provisions used during the year	(4)
Provisions reversed during the year	(1)
Translation differences	-
Transfers	-
Provisions at December 31, 2005	102

The non-current provisions increased with 64 million Euro, of which 40 million Euro relates to the GWI earn-out (note 5), and of which 20 million Euro relates to the AgfaPhoto insolvency risk (note 15).

25. Derivative financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

The use of derivative financial instruments is subject to internal controls and uniform guidelines set up by a 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, option contracts and interest rate swaps concluded with banks having an excellent credit rating.

Foreign currency risk

Recognized assets and liabilities

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group incurs foreign currency risk on receivables, payables and borrowings that are denominated in a currency other than the company's functional currency. The currencies giving rise to this risk are primarily US Dollar, Hong Kong Dollar and Pounds Sterling.

Such risks may be naturally covered when a receivable in a given currency is matched by one or more payables having the same amount, and having an equivalent term, in the same currency. They may also be managed by the use of derivative financial instruments. Exposure to currency risk is monitored and managed by our central Treasury department.

The Group uses forward exchange contracts to manage, on a net basis, its foreign currency risk arising from recognized trade receivables, trade payables and borrowings. These forward exchange contracts have maturities of 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.

As of December 31, 2005 the Group was exposed to the following foreign currency risk relating to primary financial instruments forming part of working capital and financial debt:

	December 31, 2005		December 31, 2004	
Million Euro	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Foreign currency risk	513	414	431	558
Natural covered positions	(108)	(108)	(83)	(83)
Outstanding derivative financial instruments	(262)	(213)	(287)	(373)
Net residual foreign currency risk	143	93	61	102

On the assets side the residual exposure relates to Pounds Sterling (22 percent), US Dollar (14 percent) and a number of other currencies outside the dollar and pound zone. On the liabilities side, 55 percent of the foreign currency risk relates to Pounds Sterling and 13 percent relates to US Dollar.

Forecasted transactions

The Group designated forward exchange contracts (notional amount 165 million Euro) as 'cash flow hedges' of its foreign currency exposure in US dollar, Hong Kong dollar and Pounds Sterling related to forecasted sales over the following 9 months. 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, 2005: - 6 million Euro).

25. Derivative financial instruments
continued

Hedge of net investment in foreign subsidiary
The Group utilizes US Dollar denominated bank loans in order to hedge the foreign currency exposure of the Group's net investment in its subsidiary in the United States (Agfa Corporation).

Million Euro	Dec. 31, 2005	Dec. 31, 2004
USD denominated bank loans	119	119
Forward exchange contracts	-	381
TOTAL	119	500

During 2005, a portion of the share capital of Agfa Corporation (400 million Euro) has been repaid to the Company. Consequently, the hedge on the net investment has been partially reduced. Exchange losses realized on this capital reduction amount to 51.8 million Euro. As a result of this partial disposal, the proportionate share of accumulated exchange differences, deferred in the separate component of equity, has been recognized in profit (net of tax gain 55.5 million Euro).

As of December 31, 2005 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 gain on the hedging instruments has been recognized directly in equity (16 million Euro).

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk of the Group as of December 31, 2005 was managed via interest rate swaps that have a total notional amount of 1 million Euro.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not require collateral in respect of financial assets, except for the long-term loans receivable against AgfaPhoto Holding GmbH (note 15). Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are only allowed with counterparties that have high credit ratings.

At balance sheet date there were no significant concentrations of credit risk. The carrying amounts of the financial assets, including derivative financial instruments, in the balance sheet reflect the maximum exposure to credit risk.

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

In 2001, the Company negotiated an Equity Swap transaction in order to partially hedge the potential price exposure relating to the shares subject to its stock option plan (Long Term Incentive Plan tranche no. 3; note 21B). This transaction was designated as a fair value hedge with changes in the fair value of both the hedged item and the hedging instrument recognized in the income statement.

25. Derivative financial instruments
continued

Fair values – Notional amounts

The fair values are the current market values (quoted market prices or calculated based on estimation techniques) of the derivative financial instruments, disregarding any opposite movements in the value of the respective hedged/covered transactions.

The fair value of forward exchange contracts is their quoted market price at 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 notional amounts indicate the volume of outstanding derivatives at the balance sheet date and therefore do not reflect the Group's exposure to risks from such transactions.

The notional or contractual amounts and respective fair values of derivative financial instruments are as follows:

Million Euro	*Notional or contractual amount*		*Fair value*	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Forward exchange contracts	1,250	1,111	(14)	6
Currency options	-	35	-	1
Interest rate instruments	1	175	0	(1)
Other derivative financial instruments	4	7	1	4
TOTAL			**(13)**	**10**

26. 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	2005	2004
Not later than one year	32	26
Between one and five years	50	50
Later than five years	6	5
TOTAL	**88**	**81**

Leases as lessor

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

Million Euro	2005	2004
Not later than one year	23	15
Between one and five years	26	23
Later than five years	9	-
TOTAL	**58**	**38**

27. Commitments and contingencies

Million Euro	2005	2004
Issuance and endorsement of bills	3	5
Guarantees	36	18
Warranties	3	3
Other	3	5
TOTAL	**45**	**31**

Total purchase commitments in connection with major capital expenditure projects for which the respective contracts have already been awarded or orders placed amounted to 4 million Euro as of December 31, 2005 (2004: 5 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, Agfa-Gevaert AG became engaged in an expert arbitrator proceeding in connection with a purchase price dispute against AgfaPhoto Holding GmbH. As of this date, the expert proceedings are in very preliminary stages. The Group will vigorously defend its position in this dispute. It is not possible at this time to estimate the possible impact of this dispute.

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 either threatened with or 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 it will defend 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. As of this date, the arbitration proceedings are in very preliminary stages. The Group believes that it has meritorious defenses with respect to these counterclaims and it will defend itself vigorously.

Patent Disputes: 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 Kodak. In another dispute, Agfa Corporation is defendant in a patent infringement action filed by Compression Labs, Inc. These cases are either in the final stages of discovery or appeal. The Group believes that it has meritorious defenses in all of these lawsuits and it will defend itself vigorously.

28. Related party transactions

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

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

MILLION EURO	2005		2004	
	Directors	*Executive Committee*	*Directors*	*Executive Committee*
Short-term employee benefits	0.8	3.0	0.7	2.7
Post-employment benefits	-	1.2	-	1.1
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	1.4
Share-based Payment	-	0.9	-	0.2
TOTAL	0.8	5.1	0.7	5.4

As of December 31, 2005 there were no loans outstanding to members of the Executive Committee nor to members of the Board of Directors.
Pension provisions for members and retired members of the Executive Committee, amounting to 21 million Euro, are reflected in the balance sheet of the Group at December 31, 2005.

Other related party transactions

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

29. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2005 was based on the net loss attributable to ordinary shareholders of 19 million Euro (2004 restated: net loss of 145 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2005 of 125,603,444 (2004: 126,008,540).

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

Number of ordinary shares at January 1, 2005	126,054,680
Effect of own shares held	(451,236)
Weighted average number of ordinary shares at December 31, 2005	125,603,444

	2005	2004(*)
Basic earnings per share (Euro)	(0.15)	(1.15)

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment*

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at December 31, 2005 was based on the net profit attributable to ordinary shareholders of 101 million Euro (2004: net profit of 195 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2005 of 125,603,444 (2004: 126,008,540).

	2005	2004
Basic earnings per share from continuing operations (Euro)	0.80	1.55

29. Earnings per share
continued

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2005 was based on the net loss attributable to ordinary shareholders of 19 million Euro (2004 restated: net loss of 145 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2005 of 125,902,342 (2004: 126,295,625).

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

Weighted average number of ordinary shares at December 31, 2005	125,603,444
Effect of stock options on issue (note 21)	298,898
Weighted average number of ordinary shares (diluted) at December 31, 2005	125,902,342

The average fair value of one ordinary share during 2005 was 22.46 Euro.

	2005	2004(*)
Diluted earnings per share (Euro)	(0.15)	(1.15)

(*) as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment*

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share from continuing operations at December 31, 2005 was based on the net profit attributable to ordinary shareholders of 101 million Euro (2004: net profit of 195 million Euro) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2005 of 125,902,342 (2004: 126,295,625).

	2005	2004
Diluted earnings per share from continuing operations (Euro)	0.80	1.54

30. Group Companies

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

INVESTMENTS IN SUBSIDIARIES AND OTHER COMPANIES
AGFA - GEVAERT GROUP

Consolidated Companies, December 31, 2005

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 België NV	Mortsel/Belgium	100
Agfa Corporation	Ridgefield Park /United States	100
Agfa de Mexico S.A. de C.V.	Sta. Clara Ecatepec/Mexico	99.80
Agfa Deutschland Vertriebsgesellschaft mbH & Cie	Cologne/Germany	100
Agfa Europe NV	Mortsel/Belgium	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 HealthCare Enterprise Solutions S.A.	Artigues près Bordeaux/France	100
Agfa HealthCare Germany GmbH	Munich/Germany	100
Agfa Hong Kong Ltd.	Hong Kong/PR China	100
Agfa Hungaria Kft.	Budapest/Hungaria	100
Agfa Inc.	Toronto/Canada	100
Agfa India private Ltd.	Bombay/India	100
Agfa Industries Korea Ltd.	Kyunggi-do/South Korea	100
Agfa Korea Ltd.	Seoul/South Korea	100
Agfa Limited	Dublin/Ireland	100
Agfa NDT Ltd.	Coventry/United Kingdom	100
Agfa NDT S.A.	Limonest/France	100
Agfa OOO Ltd.	Moscow/Russian federation	100
Agfa s.r.o. (Czechia)	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 (Denmark)	Glostrup/Denmark	100
Agfa-Gevaert AB (Sweden)	Kista/Sweden	100
Agfa-Gevaert AG	Leverkusen/Germany	100
Agfa-Gevaert AG/SA	Dübendorf/Switzerland	99.12
Agfa-Gevaert Aktiensgesellschaft für Altersversorgung	Munich/Germany	100
Agfa-Gevaert Argentina S.A.	Buenos Aires/Argentina	100
Agfa-Gevaert B.V.	Rijswijk/Netherlands	99.99
Agfa-Gevaert Colombia Ltda.	Bogota/Colombia	99.99
Agfa-Gevaert de Venezuela S.A.	Caracas/Venezuela	100
Agfa-Gevaert do Brasil Ltda.	Sao Paulo/Brazil	100
Agfa-Gevaert GmbH	Vienna/Austria	100
Agfa-Gevaert Graphic Systems GmbH	Wiesbaden/Germany	100
Agfa-Gevaert HealthCare GmbH	Munich/Germany	100
Agfa-Gevaert International Holding S.à r.l.	Luxemburg/Luxemburg	100
Agfa-Gevaert International NV	Mortsel/Belgium	100

30. Group Companies
continued

Name of the company	*Location*	*Effective interest %*
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 (Australia)	Nunawading/Australia	100
Agfa-Gevaert Limited (England)	Brentford/United Kingdom	100
Agfa-Gevaert Ltda. (Chili)	Santiago De Chile/Chile	100
Agfa-Gevaert NZ Ltd.	Glenfield/New Zealand	100
Agfa-Gevaert S.A. (France)	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
Autologic Information International	Ramat-Gan/Israel	100
Autologic Information International Inc.	Thousand Oaks/United Sates	100
Autologic Information International Ltd.	St. Albans/United Kingdom	100
Autologic Information International, Ltd.	Thousand Oaks/United States	100
BOSS AG	Bremen/Germany	100
BOSS VertriebsGmbH	Bremen/Germany	100
Cea AB	Strängnäs/Sweden	100
CEA GmbH	Hamburg/Germany	100
GWI AG	Trier/Germany	100
GWI Medica AG	Steinmaur/Switzerland	100
GWI Medica France S.A.	Lognes/France	100
GWI Medica Ges.mbH	Vienna/Austria	100
GWI Medica GmbH	Bonn/Germany	100
GWI Research Ges.mbH	Vienna/Austria	100
GWI Research GmbH	Trier/Germany	100
Heartlab Holding Co.	Westerly/USA	100
Heartlab Inc.	Westerly/USA	100
Identis S.A.	Croissy Beaubourg/France	100
Lastra America Corporation	Jacksonville/United States	100
Lastra Attrezzature S.r.l.	Manerbio/Italy	60
Lastra Deutschland GmbH	Hainburg/Germany	100
Lastra Northern Europe B.V.	Etten-Leur/Netherlands	100
Lastra S.p.A.	Manerbio/Italy	100
Luithagen NV	Mortsel/Belgium	100
Med2Rad S.r.l.	Macerata/Italy	100
Medical partners AG	Bonn/Germany	100
Microgran S.r.l.	Manerbio/Italy	100
Mitra Inc.	Ontario/Canada	100
New ProImage America Inc.	Ridgefield Park/United States	100
New ProImage Ltd.	Or Akiva/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
Printing Techniques, Ltd.	Northampton/United Kingdom	100
Quadrat NV	Mortsel/Belgium	100
Seifert X-Ray Ltd.	Coventry/United Kingdom	100
Setec Santé S.A.	Lognes/France	100
Shanghai Agfa Imaging Products Co., Ltd.	Shanghai/PR China	100
Symphonie On Line S.A.	Artigues près Bordeaux/France	100
Tiani Medgraph GmbH	Bühl/Germany	100
Tiani Nordic ApS	Aalborg/Denmark	100
Western Lithotech Canada Ltd.	Ontario/Canada	100
Xitron Europe Ltd.	Swindon/United Kingdom	100
Xitron, Inc.	Ann Arbor/United States	100

30. Group Companies
continued

Subsidiaries not included in the consolidated financial statements, December 31, 2005

Name of the company	*Location*	*Effective interest %*
Agfa Argentina S.A.C.I.	Buenos Aires/Argentina	100
Agfa Deutschland Vertriebsverwaltungsgesellschaft mbH	Cologne/Germany	100
Agfa Holding Germany GmbH	Cologne/Germany	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	Leverkusen/Germany	100
GST Grafic Service Team GmbH & Co.	Leverkusen/Germany	100
Mortselse Immobiliënvennootschap NV	Mortsel/Belgium	100

Associated Companies, December 31, 2005

Name of the company	*Location*	*Effective interest %*
ADM C.V.B.A.	Antwerp/Belgium	12.50
GWI Klinik Management GmbH	Feldafing/Germany	50
Idoc NV	Brussels/Belgium	33.33
Lastra Imaging UK Ltd.	Hertfordshire/United Kingdom	10
Lastra Niraj Pvt. Ltd.	Bombay/India	39
Medicalis Corp.	Waterloo/Canada	23
Medivision Medical Imaging Ltd.	Yokneam Elit/Israel	19.43
PlanOrg Informatik GmbH	Jena/Germany	25.50
SIEDA GmbH	Kaiserslautern/Germany	25.18
Tecnografica S.r.l.	Brugherio/Italy	10
ZTG	Krefeld/Germany	6

31. Events subsequent to the balance sheet date

In January 2006, the Group announced its plans to sell its logistic operations (Gevaert 8) in Wilrijk, near Antwerp, to the Group H. Essers. These operations relate to the storage and distribution of the Group's film consumables and equipment. On March 1, 2006 related operations and employees have transferred to the Group H. Essers.

The estimated pre-tax result on this transaction amounts to minus 3 million Euro, considering the capital gain on the sale of assets of Gevaert 8, i.e. buildings and infrastructure, and the expenses related to commitments towards personnel and other expenses related to the transaction, such as IT-expenses.

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 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, 2005 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

Million Euro		2005	2004
I.	Operating income		
A.	Turnover	1,821	1,809
B.	Increase (+); decrease (-) in stocks of finished goods, work and contracts in progress	39	(37)
C.	Own construction capitalised	103	88
D.	Other operating income	60	69
Total operating income		2,023	1,929
II.	Operating charges		
A.	Raw materials, consumables and goods for resale		
	1. Purchases	1,211	1,108
	2. Increase (-); decrease (+) in stocks	(3)	3
B.	Services and other goods	300	295
C.	Remuneration, social security costs and pensions	371	386
D.	Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	128	140
E.	Increase (+); Decrease (-) in amounts written off stocks, contracts in progress and trade debtors	1	0
F.	Increase (+); Decrease (-) in provisions for liabilities and charges	(12)	1
G.	Other operating charges	19	11
Total operating charges		2,015	1,944
III.	Operating profit/Loss	8	(15)
IV.	Financial income	100	240
V.	Financial charges	(274)	(217)
VI.	Profit/ Loss on ordinary activities before taxes	(166)	8
VII.	Extraordinary income	276	6
VIII.	Extraordinary charges	(1)	(400)
IX.	Profit/ Loss for the period before taxes	109	(386)
IXbis.	B Transfer to deferred taxation	0	0
X.	Income taxes	(2)	(2)
XI.	Profit/Loss for the period	107	(388)
XII.	Transfer to untaxed reserve	-	-
XIII.	Profit/ Loss for the period available for appropriation	107	(388)

Result Appropriation

		2005	2004
A.	Profit to be appropriated	107	(153)
	1. Profit/Loss for the period available for appropriation	107	(388)
	2. Profit brought forward	0	235
B.	Transfer from capital and reserves	0	229
C.	Transfers to other reserves	0	(1)
D.	1. Profit to be carried forward	(45)	0
F.	Distribution of profit	(62)	(75)

Million Euro		Dec. 31, 2005	Dec. 31, 2004
Assets			
II.	Intangible assets	174	167
III.	Tangible assets	73	76
IV.	Financial assets	3,566	3,417
V.	Receivables over 1 year	8	16
VI.	Stocks and contracts in progress	223	181
VII.	Amounts receivable within one year	291	304
VIII.	Investments	74	62
IX.	Cash at bank and in hand	5	2
X.	Deferred charges and accrued income	10	9
		4,424	4,234
Liabilities			
I.	Capital	140	140
II.	Share premium account	109	107
IV.	Reserves	412	413
V.	Profit carried forward	45	0
VI.	Investment grants	2	0
		708	660
VII.	Provisions and deferred taxation	135	148
VIII.	Amounts payable after more than one year	922	722
IX.	Amounts payable within one year	2,606	2,647
X.	Accrued charges and deferred income	53	57
		4,424	4,234

Mortsel, March 7, 2006

Comments on the annual accounts

The annual accounts, which will be presented to the General Meeting of Shareholders of April 25, 2006 were approved by the Board of Directors.

On the General Meeting, the following topics will be submitted specifically for approval:
The annual accounts will close with a profit to be appropriated for the financial year 2005 of 107,384,417.73 Euro.

Before formulating the proposal for distribution of profit , the Board of Directors records that on December 31, 2005 Agfa-Gevaert NV possessed a total of 4.1 million of its own shares. The shares owned by the company on the dividend payable date do not qualify for collection of the dividend. The proposed dividend takes into account a distribution of dividends to 124,780,270 shares.

It is proposed to distribute this result as follows:

- a dividend of 62,390,135.00 Euro, or 50 Eurocents gross per ordinary share (coupon N° 7). For the Belgian shareholders this equals a net dividend of 37.5 Eurocents per share, after 25% withholding tax payment, payable as of April 26, 2006. For the non-resident shareholders the net dividend can be codetermined by the double tax treaties between Belgium and the different countries. The relevant certificates have to be in our possession not later than May 8, 2006.
- a transfer of 9,595.70 Euro to reserves and 44,984,687.03 Euro to the profit to be carried forward.

On June 22, 2005 the Board of Directors decided to issue a stock option plan for the management, taking into account art. 523 of the Code of Companies. Excerpts from the Minutes of the Board of Directors Meeting: "*The Board unanimously decides, yet with the exception of Mr. Olivié who abstained from the deliberation and vote, to approve the issue of stock options under the stock option plan of the Company in accordance with the terms and conditions as set out at this meeting*."

Klynveld Peat Marwick Goerdeler (KPMG) was paid a fee of 811,191 Euro for their services in audit and tax consultancy in the financial year 2005, in addition to their conventional fee as auditor:

- KPMG Tax advisors (in Belgium and abroad) 288,294 Euro
- KPMG Audit mainly for due diligence related services 522,897 Euro

Important post balance sheet date events and information that might influence the development of the company.
In the first quarter of 2006, Agfa-Gevaert sold its logistic activities to Groep H. Essers. The latter will provide its logistic services to Agfa-Gevaert.

Additional Information

Company information

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

The full and commented financial data and statements as from 2002 are available through the website of the Company, www.agfa.com, or at the Company.

Information with respect to environmental matters that might have an impact on the use of property, plant and equipment can be found in the environmental report of the Company which is published every two years and of which a yearly update is published on the Company's website.

Statements regarding directors [1]

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

- none of the directors has been the subject of any convictions in relation to fraudulent offences for at least the previous five years; any official public incrimination and/or sanctions by statutory or regulatory authorities; and in their capacity of director, have been involved in any bankruptcy, with the exception of Mr. Chaffart, who was a director of Sabena NV and Xeikon NV at the time of bankruptcy, and Mr. Cornu who was a director of Xeikon NV at the time of bankruptcy;

- at present no employment agreements have been entered into with the directors which provide for compensations upon termination of their employment, save as disclosed here above with respect to Mr. Olivié (permanent representative of MRO Management BVBA) under "Most important recruitment and termination conditions pertaining to directors and members of the Executive Committee";

- none of Messrs. Leysen, Oosterlinck and Van Miert own any shares in Agfa-Gevaert NV and the following directors own shares in Agfa-Gevaert NV: Mr. Buttrick: 2,500 shares; Mr. Chaffart: 19,100 shares; Mr. Cornu: 2,000 shares; Mr. Olivié (permanent representative of MRO Management BVBA): 3,000 shares; Mr. Verhoeven: 7,500 shares;

- at present no Agfa-Gevaert NV stock options have been granted to non-executive directors, except for the 161,000 options granted in the past to Mr. Verhoeven as former CEO of the Company.

[1] The addresses of the directors can be obtained upon request at the registered office of the Company.

Other mandates as a director at present and during the previous five years

Mr. Ludo Verhoeven

Current mandates
Director UITGEVERSBEDRIJF TIJD NV
Director VOKA VLAAMS ECONOMISCH VERBOND VZW
Director UZ LEUVEN
Executive Committee VBO

Former mandates
President VOKA VLAAMS ECONOMISCH VERBOND VZW
Director INDAVER NV
Director AGIF NV
President ADM CVBA

Mr. John Buttrick

Current mandates
Managing Director PLASTIC ENERGY AMERICAS LLC
Managing Director PLASTIC ENERGY CALIFORNIA LLC
Managing Director PLASTIC ENERGY HANFORD LLC

Shareholder ENCODA SYSTEMS - HO SYSTEMS - PLASTIC ENERGY AMERICAS LLC - PLASTIC ENERGY CALIFORNIA LLC - PLASTIC ENERGY HANFORD LLC

Former mandates
Director ENCODA SYSTEMS
Director HO SYSTEMS

Mr. Ferdinand Chaffart

Current mandates
Vice President VLAAMSE UITGEVERSMAATSCHAPPIJ NV
Director CHAFFART NV
Director VUM MEDIA NV
President FINANCES ET INDUSTRIES NV
Director ICOS VISION SYSTEMS NV
Director ICOS VISION SYSTEMS CORPORATION NV
Director GEBEMA NV
Director GEVAERT NV

Former mandates
President COMPAGNIE D'ENTREPRISES CFE NV
Director HOTTLET SUGAR TRADING NV
Director TIENSE SUIKERRAFFINADERIJ NV
Director ANTWERPS INNOVATIE CENTRUM NV
Director FINSPA NV
Director SABENA NV
Director XEIKON NV

Mr. Jo Cornu

Current mandates

Director KBC GROEP NV
President ALCATEL BELL NV
Director ALCATEL S.A.(France)
Director ALCATEL CIT(France)
Member Supervisory Board ALCATEL SEL en ALCATEL DEUTSCHLAND
Director BARCO NV
Director ARINSO INTERNATIONAL NV
Managing Director MERTENS KANTOOR & KADO BVBA

Former mandates

President FEITEN & MUZIEK NV
President UITGEVERSBEDRIJF DE TIJD NV
Director DE BELEGGER NV
Director TIJDBEURSMEDIA NV
Director TIJDACADEMIE NV
Director TRUSTMEDIA NV
Managing Director TRUSTMEDIA BVBA
Director KEYWARE TECHNOLOGIES NV
Director SERCOVAL NV
Director ALCATEL FINCO NV
Director TRUSTMEDIA BELGIE NV
Director FINANCIEEL MANAGEMENT NV
Director XEIKON NV

Mr. Monte Haymon

Current mandate

Director SAPPI FINE PAPER, NORTH AMERICA

Mr. Christian Leysen

Current mandates
President AXE GROUP
President AHLERS BRIDGE NV
President XYLOS NV
President ECOLAS NV
President AXE INVESTMENTS NV
Managing Director ANACOM BVBA
Director KBC GROEP NV
Director GEVAERT NV
Director DE POST NV
Director TRADICOR NV
Director SYNVEST NV
Director ADM CVBA
Director DESIGNCENTER DE WINKELHAAK NV
President UNIVERSITY OF ANTWERP MANAGEMENT SCHOOL
Shareholder ANACOM BVBA - AHLERS BRIDGE NV - XYLOS NV - ECOLAS NV
Shareholder COMMONSENSE NV
Shareholder KBC GROEP NV
Shareholder BESALEC NV
Shareholder NAVICOM NV

Former mandates
Director GEBEMA NV
President ANTWERPSE WATERWERKEN
Director TELINDUS GROUP NV
Director MABECO NV
Director BESALEC NV
Director GEBEBMA NV
Director VENTUREBAY NV
Director UNITED BROADCAST FACILITIES NV
Director ALGEMENE MAATSCHAPPIJ VOOR NIJVERHEIDSKREDIET NV
Director ORTELIUS NV
Director ANBEMA NV
President BUSINESS FACULTY NV
Director LIGEVA NV

Mr. André Oosterlinck

Current mandates
Director UGINE & ALZ BELGIUM NV
Director ICOS VISION SYSTEMS NV
Director ICOS VISION SYSTEMS CORPORATION NV
Director EASICS NV
Director METRIS INTERNATIONAL HOLDING NV
Director FIDIMEC NV
Director HYPERTRUST NV
Director BUSINESS INTEGRATION COMPANY NV
Director MEDICIM NV
President SENSIUM NV

Former mandates
President INTELLIGENT SYSTEM MODELING AND CONTROL NV
President EYETRONICS NV

Mr. Karel Van Miert

Current mandates
Director SOLVAY NV
Director DE PERSGROEP NV
Director CARREFOUR BELGIUM NV
Director SIBELCO NV
Director ANGLO-AMERICAN
Member Supervisory Board FRAPORT AG
Member Supervisory Board WOLTERS KLUWER
Member Supervisory Board DHV AMERSFOORT
Member Supervisory Board ROYAL PHILIPS N.V.
Member Supervisory Board RWE AG
Member Supervisory Board MÜNCHENER RÜCKVERS. GES. AG

Former mandate
President NIJENRODE UNIVERSITY

Mr. Marc Olivié

Current mandates
Director/Managing Director MRO CONSULTING, LLC - MRO MANAGEMENT BVBA - MRO I, Inc - MRO II, Inc

Shareholder MRO CONSULTING, LLC - MRO I, Inc - MRO II, Inc

Former mandates
President GLOBAL BATH AND KITCHEN, AMERICAN STANDARD COMPANIES, Inc

Availability of information

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

The **Code of Conduct** and **Corporate Governance Charter** of the company are available on the website of the company, 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 every interested party.

The **annual reports**, containing the individual and consolidated annual accounts, the annual report and the report of the statutory auditor with respect to the financial years 2002, 2003, 2004 and 2005, can be consulted at the website of Agfa-Gevaert NV (www.agfa.com) and can be found at the registered office of the Company.

The convocation of the shareholders to the general shareholders' meetings is published in the financial press. As regards **financial information** only semi-annual results and the other compulsory matters are published. All other information is only available at the website of Agfa-Gevaert NV. Agfa-Gevaert NV complies with the guidelines of the Banking Finance and Insurance Commission in this respect.

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.

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

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

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

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 reusable image plates, instead of single-use X-ray film. The information on the plates is read by a digitizer and provides a digital image. Dedicated 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, …) 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 contain CT scanners, but its hardcopy printers can be connected to them to have high quality prints and its PACS systems are used for the management and the (3D) visualization of the digital images.

Computer Assisted Reading (CAR)

Software that assists radiologists in detecting and accurately measuring abnormalities on digital medical images (e.g. colon polyps, lung lesions and coronary artery calcifications).

computer-to-film

A process whereby final pages of e.g. 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.

computer-to-plate

A process whereby imposed pages of e.g. newspapers or magazines are digitally imaged onto printing plates directly from computer files without the intermediate step of film.

digitizer

see Computed Radiography

Direct Radiography (DR)

The radiographic technology that converts X-ray energy into digital data without the use of intermediate image capturing plates. These digital data generate a diagnostic image on a PC. As the data are digital, a wide range of possibilities exists for image optimization or completion as well as for archiving the images on PACS systems.
see also Computed Radiography

EBIT

Earnings before Interest and Tax.

EBITDA

Earnings before Interest and Tax, Depreciation and Amortization.

electroluminescence

The phenomenon whereby material emits light in response to a strong electric field. This is distinct to light emission resulting from heat or from the action of chemicals.

Electronic Patient Record (EPR) / Electronic Medical Record (EMR)

An Electronic Patient Record or Electronic Medical Record represents the electronic alternative to a patient's paper file. The EPR/EMR 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 beyond.

flexo printing

A printing process in which flexible printing plates made of rubber or a photopolymer are used to transfer ink directly to paper or another substrate. It is used a lot in the packaging industry to print on flexible materials such as poly bags, tissue or plastic.

GWI

Gesellschaft für Wirtschaftliche Informatik, founded in 1990 and headquartered in Bonn, Germany. Provider of hospital information systems. Installed base of over 3,200 medical sites in Germany, Austria, Switzerland and France.

hardcopy printer

Device used for printing medical images from various sources: X-rays, Computed Tomography (CT) scans, Magnetic Resonance Imaging (MRI) scans, Computed 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.

Heartlab

Leading designer and supplier of digital image and information networks for cardiology. Founded in 1994 and headquartered in Westerly, Rhode Island (USA).

IMPAX

see Picture Archiving and Communication System

inkjet printer

Any printer that places extremely small droplets of ink onto paper to create an image, from small ones for office uses over medium ones e.g. for poster printing to large ones for industrial applications.

inkjet print head

The core of an inkjet printer, containing a series of nozzles that are used to spray drops of ink.

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 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.

Lastra

Italian manufacturer of printing plates, chemicals and processing equipment headquartered in Manerbio, Italy.

Magnetic Resonance Imaging (MRI)

A medical imager uses very strong magnetic fields and creates images by pulsing radio waves that are directed at the parts of the body that need to be examined. Agfa's product portfolio does not contain MRI scanners, but its hardcopy printers can be connected to them to have high quality prints and its Picture Archiving and Communication Systems are used to manage and to visualize the digital images.

Med2Rad

Leading developer and supplier of Radiology Information Systems in Italy. Founded in 2000 and headquartered in Macerata, Marche, Italy.

non-destructive testing

To check the structure and tolerance of materials without damaging or deforming them.

PET

PET is an abbreviation for polyethylene terephthalate or polyester. The chemical is 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, as e.g. for medical and graphic purposes.

phototooling film

A film offering the extreme line sharpness required for miniaturization in printed circuit board manufacturing.

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 the diagnostic images of a radiology department. Technological evolutions and specific software developments have rapidly allowed Agfa's PACS systems to be used by other departments in the hospital.

platesetter

A platesetter digitally images pages or artwork of printed matter from the computer onto printing plates, which are then processed and mounted on 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.

prepress

The preparation and processing of content and document files for final output to either analog or digital 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 of one or more boards.

printing plate

- *analog*
  Printing plate consisting of a high-quality aluminum substrate, and 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 on the printing press.
- *digital*
  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 analogue plates. The lasers used to expose these plates typically operate on thermal energy or visible light. The coatings respond to the laser energy creating chemical/physical changes to the plate surface. Just as analog plates, the digital plates are then chemically processed to create a press-ready plate, though some digital plate technologies are effectively process-free.

production management system

System based on software that allows users to track the progress and manage the flow and delivery of various projects and to collaborate online with clients and partners.

ProImage

Developer of browser-based digital workflow solutions for the newspaper and printing industries. Founded in 1995 and headquartered in Or Akiva, Israel.

proofing

- *contract proof*
  A contract proof is the proof approved by the client (print buyer) with the understanding that it represents the way the colors will be reproduced on press. Thus, the printer enters into a color ‘contract’ with the client. This ‘representation’ of the final result is made possible by Agfa’s high-tech color management software systems.
- *imposition proof*
  Allows the printer to determine if the page position (imposition) on the plate is correct; this is a crucial check before printing because without proper imposition the pages will not print in the proper sequence for the finishing process – folding, binding and trimming.

Radiology Information System (RIS)

A computer-based solution for the planning, follow-up and communication of all the 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 the Picture Archiving and Communication System (for the images contained in the examinations).

radiotherapy

Method of treatment that uses radiation energy, e.g. to attack cancer cells and shrink tumors.

screening

The creation of a pattern of dots of different size used to reproduce color or greyscale continuous-tone images. There are different types of screening:

- *Amplitude-modulated screening* (AM) places a fixed number of dots on an orthogonal grid. The grid is measured in lines per inch (lpi). The size or amplitude of the dot modulates according to the tonal values of the image. Darker tones generate large dots and brighter highlight areas have smaller dots.
- *Frequency Modulated* (FM) screening, also known as stochastic screening, modulates the number or frequency of dots rather than the size. The dots are not placed in a fixed pattern but spaced according to the density of the subject matter.
- *XM or cross-modulated screening* uses FM screens in the highlight and shadow areas and AM in the midtones. But it uses a patented technology to smoothly transition from one screen to the other and to calculate the smallest dot a specific press can hold. As a result it provides all the benefits of the combined screening methods without the drawbacks. :Sublima is the first implementation of XM technology, which is patented by Agfa.

screen printing

The printing procedure, during which a metal or nylon gauze puts the ink on the paper, which is made impermeable -by use of stencils- in the non-printing parts.

soft-proofing

Proofing on a monitor instead of on printouts. Soft proofing can be remote, since the files can be sent to another site and viewed on a monitor there.
see also proofing

sound recording film

This type of polyester based film is especially designed for recording and printing all current types of sound-tracks, such as analog, Dolby, Digital, DTS (Digital Theater Systems) and SDDS (Sony Dynamic Digital Sound).

Symphonie On Line

Leader of hospital IT solutions in France founded in 1984 and headquartered in Bordeaux, France.
Installed base of over 1,200 hospitals in France.

thermal (platesetter)

Platesetter using thermal energy to expose the printing plates.
see also laser

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. 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. It does not contain hazardous components like Volatile Organic Compounds (VOC) or solvents and does not evaporate.

violet (laser) technology

Violet (laser) technologies expose or image plates using the violet band of the visible-light spectrum, allowing fast output, convenient plate handling and high reliability.
see also laser

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.

Consolidated Statements of Income 2001-2005

Million Euro	2005	2004[1]	2003	2002	2001
Net sales	3,308	3,762	4,215	4,683	4,911
Cost of goods sold	(2,096)	(2,265)	(2,449)	(2,705)	(3,119)
Gross profit	1,212	1,497	1,766	1,978	1,792
Selling expenses	(583)	(701)	(790)	(902)	(970)
Research and development expenses	(191)	(191)	(233)	(248)	(231)
General administration expenses	(228)	(269)	(297)	(277)	(310)
Other operating income	326	540	661	318	294
Other operating expenses	(404)	(1,005)	(579)	(476)	(839)
Operating result	132	(129)	528	393	(264)
Interest income (expense) – net	(18)	(19)	(28)	(40)	(63)
Other non-operating income (expense) – net	(7)	(37)	(43)	(57)	(57)
Non-operating result	(25)	(56)	(71)	(97)	(120)
Income before income taxes	107	(185)	457	296	(384)
Income taxes	(125)	39	(135)	(99)	133
Net income of consolidated companies (before share of results of associated companies)	(18)	(146)	322	197	(251)
Share of results of associated companies	-	-	-	(3)	(38)
Net income of consolidated companies	(18)	(146)	322	194	(289)
of which attributable to minority interest	1	(1)	(1)	-	(1)
of which attributable to Agfa-Gevaert NV stockholders (net result)	(19)	(145)	323	194	(288)
Basic Earnings per share (Euro)	(0.15)	(1.15)	2.44	1.39	(2.06)
Diluted Earnings per share (Euro)	(0.15)	(1.15)	2.44	1.39	(2.06)

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

Agfa-Gevaert Group
Consolidated balance sheets 2001-2005

Million Euro	Dec. 31 2005	Dec. 31 2004[1]	Dec. 31 2003	Dec. 31 2002	Dec. 31 2001
Assets					
Non-current assets	1,561	1,011	976	1,174	1,233
Intangible assets	924	338	325	456	403
Property, plant and equipment	502	519	616	672	780
Investments	32	38	32	40	49
Long-term loans receivable	102	112	-	-	-
Derivative financial instruments	1	4	3	6	1
Non-current assets classified as held for sale	5	-	-	-	-
Current assets	2,129	2,035	2,652	2,717	3,006
Inventories	586	576	813	948	1,055
Trade receivables	854	744	826	959	1,125
Other receivables and other assets	498	391	569	630	580
Cash and cash equivalents	169	293	397	145	224
Deferred charges	20	18	18	30	21
Derivative financial instruments	2	13	29	5	1
Deferred taxes	287	310	211	268	288
Total assets	**3,982**	**3,356**	**3,839**	**4,159**	**4,527**
Equity and liabilities					
Shareholders' equity	1,032	1,082	1,373	1,386	1,268
Capital stock of Agfa-Gevaert NV	140	140	140	140	140
Share premium of Agfa-Gevaert NV	109	107	107	107	107
Retained earnings	1,069	1,284	1,056	962	1,281
Reserves	(301)	(262)	(260)	(20)	(5)
Net income	(19)	(145)	323	194	(288)
Translation differences	31	(44)	5	-	32
Minority interest	3	2	2	3	1
Non-current liabilities	1,394	1,052	1,424	1,598	1,894
Liabilities for post-employment benefits	709	727	799	843	879
Liabilities for personnel commitments	29	35	36	39	46
Financial obligations more than one year	552	247	558	665	898
Provisions more than one year	102	43	27	37	57
Deferred income	2	-	-	-	-
Derivative financial instruments	-	-	4	14	14
Current liabilities	1,445	1,185	1,010	1,119	1,334
Financial obligations less than one year	296	239	72	53	168
Trade payables	375	369	304	322	352
Miscellaneous liabilities	365	211	205	249	290
Liabilities for personnel commitments	77	72	85	105	103
Provisions less than one year	301	282	327	380	380
Deferred income	15	5	7	9	31
Derivative financial instruments	16	7	10	1	10
Deferred taxes	111	37	32	56	31
Total equity and liabilities	**3,982**	**3,356**	**3,839**	**4,159**	**4,527**

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

Million Euro	2005	2004[1]	2003	2002	2001
Cash and cash equivalents at beginning of year	290	394	141	223	220
Operating result	132	(129)	528	393	(264)
Current tax expense	(106)	(84)	(102)	(70)	(17)
Depreciation, amortization and impairment losses	161	291	216	270	434
Changes in fair value of derivative financial instruments	7	4	3	(8)	9
Movement in long-term provisions	(50)	(11)	(86)	(76)	91
(Gains) /losses on retirement of non-current assets	(11)	(17)	2	(27)	(27)
Gains on disposals	-	(126)	(231)	-	-
Loss on Consumer Imaging net assets carved-out	-	270	-	-	-
Tax expense on disposals	-	46	63	-	-
Gross cash provided by operating activities	133	244	393	482	226
of which discontinued operations	*(55)*	*(138)*	*(59)*	-	-
Decrease / (Increase) in inventories	2	81	80	70	282
Decrease / (Increase) in trade accounts receivable	(37)	(58)	62	125	223
Increase / (Decrease) in trade accounts payable	(26)	83	7	(17)	52
Movement in short-term provisions	23	(34)	(9)	14	(61)
Movement in other working capital	(13)	(13)	(11)	(63)	16
Net cash provided by operating activities	82	303	522	611	738
of which discontinued operations	*(27)*	*(117)*	*48*	-	-
Cash outflows for additions to intangible assets	(28)	(12)	(28)	(41)	(26)
Cash outflows for additions to property, plant and equipment	(78)	(100)	(150)	(126)	(160)
Cash inflows from disposals of intangible assets	-	1	-	1	1
Cash inflows from disposals of property, plant and equipment	27	55	8	58	50
Cash inflows from disposals	-	129	241	-	-
Cash inflows (outflows) from equity and debt instruments	12	6	6	(72)	(36)
Cash outflows for taxes paid on previous disposals	(42)	-	-	-	-
Cash outflows for acquisitions	(361)	(122)	-	(178)	(65)
Cash inflows related to purchase price adjustments of previous acquisitions	3	-	-	-	-
Interests and dividends received	21	18	24	48	45
Net cash provided by/(used in) investing activities	(446)	(25)	101	(310)	(191)
of which discontinued operations	*21*	*59*	*51*	-	-
Dividend payments to stockholders	(76)	(95)	(67)	(32)	(63)
Repurchase of own shares	(31)	-	(253)	(12)	-
Capital contributions	2	-	-	-	-
Prefinancing by/ (of) AgfaPhoto related to previous CI divestiture	27	-	-	-	-
Net issuances of debt	319	(231)	19	(261)	(336)
Interest paid	(28)	(39)	(56)	(87)	(106)
Other financial flows	36	(20)	(1)	16	(40)
Net cash provided by/(used in) financing activities	249	(385)	(358)	(376)	(545)
of which discontinued operations	*27*	-	-	-	-
Change in cash and cash equivalents due to business activities	(115)	(107)	265	(75)	2
Change in cash and cash equivalents due to change in consolidation scope	-	-	-	1	-
Change in cash and cash equivalents due to exchange rate movements	(7)	3	(12)	(8)	1
Cash and cash equivalents at end of year	168	290	394	141	223

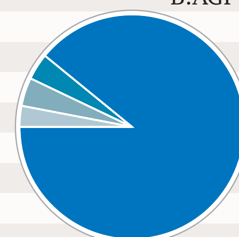
[1] as reported 2004, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (2 million Euro)

Shareholder Information

Listing	Brussels Stock Exchange
Reuters ticker	AGFAt.BR
Bloomberg ticker	AGFB BB/AGE GR
Datastream	B:AGF

Shareholder structure (March 21, 2006)

- 3.15 % Treasury Shares
- 4.08 % Nordea Investment Funds
- 3.81 % Merrill Lynch Investment Managers Group
- 88.96 % Free Float

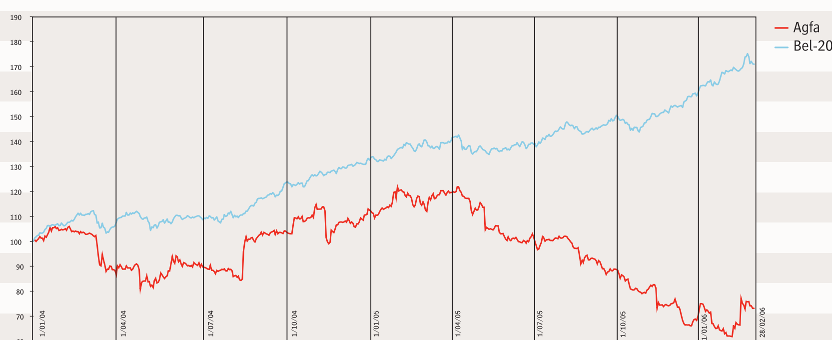


Share information

First day of listing	June 1, 1999
Number of shares outstanding on Dec. 31, 2005	124,780,270
Market capitalisation on Dec. 31, 2005	1,986 million Euro

In Euro	*2005*	*2004*	*2003*	*2002*	*2001*
Earnings per share (net result)	(0.15)	(1.15)	2.44	1.39	(2.06)
Net operating cash flow per share	0.65	2.40	3.95	4.38	5.27
Gross dividend	0.50	0.60	0.75	0.50	0.23
Year end price	15.41	24.96	22.60	21.25	15.19
Year's high	27.50	25.90	22.71	21.41	25.85
Year's low	14.92	18.24	16.35	12.95	10.76
Average volume of shares traded/day	471,175	364,220	207,507	156,681	136,710
Weighted average number of ordinary shares	125,603,444	126,008,540	132,045,438	139,611,425	139,927,261

Agfa share price against BEL-20



Shareholder queries

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Financial calendar 2006-2007

Annual General Meeting	April 25, 2006 at 11.00 AM
Payment of Dividend 2005	April 26, 2006
First quarter 2006 results	May 17, 2006
Half year 2006 results	August 24, 2006
Third quarter 2006 results	November 16, 2006
Full year 2006 results	March, 2007
Annual General Meeting	April 24, 2007