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**BARCO NV**  
**President Kennedypark, 35**  
**B-8500 Kortrijk**  
**RPR Kortrijk – Ondernemingsnummer 0473.191.041**

## SPECIAL REPORT OF THE BOARD OF DIRECTORS

**Prepared in accordance with articles 583, §1, 596 and 598 of the Code on Companies in view of the Extraordinary General meeting of September 21, 2011 and October 21, 2011 (in case at the meeting of September 21, 2011 the quorum required to deliberate and decide validly is not met).**

This report is the special report referred to articles 583, §1, 596 and 598 of the Code on Companies in which the board of directors (the "Board of directors") of Barco NV (the "Company") provides a detailed justification for the contemplated issue of warrants (stock options) and motivates the suppression of the preference right of the current shareholders, holders of bonds and warrants in favor of the persons named in this report.

### **1. Introduction.**

- 1.1 By resolution of August 8, 2011 the board of Directors of the Company has decided to convene a extraordinary general meeting of the Companies' shareholders which shall be held on September 21, 2011 and on October 21, 2011 (in case at the meeting of September 21, 2011 the quorum required to deliberate and decide validly is not met) to decide amongst others:
  - (i) to issue a Stock-option Plan "Options Barco 04 - Personnel Europe 2011" with the suppression of the preference right, the authorization for the implementation thereof and approval according to article 556 of the Code on Companies; and
  - (ii) to issue a Stock-option Plan "Options Barco 04 - Personnel Foreign Countries 2011" with the suppression of the preference right, the authorization for the implementation thereof and approval according to article 556 of the Code on Companies.
- 1.2 The Stock-option Plan "Options Barco 04 - Personnel Europe 2011" is in favor of the employees of the Company and/or the Company's affiliated companies in Belgium, the countries of the European Union, Norway and Switzerland with the creation of forty thousand (40.000) warrants (stock-options) which will be referred to as "Options Barco 04 - Personnel Europe 2011".
- 1.3 The Stock-option Plan "Options Barco 04 - Personnel Foreign Countries 2010" in favor of the [employees of the Company's foreign affiliated companies other than those referred to in 1.2 above with the creation of forty five thousand (45.000) warrants (stock-options) which will be referred to as "Options Barco 04 - Personnel Foreign Countries 2011".
- 1.4 The stock option plans referred to in 1.2 and 1.3 above, are called herein below individually the "Plan" and collectively the "Plans".

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- 1.5 Under the Plans each warrant (stock option) subject to actual exercise thereof entitles to acquire one (1) existing share of the Company. The allocation of the warrants (stock options) must occur in accordance with the provision of the Plans in question.
- 1.6 The Plans set forth the issue and exercise conditions for the warrants (stock options) granted under the said Plans.

## **2. Description of the transaction.**

Since more than 20 years the Company has been granting warrants (stock options) to its staff. The experience of the past years has shown that the granting of warrants (stock options) to the staff and the participation of the staff in the stock of the Company is an important element in staff motivation and commitment to the Company.

The objectives of a warrant plan are indeed to foster the loyalty and the motivation of the staff in the long term in order to safeguard and enhance the success and profitability of the Company. In addition in today's labor market a warrant plan (stock option plan) is a rather important driver for potential personnel in selecting a given enterprise.

It is the goal that the Plans, a copy of which is attached hereto as Exhibit 1 and Exhibit 2 meet the conditions set forth in articles 41 up to and including 47 of the law of March 26, 1999 related to the Belgian 1998 action plan for employment and miscellaneous provisions (hereinafter the "Law of March 26, 1999").

## **3. Highlights of the features of the Plan.**

- 3.1. The approval of the Plans includes the suppression of the preferential right of the existing shareholders and the holders of outstanding warrants (stock options) to the benefit of the staff of the Company and/or of its affiliated companies.
- 3.2. Within the scope of the Plans the Board of Directors of the Company may, with the possibility of delegation to the "Remuneration- and Nomination Committee" (hereinafter the "Committee") offer warrants (stock options) to the beneficiaries. Each one of the beneficiaries shall execute an individual warrant agreement.
- 3.3. The warrants (stock options) granted may as a rule be exercised
- with respect to the Stock-option Plan "Options Barco 04 - Personnel Europe 2011": at the earliest as of January 1 of the fourth calendar year following the year in which the offer was made; and
  - with respect to the Stock-option Plan "Options Barco 04 - Personnel Foreign Countries 2011": at the earliest as of January 1 of the third calendar year following the year in which the offer was made.

The warrants (stock options) may be exercised at least three times a year, i.e. as from May 15 up to and including June 15, as from August 1 up to and including September 15 and as from November 1 up to and including December 15, unless additional exercise periods are provided for by the Committee.

- 3.4. The Committee, or a person or department designated by the Committee, shall inform the beneficiary of the offering of warrants (stock options), and thereupon the latter shall advise the Company by means of an express acceptance through the electronic administrative management

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platform of his/her decision to subscribe specifying the number of warrants (stock options) to which he/she wishes to subscribe and by paying the amount due.

3.5. In particular for the personnel of the Company and the Companies affiliates created in Belgium, the amount of the fiscal advantage of the warrants (stock options) "Options Barco 04 - Personnel Europe 2011" shall be a lump sum amount determined in accordance with the provisions with the Law of March 26, 1999 at the time that the warrants (stock options) are granted. For information purposes only the fiscal treatment is summarized below.

The amount of the fiscal advantage shall be fixed at 15% of the value of the underlying share. For each additional year or part thereof exceeding the period of five (5) years, the said amount is increased with 1%.

The said percentages shall be halved for the staff in the event all of the following conditions are met:

- on the date of the offer of the warrants (stock options) a definitive exercise price is set;
- the warrants (stock options) are exercisable as from the fourth calendar year following the calendar year in which the warrants (stock options) were offered;
- the warrants (stock options) may not be transferred amongst the living;
- the grantor of the warrants (stock options) may not, either directly or indirectly, cover the risk of depreciation of the underlying share;
- the warrants (stock options) relate to the shares of the Company and/or its affiliated companies for whom a professional activity is performed.

The value to be considered is the exercise price and is fixed by the Committee on the date of the offer and is equal to:

- (a) the lower of
  - (i) the average closing price of the share as traded on the Euronext Brussels stock exchange during thirty (30) calendar days preceding the date of the offer of the warrants (stock-options);
  - or
  - (ii) the final closing price of the share as traded on the Euronext Brussels stock exchange on the last trading day preceding the date of the offer of the warrants (stock-options);
- or
- (b) such exercise price as applicable under the applicable legislation for authorized stock-option plans, in the countries where the Plan is implemented, provided, however, that such price shall match as closely as possible the price applicable under the plan in question.

3.6. In particular for the personnel of the Company and the Company's affiliated companies created in Belgium, the fiscal advantage shall be subject to an additional tax assessment according to the provisions of the Law of March 26, 1999 in the event the beneficiaries are unable to provide to the fiscal administration the evidence required to be provided under the Law of March 26, 1999.

3.7. In the event an option-holder dies, all warrants (stock options) acquired by the option-holder, including the exercisable – as well as the non-exercisable ones, will transfer in accordance with the terms of a will subject to the mandatory legal provisions governing wills or, in absence thereof, in accordance with the applicable rules of legal succession and the warrants (stock options) of a same plan may be exercised only once during any option exercise period as defined in the plan.

3.8. The following rules shall apply in the event an employee-holder of warrants (stock options) leaves:

- in case of termination of the employment agreement because of early retirement or bridge pension of the employee-holder of warrants (stock options), the non-exercised warrants (stock

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- options) both the exercisable and non exercisable warrants (stock options) remain exercisable during any subsequent exercise period in accordance with the modalities provided in the Plan en in the warrant agreement of the employee-holder of warrants (stock options).
- in case of termination of the employment agreement at the initiative of a staff member, all warrants (stock options), which are exercisable on the date of termination, may under penalty of lapsing, be exercised one more time in the next exercise period and all warrants (stock options), which are not exercisable on the date of termination, shall lapse, unless otherwise expressly authorized.
  - in case of termination of the employment agreement at the initiative of the Company for reasons other than termination for cause, all exercisable warrants (stock options) and at least 50% of the not yet exercised warrants (stock options), shall remain exercisable in the subsequent exercise periods during the validity period of the warrants (stock options), in accordance with the modalities provided in the Plan en in the warrant agreement of the employee-holder of warrants (stock options).
  - in case of termination of the employment agreement for cause at the initiative of the Company all warrants (stock options), whether exercisable or non-exercisable, shall lapse and shall have no value, unless otherwise expressly authorized.
- 3.9. The following rules shall apply in case of liquidation or reorganization of the Company:
- in case of liquidation of the Company the warrants (stock options) may be exercised according to an accelerated procedure in that respect.
  - in case of merger by acquisition the warrant (stock options) holders of the Company will receive warrants (stock options) of the acquirer in lieu for their warrants (stock options) of the Company on the basis of the agreed upon exchange ratio which applies to the existing shares of the Company.
  - in case of merger by formation of a new company or split-off or other reorganization of the Company or its shares, the rights attached to the warrants (stock options) which have not been exercised on the date of such transaction and the exercise price thereof shall be amended in accordance with the exchange ratio which applies to the existing shares of the Company.
  - in the event of a change in the capital structure of the Company, the Company may, contrary to the provision of article 501 of the Code on Companies, take all decisions which it deems necessary for its capital, articles of incorporation and the management of its affairs.
- 3.10. In the event the shares are no longer listed on the stock exchange the holder of warrants (stock options) may exercise his/her rights in a manner which safeguards his/her subscription rights. The new shares shall be of the same nature and shall have the same rights and enjoy the same benefits as the existing shares. The shares shall be entitled to dividend payments for the current fiscal year.

#### **4. Justification of the transaction.**

The granting of the subscription right to shares of the Company, within the framework of the warrant plan (stock option plan), according to which one (1) option entitles to one (1) share of the Company, is restricted to beneficiaries.

The issue of warrants (stock options) is combined with the suppression of the preferential right of the existing shareholders and the holders of outstanding warrants (stock options) in accordance with article 596 of the Code on Companies.

The suppression of the preferential right is justified because it is the objective to involve persons who exercise a professional activity for the Company and or its affiliated companies, and contribute to the success of the Company as shareholders with the growth and the development of the Company's value

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and to motivate them, as long term shareholders, to contribute to the improvement of the financial results of the Company and to a positive evolution of the share value.

An increase of the share value is indeed of outmost importance in the interest of the existing shareholders.

In the competitive and fast moving international environment in which the Company operates it is also in the interest of the Company to involve the persons, who play an important role in furthering the Company's success, as investors in the Company on an ongoing basis.

One should consider also the favorable treatment of warrants (stock options) either at the moment of exercise or at the moment of the sale thereof.

In the light of the foregoing, it is the Board of Directors' opinion that the suppression of the preference right is justified.

## **5. The conditions of the issue of the warrants.**

The conditions of issue of the warrants are set forth in the Plans.

## **6. The financial impact of the transaction for the shareholders.**

The exercise of the warrants (stock options) offered under the Stock-option Plan "Options Barco 04 - Personnel Europe 2011" and the Stock-option Plan "Options Barco 04 - Personnel Foreign Countries 2010" will have a minimal financial impact for the shareholders since the warrants (stock options) are traded-in for existing shares and not for newly created shares. Therefore the exercise of the warrants (stock options) will result neither in an increase of the share capital of the Company nor in further dilution of the existing shares.

## **7. Proposal for decision by the Extraordinary General Meeting.**

The Board of Directors proposes to the general meeting to decide:

### **1. Decision to issue a Stock-option Plan “Options Barco 04 - Personnel Europe 2011” with the cancellation of the preference right, the authorization for the implementation thereof and approval according to article 556 of the Code on companies.**

#### ***1.1 Proposal of decision:***

Decision to approve a stock-option plan in favor of the employees of the limited liability company “Barco” (the “company”) and of the company's affiliated companies in Belgium, the countries of the European Union, Norway and Switzerland with the creation of forty thousand (40.000) warrants (stock-options) that will be referred to as “Options Barco 04 - Personnel Europe 2011” and each giving right to acquire one (1) existing share of the company, and to establish the terms and conditions in accordance with the draft of the “Stock-option Plan Options Barco 04 – Personnel Europe 2011” that contains the conditions of issue and exercise of the warrants (stock options) and that will be sent free of charge together with the aforementioned reports to those who have complied timely with the formalities required to participate to the meeting and to the nominative shareholders, and posted on the website of the company [www.barco.com](http://www.barco.com).

As provided in the aforementioned “Stock-option Plan Options Barco 04 – Personnel Europe 2011” each warrant (stock-option) may be used to acquire one (1) existing share of the company at a price equal to

(a) the lower of

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(i) the average closing price of the share as traded on the Euronext Brussels stock exchange during thirty (30) calendar days preceding the date of the offer of the warrants (stock-options);

or

(ii) the final closing price of the share as traded on the Euronext Brussels stock exchange on the last trading day preceding the date of the offer of the warrants (stock-options);

or

(b) such exercise price as applicable under the applicable legislation for authorized stock-option plans, in the countries where the Plan is implemented, provided, however, that such price shall match as closely as possible the price applicable under the plan in question.

1.2 *Proposal of decision:*

Decision to cancel the preference right of the existing holders of shares, bonds and of outstanding warrants (stock-options) in favor of the employees of the limited liability company “Barco” (the “company”) and of the company's affiliated companies referred to in 2.1. here above, who will be nominated as a beneficiary under the “Stock-option Plan Options Barco 04 – Personnel Europe 2011” by the company's board of directors or by the remuneration and nomination committee.

Based on the conditions of the “Stock-option Plan Options Barco 04 – Personnel Europe 2011” the company's board of directors or the remuneration and nomination committee will in a private deed determine the exercise price for the warrants (stock-options) “Options Barco 04 – Personnel Europe 2011” that will be issued in the future and will clearly specify the applicable special conditions.

Each semester the shareholders may review at the registered office of the company information on the number of warrants (stock-options) “Options Barco 04 – Personnel Europe 2011” that has been attributed, the average issue price thereof and the special conditions that may be applicable on such issued options (stock options).

1.3 *Proposal of decision:*

Authorization for the board of directors to implement the decisions taken, to determine the terms of implementation and, in general, to do everything that is necessary for the implementation of the “Stock-option Plan Options Barco 04 – Personnel Europe 2011”.

Authorization for each member of the board of directors, acting individually, to ascertain, at the expiration of each period for exercise of the warrants (stock options) the conversion of the relevant warrants into existing shares of the company, to deliver the shares, to receive the amounts due, to grant discharge for such amounts and to record all amounts due in the company's accounts.

1.4 *Proposal of decision:*

Approval, insofar as necessary and applicable, in accordance with article 556 of the Code on companies, of the provisions of the “Stock-option Plan Options Barco 04 – Personnel Europe 2011” that may grant rights that could have an impact on the company's assets or result in a debt or an obligation for the company in case of a change of control over the company.

**2. Decision to issue a Stock-option Plan “Options Barco 04 - Personnel Foreign Countries 2011” with the cancellation of the preference right, the authorization for the implementation thereof and approval according to article 556 of the Code on companies.**

2.1 *Proposal of decision:*

Decision to approve a stock-option plan in favor of the employees of the other foreign affiliated companies of the limited company “Barco (the “company”) than those referred to in

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2.1 here above with the creation of forty five thousand (45.000) warrants (stock-options) that will be referred to as “Options Barco 04 - Personnel Foreign Countries 2011” and each giving right to acquire one (1) existing share of the company, and to establish the terms and conditions in accordance with the draft of the “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011” that contains the conditions of issue and exercise of the warrants (stock options) and that will be sent free of charge together with the aforementioned reports to those who have complied timely with the formalities required to participate to the meeting and to the nominative shareholders, and posted on the website of the company [www.barco.com](http://www.barco.com).

As provided in the aforementioned “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011” each warrant (stock-option) may be used to acquire one (1) existing share of the company at a price equal to

- (a) the lower of
  - (i) the average closing price of the share as traded on the Euronext Brussels stock exchange during thirty (30) calendar days preceding the date of the offer of the warrants (stock-options);
  - or
  - (ii) the final closing price of the share as traded on the Euronext Brussels stock exchange on the last trading day preceding the date of the offer of the warrants (stock-options);
- or
- (b) such exercise price as applicable under the applicable legislation for authorized stock-option plans, in the countries where the Plan is implemented, provided, however, that such price shall match as closely as possible the price applicable under the plan in question.

## 2.2 *Proposal of decision:*

Decision to cancel the preference right of the existing holders of shares, bonds and of outstanding warrants (stock-options) in favor of the employees of other foreign affiliated companies of the limited company “Barco (the “company”) than those referred to in 2.1 here above, who will be nominated as a beneficiary under the “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011” by the company's board of directors or by the remuneration and nomination committee.

Based on the conditions of the “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011” the company's board of directors or the remuneration and nomination committee will in a private deed determine the exercise price for the warrants (stock-options) “Options Barco 04 – Personnel Foreign Countries 2011” that will be issued in the future and will clearly specify the applicable special conditions.

Each semester the shareholders may review at the registered office of the company information on the number of warrants (stock-options) “Options Barco 04 – Personnel Foreign Countries 2011” that has been attributed, the average issue price thereof and the special conditions that may be applicable on such issued options (stock options).

## 2.3 *Proposal of decision:*

Authorization for the board of directors to implement the decisions taken, to determine the terms of implementation and, in general, to do everything that is necessary for the implementation of the “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011”.

Authorization for each member of the board of directors, acting individually, to ascertain, at the expiration of each period for exercise of the warrants (stock options) the conversion of the relevant warrants into existing shares of the company, to deliver the shares, to receive the

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amounts due, to grant discharge for such amounts and to record all amounts due in the company's accounts.

2.4 *Proposal of decision:*

Approval, insofar as necessary and applicable, in accordance with article 556 of the Code on companies, of the provisions of the “Stock-option Plan Options Barco 04 – Personnel Foreign Countries 2011” that may grant rights that could have an impact on the company’s assets or result in a debt or an obligation for the company in case of a change of control over the company.

Kortrijk , August 8, 2011

the Board of Directors



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**BARCO N.V.**

**SPECIAL REPORT OF THE BOARD OF DIRECTORS**

**dd. \_\_\_\_\_ 2011**

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**EXHIBIT 1**

**The Stock-option Plan "Options Barco 04 - Personnel Europe 2011"**

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**EXHIBIT 2**

**The Stock-option Plan "Options Barco 04 - Personnel Foreign Countries 2010"**

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