



# FOCUSED TO **PERFORM**

Annual report 2016





# FOCUSED TO PERFORM

To drive value for all its stakeholders, Barco will strengthen its focus on performance in the coming years.

That implies unlocking ways to:

- › develop a balanced portfolio of hardware, software and services
- › combine innovation and growth initiatives with execution
- › operational and commercial excellence
- › fully engage and energize our employees
- › step up our sustainability initiatives
- › deliver the best possible outcomes for our customers

To reflect our evolution as a company and our direction for the future, we have refreshed the Barco brand. This annual report provides a sneak peek of our new identity ...

# LETTER FROM THE CEO

Dear customers, business partners,  
employees and shareholders,

A company with solid capabilities and a sound strategic direction: that is the Barco that I got to know in 2016. The team is committed, with promising competences; the solutions are compelling, with an impressive installed base and Barco holds leadership positions in healthy markets. At the same time, I also spotted opportunities to increase Barco's focus to perform and leverage the available capabilities to drive outcomes for our customers and value for our stakeholders.

After six months at the helm of this company, I am eager to share my findings, look back upon the results of 2016 and touch briefly on our future plans.



## 2016, A year of leadership changes ...

2016 was a year that featured material changes in Barco's leadership team, which were managed through a smooth transition.

Ann Desender and An Dewaele joined the leadership team as CFO and Chief HR. They succeeded Carl Peeters and Jan Van Acoleyen, who both moved on to new challenges. In addition, George Stromeyer followed Jacques Bertrand as General Manager of the Enterprise division. Each one of them boasts many years' experience in commercial and execution roles in leading, global organizations – leading to refreshing new insights that will add real value to our team!

Last but not least, Eric Van Zele retired as CEO, after leading the company for seven years. Eric successfully steered Barco to growth and molded the company into One Barco. He kindly and patiently worked alongside me for several months to integrate me into the organization and ensure a seamless leadership transition – I'd like to extend a warm thanks to you, Eric!

Thank you very much, Eric Van Zele,  
for guiding this great company and  
shaping it into One Barco!

## ... of One Campus

2016 was also a landmark year in other regards, as we inaugurated and commissioned our new headquarters. Today, almost 1,250 Belgian colleagues are working together at One Campus. The new campus proves that elegance, func-

tionality and vision can go hand-in-hand: it looks great, it is a welcoming place for customers and business partners, it helps us attract the right talent and boosts collaboration within our teams. Moreover, while reducing our environmental footprint, One Campus also helps us scale up and optimize our production capacity and advance R&D.

## ... and of solid financial performance

In the midst of these changes, we managed to achieve solid financial results in 2016: we demonstrated progress in both growth and profitability level.

We demonstrated progress in both  
growth and profitability level.

### Sales up 7%

Sales grew to 1,100 million euro in 2016, a 7% increase versus 2015.

While the Entertainment business remains our key growth driver, especially in emerging markets, our ClickShare meeting and collaboration solution (Enterprise) continued its track record of success. In Healthcare, we saw a promising uptake of our surgical business. The 'activities' section of this report provides you with a more detailed review of our group and individual businesses' performance in 2016.


### Gross margin increase

We also enhanced our gross margins in 2016, thanks to cost-down engineering, smarter sourcing and a good product mix (hard- and software, projects and out-of-the-box solutions like ClickShare). We see more potential in this area and are determined to step up these efforts in the future.


### Keep OPEX under control

Barco's operational expenses (OPEX) recorded a slight growth from 28% to 29% of sales. Even though that increase is partly linked to the growth of our activities, it is high on our agenda to keep the pace of OPEX growth below the pace of growth in revenue in the coming years. We do realize that more and impactful choices will be needed to ensure a more focused approach as we continue to simplify our structures and processes.

Our cash flow recovered nicely in the second half of the year, resulting in a 2016 cash position of 287 million euro.



I see exciting opportunities to leverage our technology, software and services to drive – even more – valuable outcomes for our customers.



### Dividend

By raising our dividend to 1.90 euro per share, we confirm our policy to grow the dividend in line with the long-term performance and evolution of the company.

## Learnings from 2016

### Great core assets

The 2016 results described above clearly reflect what I stated at the beginning of this letter: Barco is a company with great capabilities. I'm impressed with the technology and the talent available in-house. Moreover, Barco has sound financials, and is active in healthy market sectors with mission-critical and reliable technology. Starting from these core assets, I see exciting opportunities for the future. I'm sure that we are able to leverage our technology, software and services to drive – even more – valuable outcomes for our customers.

### Finding the right balance

To achieve these objectives, we will retain our focus on innovation, as befits a technology leader. Yet in order to win in the market, we must combine innovation with value engineering and operational and commercial excellence. Achieving the right balance will be key in the coming years.

### Expanding our market reach

In 2016, we managed to significantly develop our channel network. In the future, we want to further leverage our strong position in mature markets, while expanding our footprint in emerging markets. Our Entertainment business has shown strong growth in countries like China in the past years, yet the other businesses still have the potential for broad growth, in both the developed and emerging regions.

## Valuable customer outcomes

Moving into 2017, we want to further increase our focus on technology that truly enables customer outcomes. Our technologies are used in places where they make a real difference in the customer's success. Barco projectors, for example, are built to deliver the exceptional experiences that today's audiences demand, while helping exhibitors increase revenues. In Healthcare, our solutions help radiologists and surgeons achieve better healthcare outcomes. Our networked visualization solutions help operators make smart decisions in control rooms, while ClickShare boosts meeting productivity and interactivity.

We are confident that we can take these outcomes to an even higher level. Our technology is merely a way to deliver bright outcomes for our customers. We don't just integrate 'the next big technologies' for the sake of technology, but to truly add value. This highlights the importance of an offering that combines hardware, software and services in order to help our customers drive efficiency and reduce total cost of ownership.

## The power of green

Last but definitely not least, let me also add how pleased I am to see Barco's investments in its people and in sustainability.

We have now launched the Barco 2020 program, which highlights our ambition to fully integrate sustainability into our corporate DNA. We've set ourselves the bold objective to reduce our global CO<sub>2</sub> emissions by 20% in 2020 – not just because that's the right thing to do, but because we're convinced that operating 'green' is good business too. While we're still at the beginning of this journey, we have

the dynamics, the ideas and the people needed to achieve our objectives – with exciting first results in value engineering and logistics.

I am pleased to see Barco's investments in its people and in sustainability.

## Thank you!

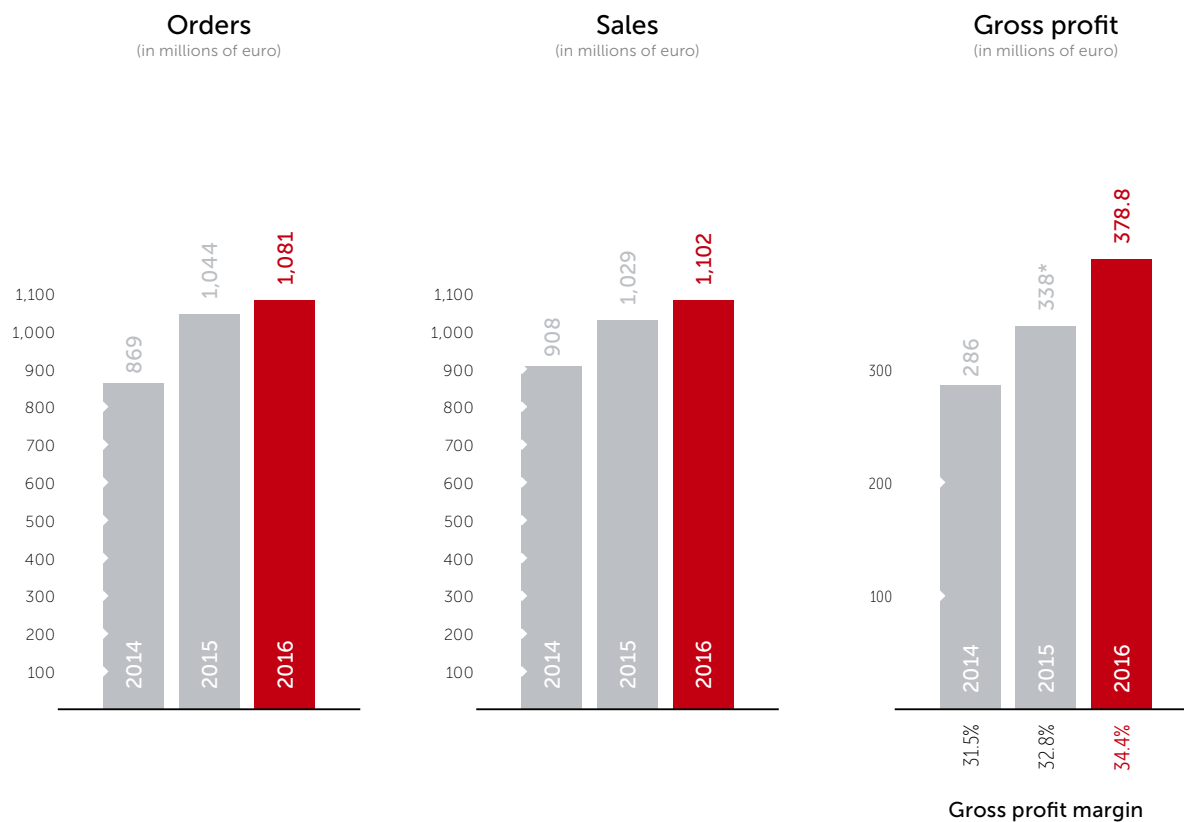
I am honored to lead this exceptional organization, with its rich history and fantastic team. And I'm excited to further build on Barco's strengths to take the company to the next level – in 2017 and beyond. 2017 will be a year when Barco will strengthen its focus on performance in all aspects while maintaining its innovation momentum. I look forward to making this a successful year, together with all my colleagues – to create value for customers and stakeholders alike.

Thank you very much for your continued support.

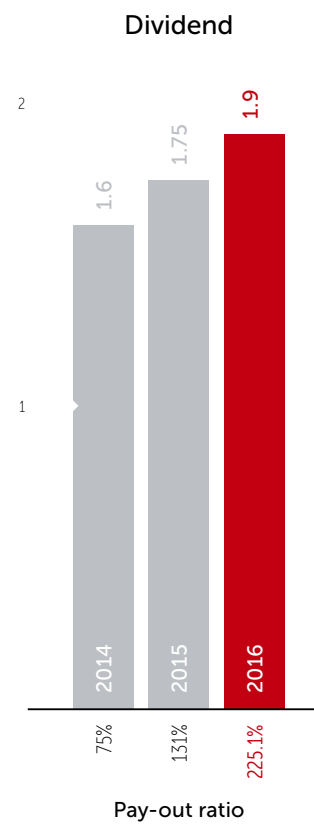
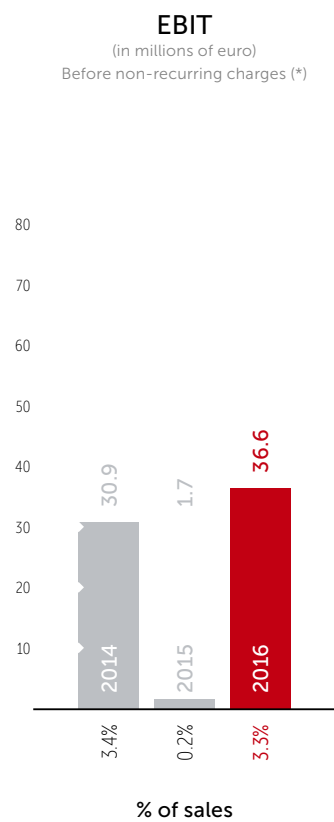
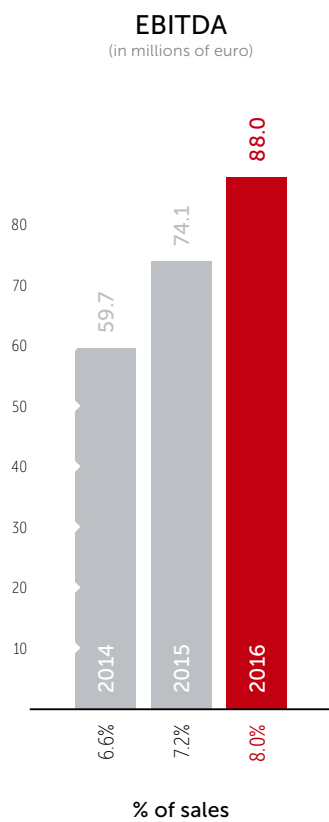
Jan De Witte  
CEO



## Key figures



(\*) Gross profit reclassified in 2016 and restated for 2015.  
See Barco Consolidated



(\*) See Comments on the results

## Financial highlights

| IN MILLIONS OF EURO                  | 2016    | 2015    | 2014    |
|--------------------------------------|---------|---------|---------|
| <b>Income statement</b>              |         |         |         |
| Orders                               | 1,081.2 | 1,043.7 | 869.4   |
| Orderbook                            | 320.8   | 333.2   | 302.2   |
| Net sales                            | 1,102.3 | 1,028.9 | 908.4   |
| Gross Profit                         | 378.8   | 337.8   | 286.3   |
| Gross Profit Margin                  | 34.4%   | 32.8%   | 31.5%   |
| EBITDA(*)                            | 88.0    | 74.1    | 59.7    |
| EBITDA margin                        | 8.0%    | 7.2%    | 6.6%    |
| EBIT before non-recurring            | 36.6    | 1.7     | 30.9    |
| EBIT Margin                          | 3.3%    | 0.2%    | 3.4%    |
| Net income                           | 11.0    | 17.5    | 23.9    |
| Net income Margin                    | 1.0%    | 1.7%    | 2.6%    |
| EPS (in euro)                        | 0.91    | 1.45    | 1.96    |
| Diluted EPS (in euro)                | 0.88    | 1.41    | 1.92    |
| <b>Balance sheet &amp; Cash flow</b> |         |         |         |
| Equity                               | 615.5   | 611.7   | 594.6   |
| Balance sheet total                  | 1,159.2 | 1,140.3 | 1,075.4 |
| Free cash flow                       | 57.4    | 110.3   | 14.9    |
| Net financial cash/(debt)            | 286.6   | 265.1   | 63.4    |
| Operating capital employed           | 203.6   | 220.6   | 299.0   |
| Net Working capital                  | -56.4   | -21.0   | 44.4    |
| Personnel on 31 December (FTE)       | 3,524   | 3,361   | 3,245   |

(\*) for 2014 EBITDA minus capitalized development

| IN THOUSANDS OF EURO                                     | 2016    | 2015   | 2014   |
|--|---------|--------|--------|
| <b>Ratios</b>  |         |        |        |
| DSO  | 55      | 58     | 63     |
| Inventory turns  | 3.6     | 3.6    | 2.9    |
| DPO  | 63      | 69     | 64     |
| ROCE*  | 15%     | 11%    | 6%     |
| <b>Share data</b>  |         |        |        |
| Gross dividend   | 190     | 175    | 160    |
| Gross dividend yield (a)                                 | 2.4%    | 2.8%   | 2.6%   |
| Yearly return (b)  | 33.0%   | 8.5%   | 5.4%   |
| Pay-out ratio (c)  | 225.1%  | 130.9% | 74.8%  |
| Price/earnings ratio (d)                                 | 88.0    | 42.5   | 29.7   |
| <b>Share price (in euro)</b>                             |         |        |        |
| Average closing price                                    | 65.90   | 58.37  | 56.19  |
| Highest closing price                                    | 80.50   | 64.26  | 59.39  |
| Lowest closing price                                     | 54.37   | 53.54  | 52.01  |
| Closing price on 31 December                             | 80.04   | 61.60  | 58.24  |
| Average number of shares traded daily                    | 21,921  | 22,189 | 31,962 |
| Stock market capitalization on 31 December (in millions) | 1,044.6 | 801.6  | 756.5  |
| Number of shares (in thousands)                          | 13,057  | 13,016 | 12,998 |

(\*) ROCE, excluding impact of amortizations related to capitalized product development costs

(a) Gross dividend / closing rate on 31 December 2016

(b) Increase or decrease share price + gross dividend, divided by closing share price of previous year

(c) Gross dividend\*number of shares on 31 December / net result

(d) Share price 31 December / net result per share



# OUR COMPANY

## COMPANY PROFILE

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## OUR TECHNOLOGY

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# COMPANY PROFILE

Barco is a global technology leader that develops networked visualization solutions for the entertainment, enterprise and healthcare markets. Our solutions help people to enjoy compelling entertainment experiences; they foster knowledge sharing and smart decision-making in organizations and help hospitals provide their patients with the best possible healthcare.



## Entertainment

Cinema  
Venues & Hospitality



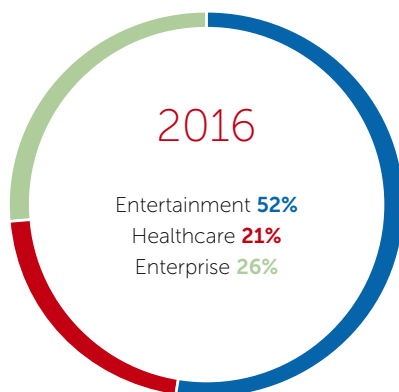
## Enterprise

Control rooms  
Meeting rooms

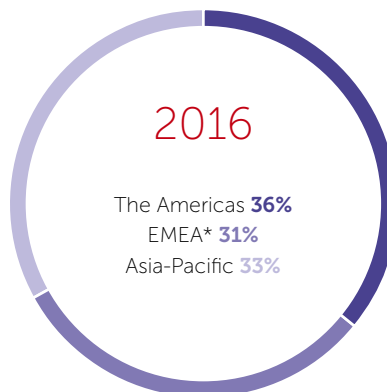


## Healthcare

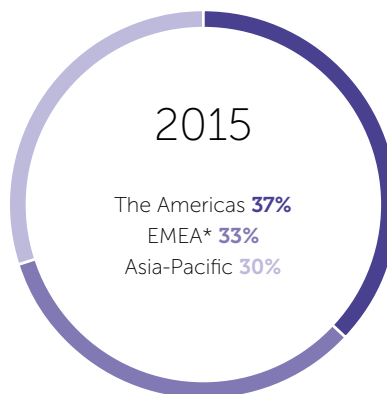
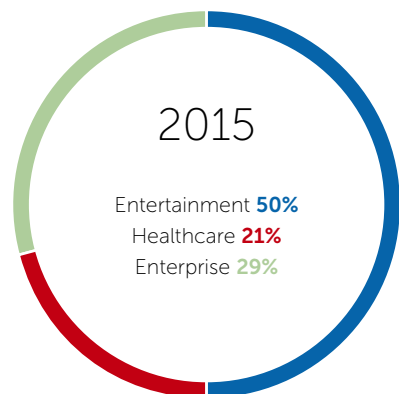
Diagnostic imaging  
Surgical imaging



Sales  
per division

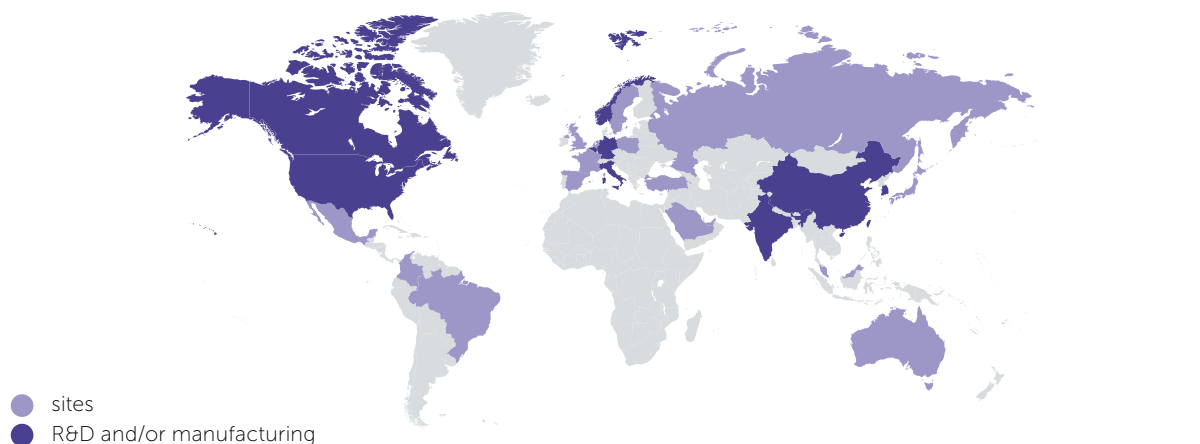


Geographical breakdown  
of sales



\*Europe, Middle East, Africa

## Geographical footprint



### Sites

#### Americas

- Brazil
- Canada
- Colombia
- Mexico
- United States

#### Asia-Pacific

- Australia
- China
- Hong Kong
- India
- Japan
- Malaysia
- Singapore
- South Korea
- Taiwan

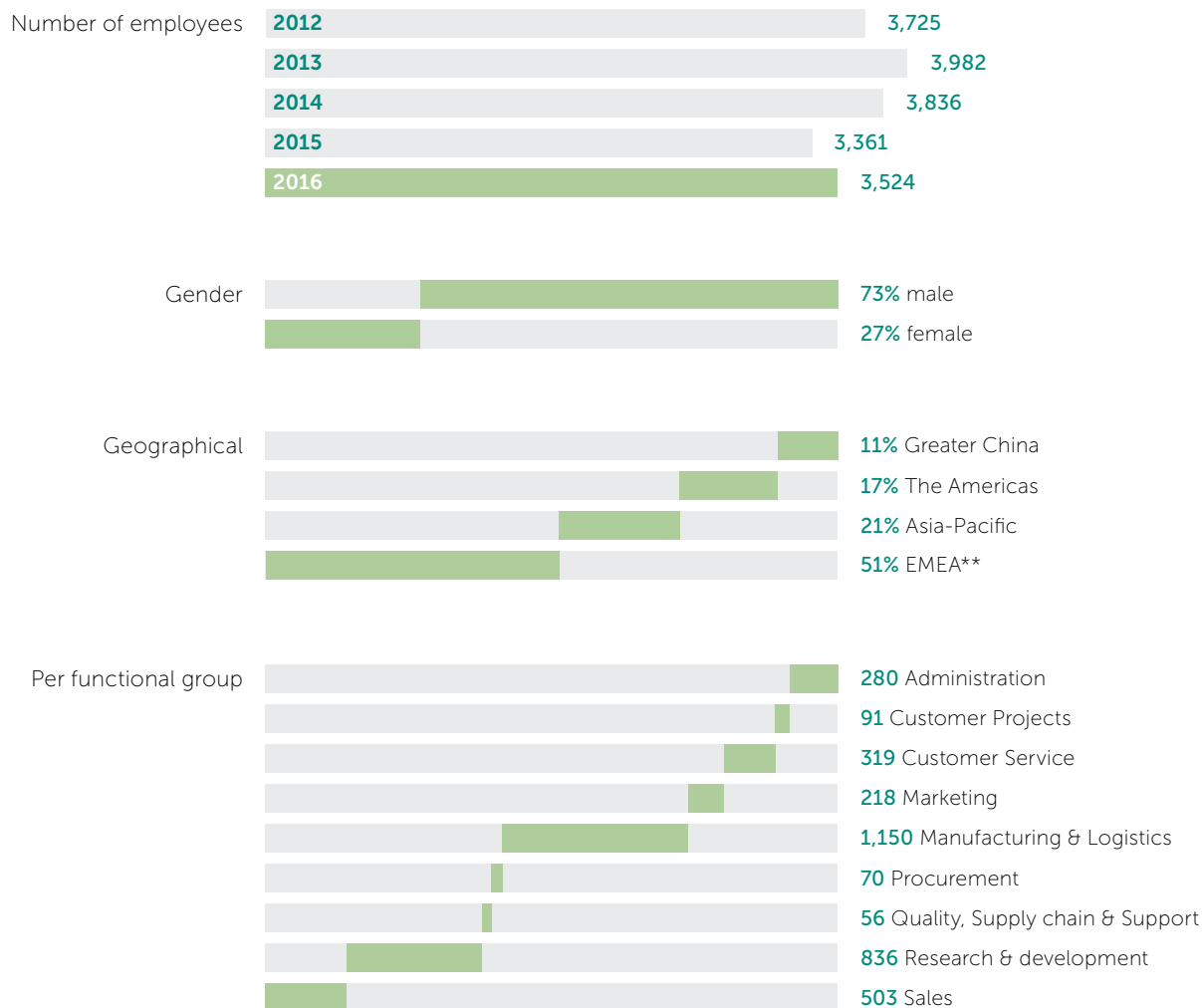
#### Europe & Middle East

- Belgium
- France
- Germany
- Italy
- Netherlands
- Norway
- Poland
- Russia
- Saudi Arabia
- Spain
- Sweden
- Turkey
- United Arab Emirates
- United Kingdom

### R&D and/or manufacturing facilities

- Belgium
- Canada (X2O)
- China
- Germany
- India
- Italy
- South Korea (Advan)
- Norway
- Taiwan (Awind)
- United States

## Employees\*



\* Number of full-time equivalents (FTEs), excluding temporary workforce  
(Database Corporate Associates per 31/12/2016)

\*\*EMEA: Europe & Middle East & Africa

# OUR TECHNOLOGY



## Display technology

We meet the highest requirements in visualization and bring a **wide display portfolio** to a variety of markets – from high-resolution medical displays and rear-projection video walls to tiled LCD and LED solutions.



## Projection technology

Featuring one-chip or three-chip DLP® technology and brightness levels of up to 60,000 lumens, in 2D and 3D, our **high-end and mid-segment projector models** can be used for meeting rooms, digital cinema, post-production, virtual reality, simulation and events.

For over 80 years, technological innovation and agility have been the cornerstones of growth at Barco. Yet in today's fast-paced, pressure-packed business climate, it may even be more crucial to embrace innovation than in the early Barco years. Building on years of experience and expertise in imaging, Barco invests generously in R&D in order to fuel the innovation pipeline and consolidate its market position.



### Connectivity platforms

We bring to market a **suite of software-enabled systems**, including networking and cloud-based capabilities. Result? All-round connectivity for uninterrupted, shared, and mobile access to data, anytime, anywhere.



### Image processing

Our portfolio also includes a full range of **image processing tools**, media servers, and controllers. Format converters, matrix and presentation switchers, etc. guarantee the perfect image playback and management.



# OUR STRATEGY

## OUR AMBITION

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## OUR OBJECTIVES

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## OPERATIONAL AND COMMERCIAL EXCELLENCE

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## Our ambition

Barco's mission is to enable bright outcomes by transforming content into insight and emotion. In order to achieve that mission, we offer best-in-class, networked visualization solutions (hardware and software) and related services.

## Our strategy

We have worked hard over the past few years to drive our growth and strengthen our global leadership position in three key markets: Entertainment, Enterprise and Healthcare.

Based on our strong foundation (people, operational excellence, global presence, strong brand, technology leadership, solid financials and leadership in core markets), we are now taking the Barco strategy to the next level. To advance our growth while improving outcomes for all stakeholders, we will focus on performance in the first few years, combining our innovation efforts with a clear emphasis on executional excellence.

## Our core assets



People



Operational Excellence



Global Presence



Strong Brand



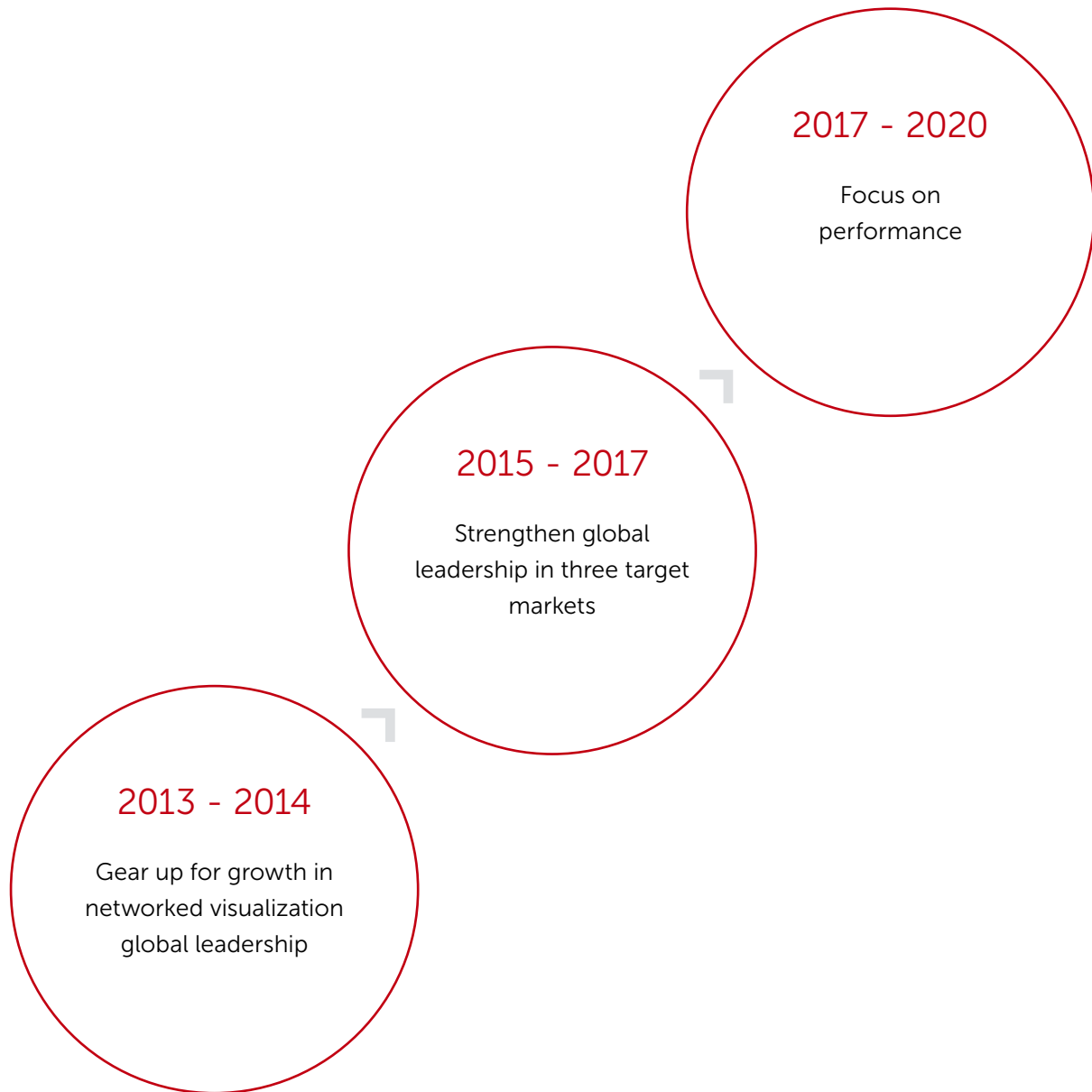
Technology Leadership



Solid Financials



Market leadership In core markets



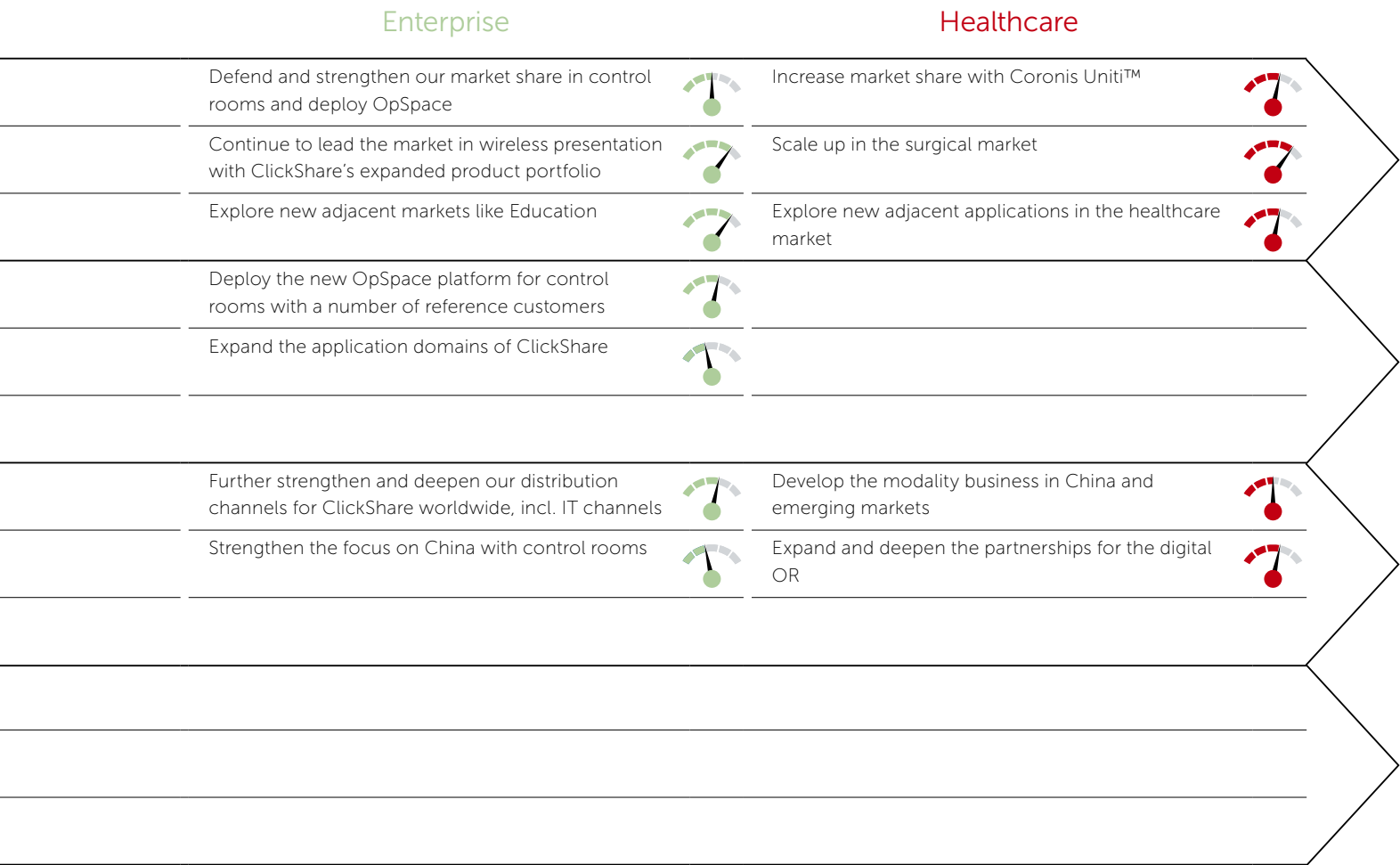
## Our objectives 2016 and beyond

All three markets that we're active in, are healthy markets where we have constructed a strong base for our future. Even still, we want to step up our strategy in the coming years. While putting together a balanced portfolio of growth initiatives, we will also concentrate on improving the perfor-

mance of our core businesses, i.e. strive to reach execution – operational and commercial – excellence and nail down profitability. In the first half of 2017, our new management team will reveal strategic initiatives to drive value across domains and divisions.

| General objectives     |  | Entertainment   |  |
|------------------------|--|---|--|
| MARKET LEADERSHIP      | Focus on core markets<br>Broaden the product offering<br>Explore adjacent markets                  | Continue to leverage the install base of +60,000 cinema projectors  |  |
|                        |  | Remain the premium player worldwide and defend leadership position in China                                     |  |
| TECHNOLOGY LEADERSHIP  | Strengthen our technology leadership in visualization, connectivity and interactivity              | Continue to drive leadership in laser with more installations worldwide in both cinema and Venues & Hospitality |  |
|                        |  | Drive more momentum on the Escape format and in the high-end residential segment                                |  |
|                        |  | Get the LED solution and smart software off to a successful start in the Retail & Advertising space             |  |
| GO-TO-MARKET           | Expand our geographical footprint<br>Develop our channel strategy<br>Explore value creation models | Strengthen the channel strategy and create more inroads for the fixed install market                            |  |
|                        |  | Develop a number of first wins and upgrade the Barco Capital offering   |  |
| OPERATIONAL EFFICIENCY | Optimize the organization and continue to focus on operational excellence                          | Move the Barco headquarters into One Campus and start reaping the efficiency benefits of the investment         |  |
|                        |  | Keep the One Platform program going   |  |
|                        |  | Further increase the inventory turns to lower freight emissions and associated costs                            |  |

The below chart provides you with an overview and assessment per division of the objectives and initiatives in line with the 'global leadership' strategy.



## Accelerating our quest for operational and commercial excellence

Our ongoing investment in R&D secures the flow of innovation for many years to come. In the coming years, however, we will also increase our focus on performance. Two key initiatives to drive operational and commercial excellence are our 'value engineering' and 'ThinkSales' programs. Launched some time ago, with valuable, first results, both programs are now brought up to speed in order to advance our business.

### Value engineering: develop better products that cost less

How can we create value for our customers and save costs without compromising the quality, reliability, performance and appearance of our solutions? That is what value engineering is all about. Barco has adhered to the concept for some time. We are now stepping up our efforts.



#### What is value engineering?

Value engineering aims at driving profitable growth while ensuring product leadership. It means that we try to deliver more value for our customers while capturing cost intelligence. To achieve that aim, we must systematically identify customer needs, assess costs and grasp value improvement opportunities at every step of the supply chain, from R&D and procurement to manufacturing and packaging.

#### Understand what customers really want

One of our focus areas is 'understand what our customers really want'. The story of ClickShare is a fine example of new product introduction: before we developed our meeting room presentation system, we conducted thorough market research to gauge needs and price setting, had many talks with clients and did extensive trials.

#### The power of integration and collaboration

To optimize the value of selected existing products, a cross-functional team of colleagues from Product Management, R&D, Global Procurement, Operations as well as cost and supply chain experts question the product requirements, the design and the manufacturing process and look critically at the costs incurred at every step. This integrated approach and collaboration – also with customers and suppliers - are key to fully exploit the potential of value engineering.



**ThinkSales: be aligned,  
be accurate, be closing**

No matter how good our R&D, manufacturing processes and solutions are, we need outstanding sales to win in the market. That is why, in 2014, we kicked off our ThinkSales program, which we'll also be accelerating in 2017 and beyond.

#### **What is ThinkSales?**

ThinkSales is an extensive program set up to boost Barco's sales effectiveness. The key message: focus on selling value rather than products, starting from the customers' points of view and their specific challenges. That requires quite a mental shift from the entire organization.

#### **One single sales process**

To align our people and processes, we defined one single sales process for every division, which we presented via extensive training sessions. By redefining our supporting tools and introducing a CRM (Customer Relationship Management) system, we believe we will enhance processes like forecasting – with great results in terms of inventory management, production planning, delivery performance and – very important! – customer satisfaction.

#### **Turn our sales reps into top performers**

In 2017, we'll invest even more in training, meetings and coaching and we're looking to align better with all business partners in our network. To motivate everyone, we've set some clear targets, such as 'increase sales productivity by 25%' and 'restrict the deviation of forecast accuracy to 10%'. Don't forget: this strategic initiative involves everyone, not only sales. If every Barco employee thinks sales, we will truly grow our sales, work more effectively and boost customer satisfaction!

If everyone thinks sales, we will truly  
grow our sales, work more effectively  
and boost customer satisfaction!



# OUR ACTIVITIES

## ENTERTAINMENT

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## ENTERPRISE

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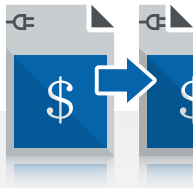
## HEALTHCARE

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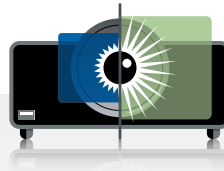
# ENTERTAINMENT

## OUTCOMES



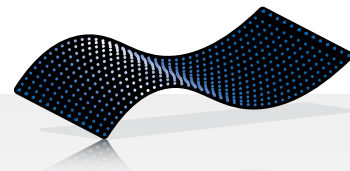
- 50%

Cinema exhibitors who use our laser phosphor cinema projectors **cut energy consumption by up to 50%** compared to lamp-based projectors.



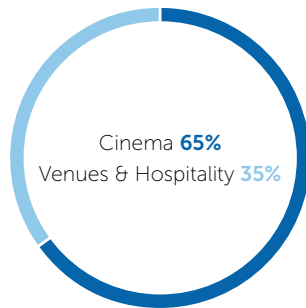
FLEX

Our unique **FLEX** concept allows users to choose the brightness level AND the resolution of their venue and event projectors – a smart way to **standardize the fleet and cut running costs!**



4 x

Installation of our new R-series LED digital media canvas is **4x faster** than that of traditional LED displays, thanks to the display's thin, lightweight and bendable design.



Approximate distribution  
based on sales 2016

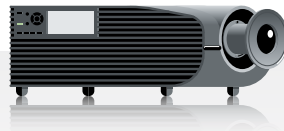
Whether in cinemas, concert halls or museums; at theme parks, music festivals or in retail and advertising: Barco's entertainment solutions are designed to turn heads and create compelling moments. By providing our customers with the most advanced projectors, LED displays, image processing and sound solutions, we help them build a fan base, rather than audiences. Our increasing focus on convenience and services further helps them keep that fan base and grow their business.

## INNOVATION HIGHLIGHTS



200

Over 40 top exhibitors have already selected our flagship laser projectors, totaling 200 installations worldwide. That makes us the world-leading provider of **flagship laser** projection solutions.



+ 8 mio.

Projecting over 8 mio. pixels on screen, our **F90-4K13** venue projector delivers razor-sharp images at 4K UHD resolution. Moreover, it's compact, silent and ensures a long lifetime with low TCO.



30,000

Our **HDF-W30LP FLEX** rental and staging projector broke the 30,000-lumen barrier for laser phosphor projection! It combines exceptional images with extremely long lifespan and low TCO.



## Market trends

The cinema is getting closer and closer to a theme park experience that you can't get at home.

**Todd Hoddick**  
Barco Escape

### We want more!

In our digital world, people have streamlined access to home entertainment and spend more and more time using digital devices. So, when they go out, they crave true excitement: experiences that convey a sense of wonder and thrill, and create lasting memories (plus, impress friends on social media). That's how concerts and experience festivals have become the lifeblood of the music industry. Theme parks, museums and sports events look for ways to amaze their visitors. Theaters invest big to offer a premium cinema-going experience. And to get that great experience, people are more than willing to pay a fair price.



## Moving from B2B to B4B

To win in the digital economy, companies must dramatically rethink their operating and business models. For over 100 years, the product B2B model has been about selling things to customers. New business models focus on delivering outcomes for customers (B4B). Consequently, companies add services that allow their customers to drive efficiency and reduce TCO or even charge for outcomes instead of solutions – a shift which implies that OpEx investments start replacing CapEx expenses ...

## Immersive experiences are now for real

With affordable hardware products like Oculus Rift and Samsung Gear VR, Virtual Reality (VR) is in consumers' hands. Just like Augmented Reality (AR), VR technology has been mainly limited to gamers and early adopters ... But not for long. Experts like IDC expect VR to achieve mass adoption soon. And VR and AR are just two ways to fully engage the audience in an interactive experience. Whether with goggles, in domes or through immersive displays, the applications seem endless: from engaging visitors in museums and exhibitions and 'blowing spectators' minds' at events (or, why not, remotely, through live streams) through to marketing, education, manufacturing, etc.

## Our way forward: combine a unique offering with ultimate convenience

Provide people with the ultimate in thrills, chills and experiences: that's the job description of the people in Barco's Entertainment division. How easy is keeping up with consumers' search for ever more mind-blowing experiences? Do we have what it takes to keep leading the way? Wim Buyens, General Manager Entertainment, is confident.

### 2015 was a blockbuster year for our cinema activities. Did we match that growth in 2016?

With one in every two digital cinema projectors worldwide a Barco solution, we lead the market. Our digital projector portfolio clearly meets the needs of cinema exhibitors in both mature and emerging markets. After switching from 35mm film to digital, cinemas in EMEA and the Americas are now enhancing the movie experience with better seating, VIP services, bigger screens and enhanced sound and images. That's where our premium solutions come in.

### Which is CinemaBarco?

Indeed. The great thing is that people are prepared to pay more for better experiences. In this way, investing in our flagship laser projectors, Barco Escape, the Barco Lobby

Our digital projector portfolio meets the needs of exhibitors in both mature and emerging markets.

**Wim Buyens**  
General Manager  
Entertainment



Experience, AuroMax®, etc., makes perfect sense. Barco offers innovative technology for the entire value chain. That makes us a game-changer.

#### Does that count for China as well?

Box office is booming there: in 2016, China debuted approximately 10,000 new cinema screens. That includes premium theaters as well as new, smaller cinemas. That's a huge opportunity for us. Barco is unique in providing a (laser) projector for every screen size. So, cinema exhibitors combine our flagship laser with our laser phosphor solutions. In 2016, more than 50% of Barco's cinema sales occurred in China and most of the laser phosphor units we sold were set up in China.

#### Barco wants to enable bright outcomes.

##### That is more than just bright images, is it?

That's true, clients want outcomes, not just specs. We want to help every entertainment client both deliver amazing experiences and earn more. Hence our growing emphasis on convenience, by providing modular projector platforms, ensuring easy maintenance, offering remote monitoring services, providing insights into the projector performance, etc. Our versatile FLEX venue and event projectors and our image processing solutions also match that commitment.

#### Can we expect more of that in 2017?

In 2016, our solutions for cinemas, venues, events and retail & advertising reached new heights to meet the need for bigger, better and brighter. That trend will continue, with more 4K, more light output and solid state projectors. Fusing that unique portfolio with convenience/services is sure to help us grow our business.



The Barco products gave us unlimited opportunities to really project a brand-new look for Drake and give the fans a different experience – moments they will remember for years to come.

**Steve Kidd**

Summer 16 Tour Director for Drake

# ENTERPRISE

## OUTCOMES



One

OpSpace offers access to many sources and applications on one single workspace. In this way, it **boosts operators' productivity, reduces stress** and, consequently, enhances decision-making.



24/7

Our OverView super-narrow bezel LCD video walls **keep performing at all times, 24/7**. Moreover, they are very affordable, while also ensuring low operational costs.



+ 80%

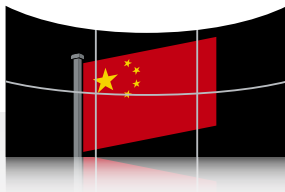
According to our big meeting stress test, 80% of office workers believe that technology should **make meetings easier and more productive** – which is exactly what ClickShare does.



Approximate distribution  
based on sales 2016

Every Barco Enterprise solution is designed to let people collaborate better together, by ensuring engaging experiences. From our large video walls, which provide operators with a crystal-clear overview in traffic management, security or process control centers and our ClickShare presentation system that lets meeting participants easily share ideas through to our classroom solutions: they all help people unleash the power of shared knowledge – for brighter ideas and ultimately better results.

## INNOVATION HIGHLIGHTS



CEC-Panda

Our joint-venture with **China Electronic Corporation (CEC) Panda**, a major Chinese provider of technology products and IT solutions, will provide direct access to the Chinese control room market.



x 2

Offering 2X the brightness of LED-illuminated video walls, the new RGB Laser for **24/7 Control Rooms** – a market first! – enables operators to view all the details on the video wall, under all lighting conditions – day or night.



+ 200,000

We more than doubled our **ClickShare** sales in 2016 – from 100,000 units sold in January 2016 to over 200,000 at year-end!



## Market trends

Barco's weConnect offering is really dedicated to education. We believe it will boost participation and interactivity and, consequently, enrich the learning experience.

**Herdey Ronowidjojo**  
Rotterdam University

### Great minds think together

For the past 150 years, learning models have hardly changed: a teacher/lecturer stands at the front of the classroom explaining ideas while students sit and listen. Now, however, digitization is transforming education. Students are digital natives, who want to bring their own devices to the classroom, and empowered consumers too, who demand participation. Hence more and more education institutions are flipping the classroom, shifting to learning models where students actively engage in the content. Investment in educational technology – edtech – is set to grow 17% per year to reach 242 billion euro globally by 2020\*.

\* 2016 Global EdTech Report by EdTechX Europe



## Collaboration works better

Today's organizations need to perform smarter, faster and more productively than ever. So, progressive businesses and institutions look for smart ways to smoothly exchange insights, enhance decision-making and spark ideas; in other words: to collaborate, whether live or remotely. Creating a collaborative environment requires both the right mindset and great technology. In this digital age, there are plenty of tools. With the rise of cloud-based software solutions, the uptake of collaboration systems is sure to boom, in organizations but just as much in educational facilities.

## The control room revisited

From the smart grid, smart transportation and smart buildings to industrial IoT: the Internet of Things brings increasing intelligence to today's organizations. For control room operators, that implies growing complexity too. More than having an exploding number of sources and applications to control and more people to collaborate with – both internally and remotely, control room operators are also under pressure to perform ever better. Forward-looking organizations understand the need to create a safe, secure and attractive operator working environment in order to drive performance ...

## A world of opportunity on the horizon

2016 was special for Barco's Enterprise division, as it welcomed George Stromeyer as General Manager. "In the last few years, Barco has made impressive progress in terms of its technology leadership role," George said when we first talked, shortly after his arrival at Barco. What has happened since then?

### What is your view on the Enterprise business after this first year?

It's been a busy, challenging and exciting year. Enterprise represents the biggest single market opportunity for Barco, as it's so broad and covers so many markets. In the last few months, we've worked hard on a strategy that matches that opportunity. In fact, before 2016, our control room and corporate businesses acted separately while their aim was exactly the same: help people collaborate better together. Whether it's networked visualization solutions or ClickShare, they all help people share information.

### Was 2016 another stellar year for ClickShare?

We launched two new ClickShare models and we extended our go-to-market capabilities with more channels, more

**┌** We made some bold moves that  
will boost our control room business  
in the coming years.

**George Stromeyer**  
General Manager  
Enterprise

**└**



sophisticated channel management and intensified marketing actions. These efforts led to a 35% growth. In the future, we want to make ClickShare an even bigger star. In addition, we want to move X2O and our Medialon audiovisual control and education businesses into the star category. We definitely made great strides in education in the past year.

#### How was the year for the control room business?

We made some bold moves that will boost our business in the future. Our RGB Laser video walls, for example, are a market first: they're much brighter, with longer lifetimes and lower power consumption than other rear projection solutions. In addition, we joined forces with CEC-Panda in China, where the control room market is booming. Our joint venture is sure to strengthen our foothold there. Finally, there's OpSpace. With this revolutionary operator workspace solution, we stepped out of our comfort zone, moving from displays and network capabilities to the operator experience. We're happy to see a gradual uptake in this market.

#### What can we expect in 2017?

We'll pursue the strategy we defined, which also includes expanding our offering. Today's organizations are no longer isolated units, so we want to boost remote collaboration. In addition, we want to deliver an exceptional experience throughout the customer journey, which implies offering more services. To meet this need, we're developing a common, secure, cloud-enabled digital platform that enables remote collaboration, assists our customers in all their interactions and enables the benefits of the Internet of Things. We've got another exciting year ahead!



OpSpace's innovative technology as well as its future-proof and scalable system architecture, which even integrates with video walls in the main control rooms, won us over. We're impressed.

**Ulrich Reichelt**  
Control center department manager  
Finanz Informatik

# HEALTHCARE

## OUTCOMES



+ 50%

The new Coronis Fusion series offers **50% more calibrated light** and **10% more just-noticeable differences** than competitive products, for faster, more accurate diagnosis.



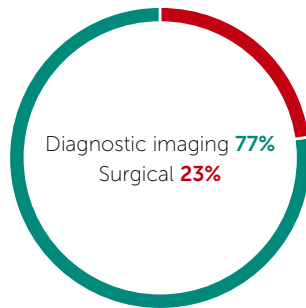
+ 100,000

MediCal QAWeb monitors the lifespan, performance and uptime of +100,000 medical displays. As such, it helps healthcare facilities **save operating costs and boost efficiency**.



+ 1,000

Nexxis helps staff in over 1,000 ORs around the world to smoothly exchange high-res (4K) medical images – to **enhance efficiency, team collaboration and surgical precision**.



Approximate distribution  
based on sales 2016

Barco co-creates technology solutions for integrated care. From the radiology department to the OR, in clinician and specialist offices, and even at the patient's bedside, healthcare professionals rely on our solutions to make life-critical decisions and provide the best possible treatment – all in order to ensure the best healthcare outcomes. It's these outcomes that matter most to us: our solutions are designed to meet hospitals' clinical, operational and financial needs.

## INNOVATION HIGHLIGHTS



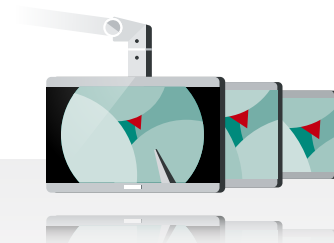
No. 1

With 1,000s of units installed in over 70 countries, **Coronis Fusion** has been the No. 1 diagnostic display system for the last 9 years. In 2016, we significantly upgraded the range.



30%

Our **Coronis Uniti™** display with patented I-Luminate™ technology has proven to increase the detection probability by up to 30% compared to a standard mammography display.



3

We announced 3 new **surgical displays** in 2016: two 4K UHD displays (31" and 55") and one 26" full-HD display - all focused on comfort, precision and performance in digital ORs.



## Market trends

└ The new 4K screens give us great accuracy and precision. I can now see blood vessels and tissues I've never seen before. This makes us much more confident and accelerates surgeries. It's a dramatic difference.

**Dr. Hohn Clarson**  
Ear, nose and throat surgeon  
Braemar hospital (New Zealand)

### Moving from volume to value

With healthcare costs dramatically on the rise, governments and insurance companies are urging healthcare services to move to outcome- or value-based care. Shifting payment models will reimburse physicians based on the value, instead of the volume, of their treatments. In addition, today's patients are informed, empowered consumers who have a say in their healthcare services. To meet these challenges, hospital and health system leaders must improve results – better quality, better outcomes, more patient satisfaction – for every euro/dollar they spend.



## ORs: the future is now

The recent trends in healthcare also change the needs of today's operating rooms. Fueled by the demand to deliver the best possible healthcare outcomes, hospitals understand the need to invest in new OR technologies. Minimally-invasive surgery, for example, is rapidly replacing traditional surgical procedures, as patients suffer less pain and hospital stays are shorter. To support these procedures, ORs are increasingly equipped with advanced imaging technologies. Integration systems, which allow data to be captured, recorded, routed and displayed efficiently, encourage collaboration and, consequently, enhance outcomes.

## Under pressure

In the next 15 years, the number of people aged 65 and over is projected to rise by more than 60%, in both emerging and developed nations. These changing demographics, the growing health awareness of the public and the increase in chronic diseases are bound to further strain healthcare systems already struggling with the high cost of care. "One of the most recurring conversation topics at RSNA 2016 was the shortage in radiologists," said our VP Lynda Domogalla. The WHO estimates a shortage of 12.9 mio healthcare professionals by 2035.

## In perfect shape for further growth

Steady growth for the surgical business, exciting progress in China and profits up by more than 20%. Filip Pintelon, General Manager Healthcare, is satisfied when looking back upon 2016. The healthcare business has now definitely sustained the growth momentum initiated in 2015.

**Barco celebrated the 1,000<sup>th</sup> Nexxis install in 2016. I assume that firmly strengthens Barco's belief in the surgical business?**

Hospitals understand that their ORs must change to answer the challenges of today's healthcare market. We've been preparing for that transformation for several years now. Nexxis has been around for a while and our surgical display range is gradually expanding. The 2015 acquisition of LCD display builder ADVAN was certainly a smart step to spur growth in surgical, as was our decision to take a lead in the field of 4K. While we're relatively new in the business, we're already setting the standard. Some of our competitors launched their first surgical displays in 2016. Instead of a threat, we see this as a clear sign that this is the way forward.

By sticking to state-of-the-art technology, we can really help hospitals deliver better healthcare outcomes.

**Filip Pintelon**  
General Manager  
Healthcare



**Do you see that trend everywhere around the globe?**

For now, mainly hospitals in EMEA and the Americas are embracing our surgical portfolio. Yet our healthcare business as a whole is doing well in the emerging markets. For example, we made good progress in China, one of our focus markets. Just like in 2015, our business there almost doubled, against the backdrop of a 10% market growth.

**Still, Barco must feel that the healthcare market is under pressure?**

We do, absolutely. As hospital budgets are tight, investments in radiology are declining. Some of our competitors even left the market altogether in 2016. Still, we strongly believe in our integrated offering. Our diagnostic and clinical display systems deliver the most accurate images, while raising productivity. By sticking to state-of-the-art technology, we can really help hospitals deliver better healthcare outcomes. That is the only way to retain and, preferably also expand our market share. Thanks to stringent cost control measures we have also managed to lower our prices without, of course, compromising on quality.

**Is that the way forward for 2017?**

We keep looking for new ways to contain costs and we will retain our focus on our surgical business and emerging markets. In addition, we are exploring new solutions/services to help hospitals drive productivity and boost collaboration. It is still too early to unveil these but we are looking forward to the future with confidence.



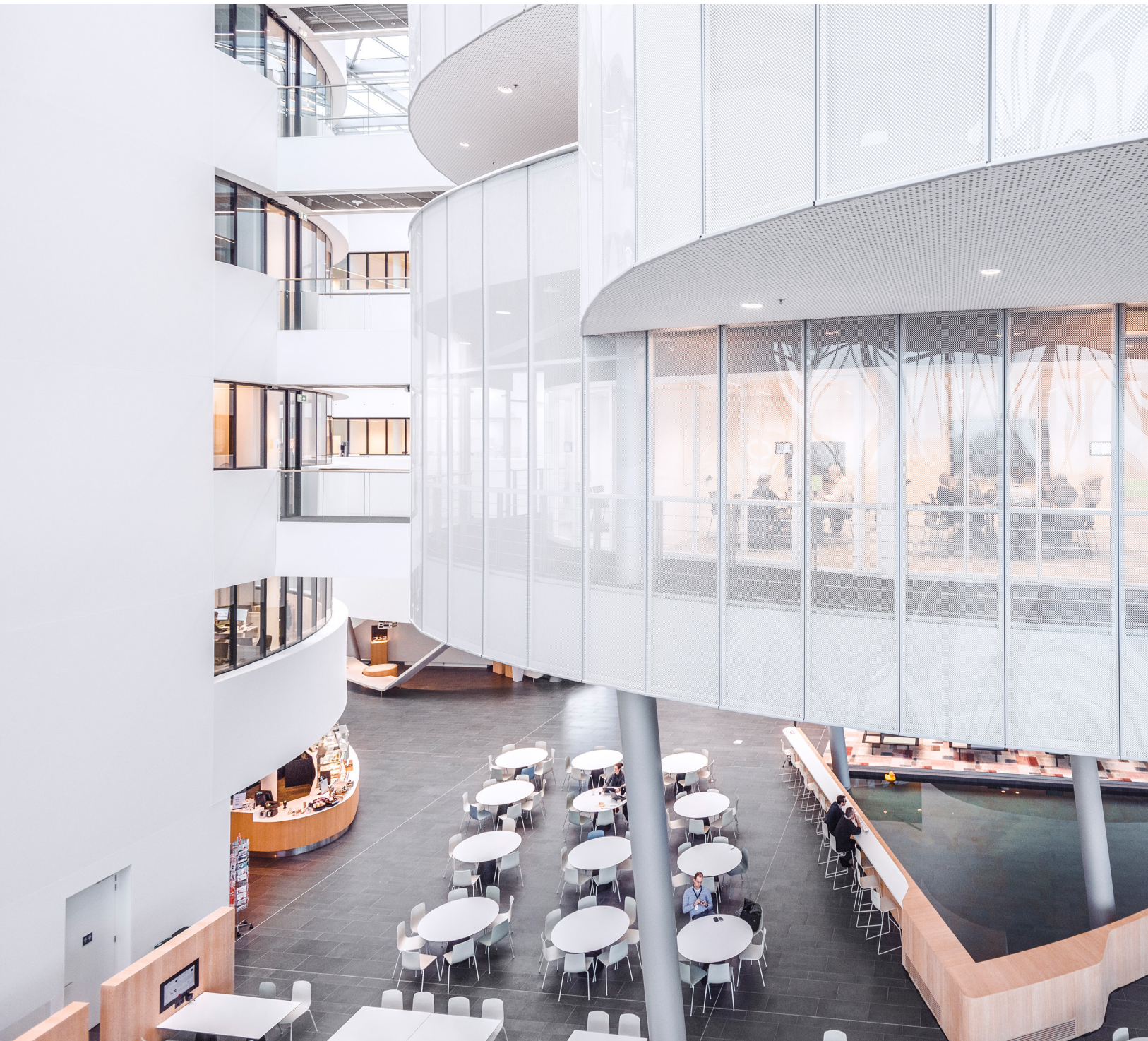
Coronis Uniti™ has liberated us from a standalone mammography station. We can read breast images wherever they're located, greatly streamlining our workflow and balancing our workload.

**Alton Brazzle**

Radiology Imaging Information Manager  
Hamilton Health Care System (US)







# OUR SUSTAINABILITY PLAN

## B-CONSCIOUS

People

**Page 7**

## B-CONSCIOUS

Communities

**Page 21**

## B-CONSCIOUS

Planet

**Page 29**



## Focused to perform for a more sustainable future

A company's annual report is all about transparency. But, more than transparently communicating our financial results and sharing highlights and challenges, we also want to briefly zoom in on our results in the field of sustainability – a topic that is increasingly important for Barco.

In line with our values, we strongly believe that growing our company goes hand in hand with helping our people and the communities around us to thrive, while safeguarding our planet. This is why we gave sustainability a central role in our organization in 2015. We appointed a Corporate Sustainability Committee that spearheaded a program to raise awareness and identify sustainability challenges and opportunities.

Under the label Barco 2020, we are now working hard to firmly embed sustainability into every division and process. We are fully aware that we cannot realize our ambitions on our own, and require the help and full engagement of our employees and business partners. We know that we can build on their commitment.

Thinking sustainable is thinking long-term. This overview is a short record of the progress we made in 2016 in three spheres: our people, our communities and our planet. In June, we will publish our second Corporate Sustainability Report, featuring more detailed results and looking ahead at what we want to achieve in the future.

We are confident that every step we take will bring us closer to being a truly sustainable company – which is critical for every business to be successful in the long run.



## Ambition statement

In line with our ambition to fully integrate sustainability into our corporate DNA, we at Barco have launched our B-Conscious program, aiming for sustainability on three levels: people, community and planet.

We will prepare our people for future-proof and sustainable employability by energizing, engaging and inspiring them.

We will take up our responsibilities and play an active role in our ecosystem by

- safeguarding ethical business standards in the communities where we operate, and
- providing underprivileged people across the world with access to the innovation society through knowledge and resources. energy use.

In addition, we

- empower our employees to constantly explore more sustainable ways of working, and
- adopt sustainable practices in product design and energy use.

Barco is ready to gear up, move forward and take the lead towards a more sustainable future.

## Corporate responsibility and sustainability at barco

### One program, three pillars

Barco's ambitions for growing a sustainable business are supported by three strategic pillars:

#### B-Conscious People:

all initiatives targeted towards (future) employees



#### B-Conscious Communities:

all initiatives targeted towards our stakeholders and the communities where we live and work



#### B-Conscious Planet:

all initiatives that influence our environmental impact



## Platforms and commitments

### Sustainability charter

describes Barco's approach to sustainability, as well as the context, status (completed, on-going and planned) of the different initiatives, ambitions and next steps.

### Code of ethics and business conduct

explains the standards of behavior that we expect of our employees. Any issues can be reported through our Ethics Hotline. The code complies with European and US legislation on e.g. fair working conditions and human rights.

### We Mean Business

is a coalition of organizations working with thousands of the world's most influential businesses and investors to accelerate the transition to a low carbon economy. As a member, Barco is fully committed to three of the initiatives suggested by We Mean Business:

- Put a price on carbon
- Report climate change information in mainstream reports as a fiduciary duty
- Remove commodity-driven deforestation from all supply chains by 2020.

### Charter Duurzaam Ondernemen

By signing this Flemish charter, which helps and urges companies to take environmental and social responsibility, we commit ourselves to developing an action plan involving 10 themes;

- Corporate governance
- Engagement with society
- Communication and dialogue
- Being a people-friendly company
- Risk management
- Sustainable investing, procurement and product development
- Supply chain management
- Climate change and energy
- Quality of the company's direct environment
- Sustainable logistics and mobility

## Roles and responsibilities

### Corporate Sustainability Committee

Our Corporate Sustainability Committee devises our overall sustainability strategy and frames the different initiatives across Barco's worldwide organization. The committee, which is chaired by Carl Vandenbussche (VP Investor Relations), met on a bi-monthly basis in 2016.

### Corporate sustainability reporting

- **Reporting period, cycle and scope**

We published our first Corporate Sustainability Report on 18 February, 2016 and will continue to report on an annual basis. The report provides a clear overview of our most relevant intentions, achievements and objectives in the field of corporate sustainability in 2015. In June 2017, we will publish our next Sustainability Report with all the relevant information about 2016.

- **GRI Standards**

Our Sustainability Report is prepared using the Global Reporting Initiative (GRI) Standards (see the complete GRI Content Index at the back of this 'sustainability' booklet for all references to the GRI Standards).

- **Carbon Disclosure Project**

Since 2015, we have been reporting to the Carbon Disclosure Project (CDP). In 2016, we were delighted to see a clear improvement in our CDP score: we received a B score – which is given to companies taking coordinated action on climate change issues - quite an achievement!

We strongly believe that growing our company goes hand in hand with helping our people and the communities around us to thrive, while safeguarding our planet. This is why sustainability has a central role in our organization.



# B-CONSCIOUS PEOPLE

Be engaged: you are you+ and  
together we are one

Barco cares about its people. That's why we work hard to provide a healthy, fun and motivating workplace where everyone is treated fairly and with respect.

We strongly adhere to the principle of sustainable employability. The key to keeping our people motivated, today and in the future? Wellbeing in the workplace. By appreciating and stimulating talent, motivating our people and keeping them healthy physically and mentally, we encourage them to feel strong, valued and capable. Moreover, we focus on their ability to respond proactively to change, evolutions and trends so they are ready to face the challenges of a dynamic world – both within our company and beyond.





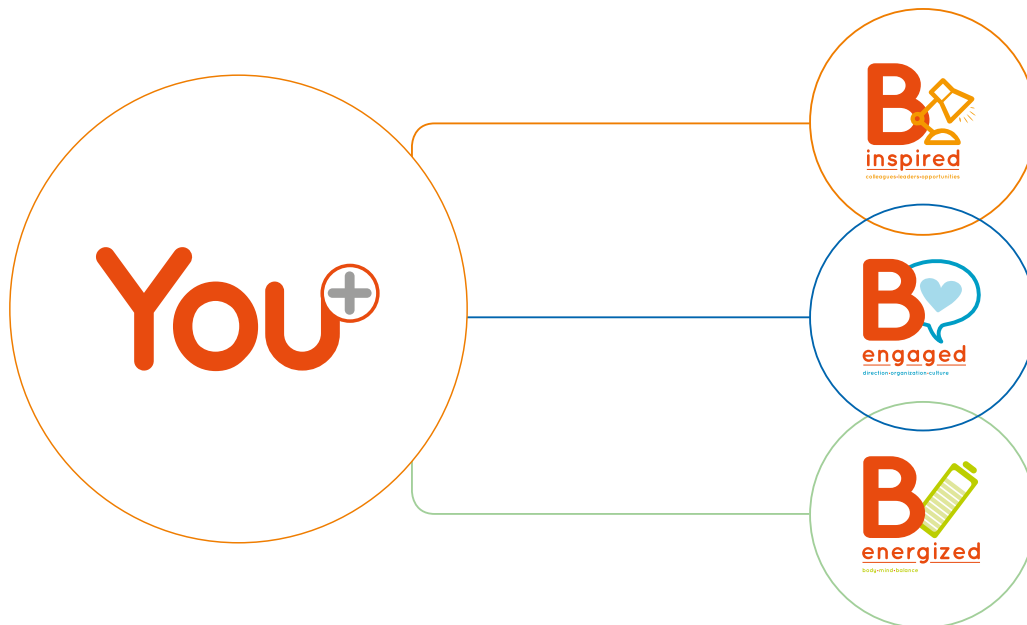
In my first weeks, I've been really struck by the pride, passion and drive of the Barco people. I am excited to become part of this motivated Barco family and help them – together with my team – to bring Barco to the next chapter.

**An Dewaele**

Chief Human Resources Officer since January 2017



To achieve our objectives in the field of sustainable employability, we created the You+ philosophy, which consists of three main pillars:





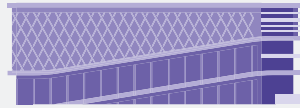
## **B-Inspired training and personal development**

At Barco, we cherish talent and actively help it to grow and flourish. Through Barco University, dedicated training programs and coaching, we seek to empower our people, ensuring that they are flexible, agile employees while encouraging them to think about how they want to contribute to our company, today and tomorrow.

### **Barco University**

Our 'tool' to stimulate excellence in lifelong learning is Barco University. Year after year, Barco University offers a broader range of courses in various formats (e-learning, in-house training sessions, etc.). In 2016, we included training sessions related to health and well-being like stress management, mindfulness and yoga. The 2017 program even features healthy cooking classes.





In total, Barco University  
organized  
600  
courses in 2016



For  
13,008  
course participants



On average,  
20  
hours of training per  
employee

## Leadership Development Track

Operational excellence requires skilled leadership. That's why we have devised a Leadership Development Track, which includes multiple custom-made programs for managers of every level. These programs, often developed in collaboration with an external educational partner, focus on expanding our leaders' skillsets and fostering their leadership potential.



I truly appreciate how internal mobility opportunities at Barco are complemented with tailored learning initiatives to quickly build knowledge and skills in new areas.

The mix of self-education via e-learning, in-house trainings and external programs offers a flexible approach to designing your own learning journey.

**Jana De Cock**  
Product Manager Healthcare



## Performance management

As a good team is only as good as the people in it, our HR team helps all Barco employees to discover and develop their talents by means of an advanced performance management process. Managers can use 360-degree feedback tools and get together with the members of their team at least once a year to discuss their performance, training needs, career planning and, of course, job satisfaction.

## Career development and Internal mobility

One of the keys to employee satisfaction is making sure that people feel happy in their professional roles. As it is not always easy to identify the perfect position, we help our employees to self-manage their career to the greatest extent possible. Everyone can find a career self-management guide on BarcoZone, our intranet, or attend a workshop. They can even call in the help of our in-house career coaches to find the role that suits them best. In addition, we promote internal mobility, supporting our people to move from one position to another within Barco.





## B-Engaged together we are one

We are all part of the same Barco team – One Team with one mutual goal: achieving operational excellence in order to maintain and strengthen Barco's global leadership position. To spread our message, we provide structured communication platforms. Our new One Campus is designed to foster interaction. Yet in other regions too, we encourage our employees to ask questions, provide feedback, share ideas and become truly involved in our operations.

### Put it on the wall!

BarcoZone, the new and improved intranet that we launched in 2015, has been very well received. Our people consider it a handy tool for accomplishing their daily work more effectively and efficiently, and to increase learning, knowledge sharing and a feeling of oneness within Barco. Since 2016, we also share company information on large displays, in all offices around the world. The content varies greatly: from information about local events, contract wins and even birthdays to strategic updates.



At our Duluth site (US), we organize quick 'come together' gatherings – including coffee and pastries! – whenever a colleague from abroad visits us. It's an ideal opportunity to share views and experiences and feel that we're part of a global group.



### Jan's blog

The strategy roadshows that we had organized in 2015 greatly helped us foster awareness about our corporate ambitions. In 2016, we continued our efforts to help every Barco employee understand the bigger picture. In the Americas, for example, Ney Corsino hosts a monthly teleconference to share results and discuss programs and activities. The blog posts that our new CEO Jan De Witte publishes on BarcoZone every week are also a great way to involve and engage our people.

### LATAM swaps offices

To share best practices and better understand the day-to-day work environment of their colleagues abroad, the LATAM team set up an exchange program in 2016: for two months, Alejandra Pazos from Mexico and Daniel Ray from Brazil swapped work places. "It was a great experience, for me as an individual, while it is definitely also very valuable for the company," they agreed. The teams will repeat the initiative in the coming years.

## Engagement survey

The engagement survey, which we conduct on a regular basis, helps us keep the finger on the pulse of employee satisfaction/motivation and gauge employees' opinions about the organization and company processes. Based on the results, action plans are being drafted, by region, by division and globally, in order to further increase employee engagement.

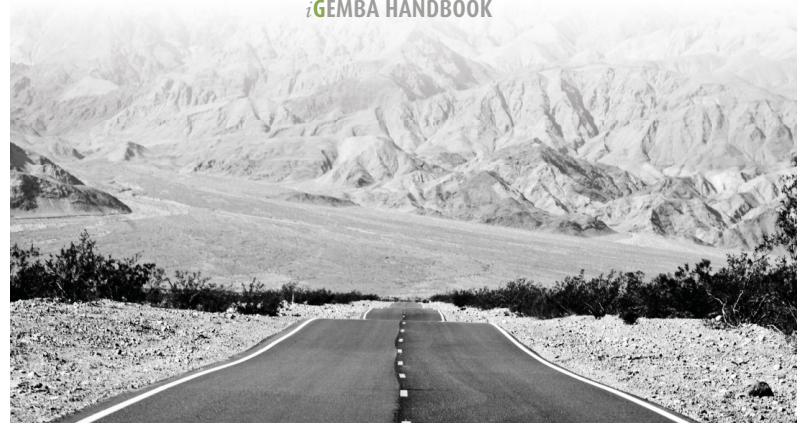
The results of the 2016 engagement survey were very encouraging.

The 2016 survey indicated that we had improved on our commitment to deliver and perform, and that people better understand our company strategy. In addition, our colleagues indicated they are proud of what we make and are willing to promote our products to people around them – which actually indicates a great level of engagement.

**Gao Yong**  
China R&D team

# The road to excellence

**(i)GEMBA HANDBOOK**



## (i)Gemba – the road to operational excellence

For over five years now, our (i)Gemba program has encouraged Barco operators around the globe to continuously improve processes by placing them at the heart of improvement ideas. Much to our satisfaction, the program continues to gain more momentum year after year. Our operators have never suggested more improvements and there have never been more Gemba walks than in 2016 (1,335 walks).

## (i)Gemba Handbook

On the occasion of '5 years (i)Gemba', we published an (i)Gemba handbook, which serves as an inspiration, a toolbox and a route planner for every Barco operator to pursue operational excellence.



iGemba is no longer a project; it has become a part of our daily work processes; it is the engine of our continuous improvement. This does not mean, however, that we can now rest on our laurels. In an ever-changing market, we must remain vigilant.

**Johan Heyman**  
Vice-President Operations & Logistics



6,610

In 2016, iGemba triggered 6,610 suggestions for improvement of which 84% (5,535 suggestions) were implemented (i.e. 6.24 proposals per operator).

## Teambuilding around the world

Every year, Barco colleagues around the world – from Taiwan, China, CFG-Barco and India through to Belgium – hold a one- or two-day teambuilding event. More than being real fun (singing, enjoying food, sports), the events also encourage teamwork and sometimes even zoom in on work-related topics, though in an informal way. Year after year, the teambuilding events prove to improve communication and motivation, ensuring better, stronger and happier teams.

### SMURF 2016 in Taiwan

In October 2016, people who were new at Barco Tainan and Taipei (Taiwan) were invited to 'SMURF 2016'. Rather than introduce them to Barco with PowerPoint presentations, the local HR team took them on a fun, unforgettable journey into the universe of the Smurfs – those small, smart, cheerful blue humanoids – made in Belgium! – that everyone in Taiwan loves. It was a great way for newcomers to get to know Barco and their colleagues.





### Americas celebrate core value “We care about our people”

Since 2010, our American colleagues have been organizing Employee Appreciation Week – a program that has grown to each of our ten Barco sites. Purpose of the initiative? Bring all the Barco employees and their managers closely together for a week of fun and inspiration. Activities are very diverse, ranging from football games and painting contests through to a Brazilian barbeque hosted by Ney Corsino, Americas Sr. VP. One of the 2016 highlights was the free car wash service that managers at the Sacramento offered to the employees. De Appreciation Week surely is a fantastic initiative to bring people together, away from the office, email and deadlines ...

## Power to self-steering teams

To ensure that our employees feel more engaged and have the chance to grow and develop, we increasingly rely on self-steering teams.

The team working on our new Lean Line, for example, is responsible for the quality checks and the logistics of the complete production process. As almost every team member is capable of executing every step in the production procedure, they can rotate working stations easily, which helps avoid monotony.

## Make generations meet

By 2025, 75% of the global workforce will consist of millennials. To enhance collaboration between this generation Y and employees of other generations, Barco Brazil launched the Millennials Project in 2016. Meanwhile, Barco Mexico picked up the initiative as well.

┌ The project doesn't just demystify millennials; it's also an incentive for everyone to reflect on our differences. It has allowed me to express my ideas and be heard. I feel like we can now achieve more.

**Carlos Miwa and Ximena Garcia**  
Millennials at Barco Brazil and Barco Mexico





## **B-Energized happiness and well-being at work**

In 2016, we launched many initiatives to energize our employees and improve their mind and body balance. In addition, we continue to invest in a healthy and safe work environment.

### **Food as energy booster**

In 2016, we continued our efforts on this front, enabling employees to enjoy free fruit and filtered tap water in their offices. Moreover, everyone who takes his/her lunch at One Campus can choose a healthy meal, as there are salads, a fresh fruit bar and a daily vegetarian menu. During the B-Energized week, Belgian food and lifestyle guru Sonja Kimpen gave an inspiring keynote on how healthy food can truly energize people.

### **Sitting is the new smoking**

In 2016, we kick-started a campaign to make our colleagues aware of the dangers of sitting too much, urging them to move more at work. We're actively promoting stand-up or walking meetings.

### **Ergonomics at work**

Barco attaches great importance to the ergonomic well-being of its people – both blue- and white-collar employees. While blue-collar workers receive special training on, e.g. safe lifting techniques, our colleagues at the new One Campus enjoy the benefits of adjustable desks and chairs, more natural light and healthy air conditioning. Every Barco employee is welcome to ask for personal advice regarding ergonomics issues.

## Let's get moving

Barco actively encourages its employees to practice sports. In addition to sponsoring several sports events, we offer our people communication tools to find sports-minded colleagues so they can practice together. The secured bike parking and shower facilities at One Campus motivate people to come to work by bike – a healthy and sustainable alternative to the car!

## Second Barco bicycle day

Barco Germany too, motivates its employees to come to work by bike. In 2016, our German colleagues organized the Barco bicycle day, the Barco-bicycle day. Barconians who took the challenge, were treated to a tasty breakfast at the office, while experts checked – and if needed repaired – their bikes.


## B-Energized Week 2016

In October 2016, we organized the 'B-Energized week' at our headquarters – a full week of activities centered around 'health'. One of the most popular activities was the B-Energized Trophy, where teams competed in go-carts, pétanque and a tug-of-war to win the title of 'most energetic Barco team'. Hundreds of employees visited the B-Energized market, where they found information on sports initiatives, stress and burnout prevention, healthy food and much more.



## Be prepared for change

In 2016, we organized several change resilience workshops that prepare our employees to face the challenges of a dynamic world. We have also launched a series of Barco University programs focusing on improving our leaders' change management and leadership skills.



In today's rapidly changing world, it is important to keep your skills up to date. Barco University perfectly caters to that need while making learning fun! The change game was a great way to learn some change skills together with the team.

**Wim Vanmarcke**  
Project Manager Operations



## Employee Assistance Program

Since 2016, we offer Belgian employees who are wrestling with psychosocial issues professional advice and counseling. In times of crisis, they can call a dedicated hotline, 24/7, and reach a competent professional. In case they need the help of a psychologist, Barco pays for the first five consultations. In addition, we also offer the 'FitforLife' training program, which provides tips and tricks (via Skype or phone) to deal with stress in a proactive manner. In 2016, 39 employees used our Employee Assistance Program to find help to tackle private or work-related (stress) issues.

## Flexible workplace

At One Campus, employees have the freedom to choose the zone they prefer to work in, depending on the task at hand (learning, meeting, collaborating, concentrating, etc.).



# B-CONSCIOUS COMMUNITIES

Be involved: Increasing stakeholder engagement and helping our communities thrive

As a responsible corporate citizen, Barco is focused on caring for its entire community - employees, customers and business partners; investors, analysts and shareholders; authorities and the media; and, of course, the wider sphere in which it operates.

The Barco team does its utmost to continuously contribute to a safe, healthy and pleasant world for every stakeholder. Besides working closely together with customers and business partners, we also support artistic and cultural initiatives, promote technology and innovation and help people around the world build better futures.





# Our customers

## Insights from the customer loyalty survey

Every two years, we measure the satisfaction of our customers with a loyalty study. In 2014, we recorded the highest customer loyalty index in our history. At 83%, the 2016 score was slightly lower than the 87% we achieved in 2014, but it is still a strong result. The survey yielded a ton of great insights on how to improve our products and services to score even higher in the future!

# Our business partners

Barco collaborates with a growing number of business partners, including resellers and suppliers. Committed as we are to delivering solutions and services of the highest possible quality, we carefully screen every business partner. More than simply offering the best-value solutions and services, they also have to meet our ecological and social criteria.

## A rapidly growing Barco Connect! Family

To grow our business and bring our solutions closer to our customers, we launched the Barco Connect! partner program in MEA in 2014. Connect! provides a framework for doing business with our resellers: in return for their loyalty and sales, Connect! partners get tools, support, resources and training – depending on their partner level – that help them expand their market reach.

While Connect! started as a program for resellers of our corporate AV solutions, it now also includes resellers of our healthcare solutions, from an increasing number of countries. Our colleagues around the world have similar programs.

**connect!**  
+ 1,000

In 2016, our **Connect!** program in MEA passed the 1,000-reseller milestone.

## Ensuring a sustainable partnership with our suppliers

Since the end of 2014, all our suppliers have agreed to comply with our Supplier Sustainability Program. The program is based on five pillars: training and awareness, compliance with the EICC Code of Conduct, supplier audits, product compliance and responsible sourcing.

### 1. Training and awareness

Through webinars and other communications, we train suppliers and inform them of developments in environmental compliance guidelines, ecodesign and corporate social responsibility. In our 2016 training sessions, we presented legislation updates, new information on conflict minerals and explained how to focus on deliverables.

### 2. EICC Code of Conduct

Each one of our core suppliers is expected to comply with standards relating to social, environmental and ethical issues in the electronics industry supply chain as set out in the EICC Code of Conduct.

### 3. Supplier audits

To make sure they meet our sustainability criteria, we audit every new supplier. In the case of shortfalls, we develop an action plan and recommend a training course, after which we re-evaluate the results. Our core suppliers are subject to yearly audits.

### 4. Product compliance

Every component that our suppliers deliver must comply with the **Product Compliance Requirements Code**, which includes worldwide regulations, industry standards and a number of criteria that we have voluntarily defined.

The **Barco Substances List**, which includes information about 46,887 components, helps us improve our ecodesign processes, choose the right materials and decrease our products' environmental footprints.

### 5. Responsible Sourcing Program

Through our Responsible Sourcing Program, we strive to make sure that our raw materials, components and packaging come from **sustainable sources**. In recent years, we've adopted a conflict minerals policy, improved the transparency and traceability of metals in our supply chain and gained insight into the tin, tungsten, tantalum, gold and the smelters used in our supply chain.

90%

In 2016, we managed to obtain Full Material Composition data for 90% of the components that are used in our products. Based on that information, we phase out components that are not compliant with (future) legislation and replace them by compliant alternatives.

## **Proudly inaugurating One Campus - a welcoming home for the entire Barco ecosystem**

On 27 May, 2016 we officially inaugurated our One Campus, in the presence of King Philippe of Belgium. More than presentations, drinks and live music, the hundreds of customers and business partners who attended the event enjoyed a guided tour through the iconic building – including our top-notch Experience Center.

The opening perfectly illustrated what One Campus is all about: bring our employees, customers and all other stakeholders together in a truly inspiring environment.





## Our communities

In 2014, we took the first steps towards setting up the Barco Foundation - a new initiative aimed at giving everyone around the world access to an open innovation society. In addition to sponsoring charities, we also regularly donate written-off stocks and refurbished goods to charities. All Barco employees are encouraged to contribute to our activities and suggest initiatives.

### Examples of 2016 projects:

During the 4<sup>th</sup> 'Barco Play Day' in Kortrijk, our volunteers welcomed children from underprivileged families for a fun day full of games, dancing and movies.

When I joined Barco, many people told me about the special Barco family and engagement. During this 'Warmste Week' I could really FEEL it! Thanks for making Barco special!

Jan De Witte  
CEO

By selling postcards and cakes, washing cars, organizing DJ sets, etc., Barco collected EUR 20,073 for 'De Warmste Week' - a popular, annual charity event organized by radio station Studio Brussel.



11 youngsters joined our team for one day in October, **working for a good cause** during **Zuiddag** – an initiative of YOUCA (Youth for Change and Action).

-

We delivered projectors to support ‘**Lens through a Stereogram**’ - an art installation that is part of an ongoing research project into dementia.

-

During the biannual **Czech National Radiology Congress**, we sponsored an original initiative by our partner Aura Medical and charity Světluska: radiologists ran alongside visually impaired people to **generate awareness of sight loss** and raise money for the cause.



During **Breast Cancer Awareness Month**, we invited three women diagnosed with breast cancer to a wellness center. We talked, the ladies got complete makeovers and we captured their stories and beauty in a picture painted with light.



It's been so long since I thought  
of my body as not just a medical  
object, but as something beautiful.  
Something I should be proud of. It  
felt good to share my mammo story.

Charlotte Smeets





On **International Women's Day**, we posted an inspiring video featuring powerful Barco women from around the world. The initiative highlighted our strong belief that a diverse company culture in which women and men work respectfully together is a more balanced, productive and creative culture.

-

Through the innovative '**iGemba Scholarship Scheme**', Barco India helps its employees to pay for the education of their children. The concept is simple: for each improvement suggestion that operators make under our iGemba program, Barco contributes 2 euro, which are collected in a scholarship fund. Since the start of the program, 36 children of Barco employees got a scholarship, 11 of which in 2016. The program not only supports our sustainability and CSR efforts, but also reinforces the Barco value "we care about our people".



In Poland, we supported the third edition of **Digital Mammography Workshops** – an initiative run by FUJIFILM.

-

Barco India donated 37,000 euro to CANSUPPORT, an organization that provides **palliative care to underprivileged people** with cancer in advanced stages. By offering medical and psychological care, CANSUPPORT offers the patients the chance to spend their last days in the comfort and privacy of their homes. In addition, our colleagues in India also support Indus Action (37,000 euro). Founded by students from Harvard and MIT committed to India's growth and development, Indus Action works hard to build a network of **inclusive schools in India**.

-

In 2016, we were happy to **donate a digital cinema projector** to accommodate occasional screenings for the people living in the Steung Meanchey dump in Phnom Penh (Cambodia), one of the poorest areas in South-Asia.

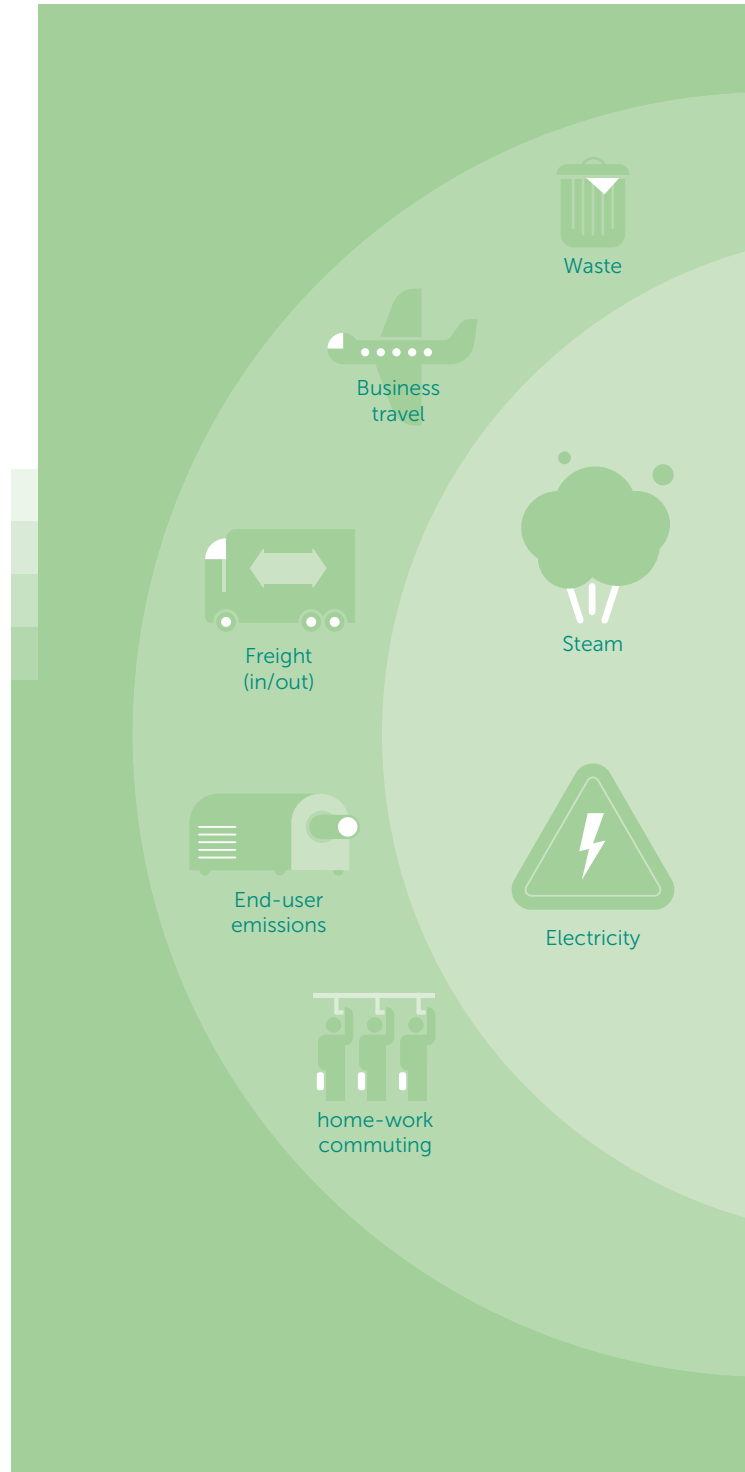


# B-CONSCIOUS PLANET

Be green: minimizing  
our ecological impact

As a global company, we are aware of the impact our operations have on our planet. We are therefore working hard to minimize the ecological footprints of our operations and our products. More than meeting the regulatory requirements in each country, we take voluntary steps to proactively comply with the most stringent rules and guidelines.

Reducing greenhouse gas emissions at all Barco sites and departments is one of the key objectives of Barco's sustainability strategy. In addition, we increasingly 'design for the environment', i.e. we aim to raise the sustainability of our products.



# Reducing our carbon footprint

Committed to fully embedding sustainability into our DNA, we've set ourselves the ambitious objective to reduce Barco's CO<sub>2</sub> emissions by 20%\* by 2020. In the following pages, you'll find an overview of the 2015 carbon emission results, as well as related insights and details about our sustainability goals for the future, including a series of concrete actions to achieve our targets. Note that the 2015 results will be updated in our annual Sustainability Report, to be published in June 2017.

## Scope of the carbon footprint analysis

### SCOPE 1

Direct emissions from owned and controlled sources

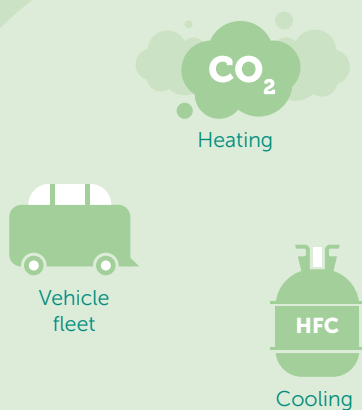
### SCOPE 2

Indirect emissions from owned and controlled sources

### SCOPE 3

All other indirect emissions

\* compared to the first analysis in 2015



# To measure is to know

Since 2014, Barco has been analyzing and measuring its carbon footprint in close collaboration with CO<sub>2</sub>logic. After significantly fine-tuning our scope and data collection approach in 2015, we observed a clear decrease in emissions in 2015. We expect a further reduction in the 2016 results.

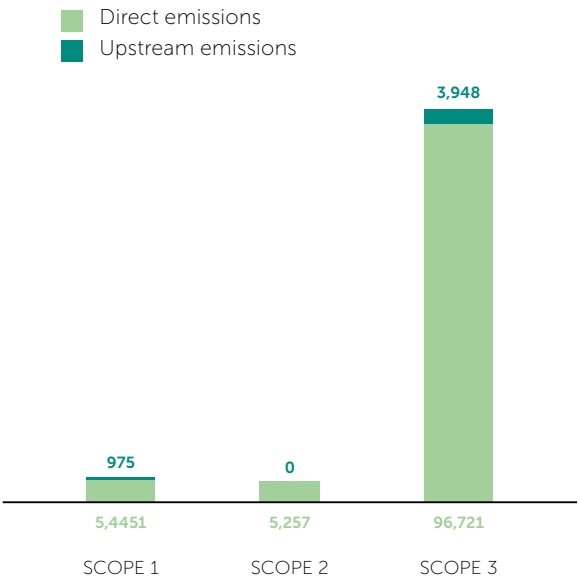
In 2015, we started reporting the results of our measurements to the Carbon Disclosure Project (CDP).

We've set ourselves the ambitious objective to reduce Barco's CO<sub>2</sub> emissions by 20% by 2020.

## Geographical scope (84% of headcounts\*)

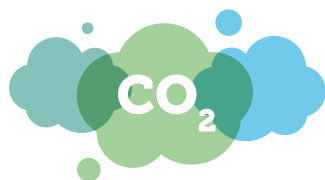
| Country | Location                      |
|---------|-------------------------------|
| Belgium | Kortrijk<br>Kuurne            |
| China   | Beijing Chang Ping<br>Beijing |
| Italy   | Saronno                       |
| Germany | Karlsruhe                     |
| India   | Noida                         |
| Norway  | Frederikstad                  |
| Taiwan  | Taipei<br>Taipei AWIND        |
| US      | Folsom<br>Duluth<br>Advan     |
| Mexico  | Mexico City                   |
| Brazil  | Sao Paolo                     |

## Total emissions per scope (tCO<sub>2</sub>e\*\*)



\* A number of facilities in other countries have not been included in our disclosure, because the emissions related to their activities are not significant at group level. 84% of Barco's GHG emissions are covered by our disclosure.

\*\* The calculated uncertainty of Barco's carbon footprint is 22%. Uncertainty for scope 1 and 2 is 3% to 6%, uncertainty for scope 3 is 24%. The following Greenhouse Gases (GHG) were taken into account: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), halocarbon (CFC, HCFC, PFC, HFC), SF<sub>6</sub> and O<sub>3</sub>.



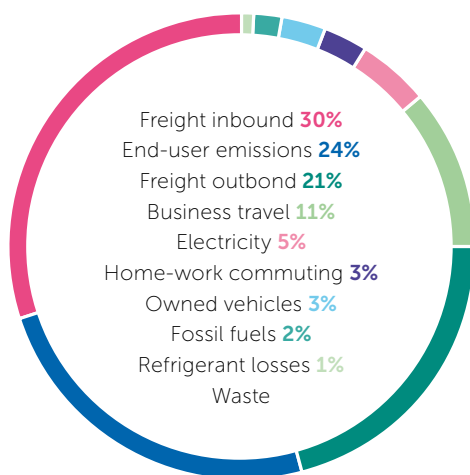
107,423 tCO<sub>2</sub>e\*

The total carbon footprint of Barco in 2015 (without upstream). With upstream taken into account, the total carbon footprint amounted to 112,345 tCO<sub>2</sub>e.

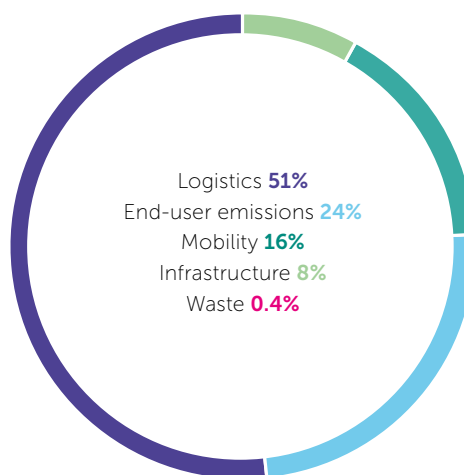
## Numerous ways to reduce carbon emissions

Logistics, facilities (infrastructure), mobility, end-user emissions and waste: these are the five main sources of CO<sub>2</sub> emissions at Barco. We have been measuring the carbon footprint of these sources/activities since 2014. Based on the first results, we have identified ways to lower our carbon footprint in each field. Our efforts to drastically reduce CO<sub>2</sub> emissions by 2020 will mainly focus on cutting emissions from the areas of logistics, mobility and infrastructure.

### Composition of total tCO<sub>2</sub>e



### Direct emissions per category



- **Logistics** (inbound & outbound): **54,581 tCO<sub>2</sub>e**
- **End-user emissions**: **26,777 tCO<sub>2</sub>e**
- **Mobility**: (business travels, home-work commuting and owned vehicles): **17,591 tCO<sub>2</sub>e**
- **Infrastructure**: (fossil fuels, refrigerant losses and electricity): **8,002 tCO<sub>2</sub>e**
- **Waste**: **0.4%** of the total direct emissions

## Logistics

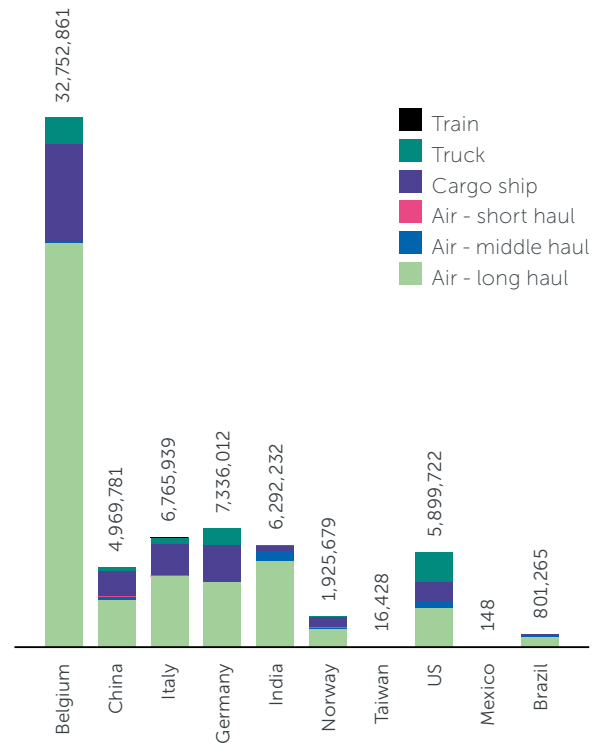
54,581 tCO<sub>2</sub>e

Generating 54,581 tCO<sub>2</sub>e, the transport of goods – inbound and outbound – is the largest source of carbon emissions at Barco (representing 62% of our total carbon footprint).

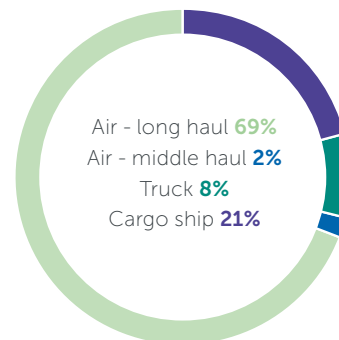
Reducing freight emissions is one of the focal points of our sustainability efforts in these initial years. Taking into account Barco's growth, however, we expect freight emissions to increase in the coming years (+ 3% in total kms inbound/yr.). A solid plan to optimize transport worldwide will help us cut emissions in spite of that growth.

Actions include:

- Searching for **more local suppliers** as a way of cutting inbound emissions while **driving up local production** to reduce outbound emissions.
- Increasing the number of **local repair centers** for basic repair activities.



Freight emissions (tCO<sub>2</sub>e)



## Mobility

17,591 tCO<sub>2</sub>e

- Transporting cargo **by truck or ship instead of by plane**, or **by train instead of by truck**. A steadier supply chain and better forecasts will make transportation planning easier, which is a must if we want to choose alternative – and often slower – modes of transportation like ships, trains or trucks. 2020 targets include:

- +20% cargo delivered by ship instead of by plane
- +5% cargo delivered by train instead of by plane
- +5% cargo delivered by truck instead of by plane

- By critically **evaluating our packaging**, we can substantially raise transport efficiency too. By 2020, our packaging should be 5% more efficient than it is today. These efforts have yielded impressive first results:

- ClickShare is now shipped on bigger pallets, which allows us to transport 210% more products on a single pallet.
- Packing projectors and parts together in one flight case instead of shipping them separately helps us cut freight emissions.

Our own company cars, business travels and daily commutes account for 17,591 tCO<sub>2</sub>e, or 16% of our carbon footprint.

-

Thanks to an updated vehicle fleet, mobility emissions decreased in 2015. At the same time, however, emissions from business travel per FTE increased in the US, Belgium and Germany. Actions to raise awareness about the importance of a green fleet and decrease our footprint include:

- Updating our car fleet (policy) led to a 3% decrease in carbon emissions in 2015. By gradually **replacing our petrol-fueled cars** with CNG and electric vehicles and organizing **eco-driving courses** for employees driving company cars, we want to reduce the average emission factor of our fleet by 1% per year (200 tCO<sub>2</sub>e).
- In 2015, we reduced carbon emissions by 39 tCO<sub>2</sub>e, thanks to **teleworking**.

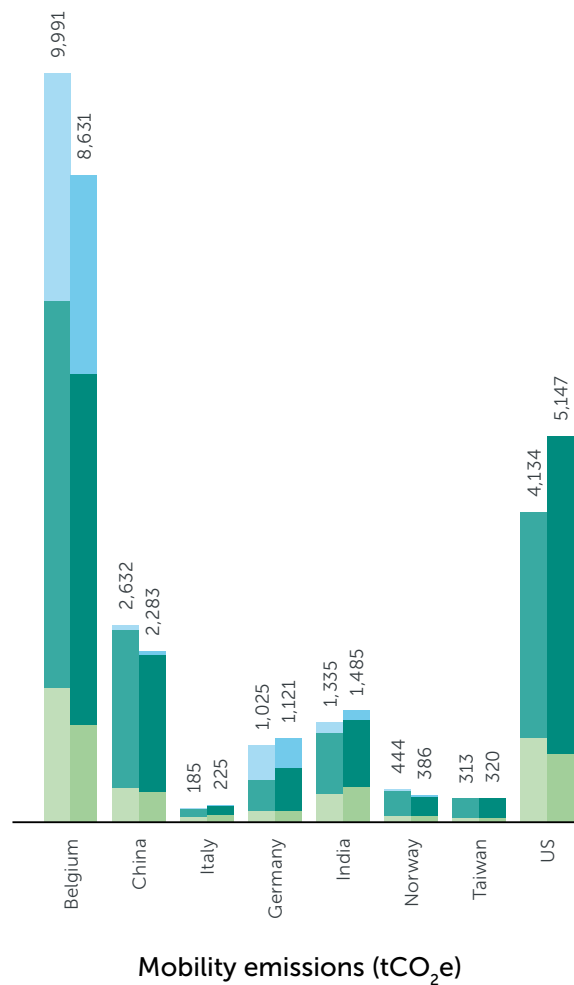
By 2020, we will cut:

- inbound logistics emissions by 15% (3,600 tCO<sub>2</sub>e)
- outbound logistics emissions by 13% (4,500 tCO<sub>2</sub>e)

- To motivate Belgian employees to come to work in an eco-friendlier way, One Campus features secured bike parking and modern shower facilities. In the future, we will **facilitate carpooling** and keep **promoting the use of bicycles and public transport** to reduce the environmental impact of home-work commuting. Moreover, as our Belgian employees no longer have to travel between two Belgian facilities, we expect fuel emissions to drop significantly from 2016 onwards.
- Our **virtual meeting rooms** led to fewer business trips.
- To further reduce the emissions as a result of business travel, we will **cut down on the number of air flights** (~8% by 2020). For short distances (<600 km), Barco will promote train travel instead of flights. In addition, we will **phase out air transport in business class** (50 tCO<sub>2</sub>e).

By 2020, we will cut:

- the emissions of our company cars by 11% (500 tCO<sub>2</sub>e)
- the emissions from business travel and commuting by 9% (1,400 tCO<sub>2</sub>e)



2014 2015 - Home-work commuting  
 2014 2015 - Business travels  
 2014 2015 - Owned vehicles

## Infrastructure

8,002 tCO<sub>2</sub>e

Barco's global infrastructure (heating, fuel use, cooling equipment and electricity) is responsible for 8,002 tCO<sub>2</sub>e, i.e. 12% of our total greenhouse gas emissions.

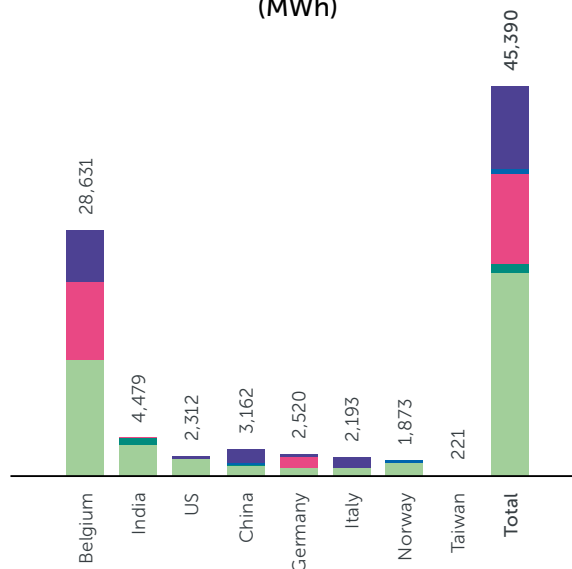
Barco's main global energy sources are electricity (ca. 50%) and fuel used for heating and cooling equipment (ca. 28%). We are currently still working on an action plan to minimize the impact of all R&D and manufacturing facilities. It is clear, however, that our new Belgian headquarters helps reduce our footprint:

- By **centralizing all our Belgian activities** in One Campus, we cut infrastructure emissions. Our new headquarters is powered by **green electricity**. Other Barco facilities will follow that example: by 2020, all Barco facilities will have made the switch to green electricity.
- One Campus features an **energy-efficient** underfloor heating system, a radiant cooling system and a 6,000m<sup>3</sup> rainwater basin. To further reduce emissions, we will switch to refrigerants with a lower Global Warming Potential (GWP of R134a) by 2020.

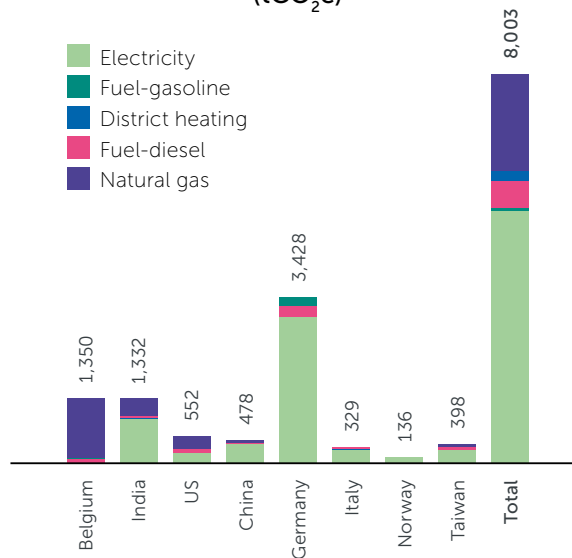
By 2020, we will cut

- electricity emissions by 99% (5,200 tCO<sub>2</sub>e)
- heating emissions by 15% (400 tCO<sub>2</sub>e)
- cooling emissions by 20% (100 tCO<sub>2</sub>e)

Energy consumption at Barco (MWh)



Energy consumption at Barco (tCO<sub>2</sub>e)



Electricity  
Fuel-gasoline  
District heating  
Fuel-diesel  
Natural gas

## Waste

472 tCO<sub>2</sub>e

Generating 472 tCO<sub>2</sub>e, waste contributes 0.4% to our total carbon footprint.

-

We are actively looking for ways to reduce waste at every step of the supply chain. Just one example:

- Our cardboard shredder pulverizes the cardboard boxes we receive into paper pulp, which we use as a buffer material in our own packaging. In this way, we recycle, save costs and reduce the transport needed for the delivery of new buffer material.

## End-user emissions

Also committed to assess the environmental impact of our solutions, we started measuring the footprints of our health-care products.

The average power consumption per sold item over its lifetime was 537 kWh. Our analysis showed that at 26,777 tCO<sub>2</sub>e, the emissions associated with our healthcare applications are responsible for 24% of our total carbon footprint.

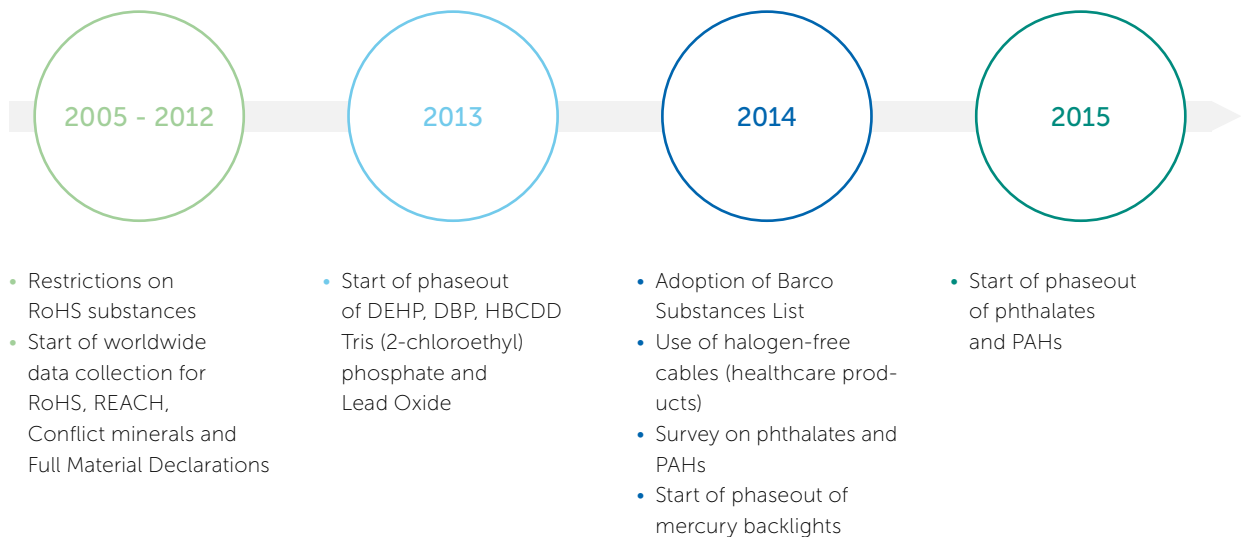
In the future, we want to extend this exercise to other divisions as well. In the meantime, we are working hard to **enhance the sustainability of our products**. To support and accelerate our efforts, we launched the Design for the Environment program.

# Design for the environment: sustainable product innovation

More than developing innovative technology solutions, we want our products to be economically, socially and ecologically sustainable too. That is why an increasing number of our innovation initiatives are focused on sustainable product innovation. To support these efforts, we introduced the Design for the Environment Program, which focuses on three pillars.

## Reducing the toxicity of our products

We have already made great efforts to proactively reduce the toxicity of our products, often in close cooperation with our suppliers.



## Designing for recyclability

Since 2011, we have been a partner in the **GreenElec project**, which identifies processes and strategies needed to recycle electronics equipment efficiently. Our extensive research into ways to increase the recyclability of our products led to an extensive list of requirements that our R&D teams have to take into account during the product development stage. Our Coronis Fusion 4MP medical display was the first product designed with these criteria in mind.

## Making our solutions more energy-efficient

All Barco products comply with worldwide mandatory regulations regarding eco-efficiency. More than that, we comply voluntarily with a series of extra requirements in order to proactively meet and exceed future regulations. Over the past few years, we have managed to truly **boost the energy efficiency of our solutions**:

- Our displays consume far less energy while maintaining the quality of light output.
- Solid-state illumination solutions - projectors, video walls and medical displays -, which play an ever-bigger role in our portfolio, consume far less power than traditional systems:
  - Our laser-illuminated projectors could reduce energy consumption of cinema projectors in Europe by 150 GWh per year - which equals the electricity production of a small nuclear power plant in one month.
  - The use of laser projectors could avoid over 1 million lamp swaps annually in Europe. This is the equivalent of 670 trucks filled with lamps navigating Europe every year.



**50% energy reduction**  
for Coronis Fusion displays




**51% energy reduction**  
for Clinical Review displays




**75% energy reduction**  
for Nio displays

### Barco retrofit: 3 x green

Thanks to the **modular design** of our products, we enable our customers to smoothly upgrade their Barco equipment. Cinema exhibitors, for example, can easily convert their traditional projectors into cutting-edge laser phosphor alternatives by replacing the lamp housing. In this way, we help our customers reduce energy consumption by 30% while keeping existing projectors out of the landfill. Last but not least, the laser solution boasts a much longer lifetime.



Thanks to the modular design of our products, we help our customers reduce energy consumption by 30% while keeping existing projectors out of the landfill.



| General Disclosures | Description   | Page                               |
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| 102-2               | Activities, brands, products and services                                     | A/16-17, A/28-45, C/32             |
| 102-3               | Location of headquarters  | D/93                               |
| 102-4               | Location of operations  | A/14                               |
| 102-5               | Ownership and legal form  | C/49, D/93                         |
| 102-6               | Markets served  | A/12-14, A/30-31, A/36-37, A/42-43 |
| 102-7               | Scale of the organization   | A/6-9, A/15                        |
| 102-8               | Information on employees and other workers                                    | A/15                               |
| 102-10              | Significant changes to the organization and its supply chain                  | A/3, C/10                          |
| 102-12              | External initiatives  | B/5                                |
| 102-13              | Membership of associations  | B/39                               |
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| 102-24              | Nominating and selecting the highest governance body                          | C/17                               |
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| 102-31              | Review of economic, environmental, and social topics       | C/16, C/25       |
| 102-32              | Highest governance body's role in sustainability reporting | B/6              |
| 102-33              | Communicating critical concerns                            | C/25-28          |
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| 102-50              | Reporting period   | B/6              |
| 102-51              | Date of most recent report                                 | B/6              |
| 102-52              | Reporting cycle  | B/6              |
| 102-53              | Contact point for questions regarding the report           | D/93             |
| 102-54              | Claims of reporting in accordance with the GRI Standards   | B/6              |
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| 305-3                                    | Other indirect (Scope 3) GHG emissions   | B/31-32, B/34-35 |
| 305-5                                    | Reduction of GHG emissions   | B/34             |
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| <b>Supplier Environmental Assessment</b> | <b>Description</b>   | <b>Page</b>      |
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| <b>Diversity and equal opportunity</b>   | <b>Description</b>   | <b>Page</b>      |
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| <hr/>                                    |  |                  |





# DIRECTORS' REPORT

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## INFORMATION ABOUT THE SHARE

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## **Declaration regarding the information given in the Annual Report 2016**

The undersigned declare that:

- The annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated companies;
- The annual report gives a true and fair view of the development and the results of the company and of the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.

Jan De Witte, CEO

Ann Desender, CFO

# CORPORATE GOVERNANCE STATEMENT

In accordance with article 96, §2 of the Companies Code, Barco applies the Corporate Governance Code 2009 as reference code. This code can be downloaded via the link

[www.CorporateGovernanceCommittee.be](http://www.CorporateGovernanceCommittee.be)

Barco deviates from art. 8.4 of the Corporate Governance Code.

Barco makes the information defined in this article available only on its website. An analysis of website traffic revealed that visitors search for this information on the webpages themselves, rather than in the Corporate Governance Charter which is also available on the website.

Barco's Corporate Governance Charter is available for download at

[www.barco.com/corporategovernance](http://www.barco.com/corporategovernance)

## Board of Directors



Charles Beauduin



Antoon De Proft



Ashok K. Jain



Hilde Laga



Eric Van Zele



Christina von Wackerbarth



Frank Donck



Bruno Holthof



Luc Missorten



Jan P. Oosterveld

## Board of Directors

Situation on 1 February 2017

|           |  |       |
|-----------|--|-------|
| Chairman  | <b>Charles Beauduin</b>  | 2020* |
| Directors | <b>Eric Van Zele</b>   | 2018* |
|           | ADP Vision BVBA (represented by <b>Antoon De Proft</b> ) (1)         | 2017* |
|           | Praxis BVBA (represented by <b>Bruno Holthof</b> ) (1)               | 2018* |
|           | <b>Luc Missorten</b> (1)   | 2018* |
|           | Oosterveld Nederland B.V. (represented by <b>Jan P. Oosterveld</b> ) | 2018* |
|           | Kanku BVBA (represented by <b>Christina von Wackerbarth</b> )        | 2018* |
|           | Adisys Corporation (represented by <b>Ashok K. Jain</b> ) (1)        | 2017* |
|           | <b>Hilde Laga</b> (1)  | 2018* |
|           | <b>Frank Donck</b> (1)   | 2017* |
| Secretary | <b>Kurt Verheggen</b> General Counsel                                |       |

(1) independent directors // \* date on which the term of office expires: end of the annual meeting

### Charles Beauduin (\*1959)

has been CEO and owner of Michel Van de Wiele NV since 1993. Van de Wiele is an international technology player and leader in solutions for the textile industry. Mr. Beauduin holds several positions in trade associations and employer organizations. He holds a Master of Law from KU Leuven and an MBA from Harvard Business School. Mr. Beauduin has broad professional management experience including international assignments in Asia and the United States.

### Eric Van Zele (\*1948)

served as president and CEO of Barco NV from January 2009 to 12 September 2016. He continues to serve as a director of Barco NV. Mr. Van Zele also currently serves as Chairman Reynaers Aluminium NV and Chairman of the Hermes Fund of the Flemish Government. Before coming to Barco, he served as CEO of Pauwels International and Telindus NV and as corporate vice president of Raychem Corporation.

Mr. Van Zele holds a Master of Mechanical Engineering from the KU Leuven and post-graduate degrees in Management from Stanford University.

### Antoon De Proft (\*1960)

holds a Master of Electrical Engineering and a post-graduate degree in Medical Engineering. Mr. De Proft is CEO of Septentrio, a manufacturer of highly accurate GNSS systems and he serves on several boards, including a position as Chairman of IMEC and Quest For Growth and a board position at TKH. Previously, he has been President & CEO of ICOS Vision Systems.

**Bruno Holthof (\*1961)**

is CEO of Oxford University Hospitals (OUH). OUH employs 12,000 staff across four hospital sites and 44 other locations. Before OUH, he was CEO of the Antwerp Hospital Network (ZNA). During this period, he transformed ZNA into the most profitable hospital group in Belgium. Before becoming a CEO, he was a partner at McKinsey & Company. During this period, he served a wide range of healthcare clients in Europe and the United States and gained significant expertise in the areas of strategy, organization and operations. He is also a Board member of bpost, Belgium's postal service. Mr. Holthof holds an MBA from Harvard Business School and an MD/PhD from KU Leuven.

**Luc Missorten (\*1955)**

is currently Chairman of the Board of Directors of Ontex and member of the Board of Gimv NV, Recticel, Scandinavian Tobacco Group A/S and Corelio. He served on the boards of LMS, Vandemoortele and Bank Degroof. Throughout his professional career and until the end of 2014, Mr. Missorten exercised executive roles at various companies, such as Corelio (CEO), UCB (CFO) and ABInbev (CFO). He holds a Law Degree from the KU Leuven, a Master of Laws from the University of California–Berkeley and a Certificate of Advanced European Studies from the College of Europe in Bruges.

**Jan P. Oosterveld (\*1944)**

held several senior management positions at Royal Philips Electronics before he retired in 2004 as member of the Group Management Committee. He is a professor at IESE, owns a consultancy company and holds several board positions. Mr. Oosterveld has a Master of Mechanical Engineering from the Eindhoven Technical University and an MBA from IESE Business School, Barcelona.

**Christina von Wackerbarth (\*1954)**

has held several top positions at VNU Belgium, VNU Magazines International, Sanoma WSOY and the Flemish public broadcaster VRT. Today, she is active as international Consultant and Executive Coach at INSEAD Leadership Development center and in private practice for major global firms in many industries. She has served on various boards, including those of telecom operator Mobistar in Belgium and Tamedia in Switzerland. Ms von Wackerbarth holds a degree in linguistics, an AMP diploma from INSEAD (France), a Certificate of Financial Management at UAMS (Belgium), a MSc in Consulting and Clinical Coaching from HEC (France) and the same diploma from INSEAD (France).

**Ashok K. Jain (\*1955)**

holds a Master of Technology degree from the Indian Institute of Technology in Delhi, India. During his career, Mr. Jain has founded several technology start-ups and has converted them into successful businesses through strong leadership coupled with insights into emerging opportunities and trends in the global economy. Mr. Jain was founder and Chairman of the Board of IP Video Systems, which was acquired by Barco in February 2012. He is currently a General Partner at Co=Creation=Capital LLC. Mr. Jain is of Indian origin and has US citizenship.

### **Hilde Laga (\*1956)**

Hilde Laga holds a Ph.D. in Law and lectures on corporate law at the University of Leuven. She is one of the founding partners of the law firm Laga which she led as managing partner and head of the corporate M&A practice until 2013. Hilde Laga joined the Board of Directors of Barco NV and NV Greenyard Foods in 2014. In 2015 she joined the Board of Directors of Agfa-Gevaert NV and of Gimv NV. In 2016 she became president of Gimv NV. She's a member of the Belgian Corporate Governance Committee and served as a member of the supervisory board of the F.S.M.A. (former C.B.F.A) until 2014.

### **Frank Donck (\*1965)**

has been the managing director of investment holding company 3D NV since 1998, investing in a mix of long-term public equity, private equity and real estate. He also serves as Chairman of Atenor Group NV and Telecomumbus AG, as non-executive director in KBC Group NV and as independent director of Elia System Operator NV. Frank Donck holds a Master of Law Degree from the University of Ghent and he obtained a Master of Finance from the Vlerick Business School. He started his career as investment manager for Investco NV and was a board member in several listed and privately owned companies. Mr. Donck was i.a. Chairman of Telenet Group Holding NV. He is also Vice-Chairman of the Vlerick Business School and is a member of Belgium's Corporate Governance Commission.

## Changes

At the general meeting of April 2016, the shareholders reappointed Mr. Charles Beauduin, Oosterveld Nederland B.V. represented by Jan P. Oosterveld and Kanku BVBA represented by Ms. Christina von Wackerbarth as director.

All directors hold or have held senior positions in leading international companies or organizations. Their biographies can be found on pages C/7-C/9 of this annual report.

## Board Committee

Further to the changes in the Board, the composition of the Strategic & Technology Committee has also been adapted accordingly.

## Strategic and Technology Committee

In 2015, the Board of Directors reorganized the Strategic Committee into a Strategic & Technology Committee. The Chairman and CEO are the permanent members of this Committee. Depending on the topic to be discussed, it invites other members of the Board as well as members of Executive Management on an 'ad hoc' basis to participate in the discussions of this Committee.

## Audit Committee

The Audit Committee is composed of three members, namely: Mr. Luc Missorten, who acts as Chairman, Mr. Bruno Holthof and Mr. Jan P. Oosterveld. Mr. Missorten and Mr. Holthof are independent directors. The Audit Committee's members have relevant expertise in financial, accounting and legal matters as shown in the biographies on pages C/7-C/9. The Board of Directors therefore opines that the Audit Committee meets the statutory requirements of independence and expertise in accounting and auditing. Each year, the Audit Committee assesses its composition and its operation, evaluates its own effectiveness and makes the necessary recommendations regarding these matters to the Board of Directors.

Both the Statutory Auditor and the head of the Internal Audit have direct and unlimited access to the Chairman of the Audit Committee and to the Chairman of the Board of Directors.

## Remuneration and Nomination Committee

The Board of Directors chose the possibility to combine the Remuneration Committee and the Nomination Committee into a single body.

The Remuneration & Nomination Committee consists of three directors: Christina von Wackerbarth who acts as Chairman, Luc Missorten and Antoon De Proft. Mr. Missorten and Mr. De Proft are independent directors.

## Corporate Leadership Team



**Jan De Witte**

CEO



**Ann Desender**

Senior VP - CFO



**An Dewaele**

Senior VP - Chief HR Officer



**Filip Pintelon**

Senior VP - General Manager Healthcare



**Wim Buyens**

Senior VP - General Manager Entertainment



**George Stromeyer**

Senior VP - General Manager Enterprise



**Piet Candeel**

Senior VP - EMEA



**Ney Corsino**

Senior VP - Americas



**Johan Heyman**

Senior VP - Operations



**Xavier Bourgois**

Senior VP - Information Technologies



**Kurt Verheggen**

Senior VP - General Counsel

### Jan De Witte

is CEO of Barco as of 12 September. He is a global leader who has served in a variety of operational and business leadership roles over the past 25 years, delivering operational excellence, product development and growth in services, solutions and software businesses for technology companies.

Prior to joining Barco, Mr. De Witte was an officer of General Electric Cy. (GE), and CEO of the Software and Solutions business in the Healthcare Division. During his 16 year tenure with GE he worked in global management roles in manufacturing supply chain, Quality/Lean Six Sigma, services and software solutions and lived in Chicago, Milwaukee and Paris.

Prior to GE, Mr. De Witte held operational management positions in supply chain and manufacturing at Procter & Gamble in Europe. He also served as Senior Consultant with McKinsey & Company serving clients in airline, process and high tech industries across Europe.

Mr. De Witte holds a Master of Electromechanical Engineering from KU Leuven, and an MBA from Harvard Business School.

### Ann Desender

Ann Desender joined Barco in 2008 and has been leading Barco's global finance team since 2010. Prior to joining Barco she held management positions as Corporate Director of Finance & Reporting at Unilin and was a Senior Audit Manager at Arthur Andersen and Deloitte. Ann holds a Master of Applied Economic Sciences from the University of Ghent and completed an advanced management program at IESE Barcelona.

### An Dewaele

is Chief Human Resources Officer. Prior to joining Barco NV in 2017, she worked for 5 years as an HR consultant with De Witte & Morel, followed by 20 years in the Volvo Group where she held several senior HR positions, both local and global on operational and strategic levels.

Mrs. Dewaele holds a Master of Industrial Psychology from the University of Ghent. She is also graduate of Vlerick's Business School Compensation and Benefits Management Program.

### Filip Pintelon

joined Barco NV in 2008 and has been successively President of Avionics & Simulation, President of Media, Entertainment & Simulation, and COO. As of early 2015, he became General Manager for the Healthcare division. Prior to joining Barco NV, he held top positions at LMS, Accenture and The Boston Consulting Group. After graduating from the KU Leuven with a Master of Mathematics & Informatics in 1986, Mr. Pintelon earned an MBA from Vlerick Leuven Gent Management School.

**Wim Buyens**

is General Manager of the Entertainment division. He started at Barco NV in November 2007 as Vice President Digital Cinema within the Media & Entertainment division. Prior to joining Barco, he held several management positions at the Danish technology company Briel & Kjaer.

Mr. Buyens holds a degree in Engineering and obtained his executive management education at Stanford University and IMD in Lausanne.

**George Stromeyer**

George Stromeyer began his career with Raychem Corporation in 1988. Since then, he assumed roles of increasing responsibility for global commercialization with Scientific Atlanta Inc., Cisco Inc. and Harmonic Inc.

George joined Barco in February of 2016 to lead the Enterprise division which integrates seven worldwide Sites. A native of Silicon Valley, he has developed a multi-cultural, multi-lingual background, with extensive years living and working in Europe and Latin America. George holds a Bachelor of Science in Mechanical Engineering from Cornell University and a Master of Business Administration from the Tuck School at Dartmouth College.

**Piet Candeel**

heads the EMEA region for Barco NV. Prior to his present position, he was the General Manager of the Healthcare division for over 10 years. Preceding that assignment he held several positions in marketing, sales and general management in a variety of business units in Barco.

Mr. Candeel is an Officer of Nautical Electronics, holds a post-graduate degree in Marketing from EHSAL Brussels and an MBA from the University of Antwerp (UFSIA). He is also a graduate of Stanford University's Executive Program (SEP).

**Ney Corsino**

is the Regional President of the Americas. Prior to this, he managed the International Sales and Sales Operations of Barco NV. Before joining Barco NV, he held several management positions at Philips, through various industry segments, in foreign assignments around the globe. Mr. Corsino holds a degree in Electronic Engineering with post-graduate studies in Economics. He further extended his executive education at Insead and Kellogg School of Management.

**Johan Heyman**

Johan Heyman is Vice President Operations & Logistics, managing the manufacturing sites worldwide as well as the worldwide Logistics Procurement, Quality and Facilities teams. He joined the company in 2008. Before joining Barco NV, he held several management positions in the semiconductor industry at Alcatel Microelectronics, AMI Semiconductor and ON Semiconductor. Mr. Heyman holds a Master of Electronic Engineering from the University of Ghent (U.G.) as well as a post-graduate degree in Industrial Management from the same university.

## Activity report on Board and Committee meetings

### Xavier Bourgois

Xavier Bourgois joined Barco in 2015 as Vice-President Information Technologies. Starting his career at General Electric and continuing at The Stanley Works, International Paper and bpost, he held increasing leadership positions in Operations, Supply Chain, IT and Business Transformation. Xavier holds an MBC from the University of Chicago Booth School of Business and a Master of Mechanical Engineering from KU Leuven.

### Kurt Verheggen

serves as Company Secretary of the Board. He is the General Counsel of Barco. He started his career with the law firm Linklaters and then worked as Legal Counsel for CMB, Engie and General Electric. He holds a law degree from KU Leuven, a Master of Laws from Tulane University Law School in New Orleans and a Master of Real Estate from Antwerp Management School.

Reference is made to Title 1 and 2 of Barco's Corporate Governance Charter for an overview of the responsibilities of the Board of Directors and its Committees.

The table below provides a comprehensive overview of the directors' attendance at the Board of Directors and Committee meetings during the 2016 calendar year:

#### Directors' attendance at the Board and Committee meetings

|                                | BOARD OF<br>DIRECTORS | AUDIT<br>COMMITTEE | REMUNERATION &<br>NOMINATION<br>COMMITTEE | STRATEGIC &<br>TECHNOLOGY<br>COMMITTEE |
|--------------------------------|-----------------------|--------------------|---|--|
| Eric Van Zele                  | 8                     | 4                  | 3   | 1                                      |
| Charles Beauduin               | 8                     |                    |   | 1                                      |
| Bruno Holthof <sup>(1)</sup>   | 6                     | 4                  |   |  |
| Luc Missorten <sup>(1)</sup>   | 8                     | 5                  | 4   |  |
| Jan P. Oosterveld              | 8                     | 5                  |   |  |
| Christina von Wackerbarth      | 7                     |                    | 4   |  |
| Antoon De Proft <sup>(1)</sup> | 7                     |                    | 4   | 1                                      |
| Ashok K. Jain <sup>(1)</sup>   | 8                     |                    |   | 1                                      |
| Hilde Laga <sup>(1)</sup>      | 8                     |                    |   |  |
| Frank Donck <sup>(1)</sup>     | 8                     |                    |   |  |

(1) independent directors

## Board of Directors

In 2016, the Board of Directors met 8 times.

At every meeting, the Board of Directors reviewed and discussed the financial results as well as the short to mid-term financial forecast of the company. In the beginning of the year, upon recommendation by the Audit Committee, the Board approved the financial results of 2015 and proposed the dividend for approval by the shareholders. It also deliberated on the renewal of the director mandates as presented by the Remuneration and Nomination Committee and assured the succession of Mr. Eric Van Zele by the appointment of Mr. Jan De Witte as the company's new CEO. The Board, in close concert with the Core Leadership Team (CLT), reflected on each of the divisions' strategies for the short to mid-term, discussed and decided upon the growth initiatives for the company and approved the 2017 financial budget.

The Board closely monitored the implementation of strategic projects such as the acquisition of MTT, the joint venture with CEC Panda and the consolidation of the company's operations on the One Campus in Kortrijk which was officially inaugurated on May 27, 2016. Finally, the Board also attended several demonstrations of new technologies in areas such as high dynamic range light steering projectors.

## Audit Committee

The Audit Committee meets at least twice a year with the Statutory Auditor and the head of Internal Audit to consult with them about matters falling under the power of the Audit Committee and about any matters arising from the audit. The CEO and CFO also attend the meetings of the Audit Committee, unless the members of the Audit Committee wish to meet separately.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the:

- Risk management and internal control arrangements;
- Reliability and integrity of the Group's financial statements and periodical and occasional reporting;
- Compliance with legal and regulatory requirements as well as the Code of Ethics and Business Conduct;
- Performance, qualifications and independence of the external auditors;
- Performance of the internal audit function.

In 2016, the Audit Committee convened 5 times. The Chairman of the Audit Committee reported the outcome of each meeting to the Board of Directors. The yearly report of the activities of the Audit Committee, including the Audit Committee's self-assessment, has been submitted to the Board of Directors.

The Statutory Auditor attended three meetings during which they reported on the results of their audit procedures and highlighted specific attention points. The Statutory Auditor's management letter contained no recommendations for material adjustments.

The Audit Committee reviewed the Group's overall risk areas and risk management and control procedures related to the following areas: legal & compliance, IT, currency and treasury instrument, health, safety and environmental, internal control and the insurance program.

Each quarter the financial reports are discussed with special attention to the critical accounting judgments and uncertainties, consistent application of valuation rules and off balance sheet obligations. The Audit Committee meeting of December is dedicated to the preparation of the year-

end closing, with a particular focus on the review of the impairment testing procedures performed on goodwill and on capitalized development cost..

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee meets at least three times per year, as well as whenever the Committee needs to address imminent topics within the scope of its responsibilities. An annual review cycle is defined with regards to remuneration policies, senior leadership remuneration, critical successions and nominations and human resources policies. The Committee is aware of the importance of diversity in the composition of the Board of Directors in general and of gender diversity in particular. In the recent membership renewals the Committee took this into account. The CEO participates in the meetings when the remuneration and nomination plan proposed by the CEO for members of the Core Leadership Team is discussed, but not when his own remuneration is being decided.

In fulfilling its responsibilities, the Remuneration and Nomination Committee has access to all resources that it deems appropriate, including external advice.

In 2016, the Remuneration and Nomination Committee met 4 times.

The Remuneration and Nomination Committee has reviewed the remuneration of the Senior Leadership Team and the CEO. This included the definition and evaluation of bonus criteria, bonus deferral principles as well as an overall assessment of composition and positioning of the reward packages based on external data. This was done with regard to the 2015 bonus review as well as the 2016 salary review and

bonus plans. The nomination of new Board members and the performance as well as CEO succession and succession of the Senior Leadership Team were also on the agenda. The Remuneration and Nomination Committee prepared a competitive and motivating proposal to introduce to the potential successor of the CEO as part of the job offer. In preparation for the general meeting, the Committee prepared and reviewed the remuneration report.

With regard to the 2016 stock option plan, the Committee confirmed the 2016 plan guidelines. Particular attention was drawn to the balance between the different components of senior management remuneration and the relative weight of the equity-based part, before approving and submitting it for Board approval. Upon the CEO's recommendation, the Committee approved the grants for the Senior Leadership Team and the principles for eligibility of Barco employees. The grant for the CEO was proposed and reviewed by the Committee in preparation for Board approval.

With regard to the 2017 bonus plan, the Remuneration and Nomination Committee reviewed the 2017 targets to drive more structural performance.

## Strategic and Technology Committee

The Board of Directors has set up a Strategic and Technology Committee, including the Chairman and the CEO. The Chairman presides over this Committee. The Committee meets when an issue is introduced by the CEO. Members of the Executive Management and other members of the Board can be invited to attend meetings of the Committee. The Committee meets at least one time per year to evaluate the existing strategy and technology roadmap.

The Strategic and Technology Committee discusses options that could influence the company's strategic path. Possible topics include mergers & acquisitions, investments in new technologies and markets or regions that could have an important impact on the future of the company. This relates to investments running over a number of years that involve a minimum engagement by the company of 10 million euro over the entire duration of the project.

In 2016, the Strategic and Technology Committee met once as a group. Moreover, the Committee organized specific working sessions by division, thus ensuring appropriate depth and focus for each of Barco's verticals.

The Core Leadership Team presented a selected number of proposals for acquisitions. The Strategic and Technol-

ogy Committee conducted in-depth discussions about the strategic value of the proposed transactions in view of the company's long-term strategy. The Committee also evaluated the opportunities as well as the risk profiles of the projects and gave appropriate instructions regarding the transaction parameters.

## Evaluation of the Board of Directors and its Committees

The Board of Directors regularly carries out a process of self-evaluation. The intention is to evaluate the functioning of the Board as a whole and of its Committees. In this respect individual and private interviews are held with each of the directors, leading to a report which is submitted to the full Board for review and action. The topics discussed are: the quality of the interaction between management and the Board, the quality of the information and documents submitted to the Board, the preparation of the Board meetings, the quality of the discussions and decision-making of the Board, the extent to which all relevant strategic, organizational and managerial issues are addressed by the Board and the contribution of all Board members to the decision-making process

at the Board. This process allows for actions to be taken, aiming at the continuous improvement of the governance of the company. Moreover, prior to a director's (re-) appointment, the Remuneration and Nomination Committee discusses and evaluates the individual director's contribution to the Board.

The above is fully in line with the Corporate Governance Code. Reference is also made to Title 1 (1.3) of the company's Corporate Governance Charter at

[www.barco.com/corporategovernance](http://www.barco.com/corporategovernance)

## Remuneration report

On 28 April 2016, pursuant to article 17 of the Articles of Association, the general meeting set the aggregate annual remuneration for the year 2016 at 2,414,110 euro for the entire Board of Directors. This amount also includes the remuneration of the executive director. The balance of the amount was apportioned among the other members of the Board in line with its internal rules.

Also in line with the internal rules, a fixed remuneration of 20,500 euro is granted to non-executive directors and an additional amount based on attendance at meetings of the Board and of the Committees.

The attendance fee per meeting of the Board and the Committees are set at 2,550 euro. The Chairman of the Audit Committee receives an attendance fee of 5,125 euro per meeting. These remunerations are charged as general costs.

The Chairman of the Board receives a fixed remuneration of 100,000 euro.

Directors do not receive any remuneration linked to performance or results.

There were no shares granted.

### Board of directors

|                           | FIXED<br>REMUNERATION | BOARD<br>ATTENDANCE | COMMITTEE<br>ATTENDANCE | TOTAL 2016 |
|---------------------------|-----------------------|---------------------|-------------------------|------------|
| Charles Beauduin          | 100,000               |                     |                         | 100,000    |
| Bruno Holthof             | 20,500                | 15,300              | 10,200                  | 46,000     |
| Luc Missorten             | 20,500                | 20,400              | 35,825                  | 76,725     |
| Jan P. Oosterveld         | 20,500                | 20,400              | 12,750                  | 53,650     |
| Christina von Wackerbarth | 20,500                | 17,850              | 10,200                  | 48,550     |
| Antoon De Proft           | 20,500                | 17,850              | 11,700                  | 50,050     |
| Ashok K. Jain             | 20,500                | 20,400              | 1,500                   | 42,400     |
| Hilde Laga                | 20,500                | 20,400              | 0                       | 40,900     |
| Frank Donck               | 20,500                | 20,400              | 0                       | 40,900     |

At the company's request, the following directors have taken up specific assignments outside the scope of their directorship for which they have been compensated as described hereafter:

- Jan P. Oosterveld is a non-executive director of Barco BV (Netherlands) and receives a fixed remuneration of 12,000 euro per year
- Ashok K. Jain: based on his extensive experience in Silicon Valley, Mr. Ashok K. Jain is requested to invest additional time in technology assessments and potential M&A identification as well as contact initiation: 31,500 euro (21 days at 1,500 euro per day)

## 2016 remuneration of the CEO and corporate senior vice presidents (in euro)

For the executive director and the corporate senior vice presidents, the remuneration is determined by the Remuneration and Nomination Committee, in line with the rules described in the company's Corporate Governance Charter under Title 4 ('Remuneration'), available at [www.barco.com/corporategovernance](http://www.barco.com/corporategovernance).

## Basic principles of reward review process for senior executives

Barco wants to be an attractive company for top talent in the technology market space, based on sustainable human resources practices. Competitive rewards, together with career and development opportunities, is at the heart of Barco's employee value proposition. Overall, Barco strives for a position above the market median on the total reward proposition, with a substantial variable part based on company, team and individual performance.

2016 variable payment was based on company (40%), divisional/functional (30%) and individual performance (30%).

The reward packages of the senior executive and extended management teams are reviewed by the Remuneration and Nomination Committee on an annual basis. The Committee assesses overall market competitiveness (based on biannual external market data), individual market positioning and sustained individual performance. This review results in updated individual reward packages and reward policies, as well as the criteria for the annual Barco bonus plan.

The 2016 variable payment is based on EBITDA, free cash flow, costs, orders, sales and individual targets. If the target variable part of the compensation of individual members of the executive management should exceed the 25% threshold on total compensation, this excess amount will be deferred and paid subject to future sustained performance.

## 2016 CEO remuneration package

### Eric Van Zele

- Fixed gross salary of 661,550 euro.
- 2016 variable remuneration defined by the Remuneration and Nomination Committee and maximum bonus pay-out capped at 120% of the fixed remuneration. The 2016 bonus is 578,856 euro.

The target variable part is above 25% of total compensation and as a result, in line with the Law on Corporate Governance, 50% of this amount will be deferred (25% in 2018 and 25% in 2019)

- Deferred 2014 variable remuneration of 121,250 euro.
- Deferred 2015 variable remuneration of 198,465 euro.
- Contribution for retirement benefits of 300,000 euro.
- Other components of the remuneration: 30,104 euro (company car).

There is no clawback provision. The assessment of the performance is based on audited results.

### Jan De Witte

- Fixed gross salary of 350,000 euro and fixed sign-on bonus of 500,000 euro.
- Contribution for retirement benefits of 175,000 euro.
- Other components of the remuneration: 12,211 euro (company car).

In 2016, 30,000 stock options were granted to the CEO Jan De Witte. 30,000 stock options were exercised by Eric Van Zele and no warrants/stock options lapsed. Since stock option grants are based on neither individual nor company performance, these are not to be considered variable remuneration as defined by the Law on Corporate Governance.

There were no shares granted.

### 2016 remuneration for corporate senior vice presidents and members of the Core Leadership Team

The Corporate Leadership Team under analysis of this chapter and in office at the end of the year 2016, includes 10 persons.

- Fixed salary of 2,643,066 euro
- Variable remuneration of 1,038,420 euro
- Contribution for retirement benefits of 263,753 euro
- Other components of the remuneration: 224,158 euro (healthcare insurance, personal risk insurance, company car)

There is no clawback provision with respect to variable remuneration payments. The audited results are used as the basis for the assessment of the performance.

In 2016, 37,500 stock options were granted to and accepted by corporate senior vice presidents, members of the Core Leadership Team. Since stock option grants are based on neither individual nor company performance, these are not to be considered variable remuneration as defined by the Law on Corporate Governance.

- Xavier Bourgois: 1,500
- Wim Buyens: 6,000
- Piet Candeel: 3,000
- Ann Desender: 3,000
- Johan Heyman: 500
- Filip Pintelon: 4,000
- Kurt Verheggen: 1,500
- Ney Corsino: 3,000
- George Stromeyer: 15,000

A total of 16,750 warrants/stock options were exercised, while no warrants/stock options expired.

There were no shares granted.

Reference is made to pages D/70 - D/71 in Barco Consolidated for an overview of the warrants and stock options exercisable under the warrant and stock option plans.

The group of corporate senior vice presidents is presented on pages C/11 - C/15 of this annual report.

**Contractual relationships**

Contract between Barco and Eric Van Zele, and contract between Barco and Jan De Witte.

In case of termination of the contract by Barco the contract provides a notice period or compensation in lieu of 6 months.

**Contracts between Barco and corporate senior vice presidents and members of the Core Leadership Team**

Individual arrangements in case of termination of the contract by Barco.

The employment contracts of Wim Buyens, Piet Candeele, Filip Pintelon, Paul Matthijs, Johan Heyman, Ann Desender and Kurt Verheggen were signed before the Belgian Corporate Governance Law of 6 April, 2010 came into force. The total compensation in case of termination is based on seniority in the Barco Group and the total of the individual compensation and benefits. Xavier Bourgois was hired as an employee on 1 June, 2015. His employment contract does not include specific termination arrangements but refers to the Belgian legal provisions on termination of employment.

Ney Corsino transferred to a US employment agreement which includes a severance payment of 12 months annual compensation in case of termination not for cause.

George Stromeyer has a US employment agreement. There is no contractual arrangement in case of termination and the Barco US Termination and Severance Policy will therefore be applicable.

**Stock option plans for executives and employees**

Following the authorization by the general meeting, the Board of Directors has decided to grant stock options to executives and employees.

Reference is made to pages D/70 - D/71 in Barco Consolidated for an overview of the number of stock options granted under the stock option plans and duration and vesting dates of the stock options.

**Presentation of the remuneration report to the shareholders**

The Remuneration Report will be submitted for vote to the shareholders at the shareholders' meeting of 27 April, 2017.

## Policies of conduct

### Transparency of transactions involving shares or other financial instruments of Barco

Further to the entry into force of the EU Regulation of 16 April, 2014 n° 596/2014 on market abuse early July 2016, the Board of Directors has reviewed and updated the company's dealing code. Persons discharging managerial responsibilities and persons closely associated with them must notify the Financial Services Market Authority ("FSMA") of any transactions involving shares or other financial instruments of Barco within 3 business days after the transaction. Such transactions are made public on the website of the FSMA ([www.fsma.be](http://www.fsma.be)) as well as the company's website ([barco.com/corporategovernance](http://barco.com/corporategovernance)), the latter on an aggregate basis.

Reference is also made to the relevant chapter in the company's Corporate Governance Charter at [www.barco.com/corporategovernance](http://www.barco.com/corporategovernance).

### Conflicts of interest

#### Basic principles

- Art. 523 of the Companies Code sets the rules for conflicts of interest that may arise within the context of a director's mandate.
- Each Board member sees to it that these rules are strictly observed.
- Any act or transaction which may potentially give rise to a conflict of interest is carefully scrutinized to avoid that such conflict may arise.
- In 2016, none of the directors reported any conflict of interest as referred to in article 523 of the Companies Code.

### Functional conflict of interest

A director who is a director or business manager of a customer or supplier or who is employed by a customer or supplier shall report this fact to the Board of Directors prior to the deliberations concerning a topic on the agenda relating (whether directly or indirectly) to this customer or supplier. This obligation also applies when a family member of the director is in the above mentioned position.

The same rule applies when a director or his or her family members (whether directly or indirectly) hold more than 5% of the shares with voting rights of a customer or supplier.

Subsequently, the director in question:

- shall leave the meeting while this topic on the agenda is being dealt with;
- shall not be permitted to participate in the deliberations and decision-making about the topic in question.

These provisions are not applicable when the customer or supplier is a listed company and the participation of the director (or his or her family members) takes place within the framework of assets that have been placed under the management of an asset manager who manages these assets in accordance with his own judgment, without taking the director (or his or her family members) into account.

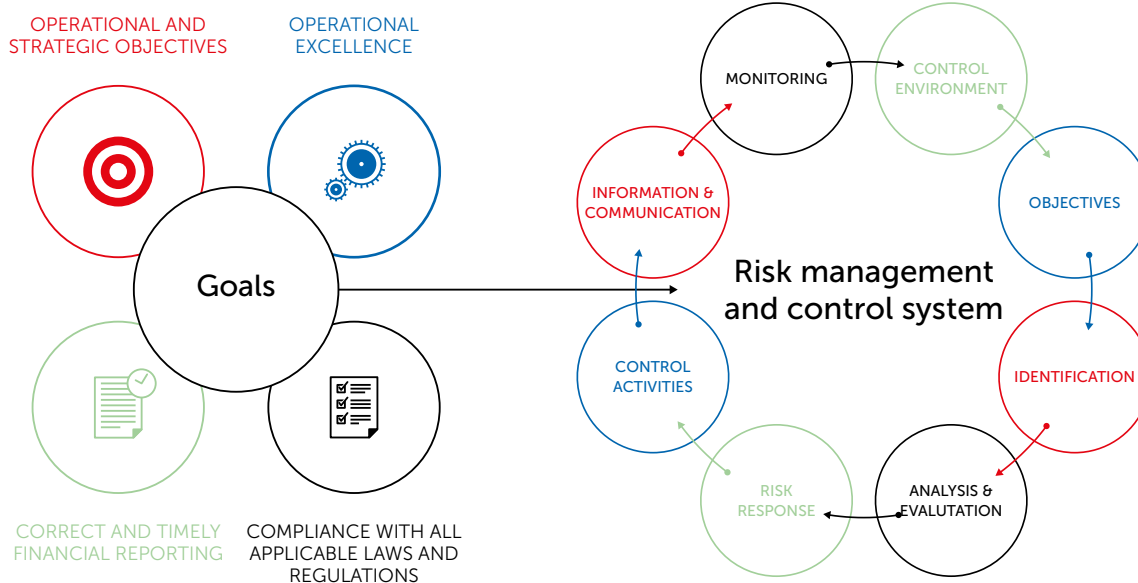
# Risk management and control processes

## Introduction

Barco operates a risk management and control system in accordance with the Companies Code and the Corporate Governance Code 2009. Within the context of its business operations, Barco is exposed to a wide variety of risks that can result in the company's objectives being affected or even not achieved. Controlling for those risks is a core task of the Board of Directors, the Core Leadership Team and all other employees with managerial responsibilities.

The risk management and control system has been set up to reach the following objectives:

The principles of the COSO reference framework and the ISO 31000 risk management standard have served as sources of inspiration to Barco in setting up its risk management and control system.



## Control environment

Barco strives for total compliance and a risk-awareness attitude by defining clear roles and responsibilities in all relevant domains. This way, the company fosters an environment in which its business objectives and strategies are pursued in a controlled manner. This environment is created through the implementation of various company-wide policies and procedures such as:

- The updated code of ethics and business conduct
- Decision and signature authority rules
- The Barco values
- The quality and other management systems
- Risk profiling, reporting and mitigation processes

## Risk management process

### Embedded risk management

For each key, management, assurance and supporting processes, Barco has developed and implemented a risk management practice that has led to ameliorated risk. Each process has the following risk-related steps in an organized way: identification, analysis, evaluation, response and monitor.

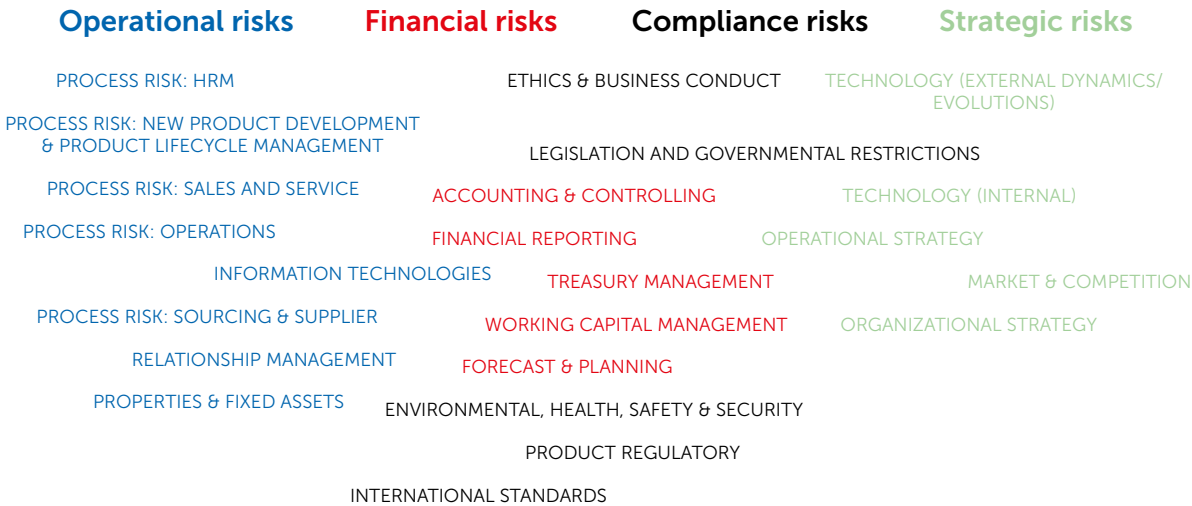
The Core Leadership Team fully endorses this approach. Employees are regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

### Yearly risk assessment and compliance gap analysis.

During the fourth quarter of the year, a company-wide risk assessment and compliance gap analysis is performed. The goal of this exercise is to strengthen and formalize risk awareness throughout Barco by involving a significant part of the management and key people, inform management on the input of their peers (globally) and to distribute the results throughout Barco to relevant business functions. The output of the interviews, audits and on-site surveys are consolidated and resulted in the identification of a number of risks. The final scoring is conducted by the CLT members determining the inherent risk (likelihood, impact), residual risk (control level) and ranking. The final report is reviewed by the Audit Committee and the Board of Directors. The outcome is also used for the internal audit planning, as input for the risk and compliance work program, insurance programs and for corrective and mitigation actions. The Risk and Compliance Manager together with Internal Audit is in charge of this exercise.

Barco risk universe

All risks are specified in the Barco risk universe, which has been divided into four risk areas.



Risk evaluation

To set the right prioritization, the risks are further evaluated by subjecting them in a consistent manner to an impact scale and a likelihood scale. The scales for impact and likelihood are based on the acceptable level of risk exposure that is determined by the Board of Directors.

On the corporate level, the risk matrix is drawn up based on the risk score (impact x likelihood), whereby risks are classified as 'unacceptable risk', 'risk under observation' or 'acceptable risk'.

|            |          | IMPACT     |         |         |          |             |
|------------|----------|------------|---------|---------|----------|-------------|
|            |          | Negligible | Minimal | Serious | Critical | Destructive |
| LIKELIHOOD | Frequent |            |         |         |          |             |
|            | Probably |            |         |         |          |             |
|            | Possible |            |         |         |          |             |
|            | Unlikely |            |         |         |          |             |
|            | Rarely   |            |         |         |          |             |

## Risk response

'Unacceptable risks' are contained by means of an action plan to minimize the effects of such risks on the organization's ability to achieve its objectives. These types of risks, if any, are followed up on by the CEO.

Also, the risks 'under observation' are monitored by a member of the CLT team.

Acceptable risks are recorded in the risk register of the related process with a specification of their impact and likelihood. In addition, each risk is allocated to a risk owner, in most cases the process owner, who is responsible for setting up and implementing the mitigation action plan and then monitoring and following up on the risk.

### Control activities

Control measures are in place to minimize the effects of risk on Barco's ability to achieve its objectives. These control activities are embedded in the company's key processes and systems to ensure that the risk responses and the company's overall objectives are carried out as designed. Control activities are conducted throughout the organization, at all levels and in all departments.

The Risk and Compliance Manager supports the adoption of clear processes and procedures for a wide range of business operations related to compliance, security and export control. In addition to these control activities, an insurance program has been implemented for selected risk categories that cannot be absorbed without material effect on the company's balance sheet.

### Information and communication

Timely, complete and accurate information flow – both top-down and bottom-up – is a cornerstone of effective risk management.

In operational domains, Barco has implemented a management control and reporting system (MCRS) to support efficient management and reporting of business transactions and risks. This system enables Barco's management to capture relevant information on particular areas of business operations at regular time intervals. The process enforces clear assignment of roles and responsibilities, thus ensuring consistent communication to all stakeholders regarding external and internal changes or risks impacting their areas of responsibility. In addition to the MCRS, the company has put several measures into place to ensure the security of confidential information and to provide a communication channel for employees to report any (suspected) violation of laws, regulations, company policies or ethical values.

### Monitoring

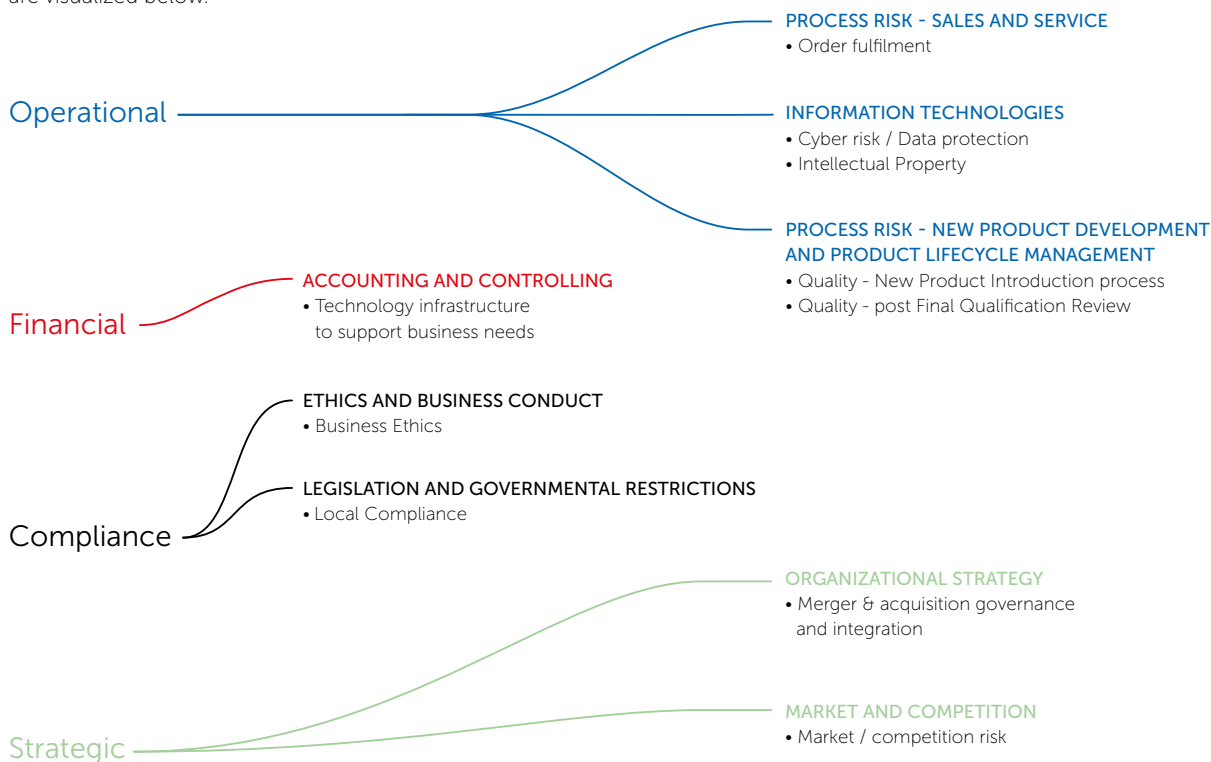
Monitoring helps to ensure that internal control continues to operate effectively. The continuity and the quality of Barco's risk management and control system is assessed by the following actors:

- Internal Auditor – the tasks and responsibilities assigned to Internal Audit are recorded in the Internal Audit charter, which has been approved by the Audit Committee and the Board of Directors. The key mission of Internal Audit as defined in the Internal Audit charter is "to add value to the organization by applying a systematic, disciplined approach to evaluating the internal control system and providing recommendations to improve it."
- External Auditor – in the context of the External Audit review of the annual accounts.
- Compliance Officer – within the framework of the company's Corporate Governance Charter.
- Risk and Compliance Manager – who plays a pivotal role in the organization by ensuring appropriate coordination and follow-up of risk management activities. The Legal, Risk and Compliance Department reports directly to the CEO via the General Counsel.

- Audit Committee – the Board of Directors and the Audit Committee have ultimate responsibility with respect to internal control and risk management. (See also the 'Board Committees' section in this annual report.)

### Most important risk factors

The most important risks relating to the operations of Barco are visualized below.



Note:

Financial risks - the risk measures related to the accounting and financial reporting risks are described in the 'Barco consolidated' section of this annual report.

## **Risk management and internal control with regard to the process of financial reporting**

The accurate and consistent application of accounting rules throughout the company is assured by means of finance and accounting manuals, which are available for the key accounting sections.

Specifically within the financial domain, a quarterly, bottom-up risk analysis is conducted to identify and document the current risk factors. Action plans are defined for all key risks. The results of this analysis are discussed with the statutory auditor.

The accounting teams are responsible for producing the accounting figures (closing bookings, reconciliations, etc.), whereas the controlling teams check the validity of these figures. These audits include coherence tests by comparison with historical and budget figures, as well as sample checks of transactions according to their materiality.

All material areas of the financial statements concerning critical accounting judgments and uncertainties are periodically reported to the Audit Committee.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist assures clear communication of timelines, completeness of tasks, and

clear assignment of responsibilities. Specific identification procedures for financial risks are in place to assure the completeness of financial accruals.

Uniform reporting of financial information throughout the organization ensures a consistent flow of information, which allows the detection of potential anomalies.

An external financial calendar is planned in consultation with the Board and the Core Leadership Team and this calendar is announced to the external stakeholders. The objective of this external financial reporting is to provide Barco's stakeholders with the information necessary for making sound business decisions.

## **Information about the activities in the field of R&D**

Barco is a global technology company that designs and develops networked visualization products for the Entertainment, Enterprise and Healthcare markets. Barco has its own facilities in Europe, North America and APAC and specific teams to manage its R&D activities. For more information about the technology, please consult the chapter "Our Technology" in the "Our Company" section.

## **Statutory auditor**

At the annual shareholders meeting of 30 April, 2015, Ernst & Young Bedrijfsrevisoren BCVBA, De Kleetlaan 2, 1831 Brussels, was reappointed as statutory auditor of the company for a period of 3 years.

In 2016, remuneration paid to the statutory auditor for auditing activities amounted to 403,609 euro. Remuneration paid to the statutory auditor for special assignments was 26,965 euro.

# COMMENTS ON THE RESULTS

EBITDA margin expansion on  
high-single digit sales growth



- Incoming orders at 1081.2 million euro (+ 3.6%)
- Sales at 1102.3 million euro (+ 7.0%)
- Gross profit margin at 34.4% (+ 1.6 ppts)
- EBITDA of 88.0 million euro (+ 13.9 million euro) or 8.0% of sales (+ 0.8 ppts)
- EBIT<sup>1</sup> of 36.6 million euro (+34.9 million euro) or 3.3% of sales (+3.2 ppts)
- Net income of 11.0 million euro
- Free cash flow of 57.4 million euro
- Net financial cash position of 286.6 million euro
- Proposal to increase the dividend to 1.90 euro per share from 1.75 euro

<sup>1</sup> This is EBIT before non-recurring charges and under the new capitalization methodology. Management considers EBIT (before non-recurring) to be a relevant performance measure in order to compare results over the period 2014 to 2016, as it excludes non-recurring items. Had Barco not changed its accounting treatment of product development costs, the EBIT margin for 2016 would have been approximately 5.4% compared to 5.0% in 2015 and 4.4% for 2014 (Calculated as EBIT before non-recurring and excluding amortizations less capitalized product development expenses for prior periods).

Barco delivered solid sales growth and improved profitability for 2016. Initiatives to lower product costs and a favourable product mix led to a gain in gross profit margin versus 2015 and a year-over-year increase in EBITDA margin, even with significant investments in growth initiatives during the year.

Across the divisions, Barco advanced technology initiatives, expanded its channel network and increased sales of newer product lines. The Entertainment division continued to leverage its global leadership position in digital cinema, including strong results in China, while propelling sales of laser projectors globally in line with emerging demand for premium formats and technology upgrades. Notable in Healthcare, a promising uptake of network-enabled visualization solutions for the operating room and single-digit growth across the portfolio was registered. In Enterprise, strong momentum in ClickShare boosted the divisional profits while sales growth was offset by weaker sales in Control Rooms.

For 2017, Barco's goal is to continue generating sales and profitability growth through further leveraging technology, software and services. We will continue to drive gross margin accretion initiatives and make choices across business activities, while continuing to invest in innovation.

## Outlook 2017

The following statements are forward looking and actual results may differ materially.

Assuming a stable economic environment and currencies at current levels, management expects further margin improvement on mid-single digit sales growth.

## Dividend

The Board of Directors will propose to the General Assembly to increase the dividend from 1.75 euro to 1.90 euro per share to be paid out in 2017.

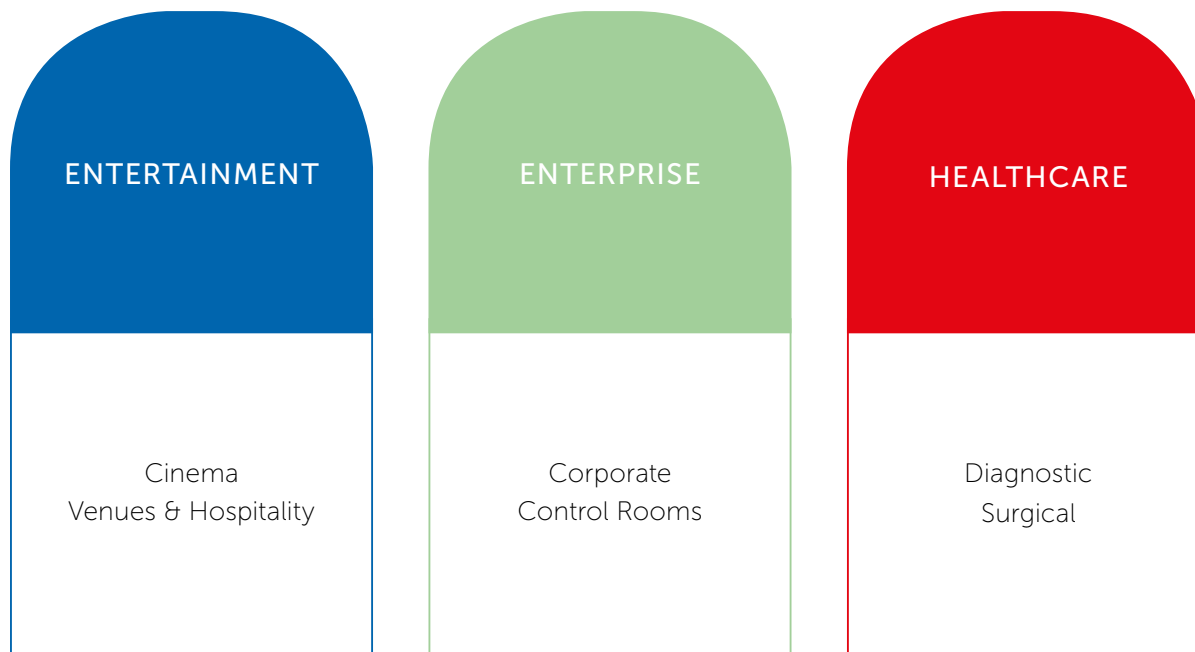
The following timetable will be proposed to the Annual General Shareholder meeting:

- Ex-date: Tuesday, 9 May 2017
- Record date: Wednesday, 10 May 2017
- Payment date: Thursday, 11 May 2017

## Preliminary remarks

### Barco's organizational structure

Barco is a global company developing solutions for entertainment, enterprise and healthcare markets.



**Entertainment:** The Entertainment division is the combination of the Cinema and Venues & Hospitality activities, which includes Professional AV, Events and the Retail & Advertising activities.

**Enterprise:** The Enterprise division is the combination of the Control Rooms activities and the Corporate activities. ClickShare is the main contributor to the Corporate activity, which also includes the Silex, X20 and Medialon ventures.

**Healthcare:** The Healthcare division includes the activities in Diagnostic Imaging (Diagnostic and Modality Imaging) and in Surgical.

### Items impacting 2016 profitability

The chart below displays the calculation of Barco's net income from EBITDA for FY16, FY15 and FY14, including various non-recurring items and a change in the accounting methodology for new product development costs and the variance for each line item between FY16 and FY15.

| IN MILLIONS OF EURO  | 2016  | 2015  | 2014  | CHANGE<br>2016-2015 | COMMENT  |
|--|-------|-------|-------|---------------------|----------|
| EBITDA   | 88.0  | 74.1  | 59.7  | +13.9               |          |
| Capitalized development                                    | 0     | 0     | 47.7  | 0                   | 1.i      |
| Amortizations of capitalized R&D                           | -22.9 | -49.4 | -57.2 | +26.6               | 1.ii     |
| Depreciations & other amortizations                        | -28.6 | -22.9 | -19.3 | -5.7                | 2.i      |
| EBIT before non-recurring                                  | 36.6  | 1.7   | 30.9  | +34.9               |          |
| Impairment & Restructuring                                 | -12.9 | -29.1 | -3.4  | +16.2               | 3.i & ii |
| Interest & Taxes   | -5.1  | 7.9   | -5.9  | -13.0               | 4        |
| Net Income from discontinued operations                    | 0.0   | 47.0  | 6.1   | -47.0               | 5.i      |
| Gain on sale HQ (BE)                                       | 6.9   | 0     | 0     | +6.9                | 5.ii     |
| Non-controlling interest & share in equity companies       | -14.4 | -10.1 | -3.8  | -4.3                | 6        |
| Net Income attributable to the equity holder of the parent | 11.0  | 17.5  | 23.9  | -6.4                |          |

#### 1. Change in accounting methodology for new product development costs:

- i. In light of shortened product life cycles and rapidly evolving technologies, Barco began expensing product development costs as incurred effective 1 January 2015. Previously the company had capitalized product development costs.
- ii. The outstanding balance of capitalized development costs was amortized in 2015 and 2016.

#### 2. Depreciations and amortizations (excluding development)

- i. Depreciation increased mainly due to the OneCampus and OnePlatform investments.
- ii. Amortizations increased due to the acquisitions of MTT and Medialon in the Entertainment and Enterprise division.

#### 3. Impairment and restructuring charges:

- i. Barco recorded an impairment charge on goodwill of 7.1 million euro mainly related to investments in Patient Care solutions in its Healthcare division.
- ii. The company also booked a restructuring charge of 5.8

million euro to reflect restructuring and redeployment measures implemented in its LED and lighting activity in the Entertainment division.

#### 4. Effective tax rate

In 2015 and 2016 the equal effective tax rate was 20%, but a shift from negative to positive taxable income in 2016 resulted in a negative 6.3 million euro in taxes.

#### 5. Divestiture of Defense & Aerospace business on 31 January 2015:

- i. Net income from discontinued operations in 2015 of 47 million euro includes the gain on sale of the company's Defense and Aerospace business.
- ii. As part of the divestiture, Barco's headquarters building was sold in 2016 resulting in a gain of 6.9 million euro.

#### 6. Chinese Joint Venture

Non-controlling interest and share in equity companies amounted to 14.4 million euro in 2016, mainly driven by increased profit-contribution from its joint venture with the China Film group.

# Consolidated results for the fiscal year 2016

## Order Intake & Order Book

Order book at year end was 320.8 million euro, down 3.7% compared to a year earlier reflecting shorter delivery cycles in Entertainment and Enterprise and decreases

in Healthcare following the booking of two longer term material bulk orders toward the end of 2015.

### Order book

| IN MILLIONS OF EURO | 2016  | 2015  | 2014  |
|---------------------|-------|-------|-------|
| Order book          | 320.8 | 333.2 | 302.2 |

Order intake was 1,081.2 million euro, an increase of 3.6% compared to last year driven by gains in Entertainment & Enterprise. Regional declines in the Americas and a flat result

in the EMEA region was offset by strong growth in the APAC region.

### Order intake

| IN MILLIONS OF EURO | 2016    | 2015    | 2014  |
|---------------------|---------|---------|-------|
| Order intake        | 1,081.2 | 1,043.7 | 869.4 |

### Order intake by division

| IN MILLIONS OF EURO | 2016    | 2015    | CHANGE |
|---------------------|---------|---------|--------|
| Entertainment       | 574.8   | 536.4   | +7.2%  |
| Enterprise          | 290.2   | 287.0   | +1.1%  |
| Healthcare          | 216.3   | 221.2   | -2.2%  |
| Group               | 1,081.2 | 1,043.7 | +3.6%  |

### Order intake by region

| IN MILLIONS OF EURO | 2016 | 2015 | CHANGE |
|---------------------|------|------|--------|
| The Americas        | 34%  | 39%  | -11%   |
| EMEA                | 32%  | 33%  | -1%    |
| APAC                | 34%  | 28%  | +29%   |

## Sales

Full year sales grew 7.0% led by strong gains in Entertainment and Healthcare. At constant currencies (excluding the impact mainly of the Chinese yuan), sales growth would have been

8.6%. All regions contributed to the growth, with strong gains in the APAC region.

### Sales

| IN MILLIONS OF EURO | 2016    | 2015    | 2014  |
|---------------------|---------|---------|-------|
| Sales               | 1,102.3 | 1,028.9 | 908.4 |

### Sales by division

| IN MILLIONS OF EURO | 2016    | 2015    | CHANGE |
|---------------------|---------|---------|--------|
| Entertainment       | 578.1   | 514.5   | +12.4% |
| Enterprise          | 289.7   | 300.4   | -3.6%  |
| Healthcare          | 234.6   | 216.0   | +8.6%  |
| Group               | 1,102.3 | 1,028.9 | +7.0%  |

### Sales by region

| IN MILLIONS OF EURO | 2016 | 2015 | CHANGE |
|---------------------|------|------|--------|
| The Americas        | 36%  | 37%  | +3%    |
| EMEA                | 31%  | 33%  | +4%    |
| APAC                | 33%  | 30%  | +17%   |

## Profitability

### Gross profit

Gross profit increased from 337.8 to 378.8 million euro, an increase of 41.0 million euro.<sup>2</sup>

Gross profit margin increased 1.6 percentage points to 34.4% compared to 32.8% in 2015, reflecting a positive product mix effect and the benefit of cost down engineering actions.

### Operating expenses

Mainly as a result of planned investments in growth initiatives, total indirect cash expenses (excluding other operating result) increased to 322.7 million euro compared to 289.6 million euro a year earlier.

As a percentage of sales, indirect cash expenses were 29.3% compared to 28.1% for 2015.

- On a cash basis, Research & Development expenses increased to 120.5 million euro from 100.8 million euro last year. As percentage of sales, cash R&D expenses were 10.9% compared to 9.8% a year earlier. Including the amortization of outstanding capitalized development expenses of 22.9 million euro, reported R&D expenses amounted to 143.4 million euro or 13.0% of sales. See remarks on reporting methodology.
- Sales & Marketing expenses increased to 147.1 million euro compared to 137.8 million euro in 2015. As a percent of sales, Sales & Marketing expenses were 13.3% of sales compared to 13.4% in 2015.
- General & administration expenses were 55.1 million euro compared to 51.0 million euro last year and increased slightly as a percentage of sales from 4.9% to 5.0%. G&A expenses for the year included amortization of Barco's investment in the One Platform project. Barco began to amortize this investment beginning with the second semester of 2015.

Other operating results amounted to a positive 3.3 million euro compared to a positive 3.0 million euro last year, driven by a reversal in provisions for bad debt.

### EBITDA & EBIT<sup>3</sup>

EBITDA grew 18.8% to 88.0 million euro compared to 74.1 million euro for the prior year.

EBITDA margin was 8.0% versus 7.2% for 2015.

By division, EBITDA and EBITDA margin is as follows:

| 2016          | SALES   | EBITDA | EBITDA % |
|---------------|---------|--------|----------|
| Entertainment | 578.1   | 30.4   | 5.3%     |
| Enterprise    | 289.7   | 33.0   | 11.4%    |
| Healthcare    | 234.6   | 24.6   | 10.5%    |
| Group         | 1,102.3 | 88.0   | 8.0%     |

<sup>2</sup> Gross profit and Sales and Marketing expenses are impacted by the reclassification of professional services overhead to cost of sales from sales & marketing expenses. The results for 2015 have been restated accordingly.

There is no impact on EBIT or net income resulting from this reclassification.  
<sup>3</sup> EBITDA and EBIT in this press release refer to "EBITDA and EBIT before non-recurring items" and exclude the 6.9 million euro gain on sale of building and other non recurring items such as impairment and restructuring costs and other non operating income: see Net Income.

EBITDA by division 2016 versus 2015 is as follows:

|               | 2016 | 2015 | CHANGE  |
|---------------|------|------|---------|
| Entertainment | 30.4 | 43.6 | -30.1%  |
| Enterprise    | 33.0 | 11.1 | +197.7% |
| Healthcare    | 24.6 | 19.4 | +26.6%  |
| Group         | 88.0 | 74.1 | +18.8%  |

On group-level, Barco made good progress in expanding EBITDA which grew 18.8% driven by a turnaround performance in Enterprise and strong sales growth in Healthcare.

Significant EBITDA expansion in the Enterprise division was driven by both a strong contribution from the Corporate activity and a recovery of margins in the Control Rooms activity. The Healthcare division booked profitability gains based on sales growth and on the back of a favourable product mix. Planned investments in Entertainment caused an EBITDA decline.

EBIT was 30.5 million euro compared to a negative 27.4 million euro in 2015. Included in EBIT was a gain of 6.9 million euro on the sale of headquarter building, a charge of 5.8 million euro, primarily related to restructuring measures implemented in the Entertainment division's LED and Lighting activity, and impairment charges on goodwill and investments totalling 7.1 million euro related to Patient Care solutions in Healthcare.

EBIT before non-recurring charges was 36.6 million euro, or 3.3% of sales, compared to 1.7 million euro, or 0.2% of sales for 2015. In addition, 2016 EBIT before non-recurring included 22.9 million euro in amortization of the outstanding balance of capitalized development costs.

### **Income taxes**

In 2016 taxes were 6.3 million euro for a tax rate of 20.0%. Taxes in 2015 were 4.9 million euro positive for an effective tax rate of 20.0% on the continuing business as a result of negative earnings before taxes.

### **Net income**

Net income attributable to the equity holders was 11.0 million euro after deducting third party interests to the amount of 14.4 million euro mainly related to the Joint Venture with China Film Group.

Net income per ordinary share (EPS) was 0.91 euro compared to 1.45 euro in 2015. Fully diluted earnings per share were 0.88 euro compared to 1.41 euro.

## Cash Flow & Balance Sheet

Barco generated a positive free cash flow of 57.4 million euro in 2016 (2015: 110.3 million euro, 2014: 14.9 million euro). In 2016, Barco realized a steady improvement in gross

operating cash flow, working capital remained stable, this while the topline grew with 7%. In 2015, Barco could bring its working capital back down after a disappointing 2014.

| IN MILLIONS OF EURO                                      | 2016         | 2015         | CHANGE       |
|--|--------------|--------------|--------------|
| <b>Gross operating Cash Flow<sup>4</sup></b>             | <b>81,9</b>  | <b>67,4</b>  | <b>97,4</b>  |
| Changes in trade receivables                             | 0,2          | -5,4         | -19,7        |
| Changes in Inventory                                     | -2,8         | 27,6         | -11,9        |
| Changes in trade payables                                | -2,7         | 16,3         | 0,2          |
| Other Changes in net working capital                     | 11,9         | 32,8         | 4,7          |
| <b>Change in net working capital</b>                     | <b>6,6</b>   | <b>71,2</b>  | <b>-26,7</b> |
| <b>Net operating Cash Flow</b>                           | <b>88,5</b>  | <b>138,6</b> | <b>70,7</b>  |
| Interest Income/expense                                  | 4,1          | 0,2          | -1,1         |
| Income Taxes   | -11,5        | -14,9        | -3,0         |
| <b>Cash flow from operating activities</b>               | <b>81,1</b>  | <b>123,9</b> | <b>66,6</b>  |
| Expenditure on product development                       | -            | -            | -47,7        |
| Purchase of tangible and intangible FA (excl One Campus) | -24,2        | -14,7        | -8,3         |
| Proceeds on disposal of tang and intang FA               | 0,6          | 1,1          | 4,3          |
| <b>Cash flow from investing activities</b>               | <b>-23,7</b> | <b>-13,6</b> | <b>-51,7</b> |
| <b>FREE CASH FLOW</b>                                    | <b>57,4</b>  | <b>110,3</b> | <b>14,9</b>  |

Driven in large part by cost down initiatives in the second semester of the year, Barco generated a higher gross operating cash flow of 81.9 million euro versus 67.4 million euro in 2015. Net working capital was -5% of sales, a 3 percentage point improvement versus 2015. Trade receivables decreased 0.2 million euro and trade payables decreased 2.7 million euro. Inventory increased 2.8 million euro.

- Trade receivables were 188.6 million euro versus 186.8 million euro at 30 June 2016 and 186.9 million euro at 31 December 2015. DSO's stood at 55 days, compared to 61 days at the end of the first half and 58 days at 31 December 2015.

- At 166.2 million euro, inventory was 2.8 million euro higher than at the end of 2015. Inventory turns improved to 3.6, compared to 2.9 turns at the end of the first half in 2016 and at the same level as at 31 December 2015.

- Trade payables stood at 135.1 million euro compared to 123.0 million euro at 30 June 2016 and 139.5 million euro at 31 December 2015.

Cash flow from investing activities increased to 23.7 million euro, versus 13.6 million euro in 2015, due to purchases of fixed assets for Barco's new headquarter.

<sup>4</sup> Gross operating free cash flow = EBITDA before non-recurring (note 4) + restructuring pay-out (note 21) – gain on sale Orthogon – gains and losses on tangible fixed assets + share in the profit/(loss) of joint ventures and associates (note 9).

### Capital Expenditure

Capital expenditure was 33.4 million euro, including the One Campus investment of 9.1 million euro. For 2015 total capital expenditure was 43.0 million euro, including OneCampus investments.

### Return on Capital Employed

ROCE, excluding the impact of amortizations on capitalized product development costs, was 15%, a 4 percentage points improvement versus last year.

### Capitalized Development

The outstanding balance of capitalized product development costs was amortized in 2015 and 2016. Outstanding capitalized development costs stood at 0 million euro at the end of year compared to 22.8 million euro at the end of 2015 and 71.4 million euro at 31 December 2014.

Due to the Board's decision regarding Barco's capitalization methodology, since 1 January 2015, product development costs have been expensed as incurred.

### Goodwill

Goodwill on the Group level stood at 124.3 million euro compared to 132.4 million euro at the end of 2015 and 143.8 million euro at the end of 2014.

During 2016, Barco recorded impairment charges on goodwill and investments totalling 7.1 million euro mainly related to Healthcare division investments in the Patient Care activities acquired from Jaotech in 2012.

(a) Tax rate used is the effective tax rate, i.e. 20% in 2016, 20% in 2015 and 18% in 2014.

(b) Other long term assets & liabilities include the sum of other intangible assets, land and buildings, other tangible assets, deferred tax assets (net). We refer to note 11, 12 and 13 for explanation on the movements.

(c) Other working capital include the sum of other non-current assets, other amounts receivable, prepaid expenses and accrued income, other long term liabilities, advances received from customers, tax payables, employee benefits liabilities, other current liabilities, accrued charges and deferred income and provisions.

### Cash position

Barco ended the year with a net financial cash position of 286.6 million euro compared to 265.1 million euro at the end of 2015. The increase reflects higher free cash flow and proceeds from the sale of the headquarter building in Kortrijk partially offset by dividend payments and investments for the acquisition of MTT and Medialon and the OneCampus project. Immediately available net cash or net cash excluding the cash in the China CFG JV amounted to 186.6 million euro, essentially flat with last year.

| IN THOUSANDS OF EURO                              | 2016           | 2015           | 2014           |
|---|----------------|----------------|----------------|
| Trade debtors                                     | 188,561        | 186,910        | 170,486        |
| Inventory   | 166,202        | 165,960        | 185,631        |
| Trade payables                                    | -135,127       | -139,504       | -109,091       |
| Other working capital (c)                         | -276,004       | -234,358       | -202,589       |
| <b>Total working capital</b>                      | <b>-56,368</b> | <b>-20,991</b> | <b>44,437</b>  |
| Capitalized development                           | -              | 22,847         | 71,351         |
| Other long term assets & liabilities (b)          | 259,987        | 218,762        | 183,227        |
| <b>Operating capital employed</b>                 | <b>203,618</b> | <b>220,618</b> | <b>299,014</b> |
| Goodwill  | 124,255        | 132,386        | 143,774        |
| <b>Operating capital employed (incl goodwill)</b> | <b>327,874</b> | <b>353,004</b> | <b>442,788</b> |
| Edit before non-recurring                         | 36,557         | 1,698          | 30,882         |
| <b>ROCE after tax (%) continued (a)</b>           | <b>9%</b>      | <b>0%</b>      | <b>6%</b>      |

EBIT is negatively impacted by the decision to no longer capitalize development expenses in 2016 and 2015, resulting in a return on capital employed of 9% (2015: 0%). Recurring ROCE, i.e. excluding amortization on capitalized development improved to 15% (2015: 11%)

# Divisional results for fiscal year 2016

## Entertainment division

| IN MILLIONS OF EURO | 2016  | 2015  | 2014  | CHANGE VS<br>FY15 <sup>5</sup> |
|---------------------|-------|-------|-------|--------------------------------|
| Orders              | 574.8 | 536.4 | 431.2 | +7.2%                          |
| Sales               | 578.1 | 514.5 | 459.7 | +12.4%                         |
| EBITDA              | 30.4  | 43.6  | 34.3  | -30.1%                         |
| EBITDA margin       | 5.3%  | 8.5%  | 7.5%  |                                |

The Entertainment division delivered another excellent year with robust gains in the Cinema business, particularly in China.

EBITDA and EBITDA margin declined year-over-year reflecting sizeable investments in new product development and new product launches, notably Barco Escape and Flexible LED-solutions.

In the Cinema segment, sales growth was driven by strong demand for new projectors in emerging regions and particularly in China; in more mature geographies sales growth was driven by rising demand from existing and new customers for technology upgrades and premium format solutions. In addition the segment increased the number of flagship laser projector installations worldwide and enjoyed strong demand for its laser phosphor projectors, launched in 3Q16.

Leveraging its large installed base, the segment continued to increase service and maintenance revenue.

Barco tested and proved the appeal of Barco Escape which was installed in almost 40 theatres worldwide in support of the summer release of Star Trek. Audience feedback was positive, customers reported higher box-office receipts and the company is now exploring different options to secure content financing for the Escape format.

The Lobby initiative continued to gain traction in the North American market.

As mentioned in the first-half report, Barco acquired MTT Innovation Inc. in June 2016, an investment which adds to its expertise in next-generation projection technology.

The Venues and Hospitality segment's performance was mixed with good uptake in the fixed install market offset by slower order flow and increased competition in the events activity. Orders for fixed installs were strong reflecting inroads made with museums, theme parks and arenas. New laser and laser phosphor solutions and advanced flexible LED solutions were launched, expanding the segment's product portfolio and strengthening its competitive positioning.

<sup>5</sup> As of 2016, the remaining projector activity which had been part of Enterprise was transferred to the Entertainment division. Barco has not presented restated historical data. The sales results of the projector activity are not material to an analysis of the performance trends of the Entertainment and Enterprise divisions. (More information in the Annual Report 2016, Segment Information)

## Enterprise division

| IN MILLIONS OF EURO | 2016  | 2015  | 2014  | CHANGE VS<br>FY15 <sup>6</sup> |
|---------------------|-------|-------|-------|--------------------------------|
| Orders              | 290.2 | 287.0 | 255.5 | +1.1%                          |
| Sales               | 289.7 | 300.4 | 259.8 | -3.6%                          |
| EBITDA              | 33.0  | 11.1  | 8.7   | +197.7%                        |
| EBITDA margin       | 11.4% | 3.7%  | 3.3%  |                                |

The Enterprise Division delivered a three-fold increase in EBITDA and 770 basis point gain in EBITDA margin even though sales declined slightly on weak demand and project delays in Control Rooms. The Corporate segment accounted for half of Enterprise's sales.

In the Corporate segment, product portfolio and partner channel expansions drove sales growth and sustained momentum for ClickShare, which has now been equipped in 200,000 meeting rooms, up from 100,000 for 2015. Although Barco made considerable progress in extending ClickShare's footprint in the US and EMEA regions, substantial opportunities for broader and deeper market coverage in all regions remain.

Control Rooms posted an increase in sales of software that was overshadowed by a decline in hardware sales, driven by a slower Oil and Gas market, intensified competition from LCDs and delayed projects and product releases. Investments made in software and workflow solutions, new hardware releases and a joint venture in China position the segment to strengthen its competitive position in 2017. While investing in this transition, steps taken in 2015 to improve operating expense efficiency helped Control Rooms move closer to restoring profitability.

The Enterprise division also closed the acquisition of Medialon in Q2 of 2016, adding complementary capabilities in control solutions and offering networked solutions for the Corporate and Education markets.

<sup>6</sup> As of 2016, the remaining projector activity which had been part of Enterprise was transferred to the Entertainment division. Barco has not presented restated historical data. The sales results of the projector activity are not material to an analysis of the performance trends of the Entertainment and Enterprise divisions. (More information in the Annual Report 2016, Segment Information)

## Healthcare division

| IN MILLIONS OF EURO | 2016  | 2015  | 2014  | CHANGE VS<br>FY15 |
|---------------------|-------|-------|-------|-------------------|
| Orders              | 216.3 | 221.2 | 181.0 | -2.2%             |
| Sales               | 234.6 | 216.0 | 186.7 | +8.6%             |
| EBITDA              | 24.6  | 19.4  | 10.3  | +26.6%            |
| EBITDA margin       | 10.5% | 9.0%  | 5.5%  |                   |

Healthcare achieved a 10.5% EBITDA margin for 2016 reflecting an 8.6% increase in sales and strict control over operating expenses. Although orders were slightly below 2015, which benefited from some bulk orders, the division's order book remains healthy. Excluding the 2015 bulk orders, order intake grew 9%.

The Healthcare division strengthened its market leadership in the diagnostic market with a steady performance while modality experienced softer demand. Surgical sustained strong momentum worldwide and successfully entered the North American market. The division completed the integration of Advan, launched a 4k surgical display and also decided to scale back its patient care activities and to support the momentum in its surgical activities. The division increased its sales in China, driven by continued efforts in business development and by expanding local capabilities in this high-growth developing market.

# INFORMATION ABOUT THE SHARE

## Key figures for the shareholder

### Key figures for the shareholder

|                                  |     |        |        |        |
|----------------------------------|-----|--------|--------|--------|
| Number of shares (in thousands): |     | 13,057 | 13,016 | 12,998 |
| PER SHARE (IN EURO)              |     | 2016   | 2015   | 2014   |
| EPS                              |     | 0.91   | 1.45   | 1.96   |
| Diluted EPS                      |     | 0.88   | 1.41   | 1.92   |
| Gross dividend                   |     | 1.90   | 1.75   | 1.6    |
| Net dividend                     |     | 1.33   | 1.31   | 1.2    |
| Gross dividend yield             | (a) | 2.4%   | 2.8%   | 2.6%   |
| Yearly return                    | (b) | 33.0%  | 8.5%   | 5.4%   |
| Pay-out ratio                    | (c) | 225.1% | 130.9% | 74.8%  |
| Price/earnings ratio             | (d) | 88.4   | 42.5   | 29.7   |

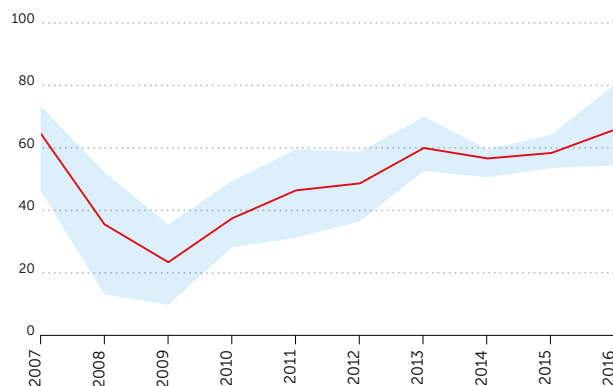
(a) Gross dividend / closing rate on 31 December

(b) Increase or decrease share price + gross dividend, divided by closing share price of previous year

(c) Gross dividend x number of shares on 31 December / net result

(d) Share price 31 December / net result per share

## Share price performance



### Share price

| PER SHARE (IN EURO)                                      | 2016     | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   |
|--|----------|--------|--------|--------|--------|--------|--------|--------|
| Average closing price                                    | 65.90    | 58.37  | 56.61  | 59.96  | 48.64  | 46.40  | 37.46  | 23.40  |
| Highest closing price                                    | 80.50    | 64.26  | 59.59  | 69.95  | 58.75  | 59.50  | 49.43  | 35.56  |
| Lowest closing price                                     | 54.37    | 53.54  | 50.60  | 52.58  | 36.52  | 31.20  | 28.23  | 9.80   |
| Closing price 31/dec                                     | 80.04    | 61.60  | 58.24  | 56.70  | 54.50  | 38.76  | 48.28  | 28.49  |
| Average number of shares traded daily (e)                | 21,921   | 22,189 | 31,962 | 34,019 | 29,298 | 29,722 |        |        |
| Stock market capitalization on 31 December (in millions) | 1,044.58 | 801.80 | 756.00 | 736.50 | 695.30 | 492.70 | 611.70 | 360.97 |

(e) The average number of shares traded daily is taking into account the trades on the Lit Venues: Euronext as well as registered trades on alternative platforms BATS, Chi-X, Turquoise and Equiduct. For 2015, 74% of the trades were registered on the Lit-venues.

# Investor relations

## The year in retrospect: evolution of the share price

Fueled by positive momentum across the Board, Barco performed well in 2016, with a high-single digit sales growth, increased EBITDA and a good cash performance. Our good intermediary results, leadership changes and investments in our infrastructure (campus) helped boost the dynamics around the company and eventually also the share price in 2016.

### Slow start, volatile first half-year

The share price fluctuated between 54 and 81 euro in 2016. After Barco's shares hit their highest closing price since 2006 at the end of 2015, they started 2016

with a decline, falling under 60 euro (54 euro), in line with the market indices. The positive financial results 2015 published in February (sales up by 13%) and outlook led to a share price recovery, well above 60 euro. From May onwards, volatility in the Chinese market impacted the share price: we saw a volatile share in the months of May and early June, with an abrupt drop at the end of June, triggered by the outcome of the Brexit referendum.

### Steep rise, to reach record closing price

The Barco share experienced a very strong summer rally, up and above 70 euro, mainly triggered by good half-year results showing structural profitability improvements and combined by healthy liquidity levels. The share slightly retreated again after the summer to just 70 euros, yet recorded significant price gains again later to close the end of 2016 at 81 euro, up 29.9% on the prior-year figure – the best closing price in the last 10 years. The upward trend was driven by analysts' re-rating of the Barco share in the second half-year, as they

were confident that Barco would achieve its guidance.

The yearly return including the dividend is 33%. This is the best return on the Barco share since the record performance in 2012, outperforming all main international indices such as AES and S&P500 and the fifth consecutive positive outcome (since 2011).

At 81 euro, the Barco share reached the best closing price of the last 10 years

### Market Cap: best in 10 years

The market capitalization on 31 December 2016 was well beyond 1 billion euro – the best performance in 10 years and 30% up

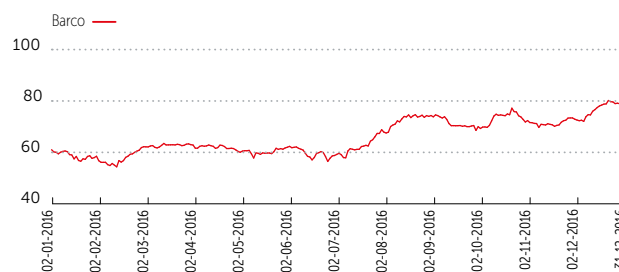
compared to 2015 (801.6 million euro). Here as well, it shows that a good leadership team, including a smooth transition, good performance in combination with consistent communication and execution, create new dynamics in the investment community and value. The lowest market capitalization in the year was at 707.7 million euro (12 February 2016) and the highest at 1050.6 million euro (28 December 2016).

### Stable shareholder structure

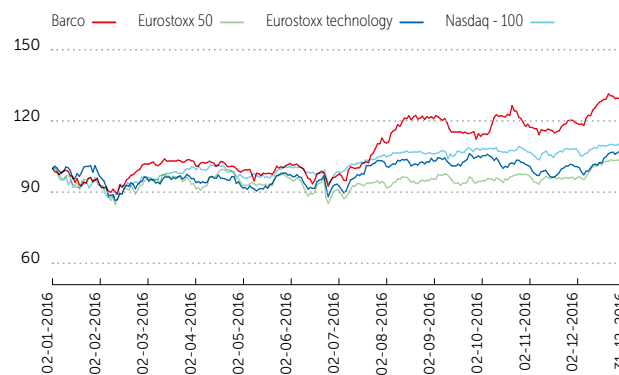
Barco's shareholder structure was characterized by stability in 2016. In May, Go Investment partners settled its position of 4% while Van de Wiele NV increased its shareholder position by 4% (from 14% to 18%).

Over the summer, Norges Bank also strengthened its position to a 5% stake.

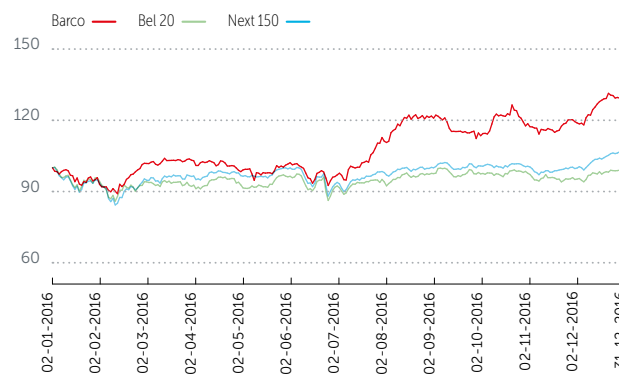
### Barco share price 2016



### Barco / Eurostoxx 50 / Eurostoxx Technology / Nasdaq - 100



### Barco / Bel 20 / Next 150

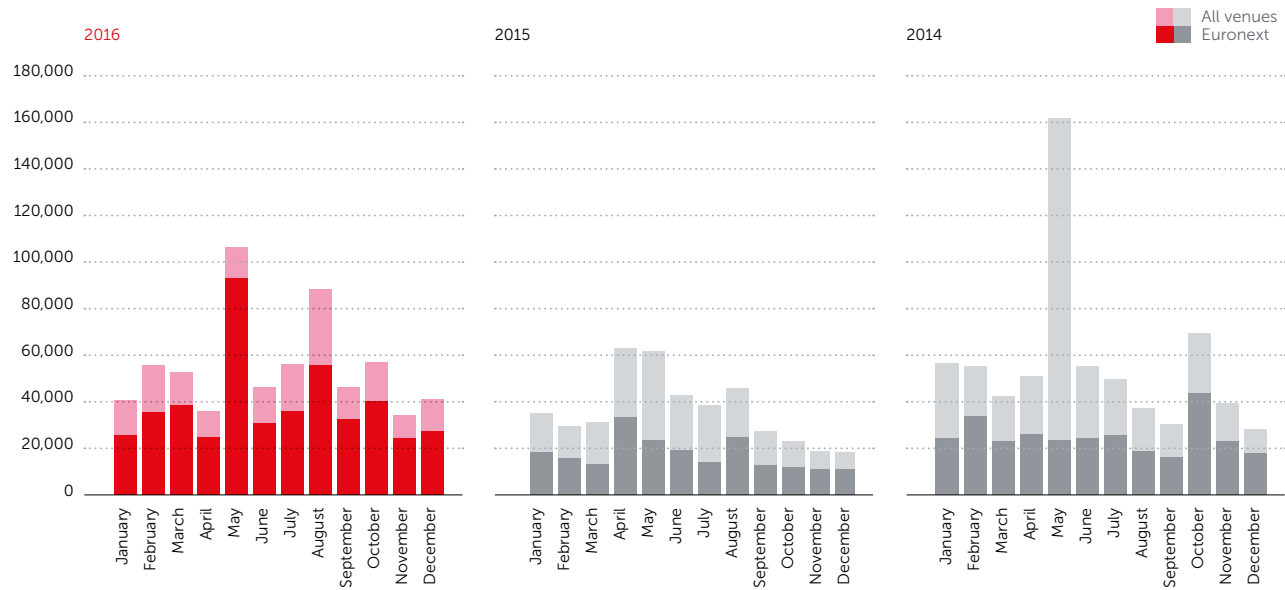


# Liquidity

| LIQUIDITY                                       | SOURCE                    | 2016       | 2015      | 2014       |
|---|---------------------------|------------|-----------|------------|
| Total yearly volume (shares)                    | Euronext                  | 4,186,998  | 4,395,360 | 6,392,357  |
|   | Lit venues <sup>(1)</sup> | 5,633,738  | 5,724,749 | 8,150,321  |
|   | All venues <sup>(2)</sup> | 10,007,069 | 9,345,749 | 14,341,236 |
| Daily average number of shares traded           | Euronext                  | 16,292     | 17,036    | 25,068     |
|   | Lit venues <sup>(1)</sup> | 21,921     | 22,189    | 31,962     |
|   | All venues <sup>(2)</sup> | 38,938     | 36,224    | 56,240     |
| Total yearly volumes (turnover) in million euro | Euronext                  | 354.33     | 235.77    | 357.60     |
|   | Lit venues <sup>(1)</sup> | 370.83     | 334.84    | 456.16     |
|   | All venues <sup>(2)</sup> | 652.48     | 547.33    | 801.69     |
| Velocity  |                           | 31.40%     | 34.90%    | 49.80%     |

Comment (1&2): Based on the Fidessa stock report: <http://fragmentation.fidessa.com/> The numbers referenced here take into account trades in the Lit-category. The category "Lit venues" includes Euronext and the alternative platforms BATS Chi-X, Turquoise and Equiduct. All Venues includes Lit-venues, the Systematic internalisers, off-book transactions and dark venues.

## Daily average shares traded



# Shareholder structure

## Shareholders

A study of Barco's global shareholdership at 31 December 2016 plotted almost 92% of the company's shareholder composition. Identified institutional investors hold 70% of all shares (versus 66% at the end of 2015), 6% being treasury shares held by the company and 14% held by retail investors versus 15% at the end of 2015).

## Geographical distribution

Domestic institutional ownership continued its upward trend and increased more than any other region, while the Rest of Europe category saw a net share outflow.

Domestic ownership accounts now for 47% (up from 42% in 2015 and 34% in 2014). 24% of the institutional shares continued to be owned in the United States. Over the period under analysis, there were significantly more buyers than sellers in the US, Belgium and France. Uptakes in France/Luxembourg result in a position now at 12% (from 8% the year before). Also Norway has a strong position @ 7% of the institutional shares. The Rest of Europe (including UK, Germany, Switzerland and the Netherlands) showed more sellers than buyers and holds the remaining 10%, reflecting an underweight condition when compared to the benchmark.

## Investment style

From an investment style perspective, value-oriented investors led the selling activity, accounting for 61% of institutional shares sold.

As a result value-investors reduced over this period under analysis, falling 3 ppts and now account for 27% of the identified institutional shares. A positive share price performance in 2016 in combination with some net redemptions with some funds/investors drove part of the selling dynamics.

Value-style ownership still remains overweight when compared to the benchmark.

Conversely, Barco is still underweight in Growth-oriented investment, a category which remained stable year-over-year. According to sell-side feedback, the stock continues to be of most interest to GARP investors.

## Concentration

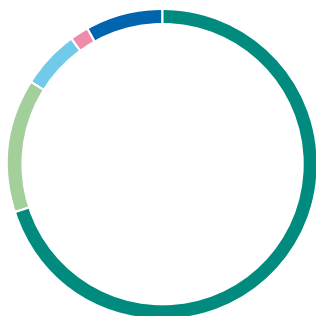
There were some significant movements across the top 5 largest Barco holders over this period. The change of hands in the ownership of Barco occurred between the top buyer Michel Van de Wiele NV and the top seller GO Investment Partners LLP, resulting in a liquidation of the latter position. As a result, Michel Van de Wiele NV increased its position to 18%. In Oslo, Norges Bank Investment Management (NBIM) purchased 246k shares, and is now the 3rd-largest investor.

The concentration of shares held by Barco's top 10, top 25 and top 50 groups of investors all increased over this analysis, mainly driven by significant purchases by Barco's top holders and Norges Bank Investment Management.

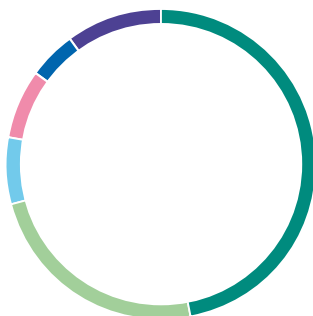
The top 10 institutional investors currently hold 52% of the total shares in the free float (versus 46.6% the year before) Meanwhile, the top 25 and 50 investors hold 62% and 68% respectively (compared to 65% and 72% the year before).

Compared to the mid cap client benchmark, Barco's concentration levels are slightly above the average observed in the benchmark.

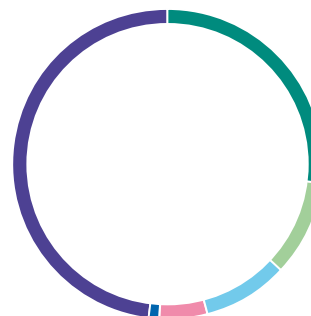
A majority of Barco's institutional shares are held by investors classified as low turnover – expected holding periods exceeding 24 months - which should also prove to be a stabilizing force.



Institutional **70%**  
 Retail **15%**  
 Company-Related **6%**  
 Brokerage/trading **2%**  
 Miscellaneous **8%**

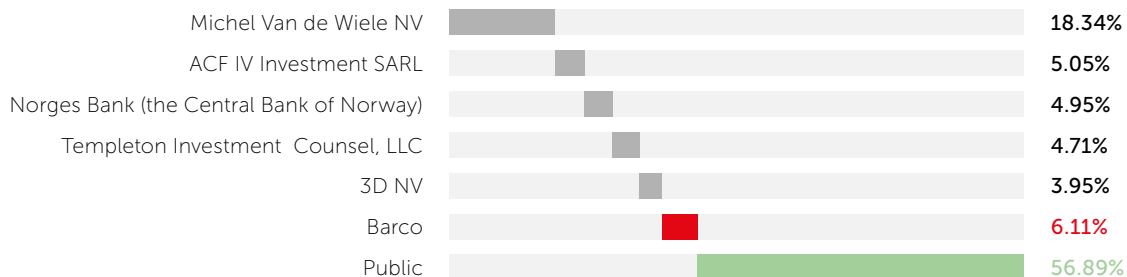


Belgium **47%**  
 United States **24%**  
 Luxembourg **7%**  
 Norway **7%**  
 France **5%**  
 Rest of Europe **10%**  
 Rest of world **<1%**



Value **27%**  
 Growth **10%**  
 GARP **9%**  
 Index **5%**  
 Hedge fund **1%**  
 Other **48%**

## Ownership of Barco's shares 2016



## Shareholder remuneration

### Dividend

The Board of Directors decided to recommend to the general assembly to pay a dividend of 1.90 euro (gross) per share over 2016 (compared to 1.75 euro over 2015). This is 1.33 euro net, on withholding tax of 30%.

At 1.90 euro, the pay-out ratio is 225% and the gross dividend yield is 2.4%.

|                    |                        |
|--------------------|------------------------|
| Ex-date:           | Tuesday, 9 May 2017    |
| Record date (+1):  | Wednesday, 10 May 2017 |
| Payment date (+1): | Thursday, 11 May 2017  |

### Dividend Policy

The company confirms its dividend policy to grow the dividend in line with the long term performance and evolution of the company. The dividend is set by the Board of Directors and subsequently proposed to the Annual General Meeting of shareholders at the end of each fiscal year.

## Barco's investment case

Backed by over 80 years of experience, Barco is a strong brand that is known the world over for its technology leadership in three healthy markets: Entertainment, Enterprise and Healthcare. The solutions we deliver in these markets are mostly mission-critical: there is a real need for the high-quality, utterly reliable technology that we are able to provide, thanks to our experience and deep technological skills.

### Solid financial results

Over the last few years, Barco has worked hard to strengthen its global leadership position. To achieve that aim, we have significantly streamlined our organization, sharpened the focus of our activities and developed more channels into the market, thus extending our customer base.

Our efforts yielded success in 2016: in line with the 2014 and 2015 results, we achieved good sales growth. More than that, we significantly enhanced our gross margins, thanks to cost down engineering, smarter sourcing and a good product mix. Our cash flow recovered nicely in the second half of the year. Over the years, Barco has always followed a cautious course in managing its financials and enjoys year-on-year net cash positive results.

### Focused to perform

The new management team – new CEO, new CFO, new Chief Human Resources and new General Manager of the Enterprise division, all with impressive track records in leading, international companies – that got on board in 2016, works

closely together with the existing leadership team to define the course of the company in the coming years.

Confident that Barco has all the required assets to further drive growth, we will be sharpening our focus on performance in 2017 and beyond. While putting together a balanced portfolio of strategic growth initiatives, we will concentrate on improving the performance of our core businesses, i.e. strive to reach execution – operational and commercial – excellence and nail down profitability. In this way, Barco will create even more value for its customers as well as shareholders.

**Shareholder trust**

Our sound strategy, strong business model and our solid financials inspire trust and confidence in our shareholders. Barco therefore has a very stable, international shareholder base with a predominance of value-oriented investors. Since 2015, both Van de Wiele NV and 3D NV are represented in the Board of Directors. Together, they now own 22% of Barco’s shares. Year after year, our shareholders see consistent growth in the dividend, which reflects our increasing profitability and growth.

**Analysts covering Barco**

**Analysts covering Barco**

|   |                             |
|---|-----------------------------|
| ABN AMRO Bank                                     | Marc Hesselink              |
| Bank Degroof Petercam                             | Stefaan Genoe               |
| Flemish Federation of Investors and Investor Club | Gert De Mesure              |
| ING   | Nigel van Putten            |
| KBC Securities                                    | Guy Sips                    |
| Oppenheimer                                       | Andrew Uerkwitz & Paul Dean |

## Financial calendar 2017

### Financial calendar 2017

|                                       |                           |
|---------------------------------------|---------------------------|
| Announcement of results 4Q16 and FY16 | Thursday 9 February 2017  |
| Trading update 1Q17                   | Friday 21 April 2017      |
| Annual general shareholders meeting   | Thursday 27 April 2017    |
| Announcement of results 1H17          | Wednesday 19 July 2017    |
| Trading update 3Q17                   | Wednesday 18 October 2017 |

## Share info

### Euronext Brussels

|                  |          |                   |
|------------------|----------|-------------------|
| Barco share      | BAR      | ISIN BE0003790079 |
| Barco VVPR-strip | BARS     | ISIN BE0005583548 |
| Reuters          | BARBt.BR |                   |
| Bloomberg        | BAR BB   |                   |

More info including the quarterly consensus-update, reports, reference to conference, roadshows and relevant tradeshow are available on Barco's investor portal

[www.barco.com/investors](http://www.barco.com/investors)



# BARCO CONSOLIDATED



## **IFRS financial statements**

### **Introduction**

This chapter of the Annual Report contains the IFRS audited consolidated financial statements including the notes thereon, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The chapter 'Comments on the results' (see page C/30) provides an analysis of trends and results of the 2016 financial year, and is based on the IFRS consolidated financial statements. It should be read in conjunction with these statements.

# Income statement

| IN THOUSANDS OF EURO  | NOTE     | 2016           | 2015           | 2014           |
|---|----------|----------------|----------------|----------------|
| Net sales   | 4        | 1,102,342      | 1,028,856      | 908,368        |
| Cost of goods sold  | 4        | -723,538       | -691,091       | -622,090       |
| <b>Gross profit</b>   | <b>4</b> | <b>378,804</b> | <b>337,765</b> | <b>286,278</b> |
| Research and development expenses   | 4(a)     | -143,362       | -150,222       | -99,689        |
| Sales and marketing expenses  | 4(b)     | -147,088       | -137,829       | -116,679       |
| General and administration expenses   | 4(c)     | -55,122        | -50,977        | -44,334        |
| Other operating income (expense) - net  | 4(d)     | 3,325          | 2,960          | 5,306          |
| <b>EBIT (before non-recurring) <sup>1</sup></b>                                       | <b>4</b> | <b>36,557</b>  | <b>1,698</b>   | <b>30,882</b>  |
| Restructuring and goodwill impairment   | 6        | -12,939        | -29,099        | -3,373         |
| Gain on sale building   | 12       | 6,866          | -              | -              |
| Other non-operating income/(expense)  |          | 33             | 35             | -              |
| <b>EBIT</b>   |          | <b>30,516</b>  | <b>-27,366</b> | <b>27,509</b>  |
| Interest income   |          | 4,401          | 7,103          | 3,022          |
| Interest expense  |          | -3,161         | -4,098         | -4,156         |
| <b>Income/(loss) before taxes</b>   |          | <b>31,756</b>  | <b>-24,360</b> | <b>26,375</b>  |
| Income taxes  | 7        | -6,345         | 4,879          | -4,748         |
| <b>Result after taxes</b>   |          | <b>25,411</b>  | <b>-19,481</b> | <b>21,628</b>  |
| Share in the result of joint ventures and associates                                  | 9        | 263            | -1,073         | 68             |
| <b>Net income/(loss) from continuing operations</b>                                   |          | <b>25,674</b>  | <b>-20,554</b> | <b>21,696</b>  |
| <b>Net income from discontinued operations</b>  | <b>3</b> | <b>-</b>       | <b>47,031</b>  | <b>6,094</b>   |
| <b>Net income</b>   |          | <b>25,674</b>  | <b>26,477</b>  | <b>27,790</b>  |
| <b>Net income attributable to non-controlling interest</b>                            |          | <b>14,652</b>  | <b>9,009</b>   | <b>3,856</b>   |
| <b>Net income attributable to the equity holder of the parent</b>                     |          | <b>11,023</b>  | <b>17,468</b>  | <b>23,933</b>  |
| <b>Net income/(loss) (continuing) attributable to the equity holder of the parent</b> |          | <b>11,023</b>  | <b>-29,563</b> | <b>17,840</b>  |
| <b>Net income (discontinued) attributable to the equity holder of the parent</b>      |          | <b>-</b>       | <b>47,031</b>  | <b>6,094</b>   |
| Earnings per share (in euro)  | 8        | 0.91           | 1.45           | 1.96           |
| Diluted earnings per share (in euro)  | 8        | 0.88           | 1.41           | 1.92           |
| Earnings (continuing) per share (in euro)   | 8        | 0.91           | -2.45          | 1.46           |
| Diluted earnings (continuing) per share (in euro)                                     | 8        | 0.88           | -2.38          | 1.43           |

1 Management considers EBIT (before non-recurring) to be a relevant performance measure in order to compare results over the period 2014 to 2016, as it excludes non-recurring items.

# Statement of comprehensive income

| IN THOUSANDS OF EURO  | 2016          | 2015          | 2014          |
|---|---------------|---------------|---------------|
| Net income/(loss) from continuing operations  | 25,674        | -20,554       | 21,696        |
| Net income from discontinued operations   | -             | 47,031        | 6,094         |
| Net income  | 25,674        | 26,477        | 27,790        |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>                     |               |               |               |
| <b>Continuing operations</b>  |               |               |               |
| Exchange differences from continuing operations on translation of foreign operations (a)                          | 1,610         | 11,169        | 16,195        |
| Net gain/(loss) on cash flow hedges continuing operations   | -280          | 735           | -1,464        |
| Income tax  | 56            | -147          | 264           |
| Net gain/(loss) on cash flow hedges continuing operations, net of tax   | -224          | 588           | -1,201        |
| Other comprehensive income continuing operations, recycled through retained earnings for the period               | -             | -             | -71           |
| Other comprehensive income (loss) for the period (continuing), net of tax   | 1,386         | 11,757        | 14,924        |
| <b>Discontinued operations</b>  |               |               |               |
| Other comprehensive income (loss) discontinued operations, recycled through income statement for the period       | -             | -1,154        | -             |
| Exchange differences from discontinued operations on translation of foreign operations (a)                        | -             | 1,154         | 1,777         |
| Other comprehensive income (loss) for the period (discontinued), net of tax                                       | -             | -             | 1,777         |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>                 |               |               |               |
| Remeasurement gains (losses) on defined benefit plans   | -12,318       | -             | -             |
| Deferred tax on remeasurement gains (losses) on defined benefit plans   | 4,187         | -             | -             |
| Actuarial gains or losses, net of tax   | -8,131        | -             | -             |
| Other comprehensive income (loss) for the period, net of tax, attributable to equity holders of the parent        | -6,746        | 11,757        | 16,701        |
| Other comprehensive income (loss) for the period, net of tax, non-controlling interest                            | -445          | 370           | 594           |
| Total comprehensive income/(loss) (continuing), net of tax, attributable to equity holder of the parent           | 18,929        | -8,797        | 36,620        |
| Total comprehensive income (discontinued) for the period, net of tax, attributable to equity holder of the parent | -             | 47,031        | 7,871         |
| <b>Total comprehensive income for the period, net of tax, attributable to equity holder of the parent</b>         | <b>18,929</b> | <b>38,234</b> | <b>44,490</b> |
| Total comprehensive income (continuing), net of tax, non-controlling interest                                     | -445          | 370           | 594           |
| <b>Total comprehensive income for the period, net of tax, non-controlling interest</b>                            | <b>-445</b>   | <b>370</b>    | <b>594</b>    |

(a) Translation exposure gives rise to non-cash exchange gains/losses. Examples are foreign equity and other long-term investments abroad. These long-term investments give rise to periodic translation gains/losses that are non-cash in nature until the investment is realized or liquidated. The comprehensive income line commonly shows a positive result in case the foreign currency in countries where investments were made appreciates versus the euro, and a negative result in case the foreign currency depreciates.

In 2016, the positive exchange differences from continuing operations in the comprehensive income line were mainly booked on foreign operations held in US dollars, Norwegian krone and Taiwan dollars, partly offset by a negative exchange difference on the Chinese yuan.

In 2015, the positive exchange differences from continuing operations in the comprehensive income line were mainly booked on foreign operations held in US dollars, Chinese yuan and Indian rupee.

In 2014, the positive exchange differences from continuing operations in the comprehensive income line were mainly booked on foreign operations held in US dollars, Chinese yuan and Indian rupee. In the discontinued operations, the positive exchange differences in the comprehensive income line were mainly related to foreign operations held in US dollars.

The accompanying notes are an integral part of this income statement.

# Balance sheet

| IN THOUSANDS OF EURO                               | NOTE     | 31 DEC 2016      | 31 DEC 2015      | 31 DEC 2014      |
|--|----------|------------------|------------------|------------------|
| <b>Assets</b>                                      |          |                  |                  |                  |
| Goodwill   | 10       | 124,255          | 132,386          | 143,774          |
| Capitalized development cost                       | 11       | -                | 22,846           | 71,351           |
| Other intangible assets                            | 12       | 75,765           | 52,628           | 55,926           |
| Land and buildings                                 | 12       | 53,019           | 20,221           | 21,315           |
| Other tangible assets                              | 12       | 50,916           | 72,346           | 44,597           |
| Investments  | 9        | 14,460           | 9,031            | 14,360           |
| Deferred tax assets                                | 13       | 89,100           | 78,031           | 68,219           |
| Other non-current assets                           | 15       | 19,112           | 23,226           | 15,736           |
| <b>Non-current assets</b>                          |          | <b>426,627</b>   | <b>410,715</b>   | <b>435,278</b>   |
| Inventory  | 14       | 166,202          | 165,960          | 185,631          |
| Trade debtors                                      | 15       | 188,561          | 186,910          | 170,486          |
| Other amounts receivable                           | 15       | 15,584           | 26,157           | 18,940           |
| Cash and cash equivalents                          | 16       | 353,549          | 341,277          | 145,340          |
| Prepaid expenses and accrued income                |          | 8,709            | 9,308            | 8,948            |
| Assets from discontinued operations                | 3        | -                | -                | 110,761          |
| <b>Current assets</b>                              |          | <b>732,605</b>   | <b>729,612</b>   | <b>640,106</b>   |
| <b>Total assets</b>                                |          | <b>1,159,231</b> | <b>1,140,327</b> | <b>1,075,384</b> |
| <b>Equity and liabilities</b>                      |          |                  |                  |                  |
| Equity attributable to equityholders of the parent | 18       | 590,243          | 597,739          | 587,415          |
| Non-controlling interests                          | 19       | 25,244           | 13,925           | 7,146            |
| <b>Equity</b>                                      |          | <b>615,487</b>   | <b>611,664</b>   | <b>594,561</b>   |
| Long-term debts                                    | 16       | 66,811           | 79,527           | 57,737           |
| Deferred tax liabilities                           | 13       | 8,813            | 4,462            | 6,830            |
| Other long-term liabilities                        | 17       | 11,198           | 2,839            | -                |
| <b>Non-current liabilities</b>                     |          | <b>86,823</b>    | <b>86,828</b>    | <b>64,567</b>    |
| Current portion of long-term debts                 | 16       | 11,500           | 10,000           | 7,130            |
| Short-term debts                                   | 16       | 2,085            | 2,124            | 19,253           |
| Trade payables                                     | 20       | 135,127          | 139,504          | 109,091          |
| Advances received from customers                   | 20       | 109,064          | 113,874          | 107,544          |
| Tax payables                                       |          | 13,880           | 13,016           | 15,171           |
| Employee benefit liabilities                       |          | 57,050           | 48,757           | 44,759           |
| Other current liabilities                          |          | 9,684            | 7,690            | 5,204            |
| Accrued charges and deferred income                |          | 58,050           | 59,967           | 33,390           |
| Provisions   | 21       | 60,481           | 46,903           | 40,148           |
| Liabilities from discontinued operations           |          | -                | -                | 34,567           |
| <b>Current liabilities</b>                         | <b>3</b> | <b>456,922</b>   | <b>441,835</b>   | <b>416,257</b>   |
| <b>Total equity and liabilities</b>                |          | <b>1,159,231</b> | <b>1,140,327</b> | <b>1,075,384</b> |

The accompanying notes are an integral part of this balance sheet.

# Cash flow statement

| IN THOUSANDS OF EURO  | NOTE    | 2016           | 2015           | 2014           |
|---|---------|----------------|----------------|----------------|
| <b>Cash flow from operating activities</b>  |         |                |                |                |
| EBIT before non-recurring   |         | 36,557         | 1,698          | 30,882         |
| Impairment of capitalized development costs   | 6       | 1,364          | 4,866          | 7,244          |
| Restructuring   | 21      | -4,917         | -3,622         | -3,340         |
| Gain on sale of Orthogon  | 4(d)    | -1,000         | -1,406         | -6,650         |
| Amortization capitalized development cost   | 4(a)    | 21,509         | 44,575         | 49,969         |
| Depreciation of tangible and intangible fixed assets                                | 12      | 28,572         | 22,906         | 19,291         |
| Gain/(loss) on tangible fixed assets  |         | -401           | -543           | -69            |
| Share options recognized as cost  | 18      | 1,234          | 1,313          | 1,268          |
| Share in the profit/(loss) of joint ventures and associates                         | 9       | 263            | -1,073         | 68             |
| Discontinued operations: cash flow from operating activities                        | 3       | -              | -4,407         | 21,281         |
| <b>Gross operating cash flow</b>  |         | <b>83,180</b>  | <b>64,308</b>  | <b>119,944</b> |
| Changes in trade receivables  |         | 205            | -5,443         | -19,669        |
| Changes in inventory  |         | -2,829         | 27,565         | -11,915        |
| Changes in trade payables   |         | -2,676         | 16,297         | 220            |
| Other changes in net working capital  |         | 11,883         | 32,773         | 4,708          |
| Discontinued operations: change in net working capital                              | 3       | -              | 12,767         | 538            |
| <b>Change in net working capital</b>  |         | <b>6,583</b>   | <b>83,958</b>  | <b>-26,119</b> |
| <b>Net operating cash flow</b>  |         | <b>89,763</b>  | <b>148,266</b> | <b>93,825</b>  |
| Interest received   |         | 7,272          | 4,303          | 3,022          |
| Interest paid   |         | -3,161         | -4,098         | -4,156         |
| Income taxes  |         | -11,538        | -14,938        | -2,993         |
| Discontinued operations: income taxes and interest received/(paid)                  | 3       | -              | -5,094         | -17            |
| <b>Cash flow from operating activities</b>  |         | <b>82,337</b>  | <b>128,439</b> | <b>89,681</b>  |
| <b>Cash flow from investing activities</b>  |         |                |                |                |
| Expenditure on product development  | 4       | -              | -              | -47,691        |
| Purchases of tangible and intangible fixed assets                                   | 12      | -24,241        | -14,730        | -8,326         |
| Proceeds on disposals of tangible and intangible fixed assets                       |         | 578            | 1,137          | 4,312          |
| Proceeds from sale of building  |         | 9,292          |                |                |
| Acquisition of Group companies, net of acquired cash                                | 1,2, 26 | -10,229        | -9,635         | -21,915        |
| Disposal of Group companies, net of disposed cash                                   | 1,2, 26 | 1,000          | 139,622        | 10,590         |
| Other investing activities (a)  |         | -16,667        | -23,072        | -15,699        |
| Discontinued operations: cash flow from investing activities                        | 3       | -              | -887           | -12,888        |
| <b>Cash flow from investing activities (including acquisitions and divestments)</b> |         | <b>-40,267</b> | <b>92,435</b>  | <b>-91,616</b> |

| IN THOUSANDS OF EURO   | NOTE | 2016           | 2015           | 2014           |
|--|------|----------------|----------------|----------------|
| <b>Cash flow from financing activities</b>                   |      |                |                |                |
| Dividends paid   |      | -20,951        | -19,364        | -18,410        |
| Dividends received   |      | 376            | -              | -              |
| Capital increase/(decrease)                                  |      | 2,498          | 895            | 314            |
| (Acquisition)/sale of own shares                             |      | 5,684          | -1,744         | -11,335        |
| Proceeds from (+)/payments (-) of long-term liabilities      |      | -11,381        | 8,740          | 19,346         |
| Proceeds from (+)/payments (-) of short-term liabilities     |      | -2,239         | -17,980        | -8,255         |
| Dividend distributed to non-controlling interest             |      | -5,707         | -3,006         | -1,792         |
| Capital increase from non-controlling interest               |      | 2,912          | 406            | -              |
| Discontinued operations: cash flow from financing activities | 3    | -              | -              | -36            |
| <b>Cash flow from financing activities</b>                   |      | <b>-28,809</b> | <b>-32,053</b> | <b>-20,169</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>  |      | <b>13,261</b>  | <b>188,821</b> | <b>-22,103</b> |
| <b>Cash and cash equivalents at beginning of period</b>      |      | <b>341,277</b> | <b>145,340</b> | <b>156,545</b> |
| <b>Cash and cash equivalents (CTA)</b>                       |      | <b>-989</b>    | <b>7,116</b>   | <b>10,897</b>  |
| <b>Cash and cash equivalents at end of period</b>            |      | <b>353,549</b> | <b>341,277</b> | <b>145,340</b> |

(a) Per 31 December 2016 Other investing activities relate to the investment in the One Campus project, the new building at headquarters, for an amount of 9.1 million euro, which is mainly financed with long term liabilities (2015: 23.1 million euro; 2014: 13.7 million euro) and capital contributions to other investments (see note 9).

## Changes in equity

| IN THOUSANDS OF EURO   | Share capital and premium | Retained earnings | Share-based payments | Cumulative translation adjustment | Cash flow hedge reserve | Own shares     | Equity attributable to equityholders of the parent | Non-Controlling interest | Equity         |
|--|---------------------------|-------------------|----------------------|-----------------------------------|-------------------------|----------------|--|--------------------------|----------------|
| <b>Balance on 1 January 2014</b>   | 197,769                   | 467,370           | 6,273                | -51,561                           | -657                    | -44,250        | 574,943  | 4,423                    | 579,367        |
| Net income (continuing) attributable to the equity holder of the parent        | -                         | 17,840            | -                    | -                                 | -                       | -              | 17,840   | 3,856                    | 21,696         |
| Net income (discontinued) attributable to the equity holder of the parent      | -                         | 6,094             | -                    | -                                 | -                       | -              | 6,094  | -                        | 6,094          |
| Net income attributable to equityholders of the parent                         | -                         | 23,933            | -                    | -                                 | -                       | -              | 23,933   | 3,856                    | 27,790         |
| Dividend   | -                         | -18,410           | -                    | -                                 | -                       | -              | -18,410  | -                        | -18,410        |
| Dividend distributed to non controlling interest                               | -                         | -                 | -                    | -                                 | -                       | -              | 0  | -1,728                   | -1,728         |
| Capital and share premium increase   | 314                       | -                 | -                    | -                                 | -                       | -              | 314  | -                        | 314            |
| Other comprehensive income (loss) for the period (discontinued), net of tax    | -                         | -                 | -                    | 1,777                             | -                       | -              | 1,777  | -                        | 1,777          |
| Other comprehensive income (loss) for the period (continuing), net of tax      | -                         | -71               | -                    | 16,195                            | -1,201                  | -              | 14,924   | 594                      | 15,518         |
| Other comprehensive income (loss) for the period, net of tax                   | -                         | -71               | -                    | 17,972                            | -1,201                  | -              | 16,701   | 594                      | 17,295         |
| Share-based payment  | -                         | -                 | 1,268                | -                                 | -                       | -              | 1,268  | -                        | 1,268          |
| Exercise of options  | -                         | -                 | -1,600               | -                                 | -                       | 4,132          | 2,532  | -                        | 2,532          |
| Share buy-back   | -                         | -                 | -                    | -                                 | -                       | -13,866        | -13,866  | -                        | -13,866        |
| <b>Balance on 31 December 2014</b>   | <b>198,083</b>            | <b>472,822</b>    | <b>5,942</b>         | <b>-33,589</b>                    | <b>-1,857</b>           | <b>-53,984</b> | <b>587,415</b>                                     | <b>7,146</b>             | <b>594,561</b> |
| <b>Balance on 1 January 2015</b>   | 198,083                   | 472,822           | 5,942                | -33,589                           | -1,857                  | -53,984        | 587,415  | 7,146                    | 594,561        |
| Net income/(loss) (continuing) attributable to the equity holder of the parent | -                         | -29,563           | -                    | -                                 | -                       | -              | -29,563  | 9,009                    | -20,554        |
| Net income (discontinued) attributable to the equity holder of the parent      | -                         | 47,031            | -                    | -                                 | -                       | -              | 47,031   | -                        | 47,031         |
| Net income attributable to equityholders of the parent                         | -                         | 17,468            | -                    | -                                 | -                       | -              | 17,468   | 9,009                    | 26,477         |
| Dividend   | -                         | -19,364           | -                    | -                                 | -                       | -              | -19,364  | -                        | -19,364        |
| Dividend distributed to non-controlling interest                               | -                         | -                 | -                    | -                                 | -                       | -              | -  | -3,006                   | -3,006         |
| Capital and share premium increase   | 895                       | -                 | -                    | -                                 | -                       | -              | 895  | 406                      | 1,301          |

| IN THOUSANDS OF EURO  | Share capital and premium | Retained earnings | Share-based payments | Cumulative translation adjustment | Cash flow hedge reserve | Own shares | Equity attributable to equityholders of the parent | Non-Controlling interest | Equity  |
|---|---------------------------|-------------------|----------------------|-----------------------------------|-------------------------|------------|--|--------------------------|---------|
| Other comprehensive income (loss) for the period (discontinued), net of tax | -                         | -                 | -                    | -                                 | -                       | -          | -  |                          | -       |
| Other comprehensive income (loss) for the period (continuing), net of tax   | -                         | -                 | -                    | 11,169                            | 588                     | -          | 11,757   | 370                      | 12,127  |
| Other comprehensive income (loss) for the period, net of tax                | -                         | -                 | -                    | 11,169                            | 588                     | -          | 11,757   | 370                      | 12,127  |
| Share-based payment   | -                         | -                 | 1,313                | -                                 | -                       |            | 1,313  | -                        | 1,313   |
| Exercise of options   |                           | -                 | -1,286               | -                                 | -                       | 4,587      | 3,301  |                          | 3,301   |
| Share buy-back  |                           |                   |                      |                                   |                         | -5,046     | -5,046   |                          | -5,046  |
| Balance on 31 December 2015   | 198,978                   | 470,926           | 5,968                | -22,421                           | -1,269                  | -54,443    | 597,739  | 13,925                   | 611,664 |
| <b>Balance on 1 January 2016</b>  | 198,978                   | 470,926           | 5,968                | -22,421                           | -1,269                  | -54,443    | 597,739  | 13,925                   | 611,664 |
| Net income attributable to equityholders of the parent                      | -                         | 11,023            | -                    | -                                 | -                       | -          | 11,023   | 14,652                   | 25,674  |
| Dividend  | -                         | -21,188           | -                    | -                                 | -                       | -          | -21,188  | -                        | -21,188 |
| Dividend distributed to non-controlling interest                            |                           |                   |                      |                                   |                         |            |  | -5,707                   | -5,707  |
| Capital and share premium increase  | 2,498                     | -                 | -                    | -                                 | -                       | -          | 2,498  | 2,819                    | 5,317   |
| Other comprehensive income (loss) for the period (continuing), net of tax   | -                         | -8,131            | -                    | 1,610                             | -224                    | -          | -6,746   | -445                     | -7,190  |
| Other comprehensive income (loss) for the period, net of tax                | -                         | -8,131            | -                    | 1,610                             | -224                    | -          | -6,746   | -445                     | -7,190  |
| Share-based payment   | -                         | -                 | 1,234                | -                                 | -                       |            | 1,234  | -                        | 1,234   |
| Exercise of options   |                           | -                 | -972                 | -                                 | -                       | 6,656      | 5,684  |                          | 5,684   |
| Share buy-back  |                           |                   |                      |                                   |                         |            | -  |                          | -       |
| Balance on 31 December 2016   | 201,476                   | 452,629           | 6,230                | -20,811                           | -1,493                  | -47,787    | 590,243  | 25,244                   | 615,487 |

# Significant IFRS accounting principles

## 1. Accounting principles

### 1.1. Statement of compliance and basis of presentation

The consolidated financial statements of the Barco group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the EU. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2016 and adopted by the European Union are applied by Barco.

The consolidated financial statements are presented in thousands of euro and are prepared under the historical cost convention, except for the measurement at fair value of investments and derivative financial instruments. The financial statements were authorized for issue by the Board of Directors on 6 February 2017. The chairman has the power to amend the financial statements until the shareholders' meeting of 27 April 2017.

### 1.2. Principles of consolidation

#### General

The consolidated financial statements comprise the financial statements of the parent company, Barco nv, and its controlled subsidiaries, after the elimination of all intercompany transactions.

#### Subsidiaries

Subsidiaries are consolidated from the date the parent obtains control until the date control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. Control exists when Barco is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are prepared according to the parent's company reporting schedule, using consistent accounting policies.

#### Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from shareholder's equity.

#### Investments in associated companies

Investments in associated companies over which the company has significant influence (typically those that are 20-50% owned) are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity method amount and the recoverable amount, and the pro rata share of income (loss) of associated companies is included in income.

#### Joint arrangements

The company operates via joint ventures due to the fact that Barco has rights to the net assets of these joint ventures and for which the equity method is used, which involves recognizing a proportionate share of the joint ventures on the face of its income statement. The investment is presented as a non-current asset on the face of the balance sheet.

## 2. Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets and contingent liabilities of a subsidiary or associated company at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses.

## 3. Research and development costs

Research and development costs are expensed as incurred, except for development costs, which relate to the design and testing of new or improved materials, products or

technologies, which are capitalized to the extent that it is expected that such assets will generate future economic benefits and the recognition criteria of IAS38 are met. Shorter life cycles, the unpredictability of which development projects will be successful, and the volatility of technologies and the markets in which Barco operates led the Board of Directors to conclude that Barco's development expenses in 2015 and 2016 no longer meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, capitalization of development expenses in 2015 and 2016 was not allowed.

Capitalized development costs are amortized on a systematic basis over their expected useful lives. General estimate of useful life is 2 years, unless a longer or shorter period can be justified.

#### 4. Other intangible assets

Intangible assets acquired separately are capitalized at cost. Intangible assets acquired as part of a business combination are capitalized at fair value separately from goodwill if the fair value can be measured reliably upon initial recognition and are amortized over their economic lifetimes. Other intangible assets are amortized on a straight-line basis not exceeding 7 years.

#### 5. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Generally, depreciation is computed on a straight-line basis over the estimated useful life of the asset. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Estimated useful life is:

|  |              |
|--|--------------|
| - buildings  | 20 years     |
| - installations  | 10 years     |
| - production machinery   | 5 years      |
| - measurement equipment  | 4 years      |
| - tools and models   | 3 years      |
| - furniture  | 10 years     |
| - office equipment   | 5 years      |
| - computer equipment   | 3 years      |
| - vehicles   | 5 years      |
| - demo material  | 1 to 3 years |
| - leasehold improvements and finance leases: cfr underlying asset, limited to outstanding period of lease contract |              |

A property, plant or equipment item is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

## 6. Leases

Finance leases, which effectively transfer to the Group substantially all risks and benefits incidental to ownership of the leased item, are capitalized as property, plant and equipment at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. The corresponding liabilities are recorded as long-term or current liabilities depending on the period in which they are due. Lease interest is charged to the income statement as a financial cost using the effective interest method. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term, are classified as operating leases. Operating lease payments are expressed in the income statement on a straight-line basis over the lease term.

## 7. Investments

Investments are treated as financial assets available for sale and are initially recognized at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. For investments quoted in an active market, the quoted market price is the best measure of fair value. For investments not quoted in an active market, the carrying amount is the historical cost, if a reliable estimate of the fair value cannot be made. An impairment loss is recorded when the carrying amount exceeds the estimated recoverable amount.

## 8. Other non-current assets

Other non-current assets include long-term interest-bearing receivables and cash guarantees. Such long-term receivables are accounted for as loans and receivables originated by the company and are carried at amortized cost. An impairment loss is recorded when the carrying amount exceeds the estimated recoverable amount.

## 9. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in first out (FIFO) or weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs of completing the sale.

In addition to the cost of materials and direct labor, the relevant proportion of production overhead is included in the inventory values.

## 10. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For product sales, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectability is probable.

For revenue out of projects, the percentage of completion method is used, provided that the outcome of the project can be assessed with reasonable certainty. These projects generally have lifetimes of less than one year. For sales of services, revenue is recognized by referencing to the stage of completion.

### 11. Government grants

Government grants related to development projects, for which costs are capitalized, are classified as deferred income and recognized as income in proportion to the depreciation of the underlying fixed assets. Government grants related to research projects and other forms of government assistance are recognized as income upon irreversible achievement and by reference to the relevant expenses incurred.

### 12. Trade debtors and other amounts receivable

Trade debtors and other amounts receivable are shown on the balance sheet at nominal value (in general, the original amount invoiced) less an allowance for doubtful debts. Such an allowance is recorded in operating income when it is probable that the company will not be able to collect all amounts due. Allowances are calculated on an individual basis, and on a portfolio basis for groups of receivables that are not individually identified as impaired. The calculation of the allowances is based on an aging analysis of the trade debtors.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and short-term investments with an original maturity date or notice period of three months or less. It is the Group's policy to hold investments to maturity. All investments are initially recognized at fair value, which is the cost at recognition date. Gains and losses are recognized in income when the investments are redeemed or impaired, as well as through the amortization process.

### 14. Provisions

Provisions are recorded when the Group has a present legal or constructive obligation 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 to the amount of the obligation.

The Group recognizes the estimated liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on historical experience of the level of repairs and replacements.

A provision for restructuring is only recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly before the balance sheet date.

The Belgian defined-contribution pension plans are by law subject to minimum guaranteed rates of return. Pension legislation was amended at the end of 2015 and defines the minimum guaranteed rate of return as a variable percentage linked to government bond yields observed in the market as from 1 January 2016 onwards. For 2016, the minimum guaranteed rate of return is 1.75% on employer contributions and employee contributions. The old rates (3.25% on employer contributions and 3.75% on employee contributions) continue to apply to the accumulated past contributions in the group insurance as at 31 December 2015. As a consequence, the defined contribution plans have been accounted for as defined benefit plans in the course of 2016. We refer to note 21 for more detailed information.

### 15. Equity – costs of an equity transaction

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

#### **16. Interest-bearing loans and borrowings**

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the loan/borrowing. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement.

#### **17. Trade and other payables**

Trade and other payables are stated at fair value, which is the cost at recognition date.

#### **18. Employee benefits**

Employee benefits are recognized as an expense when the Group consumes the economic benefit arising from service provided by an employee in exchange for employee benefits, and as a liability when an employee has provided service in exchange for employee benefits to be paid in the future.

#### **19. Transactions in foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of transaction or at the end of the month before the date of the transaction. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses are recognized in the income statement in the period during which they arise.

#### **20. Foreign Group companies**

In the consolidated accounts, all items in the profit and loss accounts of foreign subsidiaries are translated into euro at the average exchange rates for the accounting period. The balance sheets of foreign Group companies are translated into euro at the rates of exchange ruling at the year-end. The resulting exchange differences are classified in a separate component of 'other comprehensive income', until disposal of the investment.

#### **21. Derivative financial instruments**

Derivative financial instruments are recognized initially at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability) for it. Transaction costs are considered in the initial measurement of all financial assets and liabilities. Subsequent to initial recognition, derivative financial instruments are stated at fair value. 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 market price at the balance sheet date.

Derivative financial instruments that are either hedging instruments that are not designated or do not qualify as hedges are carried at fair value, with changes in value included in the income statement.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in 'Other comprehensive income' with the ineffective part recognized directly in profit and loss.

#### **22. Income taxes**

Current taxes are based on the results of the Group companies and are calculated according to local tax rules.

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Tax rates used are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and

unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### 23. Impairment of assets

Goodwill is reviewed for impairment at least annually. For other tangible and intangible assets, at each balance sheet date, an assessment is made as to whether any indication exists that assets may be impaired. If any such indication exists, an impairment test is carried out in order to determine if and to what extent a valuation allowance is necessary to reduce the asset to its value in use (the present value of estimated future cash flows) or, if higher, to its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell while value in use is the present value of the future cash flows expected to be derived from an asset. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the assets belong. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Reversal of impairment losses recognized in prior years is included as income when there is an indication that the impairment losses recognized for the asset are no longer

needed or the need has decreased, except for impairment losses on goodwill, which are never reversed.

### 24. Share-based payment

Barco created warrants for staff and non-executive directors as well as for individuals who play an important role in the company. According to the publication of IFRS2, the cost of share-based payment transactions is reflected in the income statement.

The warrants are valued at grant date, based on the share price at grant date, exercise price, expected volatility, dividend estimates, and interest rates. Warrant cost is taken into result on a straight-line basis from the grant date until the first exercise date.

### 25. Earnings per share

The Group calculates both basic and diluted earnings per share in accordance with IAS 33, Earnings per share. Under IAS 33, basic earnings per share are computed using the weighted average number of shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of shares outstanding during the period plus the dilutive effect of warrants outstanding during the period. As diluted earnings per share cannot be higher than basic earnings per share, diluted earnings per share are kept equal to basic earnings per share in case of negative net earnings.

### 26. Discontinued operations and non-current assets 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 coordinated plan to dispose of a separate major line of business or is a subsidiary acquired exclusively with a view to resale.

## IFRS accounting standards adopted as of 2016

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. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

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.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effects of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group/the interim condensed consolidated financial statements of the Group. The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015
- Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 2016

# IFRS accounting standards issued but not yet effective as of 2016

## Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions<sup>1</sup>, effective 1 January 2018
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 4<sup>1</sup>, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers<sup>2</sup>, effective 1 January 2018
- IFRS 16 Leases<sup>1</sup>, effective 1 January 2019
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative<sup>1</sup>, effective 1 January 2017
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup>, effective 1 January 2017
- Amendments to IAS 40 Investment Property – Transfers of Investment Property<sup>1</sup>, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration<sup>1</sup>, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016) <sup>1</sup>, effective 1 January 2017 and 1 January 2018

<sup>1</sup> Not yet endorsed by the EU as at 14 December 2016.

<sup>2</sup> IFRS 15 including amendments to IFRS 15: Effective date of IFRS 15 has been endorsed by the EU. The Clarifications to IFRS 15 have not yet been endorsed by the EU as at 14 December 2016.

## IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

### (a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortized cost under IFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

#### **(b) Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis that considers all reasonable and supportable information, including forward-looking elements, to determine the extent of the impact.

#### **(c) Hedge accounting**

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

## **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

#### **(a) Sale of goods**

Contracts with customers in which the sale of equipment is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally upon delivery of the goods.

#### **(i) Warranty obligations**

The Group provides warranties for general repairs which the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under *IAS 37 provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice.

**(b) Rendering of services**

The Group provides services within all segments. These services are sold either on their own in contracts with the customers or bundled together with the sale of equipment to a customer. Currently, the Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognizes service revenue by referencing the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognized in relation to these sales may be impacted. The Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group would continue to recognize revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

**(c) Presentation and disclosure requirements**

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016, the Group developed and started testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

**IFRS 16 Leasing**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

## Reclassifications of professional services and customer services overhead

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

In line with international accounting practices, Barco has reclassified professional services overhead associated with project management & customer services from sales and marketing expenses to cost of goods sold.

This reclassification impacts gross profit margin and, accordingly, the results for 2015 and 2014 have been restated. There is no impact on EBIT or net income resulting from this reclassification.

Prior period amounts have been revised to reflect professional service and customer services overhead in 'Gross profit' (as part of the full cost of inventory) instead of as part of 'Indirect costs'.

The table below outlines the impact of these reclassifications.

| IN THOUSANDS OF EURO                     | 2015           | 2014           |
|--|----------------|----------------|
| Project overhead                         | -4,159         | -2,419         |
| Services overhead                        | -18,580        | -16,013        |
| <b>Decrease in gross profit</b>          | <b>-22,739</b> | <b>-18,432</b> |
| Decrease in sales and marketing expenses | 22,739         | 18,432         |
| <b>Impact on EBIT</b>                    | <b>-</b>       | <b>-</b>       |

There is no impact on net income nor retained earnings as of 31 December, 2015 and 2014.

# Critical accounting judgments and key sources of estimation uncertainty

## General business risks

We refer to the chapter 'Risk factors' on page C/24 for an overview of the risks affecting businesses of the Barco Group.

## Key sources of estimation uncertainty

- Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities (see note 12 'Deferred tax assets – deferred tax liabilities').
- Impairment of goodwill: the Group tests the goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired (see note 10 'Goodwill').

## Accounting treatment of development expenses

- Shorter life cycles, the unpredictability of which development projects will be successful, and the volatility of the technologies and markets in which Barco operates led the Board of Directors to conclude that Barco's development expenses in 2015 and 2016 no longer meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, our accounting policy, with respect to research and development costs, no longer allows the capitalization of development expenses. Before 2015, development costs were capitalized in accordance with the accounting policy. Capitalization of costs was based on management's judgment that technological and economical feasibility was confirmed, usually when a product development project reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management made assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.
- Impairment of development costs: Barco tests the capitalized development for impairment if there are indications that capitalized development might be impaired (see note 11. 'Capitalized development costs')
- Defined benefits: The cost of the defined benefit pension plan (see note 21) and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on reporting date.

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# 1. Consolidated companies

## 1.1. List of consolidated companies on 31 December 2016

| COUNTRY<br>OF INCORPORATION           | LEGAL ENTITY                        | REGISTERED OFFICE  | %   |
|---------------------------------------|-------------------------------------|--|-----|
| <b>Europe, Middle-East and Africa</b> |                                     |  |     |
| BELGIUM                               | Barco Coordination Center NV        | Beneluxpark 21, 8500 Kortrijk BELGIUM  | 100 |
| BELGIUM                               | Barco Integrated Solutions NV       | President Kennedypark 35, 8500 Kortrijk BELGIUM  | 100 |
| BELGIUM                               | Barco Silex SA                      | Scientific Parc, rue du Bosquet 7, 1348 Ottignies, Louvain-La-Neuve BELGIUM                    | 100 |
| DENMARK                               | Barco A/S                           | c/o PwC, att. RAS Strandvejen 44, 2900 Hellerup DENMARK  | 100 |
| FRANCE                                | Barco SAS                           | 177 avenue Georges Clémenceau, Immeuble "Le Plein Ouest", 92000 Nanterre FRANCE                | 100 |
| FRANCE                                | Barco Silex SAS                     | ZI Rousset-Peynier, Immeuble CCE-CD6, Route de Trets, 13790 Peynier FRANCE                     | 100 |
| GERMANY                               | Barco Control Rooms GmbH            | Greschbachstrasse 5 a, 76229 Karlsruhe GERMANY   | 100 |
| GERMANY                               | Barco GmbH                          | Greschbachstrasse 5 a, 76229 Karlsruhe GERMANY   | 100 |
| ITALY                                 | Barco S.r.l.                        | Via Monferrato 7, 20094 Corsico-MI ITALY   | 100 |
| ITALY                                 | FIMI S.r.l.                         | c/o Studio Ciavarella, via Vittor Pisani n. 6, 20124 Milano ITALY                              | 100 |
| NETHERLANDS                           | Barco B.V.                          | Helmond NETHERLANDS  | 100 |
| NORWAY                                | Barco Norway AS                     | c/o Grant Thornton, Bogstadveien 30, 0355 Oslo NORWAY  | 100 |
| NORWAY                                | Barco Fredrikstad AS                | Habornveien 53, 1630 Gamle Fredrikstad NORWAY  | 100 |
| NORWAY                                | Habornveien Hjemmel AS              | Habornveien 53, 1630 Gamle Fredrikstad NORWAY  | 100 |
| POLAND                                | Barco Sp. z o.o.                    | Annopol 17, 03-236 Warsaw POLAND   | 100 |
| RUSSIA                                | Barco Services OOO                  | ulitsa Kondratyuka, 3, 129515 Moscow RUSSIAN FEDERATION  | 100 |
| SPAIN                                 | Barco Electronic Systems, S.A.      | Travesera de las Corts 371, 08029 Barcelona SPAIN  | 100 |
| SWEDEN                                | Barco Sverige AB                    | c/o Grant Thornton, Box 2230, 403 14 Göteborg SWEDEN   | 100 |
| UNITED KINGDOM                        | Barco Ltd.                          | Venture House, 2 Arlington Square, Downshire Way, RG12 1WA Bracknell, Berkshire UNITED KINGDOM | 100 |
| UNITED KINGDOM                        | JAOTech Ltd.                        | Venture House, 2 Arlington Square, Downshire Way, RG12 1WA Bracknell, Berkshire UNITED KINGDOM | 100 |
| <b>Americas</b>                       |                                     |  |     |
| BRAZIL                                | Barco Ltda.                         | Av. Ibirapuera, 2332, 8º andar, conj 82, Torre II, Moema, 04028-002 São Paulo BRAZIL           | 100 |
| CANADA                                | Barco Visual Solutions, Inc.        | 2000 Mansfield Drive, Suite 1400, H3A 3A2 Montreal, Quebec CANADA                              | 100 |
| CANADA                                | X2O Media Inc.                      | 147 Saint Paul Street West, Suite 300, H2Y 1Z5 Montreal, Quebec CANADA                         | 100 |
| CANADA                                | MTT Innovation Incorporated         | 25th Floor 700 West Georgia Street, V7Y 1B3 Vancouver, BC CANADA                               | 100 |
| COLOMBIA                              | Barco Colombia SAS                  | Carrera 15, n° 88-64, Torre Zimma Oficina 610, 110221 Bogota COLOMBIA                          | 100 |
| MEXICO                                | Barco Visual Solutions S.A. de C.V. | Mariano Escobedo No. 476 Piso 10 Col. Anzures, C.P. 11590 D.F. México MEXICO                   | 100 |
| UNITED STATES                         | Barco, Inc.                         | 1209 Orange Street, 19801 Wilmington-DE UNITED STATES  | 100 |
| UNITED STATES                         | Barco Lighting Systems, Inc.        | 350 N. St. Paul St., 75201 Dallas-TX UNITED STATES   | 100 |
| UNITED STATES                         | Advan Int'l Corp.                   | 47817 Fremont Blvd. , 94538 Fremont-CA UNITED STATES   | 100 |

| COUNTRY<br>OF INCORPORATION | LEGAL ENTITY  | REGISTERED OFFICE  | %   |
|-----------------------------|---|--|-----|
| <b>Asia-Pacific</b>         |   |  |     |
| AUSTRALIA                   | Barco Systems Pty. Ltd.   | 2 Rocklea Drive, VIC 3207 Port Melbourne AUSTRALIA   | 100 |
| CHINA                       | Barco Trading (Shanghai) Co., Ltd.                                  | Rm501, 180 Hua Shen Road, Wai Gao Qiao Free Trade Zone, 200031 Shanghai CHINA  | 100 |
| CHINA                       | Barco Visual (Beijing) Electronics Co., Ltd.                        | No. 16 Changsheng Road, Chang Ping Park, Zhong Guan Cun Science Park, Chang Ping District, 102200 Beijing CHINA        | 100 |
| CHINA                       | Barco Visual (Beijing) Trading Co., Ltd.                            | No. 16 Changsheng Road, Chang Ping Park, Zhong Guan Cun Science Park, Chang Ping District, 102200 Beijing CHINA        | 100 |
| CHINA                       | CFG Barco (Beijing) Electronics Co., Ltd.                           | No. 16 Changsheng Road, Chang Ping Park, Zhong Guan Cun Science Park, Chang Ping District, 102200 Beijing CHINA        | 58  |
| CHINA                       | Barco China Electronic Visualization Technology (Nanjing) Co., Ltd. | No.1, Hengtong Road, Nanjing development zone, 210038 Nanjing, Jiangsu CHINA   | 65  |
| HONG KONG                   | Barco Ltd.  | Suite 2607-2610, 26/F, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon HONG KONG                            | 100 |
| HONG KONG                   | Barco Visual Electronics Co., Ltd.                                  | Suite 2607-2610, 26/F, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon HONG KONG                            | 100 |
| HONG KONG                   | Barco China (Holding) Ltd.  | Suite 2607-2610, 26/F, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon HONG KONG                            | 100 |
| INDIA                       | Barco Electronic Systems Pvt. Ltd.                                  | c/o Perfect Accounting & Shared Services P.Ltd., E-20, 1st & 2nd Floor, Main Market, Hauz Khas, 110016 New Delhi INDIA | 100 |
| JAPAN                       | Barco Co., Ltd.   | Yamato International Bldg 8F, 5-1-1 Heiwajima, Ota-ku, 143-0006 Tokyo JAPAN  | 100 |
| SOUTH KOREA                 | Barco Ltd.  | 42 Youngdong-daero 106-gil, Gangnam-gu, 06172 Seoul SOUTH KOREA  | 100 |
| MALAYSIA                    | Barco Sdn. Bhd.   | No. 13A, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor MALAYSIA                                       | 100 |
| SINGAPORE                   | Barco Singapore Private Limited                                     | No. 10 Changi South Lane #04-01, 486162 Singapore SINGAPORE  | 100 |
| TAIWAN                      | Barco Ltd.  | 33F., No. 16, Xinzhan Rd., Banqiao Dist., 220 New Taipei City TAIWAN, PROVINCE OF CHINA                                | 100 |
| TAIWAN                      | Awind Inc.  | 33F., No. 16, Xinzhan Rd., Banqiao Dist., 220 New Taipei City TAIWAN, PROVINCE OF CHINA                                | 100 |
| TAIWAN                      | Barco Taiwan Technology Ltd.  | No. 5, Ti Tang Gang Rd., Feng Hua Village, Xin Shi District, 74148 Tainan City TAIWAN, PROVINCE OF CHINA               | 90  |

## 1.2. List of equity accounted companies on 31 December 2016

| COUNTRY<br>OF INCORPORATION           | LEGAL ENTITY                  | REGISTERED OFFICE   | %     |
|---------------------------------------|-------------------------------|---|-------|
| <b>Europe, Middle-East and Africa</b> |                               |   |       |
| NORWAY                                | Habornveien 53 AS             | Habornveien 53, 1630 Gamle Fredrikstad NORWAY                                   | 41,18 |
| <b>Americas</b>                       |                               |   |       |
| UNITED STATES                         | Audience Entertainment LLC    | 108 West 13th Street, 19801 Wilmington, Delaware UNITED STATES                  | 28    |
| UNITED STATES                         | CCO Barco Airport Venture LLC | Corporation Trust Center, 1209 Orange Street, 19801 Wilmington-DE UNITED STATES | 35    |

Exemption of publishing financial statements and management report according German legislation §264 Abs. 3 HGB :

Following subsidiary-companies will be released of publishing their financial statements and management report 2016:

- Barco GmbH
- Barco Control Rooms GmbH

These companies are included in the consolidation scope of Barco Consolidated 2016 as listed above.

### 1.3. Acquisitions and divestments

#### 2016 - Acquisition of MTT and Medialon

In April 2016, Barco acquired 100% of the shares of the US-based company Medialon Inc, for which the major part of the consideration paid is allocated to in-process development. On June 10, 2016, Barco announced it acquired 100% of the shares of the Canadian-based company MTT Innovation Inc, a developer of next-generation projection technology with expertise in high dynamic range (HDR), applied imaging algorithms, advanced color science and specialized hardware development. MTT's technology is still in a research phase and will need further de-risking and development, over the years to come. A major part of the consideration paid is hence allocated to in-process development. Barco continues to invest in the acquired in-process development but as of 31 December 2016, those additional development efforts cannot be capitalized, since Barco is unable to demonstrate that the criteria of IAS 38 are fulfilled.

The total aggregated transaction cost paid at closing amounts to 13.1 million dollars (11.7 million euro), of which 1.5 million dollars was put in escrow. On an aggregate basis, the contracts further provide for a deferred payment of 6 million dollars (5.4 million euro), payable over the next 3 years and three earn-outs, one subject to the filing of patents on the in-process technology capped at 5 million dollars (4.5 million euro) and two subject to future performance, one capped

at 15 million dollars and one uncapped. The part related to the patent filing has been recognized as contingent consideration upon acquisition. The in-process technology of MTT has been allocated to the Entertainment division and the in-process technology of Medialon has been allocated to the Enterprise division.

Aggregated transaction costs of 0.2 million euro have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

The acquisitions have been accounted for using the acquisition method conforming to IFRS3 Business Combinations (revised).

The following table summarizes the aggregated consideration paid for MTT and Medialon and the amounts of the aggregated assets acquired and liabilities assumed recognized at acquisition date.

| Aggregated assets and liabilities acquired |                    |                         | 06/01/2016        |
|--|--------------------|-------------------------|-------------------|
| IN THOUSANDS OF EURO                       | Before acquisition | Fair value restatements | After acquisition |
| Other intangible fixed assets              | 79                 | 28,897                  | 28,976            |
| Other non-current assets                   | 60                 | -                       | 60                |
| Total non-current assets                   | 139                | 28,897                  | 29,036            |
| Total current assets                       | 509                | -                       | 509               |
| Deferred tax liability                     | -                  | -7,953                  | -7,953            |
| Total non-current liabilities              | -                  | -7,953                  | -7,953            |
| Total current liabilities                  | -561               | -                       | -561              |
| Cash                                       | 504                | -                       | 504               |
| Total net assets acquired                  | 591                | 20,944                  | 21,535            |
| Upfront consideration                      |                    |                         | 11,673            |
| Deferred consideration                     |                    |                         | 5,379             |
| Contingent consideration                   |                    |                         | 4,483             |
| Aggregated acquisition cost                |                    |                         | 21,535            |
| Goodwill                                   |                    |                         | -                 |
| Cash flow on acquisition                   |                    |                         |                   |
| Net cash acquired with the subsidiary      |                    |                         | 504               |
| Cash paid                                  |                    |                         | -11,673           |
| Net cash flow on acquisition               |                    |                         | -11,170           |

As the effective control is transferred on 1 May, 2016, the Medialon figures are taken up in the figures of the Group from 1 May, 2016 onwards. In 2016, Medialon has contributed 8 months of turnover and EBITDA: 0.9 million euro to the total turnover of the Group, contributing to the EBITDA of 0.1 million euro. The effective control for MTT was transferred

on 1 June, 2016 and as a result, the MTT figures are taken up in the figures of the Group from 1 June, 2016 onwards. In 2016, seven months further development of the acquired technology of MTT has impacted the Group EBITDA for an amount of -0.6 million euro.

### 2015 - Acquisition of Advan

As of 12 June 2015, Barco acquired 100% of the shares of the US-based company Advan Int'l Corp, a manufacturer of high-quality LCD displays for medical modality applications. The acquisition fits within Barco's strategy to grow its market share in the modality imaging segment and strengthen its partnerships with leading medical device manufacturers worldwide.

As the effective control was transferred on 1 July, 2015, the Advan figures were taken up in the figures of the Barco Group from 1 July, 2015 onwards.

In 2015 Advan contributed six months of turnover and EBITDA: 10.7 million euro to the total turnover of the Group, contributing positive to the net result (1.1 million euro EBITDA).

If the acquisition had taken place at the beginning of the year, the total turnover would have been 19.5 million euro and the EBITDA for the period would have been 0.9 million euro. Transaction costs of 0.1 million euro were expensed and included in administrative expenses in the statement of profit or loss and were part of operating cash flows in the statement of cash flows.

The acquisition was accounted for using the acquisition method conforming to IFRS3 Business Combinations (revised).

The total transaction cost paid at closing amounted to 13.5 million dollars (11.8 million euro), of which 3.4 million dollars (3.0 million euro) was put in escrow. The contract further provides for an additional earn-out, which is based on the future performance of Advan and is capped at 5 million dollars (4.4 million euro) over the next three years. In 2016, the earn-out targets were not met and therefore no earn-out had to be paid in the first year after acquisition. The earn-out liability was not released as the earn-out can still be reached over the remaining years of the earn-out period. Also in 2016 a price correction, caused by an adjustment on the closing net working capital in comparison to the agreed target working capital, of 0.8 million dollars (0.8 million euro) was released from escrow. Together with a correction of the net assets, this resulted in a decrease of the goodwill of 0.7 million dollars (0.6 million euro). See note 10.

The goodwill recognized at acquisition is related to the future cash flows Barco expects to realize based on the sale of products to Advan customers. The goodwill is not tax deductible. The goodwill has been assigned to the Health-care division.

The following table summarizes the consideration paid for Advan and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

| <b>Advan assets and liabilities</b>   |                    |                         | 07/01/2015        |
|---------------------------------------|--------------------|-------------------------|-------------------|
| IN THOUSANDS OF EURO                  | Before acquisition | Fair value restatements | After acquisition |
| Total non-current assets              | 1,049              | 1,657                   | 2,707             |
| Inventory                             | 2,427              | -1,029                  | 1,398             |
| Trade receivables                     | 2,815              | -                       | 2,815             |
| Other current assets                  | 449                | 211                     | 661               |
| <b>Total current assets</b>           | <b>5,692</b>       | <b>-818</b>             | <b>4,874</b>      |
| Deferred tax liability                | -                  | -74                     | -74               |
| <b>Total non-current liabilities</b>  | <b>-</b>           | <b>-74</b>              | <b>-74</b>        |
| <b>Total current liabilities</b>      | <b>-2,934</b>      | <b>-465</b>             | <b>-3,398</b>     |
| Cash                                  | 2,168              | -                       | 2,168             |
| <b>Total net assets acquired</b>      | <b>5,976</b>       | <b>300</b>              | <b>6,276</b>      |
| Upfront consideration                 |                    |                         | 9,343             |
| Contingent consideration              |                    |                         | 1,123             |
| <b>Total acquisition cost</b>         |                    |                         | <b>10,466</b>     |
| Goodwill                              |                    |                         | 4,190             |
| <b>Cash flow on acquisition</b>       |                    |                         |                   |
| Net cash acquired with the subsidiary |                    |                         | 2,168             |
| Cash paid                             |                    |                         | -11,044           |
| <b>Net cash flow on acquisition</b>   |                    |                         | <b>-8,876</b>     |

### 2015 - Divestment of DAT business

See note 3. Discontinued operations for further details.

### 2014 - Acquisition of X2O

As of 19 March 2014, Barco acquired 100% of the shares of the Canadian-based company X2O Media Inc. The acquisition reflects Barco's strategy to move beyond display and projection technology and expands Barco's portfolio with a complete solution to deliver enhanced and cross-divisional content distribution and workflow, based on advanced networking and connectivity capabilities.

The effective control was transferred on 1 April 2014. X2O is integrated in the Barco organization in the Corporate business unit as part of the Enterprise division, allowing it to continue the development of its platform technology while leveraging its business growth from Barco's worldwide sales and service presence. In addition, the X2O-specific capabilities and technology will be integrated gradually in solutions for all Barco's markets.

The acquisition has been accounted for using the acquisition method conforming to IFRS3 Business Combinations (revised). In 2014 X2O contributed nine months of turnover and EBITDA: 2.3 million euro to the total turnover of the Group, though in its start-up phase not yet contributing to the net result (-2.6 million euro EBITDA).

If the acquisition had taken place at the beginning of the year, the total turnover would have been 2.6 million euro and the EBITDA for the period would have been -2.7 million euro. Transaction costs of 0.1 million euro have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

The following table summarizes the consideration paid for X2O and the fair values of the assets acquired and liabilities assumed recognized at the acquisition date.

| <b>X2O assets and liabilities</b>    |                    |                         | 04/01/2014        |
|--------------------------------------|--------------------|-------------------------|-------------------|
| IN THOUSANDS OF EURO                 | Before acquisition | Fair value restatements | After acquisition |
| Other intangible fixed assets        | 1                  | 3,204                   | 3,204             |
| Other tangible fixed assets          | 41                 | -16                     | 25                |
| <b>Total non-current assets</b>      | <b>42</b>          | <b>3,187</b>            | <b>3,229</b>      |
| Trade receivables                    | 591                | 65                      | 656               |
| Other current assets                 | 813                | -                       | 813               |
| <b>Total current assets</b>          | <b>1,404</b>       | <b>65</b>               | <b>1,469</b>      |
| Financial lease loan                 | -5                 | -                       | -5                |
| Deferred tax liability               | -                  | -855                    | -855              |
| <b>Total non-current liabilities</b> | <b>-5</b>          | <b>-855</b>             | <b>-859</b>       |
| Other short term debts               | -20                | -                       | -20               |
| Other current liabilities            | -1,431             | -76                     | -1,507            |
| <b>Total current liabilities</b>     | <b>-1,451</b>      | <b>-76</b>              | <b>-1,527</b>     |
| <b>Cash</b>                          | <b>94</b>          | <b>-</b>                | <b>94</b>         |
| <b>Total net assets acquired</b>     | <b>84</b>          | <b>2,322</b>            | <b>2,407</b>      |
| Upfront consideration                |                    |                         | 13,277            |
| <b>Total acquisition cost</b>        |                    |                         | <b>13,277</b>     |
| <b>Goodwill</b>                      |                    |                         | <b>10,870</b>     |

The goodwill recognized at acquisition is related to the future cash flows Barco expects to realize based on the sale of products developed on the X2O technology platform.

The goodwill is not tax deductible. The goodwill has been assigned to the Corporate business unit in the Enterprise division.

### 2014 - Divestment of Orthogon

On 1 August, 2014 Barco reached an agreement with Exelis regarding the sale of Barco Orthogon, part of the Ventures (Orthogon) for an amount of 13 million euro, of which 2 million euro was put in escrow over a period of eighteen months (until January 2016), of which 50% will be released after nine months (April 2015). Closing of the transaction happened on the same day.

A gain on the divestment of 6.7 million euro was recognized in other operating income in 2014. In 2015, a price correction caused by an adjustment on the closing net working capital in comparison to the agreed target working capital of 0.4 million euro was received together with the released escrow of 1 million euro and recognized in other operating income. In 2016 the remaining 1 million euro was also released and recognized in other operating income. See note 4.(d)

We refer to note 26 'Cash flow statement: effect of acquisitions and disposals' for impact of the disposal on the cash flow of the group.

### 2014 - Discontinued operations

On September 29<sup>th</sup>, 2014, Barco reached an agreement with US-based aerospace and defense group Esterline Corporation to sell its Defense & Aerospace division. The sale, which covers both shares of the legal entities Barco Singapore Private Ltd, Barco Texen, Barco Federal Systems LLC and Barco Electronic Systems Ltd and assets of the Defense & Aerospace division in Belgium and the United States, is valued at 150 million euro. Closing was finalized on 31 January 2015. According to the requirements of IFRS 5, net income of the Defense & Aerospace division was shown separately on the face of the income statement as 'Net income from discontinued operations' as of 31 December 2014. The same was done for the balance sheet of the Defense & Aerospace division as of 31 December 2014, as 'Assets and Liabilities from discontinued operations' and for the net cash flows attributable to the operating, investing and financing of discontinued operations. The income statement, the balance sheet and net cash flow as of 31 December 2013 have been restated. Disclosures are represented accordingly.

For further information, please refer to note 3. Discontinued operations.

## 2. Operating segments information

### 2.1. Basis of operating segments information

Effective 1 January 2015, Barco streamlined its organization into three divisions: Entertainment, Enterprise and Healthcare.

- **Entertainment:** this division delivers projection, lighting, LED and software solutions for professional markets such as cinema, venue and hospitality and the retail and advertising.
- **Enterprise:** the Enterprise division targets both the corporate and the control rooms market and offers a complete portfolio of visualization solutions with video walls in combination with collaboration software and advanced networking and connectivity capabilities.
- **Healthcare:** Barco's Healthcare division delivers high quality displays for the diagnostic and modality imaging market, including segments such as radiology, mammography, surgery and dentistry along with digital networked solutions for the operating room and point-of-care devices.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the results of each of the three divisions separately, so as to make decisions about resource allocation and performance assessment. Division performance is evaluated based on EBITDA. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to the operating divisions.

As of January 1, 2016, the remaining projector activity, which had been part of Enterprise, was transferred to the Entertainment division. The 2015 financial segment data has (more common) not been restated for comparison reasons as the information is not available and the cost to develop it is excessive. In this case, in accordance with IFRS8.30, the segment information for the current period should be presented on both the old and the new bases of segmentation. However, the necessary information is unavailable and the cost of developing it is excessive, therefore Barco can also not present the current information on the old basis of segmentation.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

We refer to page A/27 for more explanation on the activities performed by each division.

## 2.2. Entertainment

| IN THOUSANDS OF EURO   | 2016     |        | 2015     |        | 2014     |        | Variance<br>2016 - 2015 | Variance<br>2015-2014 |
|--|----------|--------|----------|--------|----------|--------|-------------------------|-----------------------|
| Net sales  | 578,151  | 100.0% | 514,474  | 100.0% | 459,657  | 100.0% | 12.4%                   | 11.9%                 |
| - external sales   | 578,057  | 100.0% | 513,332  | 99.8%  | 459,241  | 99.9%  | 12.6%                   | 11.8%                 |
| - interdivision sales  | 94       | 0.0%   | 1,142    | 0.2%   | 416      | 0.1%   | -91.8%                  | 174.5%                |
| Cost of goods sold   | -416,628 | -72.1% | -361,097 | -70.2% | -334,170 | -72.7% | 15.4%                   | 8.1%                  |
| Gross profit   | 161,523  | 27.9%  | 153,377  | 29.8%  | 125,487  | 27.3%  | 5.3%                    | 22.2%                 |
| EBIT before goodwill impairment                              | 5,517    | 1.0%   | 13,784   | 2.7%   | 27,634   | 6.0%   | -60.0%                  | -50.1%                |
| Goodwill impairment  | 416      | 0.1%   | -3,843   | -0.7%  | -        | 0.0%   | -110.8%                 | 0.0%                  |
| EBIT after goodwill impairment                               | 5,933    | 1.0%   | 9,941    | 1.9%   | 27,634   | 6.0%   | -40.3%                  | -64.0%                |
| Amortization capitalized development                         | 10,142   | 1.8%   | 21,251   | 4.1%   | 21,556   | 4.7%   | -52.3%                  | -1.4%                 |
| Depreciation on tangible and intangible fixed assets         | 14,787   | 2.6%   | 8,526    | 1.7%   | 6,705    | 1.5%   | 73.4%                   | 272%                  |
| Capitalized development                                      | -        | 0.0%   | -        | 0.0%   | 21,645   | 4.7%   | 0.0%                    | -100.0%               |
| EBITDA before non-recurring                                  | 30,446   | 5.3%   | 43,561   | 8.5%   | 34,250   | 7.5%   | -30.1%                  | 27.2%                 |
| Capital expenditures on tangible and intangible fixed assets | 10,345   | 1.8%   | 5,184    | 1.0%   | 11,084   | 2.4%   | 99.5%                   | -53.2%                |
| Segment assets   | 315,164  |        | 295,242  |        | 312,084  |        |                         |                       |
| Segment liabilities  | 269,241  |        | 243,894  |        | 212,267  |        |                         |                       |

## 2.3. Enterprise

| IN THOUSANDS OF EURO   | 2016     |        | 2015     |        | 2014     |        | Variance<br>2016 - 2015 | Variance<br>2015-2014 |
|--|----------|--------|----------|--------|----------|--------|-------------------------|-----------------------|
| Net sales  | 289,652  | 100.0% | 300,391  | 100.0% | 259,779  | 100.0% | -3.6%                   | 15.6%                 |
| - external sales   | 289,652  | 100.0% | 299,627  | 99.7%  | 258,082  | 99.3%  | -3.3%                   | 16.1%                 |
| - interdivision sales  | 0        | 0.0%   | 764      | 0.3%   | 1,697    | 0.7%   | -100.0%                 | -55.0%                |
| Cost of goods sold   | -156,758 | -54.1% | -191,452 | -63.7% | -163,066 | -62.8% | -18.1%                  | 17.4%                 |
| Gross profit   | 132,895  | 45.9%  | 108,939  | 36.3%  | 96,713   | 37.2%  | 22.0%                   | 12.6%                 |
| EBIT before goodwill impairment                              | 18,640   | 6.4%   | -13,654  | -4.5%  | -6,660   | -2.6%  | -236.5%                 | 105.0%                |
| Goodwill impairment  | -        | 0.0%   | -9,440   | 0.0%   | -        | 0.0%   | -100.0%                 | 0.0%                  |
| EBIT after goodwill impairment                               | 18,640   | 6.4%   | -23,095  | -7.7%  | -6,660   | -2.6%  | -180.7%                 | 246.7%                |
| Amortization capitalized development                         | 5,440    | 1.9%   | 15,400   | 5.1%   | 20,138   | 7.8%   | -64.7%                  | -23.5%                |
| Depreciation on tangible and intangible fixed assets         | 8,904    | 3.1%   | 9,335    | 3.1%   | 8,317    | 3.2%   | -4.6%                   | 12.2%                 |
| Capitalized development                                      | -        | 0.0%   | -        | 0.0%   | 13,116   | 5.0%   | 0.0%                    | -100.0%               |
| EBITDA before non-recurring                                  | 32,984   | 11.4%  | 11,081   | 3.7%   | 8,678    | 3.3%   | 197.7%                  | 27.7%                 |
| Capital expenditures on tangible and intangible fixed assets | 9,041    | 3.1%   | 7,307    | 2.4%   | 5,917    | 2.3%   | 23.7%                   | 23.5%                 |
| Segment assets   | 177,073  |        | 179,330  |        | 212,322  |        |                         |                       |
| Segment liabilities  | 73,364   |        | 71,492   |        | 53,915   |        |                         |                       |

## 2.4. Healthcare

| IN THOUSANDS OF EURO   | 2016     |        | 2015     |        | 2014     |        | Variance<br>2016 - 2015 | Variance<br>2015-2014 |
|--|----------|--------|----------|--------|----------|--------|-------------------------|-----------------------|
| Net sales  | 234,633  | 100.0% | 215,984  | 100.0% | 186,669  | 100.0% | 8.6%                    | 15.7%                 |
| - external sales   | 234,633  | 100.0% | 215,896  | 100.0% | 186,478  | 99.9%  | 8.7%                    | 15.8%                 |
| - interdivision sales  | 0        | 0.0%   | 88       | 0.0%   | 190      | 0.7%   | -100.0%                 | -53.9%                |
| Cost of goods sold   | -150,246 | -64.0% | -140,535 | -65.1% | -122,590 | -65.7% | 6.9%                    | 14.6%                 |
| Gross profit   | 84,386   | 36.0%  | 75,449   | 34.9%  | 64,078   | 34.3%  | 11.8%                   | 17.7%                 |
| EBIT before goodwill impairment                              | 12,400   | 5.3%   | 1,568    | 0.7%   | 3,638    | 1.9%   | 690.7%                  | -56.9%                |
| Goodwill impairment  | -7,546   | -3.2%  | -7,500   | -3.5%  | -        | 0.0%   | 0.6%                    | 0.0%                  |
| EBIT after goodwill impairment                               | 4,854    | 2.1%   | -5,932   | -2.7%  | 3,638    | 1.9%   | -181.8%                 | -263.0%               |
| Amortization capitalized development                         | 7,290    | 3.1%   | 12,790   | 5.9%   | 15,268   | 8.2%   | -43.0%                  | -16.2%                |
| Depreciation on tangible and intangible fixed assets         | 4,881    | 2.1%   | 5,045    | 2.3%   | 4,269    | 2.3%   | -3.3%                   | 18.2%                 |
| Capitalized development                                      | -        | 0.0%   | -        | 0.0%   | 12,875   | 6.9%   | 0.0%                    | -100.0%               |
| EBITDA before non-recurring                                  | 24,572   | 10.5%  | 19,403   | 9.0%   | 10,300   | 5.5%   | 26.6%                   | 88.4%                 |
| Capital expenditures on tangible and intangible fixed assets | 4,855    | 2.1%   | 2,239    | 1.0%   | 5,031    | 2.7%   | 116.9%                  | -55.5%                |
| Segment assets   | 102,768  |        | 123,621  |        | 131,139  |        |                         |                       |
| Segment liabilities  | 59,847   |        | 63,006   |        | 47,040   |        |                         |                       |

## 2.5. Reconciliation of segment information with group information

| IN THOUSANDS OF EURO                  | 2016             | 2015             | 2014           |
|---------------------------------------|------------------|------------------|----------------|
| <b>External sales</b>                 |                  |                  |                |
| Entertainment                         | 578,057          | 513,332          | 459,241        |
| Enterprise                            | 289,652          | 299,627          | 258,082        |
| Healthcare                            | 234,633          | 215,896          | 186,478        |
| Ventures                              | -                | -                | 4,567          |
| <b>Total external sales segments</b>  | <b>1,102,342</b> | <b>1,028,856</b> | <b>908,368</b> |
| <b>Net Income</b>                     |                  |                  |                |
| <b>EBITDA before non-recurring</b>    |                  |                  |                |
| Entertainment                         | 30,446           | 43,561           | 34,250         |
| Enterprise                            | 32,984           | 11,081           | 8,678          |
| Healthcare                            | 24,572           | 19,403           | 10,300         |
| Ventures                              | -                | -                | 6,467          |
| <b>Amortization</b>                   |                  |                  |                |
| Entertainment                         | 10,142           | 21,251           | 21,556         |
| Enterprise                            | 5,440            | 15,400           | 20,138         |
| Healthcare                            | 7,290            | 12,790           | 15,268         |
| Ventures                              | -                | -                | 251            |
| <b>Depreciation</b>                   |                  |                  |                |
| Entertainment                         | 14,787           | 8,526            | 6,705          |
| Enterprise                            | 8,904            | 9,335            | 8,317          |
| Healthcare                            | 4,881            | 5,045            | 4,269          |
| Ventures                              | -                | -                | -              |
| <b>Capitalized development</b>        |                  |                  |                |
| Entertainment                         | -                | -                | 21,645         |
| Enterprise                            | -                | -                | 13,116         |
| Healthcare                            | -                | -                | 12,875         |
| Ventures                              | -                | -                | 55             |
| <b>Goodwill impairment</b>            |                  |                  |                |
| Entertainment                         | -416             | 3,843            | -              |
| Enterprise                            | -                | 9,440            | -              |
| Healthcare                            | 7,546            | 7,500            | -              |
| <b>EBIT after goodwill impairment</b> |                  |                  |                |
| Entertainment                         | 5,933            | 9,941            | 27,634         |
| Enterprise                            | 18,640           | -23,095          | -6,660         |
| Healthcare                            | 4,854            | -5,932           | 3,638          |
| Ventures                              | -                | -                | 6,270          |

| IN THOUSANDS OF EURO  | 2016      | 2015      | 2014      |
|---|-----------|-----------|-----------|
| Restructuring costs:  | -5,809    | -8,315    | -3,373    |
| Total EBIT after restructuring and goodwill impairment                    | 23,618    | -27,401   | 27,509    |
| Gain on sale building   | 6,866     | -         | -         |
| Interest income (expense) - net   | 1,240     | 3,006     | -1,134    |
| Other non-operating income (expense) - net                                | 33        | 35        | 0         |
| Income taxes  | -6,345    | 4,879     | -4,748    |
| Result after taxes  | 25,411    | -19,481   | 21,628    |
| Share in the result of joint ventures and associates                      | 263       | -1,073    | 68        |
| Net income from continuing operations                                     | 25,674    | -20,554   | 21,696    |
| Net income from discontinued operations                                   | -         | 47,031    | 6,094     |
| Net income  | 25,674    | 26,477    | 27,790    |
| Non-controlling interest  | 14,652    | 9,009     | 3,856     |
| Net Income (continuing) attributable to the equity holder of the parent   | 11,023    | -29,563   | 17,840    |
| Net Income (discontinued) attributable to the equity holder of the parent | -         | 47,031    | 6,094     |
| Net Income attributable to the equity holder of the parent                | 11,023    | 17,468    | 23,933    |
| <b>Assets</b>   |           |           |           |
| Segment assets  |           |           |           |
| Entertainment   | 315,164   | 295,242   | 312,084   |
| Enterprise  | 177,073   | 179,330   | 212,322   |
| Healthcare  | 102,768   | 123,621   | 131,139   |
| Total segment assets  | 595,005   | 598,193   | 655,546   |
| Investments   | 14,460    | 9,031     | 14,360    |
| Deferred tax assets   | 89,100    | 78,031    | 68,219    |
| Cash and cash equivalents   | 353,549   | 341,277   | 144,472   |
| Other non-allocated assets  | 107,119   | 113,795   | 82,026    |
| Assets from discontinued operations                                       | -         | -         | 110,761   |
| Total assets  | 1,159,231 | 1,140,327 | 1,075,384 |

| IN THOUSANDS OF EURO                               | 2016             | 2015             | 2014             |
|--|------------------|------------------|------------------|
| <b>Liabilities</b>                                 |                  |                  |                  |
| <b>Segment liabilities</b>                         |                  |                  |                  |
| Entertainment                                      | 269,241          | 243,894          | 212,267          |
| Enterprise   | 73,364           | 71,492           | 53,915           |
| Healthcare   | 59,847           | 63,006           | 47,040           |
| <b>Total segment liabilities</b>                   | <b>402,452</b>   | <b>378,391</b>   | <b>313,222</b>   |
| Equity attributable to equityholders of the parent | 590,243          | 597,739          | 587,415          |
| Non-controlling interest                           | 25,244           | 13,925           | 7,146            |
| Long-term debts                                    | 66,811           | 79,527           | 57,737           |
| Deferred tax liabilities                           | 8,813            | 4,462            | 6,830            |
| Current portion of long-term debts                 | 11,500           | 10,000           | 7,130            |
| Short-term debts                                   | 2,085            | 2,124            | 19,253           |
| Other non-allocated liabilities                    | 52,083           | 54,158           | 42,083           |
| <b>Total equity and liabilities</b>                | <b>1,159,231</b> | <b>1,140,327</b> | <b>1,075,384</b> |

## 2.6. Geographic information

Management directs sales of the Group based on the regions to which the goods are shipped or the services are rendered and has three reportable regions: Europe, Americas (NA and LATAM) and Asia-Pacific (APAC).

We refer to the 'Comments on the results' on page C/30 for a split of revenue from external customers based on the geographical location of the customers to whom the invoice is issued.

There is no significant (i.e. representing more than 10% of the Group's revenue) concentration of Barco's revenues with one customer.

Sales to Belgium represent 50.0 million euro of Group revenues in 2016 versus 48.7 million euro in 2015 and 36.7 million in 2014.

The table below gives an overview of the assets per region and the most important capital expenditures in non-current assets per region:

| IN THOUSANDS OF EURO                              | 2016      |        | 2015      |        |
|---|-----------|--------|-----------|--------|
| Net sales   |           |        |           |        |
| Europe  | 344,355   | 31.2%  | 332,589   | 32.3%  |
| Americas  | 394,634   | 35.8%  | 384,921   | 37.4%  |
| Asia-Pacific                                      | 363,354   | 33.0%  | 311,346   | 30.3%  |
| Total   | 1,102,342 | 100.0% | 1,028,856 | 100.0% |
| Total assets                                      |           |        |           |        |
| Europe  | 494,569   | 42.7%  | 559,733   | 49.1%  |
| Americas  | 241,994   | 20.9%  | 220,887   | 19.4%  |
| Asia-Pacific                                      | 422,669   | 36.5%  | 359,707   | 31.5%  |
| Total   | 1,159,232 | 100.0% | 1,140,327 | 100.0% |
| Purchases of tangible and intangible fixed assets |           |        |           |        |
| Europe  | 25,251    | 75.7%  | 35,471    | 82.5%  |
| Americas  | 2,732     | 8.2%   | 1,030     | 2.4%   |
| Asia-Pacific                                      | 5,370     | 16.1%  | 6,484     | 15.1%  |
| Total   | 33,353    | 100%   | 42,984    | 100%   |

### 3. Discontinued operations

On 29 September, 2014, Barco reached an agreement with the US-based aerospace and defense group Esterline Corporation to sell its Defense & Aerospace division. The sale, which covers both shares of the legal entities Barco Singapore Private Ltd, Barco Texen, Barco Federal Systems LLC and Barco Electronic Systems Ltd and assets of the Defense & Aerospace division in Belgium and the United States, is valued at 150 million euro. Closing of the transaction was finalized on 31 January 2015.

The transaction is part of Barco' long term strategy to streamline its business portfolio and to strengthen its core activities.

Barco's Defense and Aerospace division encompasses activities in defense, avionics, air traffic control, training and simulation and provides high-performance display systems, large-screen visualization platforms, advanced processing modules and network-client applications, all ensuring continuous information availability in harsh environmental conditions.

According to the requirements of IFRS 5, net income of the Defense & Aerospace division is shown separately on the face of the income statement as 'Net income from discontinued operations' of 31 December 2015 and of 31 December 2014. The same was done for the balance sheet of the Defense & Aerospace division of 31 December 2014, as 'Assets and Liabilities from discontinued operations'.

The below income statement of the discontinued operations shows details about the line 'Net income from discontinued operations' as presented in the income statements of Barco Group of 31 December 2015 and 31 December 2014.

| <b>Income statement</b>                        | <b>Discontinuing business</b> |               |
|--|-------------------------------|---------------|
| IN THOUSANDS OF EURO                           | 2015                          | 2014          |
| Net sales                                      | 5,911                         | 142,591       |
| Cost of goods sold                             | -9,045                        | -99,162       |
| <b>Gross profit</b>                            | <b>-3,135</b>                 | <b>43,429</b> |
| Research and development expenses              | -294                          | -15,656       |
| Sales and marketing expenses                   | -1,271                        | -13,393       |
| General and administration expenses            | -593                          | -8,248        |
| Other operating income (expense) - net         | 64,082                        | 1,216         |
| <b>EBIT</b>                                    | <b>58,790</b>                 | <b>7,348</b>  |
| Interest income                                |                               | 35            |
| Interest expense                               | -2                            | -45           |
| <b>Income before taxes</b>                     | <b>58,789</b>                 | <b>7,429</b>  |
| Income taxes                                   | -11,758                       | -1,336        |
| <b>Net income from discontinued operations</b> | <b>47,031</b>                 | <b>6,094</b>  |

The 'net income from discontinued operations' of 31 December 2015 includes the result of the month of January 2015 month for the Defense & Aerospace division and the result realized upon closing the transaction (included in other operating income and expense), which has resulted in a (pre-tax) gain of 64 million euro. The gain on the sale includes exchange differences on translation of foreign operations (mainly US) recycled through the income statement for an amount of -1.1 million euro. The net cash flows attributable to the operating, investing and financing of discontinued operations in the cash flow statement of the group includes the cash flow of the month January 2015 of the Defense & Aerospace division.

| <b>Cash flow on divestment</b>                     |                |
|--|----------------|
| Cash received                                      | 159,500        |
| Net cash sold with the share deal subsidiaries     | -7,924         |
| <b>Net working capital and net cash adjustment</b> | <b>-13,354</b> |
| <b>Net cash flow on divestment (before taxes)</b>  | <b>138,222</b> |

We refer to note 26 for the effect of the divestment on the group's cash flow.

## 4. Income from continued operations (EBIT)

| IN THOUSANDS OF EURO                      | 2016      | 2015      | 2014     |
|---|-----------|-----------|----------|
| Net Sales                                 | 1,102,342 | 1,028,856 | 908,368  |
| Cost of goods sold                        | -723,538  | -691,091  | -622,090 |
| Gross profit                              | 378,804   | 337,765   | 286,278  |
| Gross profit as % of sales                | 34.4%     | 32.8%     | 31.5%    |
| Indirect costs                            | -345,573  | -339,028  | -260,702 |
| Other operating income (expenses) - net   | 3,325     | 2,960     | 5,306    |
| EBIT before non-recurring                 | 36,557    | 1,698     | 30,882   |
| EBIT before non-recurring as % of sales   | 3.3%      | 0.2%      | 3.4%     |
| Restructuring and goodwill impairment     | -12,939   | -29,099   | -3,373   |
| Gain on sale building                     | 6,866     | -         | -        |
| Other non-operating income/(expense)      | 33        | 35        | -        |
| EBIT                                      | 30,516    | -27,366   | 27,509   |
| EBIT as % of sales                        | 2.8%      | -2.7%     | 3.0%     |
| Depreciations and amortizations           | 28,572    | 22,906    | 19,291   |
| Amortizations on development              | 22,873    | 49,441    | 57,213   |
| Capitalized development                   | -         | -         | -47,691  |
| EBITDA before non-recurring               | 88,002    | 74,080    | 59,695   |
| EBITDA before non-recurring as % of sales | 8.0%      | 7.2%      | 6.6%     |

Sales growth of 7% (8.4% at constant currencies) together with a gross profit improvement of 1.6 percentage points results in an EBIT (before non-recurring) of 36.6 million euro in 2016 (2015: 1.7 million euro; 2014: 30.9 million euro). The change in accounting treatment of development expenses (see (a)), which resulted in no capitalization of development expenses in 2016 and 2015 (positive impact in 2014: 48 million euro), negatively impacts EBIT in 2016 and 2015 due to amortizations on the remaining capitalized development balance (2016: 22.9 million euro; 2015: 49.4 million euro). EBITDA before non-recurring excludes these impacts and shows a steady improvement in EBITDA performance of 8% on sales, compared to 7.2% in 2015 and 6.6% in 2014.

EBIT in 2016 includes following non-recurring items: a gain realized on the sale of the former headquarter building for an amount of 6.9 million euro and restructuring costs and goodwill impairment charges totaling 12.9 million euro (2015: 29.1 million euro; 2014: -3.4 million euro).

Goodwill impairment charges were recorded in 2016 at a total amount of 7.1 million euro (2015: 20.8 million euro) (see note 6, 'Restructuring and impairment').

The restructuring costs in 2016 mainly relate to Entertainment. In 2015, a restructuring provision was set up to reduce costs mainly in Enterprise of 8.3 million euro (in 2014: 3.4 million euro, mainly related to Healthcare and Industrial & Government). We refer to note 6 for more details on restructuring charges recorded.

| IN THOUSANDS OF EURO | 2016             |     | 2015             |     | 2014           |     |
|----------------------|------------------|-----|------------------|-----|----------------|-----|
| Product sales        | 883,437          | 80% | 793,341          | 77% | 684,587        | 75% |
| Project sales        | 120,089          | 11% | 142,237          | 14% | 152,346        | 17% |
| Service sales        | 98,815           | 9%  | 93,278           | 9%  | 71,435         | 8%  |
| <b>Sales</b>         | <b>1,102,342</b> |     | <b>1,028,856</b> |     | <b>908,368</b> |     |

A major part part of the sales relate to product sales (in 2016: 80%, in 2015: 77%, 2014: 75%). Project sales include combined sales from products, installations and services. Most of these project sales have a lifetime of less than one year. Service sales count for 9% of total sales.

We refer to note 2, 'Segment information' and to the chapter 'Comments on the results' for more explanation on sales and income from operations (see page C/30).

#### Indirect costs and other operating income (expenses) - net

| IN THOUSANDS OF EURO  | 2016            | 2015            | 2014            |
|---|-----------------|-----------------|-----------------|
| Research and development expenses (a)                             | -143,362        | -150,222        | -99,689         |
| Sales and marketing expenses (b)                                  | -147,088        | -137,829        | -116,679        |
| General and administration expenses ( c )                         | -55,122         | -50,977         | -44,334         |
| <b>Indirect costs</b>   | <b>-345,573</b> | <b>-339,028</b> | <b>-260,702</b> |
| Other operating income (expenses) - net (d)                       | 3,325           | 2,960           | 5,306           |
| <b>Indirect costs and other operating income (expenses) - net</b> | <b>-342,247</b> | <b>-336,067</b> | <b>-266,201</b> |
| Capitalized development expenses                                  | -               | -               | 47,691          |
| <b>Indirect costs excluding capitalized development expenses</b>  | <b>-345,573</b> | <b>-339,028</b> | <b>-308,393</b> |

Indirect costs represent 31% of sales in 2016 versus 33% of sales in 2015 and 34% of sales in 2014.

**(a) Research and development expenses**

| IN THOUSANDS OF EURO                           | 2016    | 2015    | 2014    |
|--|---------|---------|---------|
| Research & development expenses                | 120,490 | 100,781 | 90,167  |
| Capitalized development expenses               | -       | -       | -47,691 |
| Amortization capitalized development expenses  | 21,509  | 44,575  | 49,969  |
| Impairment of capitalized development expenses | 1,364   | 4,866   | 7,244   |
| Capitalized development, net                   | 22,873  | 49,441  | 9,522   |
| Research and development expenses, net         | 143,362 | 150,222 | 99,689  |

In order to sustain our technological leadership, Barco strongly invests in R&D, new technologies and innovation. See 'Our strategy' on page A/19 for more details. Shorter product life cycles, the unpredictability of which development projects are successful and the volatility of technologies and the markets in which Barco operates led the Board of Directors to conclude that Barco's development expenses no longer fully meet the criteria of IAS38.57. As the criteria of IAS38.57 are no longer fulfilled, our accounting policy, with respect to research and development costs, does no longer allow the capitalization of development expenses as of 2015.

Research and development cash expenses represent 10.9% of sales in 2016 compared to 9.8% of sales in 2015 and 9.9% of sales in 2014. The increase between 2015 and 2014 is related to development in new growth initiatives and acquisitions in MTT and Medialon, by which Barco acquired in-process development that requires additional internal development.

No longer capitalizing development expenses in 2016 and 2015 had a negative impact on the income from operations (EBIT). As capitalized development expenses are amortized over their expected useful lives, which is generally 2 years (see note 1, 'Accounting principles'), amortization costs in 2016 and 2015 still include a full year of amortization cost, but are no longer compensated by the capitalized development expenses, as was the case in 2014. EBIT in 2016 is negatively impacted by amortization on the remaining capitalized development, expenses for an amount of 22.9 million euro (2015: 44.6 million euro).

Impairment costs on capitalized development expenses are presented on the line 'Research and development expenses'. For more explanation on impairment costs on capitalized development, we refer to note 11.

Research and development activities are spread over the divisions as follows:

| IN THOUSANDS OF EURO                           | GROUP   | ENTERTAINMENT | ENTERPRISE | HEALTHCARE |
|--|---------|---------------|------------|------------|
| Research & development expenses                | 120,490 | 54,912        | 44,559     | 21,019     |
| Amortization capitalized development expenses  | 21,509  | 9,859         | 4,761      | 6,889      |
| Impairment of capitalized development expenses | 1,364   | 679           | 402        | 283        |
| Amortizations on development                   | 22,873  | 10,538        | 5,163      | 7,172      |
| Research & development expenses, net           | 143,362 | 65,450        | 49,722     | 28,190     |

**(b) Sales and marketing expenses**

| IN THOUSANDS OF EURO         | 2016    | % of sales | 2015    | % of sales | 2014    | % of sales |
|------------------------------|---------|------------|---------|------------|---------|------------|
| Sales and marketing expenses | 147,088 | 13.3%      | 137,829 | 13.4%      | 116,679 | 12.8%      |

Sales and marketing expenses include all indirect costs related to the sales and customer service organizations that are not billed as part of a product or service to the customer as well as the costs related to regional or divisional marketing activities.

Sales and marketing expenses, as a percentage of sales, remained stable in 2016 compared to 2015.

**(c) General and administration expenses**

| IN THOUSANDS OF EURO                | 2016   | % of sales | 2015   | % of sales | 2014   | % of sales |
|-------------------------------------|--------|------------|--------|------------|--------|------------|
| General and administration expenses | 55,122 | 5.0%       | 50,977 | 5.0%       | 44,334 | 4.9%       |

General and administration expenses include the costs related to general and divisional management, finance and accounting, information technology, human resources and

investor relations. Expenses remained stable at 5% of sales in 2016 compared to 2015.

**(d) Other operating income (expense) – net**

| IN THOUSANDS OF EURO  | NOTE | 2016         | 2015         | 2014         |
|---|------|--------------|--------------|--------------|
| Gain on sale of Orthogon  | (a)  | 1,000        | 1,405        | 6,650        |
| Investment grants   | (b)  | 58           | 5,569        | 6,358        |
| Bad debt provisions (net of write-offs and reversals of write-offs) |      | 2,788        | -1,362       | -3,509       |
| Cost of share-based payments  |      | -1,234       | -1,313       | -1,268       |
| Exchange gains and losses (net)                                     |      | -14          | 256          | -345         |
| Bank charges  |      | -982         | -974         | -937         |
| Other provisions (net of additions and reversals of provisions)     |      | 1,819        | -669         | 208          |
| Gains/(loss) on disposal of tangible fixed assets                   |      | -142         | 548          | 69           |
| Other (net)   |      | 33           | -499         | -1,919       |
| <b>Total</b>  |      | <b>3,325</b> | <b>2,960</b> | <b>5,306</b> |

(a) In 2014, Barco sold its venture Orthogon, realizing a gain of 6.7 million euro on the transaction. In 2015, a price correction resulting from the contractual adjustment on the final closing net working capital in comparison to the agreed target working capital of 1.4 million euro was received and recognized in other operating income. In 2016, the remaining escrow on the sale of Orthogon was received. We refer to note 1.3, 'Acquisitions and divestments' for more explanation.

(b) As of 2016, government grants and other forms of government assistance related to research projects are recognized as income on the line 'Research & development expenses'. In 2015 and 2014, these government grants were included in other operating income (expense) (2015: 5.6 million euro; 2014: 6.4 million euro).

## 5. Revenues and expenses by nature

The table below provides information on the major items contributing to the EBIT, categorized by nature.

| IN THOUSANDS OF EURO                                    | 2016          | 2015         | 2014          |
|---|---------------|--------------|---------------|
| Sales   | 1,102,342     | 1,028,856    | 908,368       |
| Material cost   | -580,142      | -575,130     | -510,900      |
| Services and other costs                                | -166,234      | -128,796     | -91,780       |
| Personnel cost  | -271,289      | -253,846     | -251,300      |
| Capitalized development cost                            | -             | -            | 47,691        |
| Amortizations on development                            | -22,873       | -49,441      | -57,213       |
| Depreciation of property, plant, equipment and software | -28,572       | -22,906      | -19,291       |
| Other operating income (expense) - net (note 4)         | 3,325         | 2,960        | 5,306         |
| <b>EBIT (before non-recurring)</b>                      | <b>36,557</b> | <b>1,698</b> | <b>30,882</b> |

Personnel cost includes the cost of temporary personnel for an amount of 6.6 million euro (in 2015: 5.7 million euro, in 2014: 4.4 million euro).

The average number of employees in 2016 was 3,456 (versus 3,298 in 2015; 3,321 in 2014), including 2,615 white-collars (in 2015: 2,509, in 2014: 2,544) and 841 blue-collars (in 2015: 788, in 2014: 777).

## 6. Restructuring and impairment costs

The table below shows the restructuring and impairment costs recognized in the income statement.

| IN THOUSANDS OF EURO                      | NOTE | 2016           | 2015           | 2014          |
|---|------|----------------|----------------|---------------|
| Lay-off costs                             |      | -2,297         | -8,315         | -3,373        |
| Write-off on inventories                  |      | -3,512         | -              | -             |
| Impairment on goodwill                    | 10   | -7,546         | -16,940        | -             |
| Impairment on investments                 | 9    | 416            | -3,843         | -             |
| <b>Total restructuring and impairment</b> |      | <b>-12,939</b> | <b>-29,099</b> | <b>-3,373</b> |

Please refer to note 10 for explanation on impairment on goodwill in 2016 and note 9 for explanation on the impairment on investments.

Restructuring costs in 2016 include lay-off costs totaling 2.3 million euro, mainly related to Entertainment.

At the end of 2016, Barco decided to scale down the Interactive Patient Care business, which has resulted in an impairment of the remaining goodwill (see note 10) and additional write-off on inventories for an amount of 0.5 million euro.

Barco is currently revisiting the future of the Lighting business (Entertainment division). Based on this decision, management assessed additional write-offs of 3 million euro

The table below presents the impairment as included in the cash flow statement:

| IN THOUSANDS OF EURO  | NOTE | 2016          | 2015           | 2014          |
|---|------|---------------|----------------|---------------|
| Impairment on goodwill  | 10   | -7,546        | -16,940        | -             |
| Impairment on investments   | 9    | 416           | -3,843         | -             |
| Impairment on capitalized development                                 | 11   | -1,364        | -4,866         | -7,244        |
| <b>Total impairment of capitalized development costs and goodwill</b> |      | <b>-8,494</b> | <b>-25,650</b> | <b>-7,244</b> |

## 7. Income taxes

| IN THOUSANDS OF EURO   | NOTE | 2016           | 2015           | 2014           |
|--|------|----------------|----------------|----------------|
| <b>Current versus deferred income taxes</b>                        |      |                |                |                |
| Current income taxes   |      | -16,612        | -17,253        | -14,610        |
| Deferred income taxes  |      | 10,267         | 10,374         | 8,527          |
| Income taxes   |      | -6,345         | -6,879         | -6,083         |
| Income taxes continuing operations                                 |      | -6,345         | 4,879          | -4,748         |
| Income taxes discontinuing operations                              |      | -              | -11,758        | -1,336         |
| <b>Income taxes versus income before taxes</b>                     |      |                |                |                |
| EBIT continuing operations   |      | 30,516         | -27,366        | 27,509         |
| EBIT discontinuing operations                                      |      | -              | 58,790         | 7,440          |
| Interest income (expense) - net                                    |      | 1,240          | 3,006          | -1,145         |
| Income before taxes  |      | 31,756         | 34,430         | 33,805         |
| <b>Income taxes</b>  |      | <b>-6,345</b>  | <b>-6,879</b>  | <b>-6,083</b>  |
| Effective income tax rate  | %    | -20.0%         | -20.0%         | -18.0%         |
| Income before taxes reported                                       |      | 31,756         | 34,430         | 33,805         |
| Theoretical tax rate   |      | 34%            | 34%            | 34%            |
| <b>Theoretical tax credit/(cost)</b>                               |      | <b>-10,797</b> | <b>-11,706</b> | <b>-11,494</b> |
| <b>Non-deductible expenses/non taxable income for tax purposes</b> |      |                |                |                |
| Goodwill impairments non-deductible                                | (a)  | -2,423         | -6,233         | -              |
| Dividends received   | (b)  | -4,610         | -              | 2,694          |
| Other non-deductible expenses                                      |      | -4,699         | -1,873         | -1,474         |
| Income not taxed   |      |                |                |                |
| Gain on sold share deal entities                                   | (c)  | -              | 4,132          | -              |
| Government grants exempt from tax                                  |      | 1,995          | 1,156          | 1,588          |
| Notional interest deduction (NID)                                  | (d)  | 1,769          | 2,756          | 2,927          |
| Investment allowances  | (e)  | 1,771          | 2,324          | 1,116          |
| (Use)/set-up of deferred tax assets, not recognized in prior years |      | 1,620          | -27            | 2,873          |
| Deferred tax assets, derecognized in current year                  | (f)  | -2,460         | -8,058         | -7,206         |
| Effect of different tax rates in foreign companies                 |      | 11,542         | 5,867          | 2,983          |
| Tax adjustments related to prior periods                           | (g)  | -53            | 4,784          | -89            |
| <b>Taxes related to current income before taxes</b>                |      | <b>-6,345</b>  | <b>-6,879</b>  | <b>-6,083</b>  |

- (a) See note 9 for more details on goodwill impairment recorded in 2016 and 2015. The 2016 goodwill impairment is non-deductible. The major part of the 2015 goodwill impairment is non-deductible. Only the part recorded in the US is tax deductible.
- (b) Net effect of deferred taxes on DBI deduction carried forward and 5% taxable income on dividends received: dividend is distributed from subsidiaries to Barco NV in 2016 and 2014 results in a permanent difference between tax books and statutory books (in tax books dividend is part of taxable result, while in statutory books the dividend is recorded as a decrease of the investment).
- (c) Gain realized on divested share deal entities as part of the sale of the DAT business is tax exempt in 2015.
- (d) Decrease in notional interest percentage allowed over the years.

- (e) Spread taxation on capital expenditure and research and development costs of prior years.
- (f) Deferred tax assets not recognized on tax losses or tax losses carried forward when assessment shows it is not probable that these tax benefits can be utilized in the near future. In 2016 this mainly relates to tax losses in Belgium and Canada. In 2015 and 2014 this mainly relates to tax losses in Belgium and Germany. See note 13.
- (g) Tax adjustments related to prior periods relate in 2015 in a large part to the high-tech enterprise status obtained in all Chinese entities in 2015, effective from 2014 onwards, resulting in a tax rate decrease from 25% as included in the taxes recorded in 2014, to 15% on 2014 and 2015, as reflected in the taxes in 2015. The tax rate applied as of 2017 is 25%.

## 8. Earnings per share

| IN THOUSANDS OF EURO   | 2016        | 2015        | 2014        |
|--|-------------|-------------|-------------|
| Net income/(loss) (continuing) attributable to the equity holder of the parent   | 11,023      | -29,563     | 17,840      |
| Weighted average of shares   | 12,171,969  | 12,065,396  | 12,188,239  |
| Basic earnings per share (in euro)   | 0,91        | -2,45       | 1,46        |
| Net income/(loss) (discontinued) attributable to the equity holder of the parent | -           | 47,031      | 6,094       |
| Weighted average of shares   | 12,171,969  | 12,065,396  | 12,188,239  |
| Basic earnings per share (in euro)   | -           | 3,90        | 0,50        |
| <b>Basic earnings per share</b>  | <b>0,91</b> | <b>1,45</b> | <b>1,96</b> |
| Net income/(loss) (continuing) attributable to the equity holder of the parent   | 11,023      | -29,563     | 17,840      |
| Weighted average of shares (diluted)   | 12,591,376  | 12,411,732  | 12,490,869  |
| Diluted earnings per share (in euro)   | 0,88        | -2,38       | 1,43        |
| Net income/(loss) (discontinued) attributable to the equity holder of the parent | -           | 47,031      | 6,094       |
| Weighted average of shares (diluted)   | 12,591,376  | 12,411,732  | 12,490,869  |
| Diluted earnings per share (in euro) (a)   | -           | 3,79        | 0,49        |
| <b>Diluted earnings per share (a)</b>  | <b>0,88</b> | <b>1,41</b> | <b>1,92</b> |

(a) The difference between the weighted average of shares and weighted average of shares (diluted) is due to exercisable warrants, which are in the money (which means that the closing rate of the Barco share was higher than the exercise price). For more detailed information concerning the shares and warrants, we refer to note 18.

## 9. Investments

| IN THOUSANDS OF EURO                      | NOTE | 2016   | 2015  | 2014   |
|---|------|--------|-------|--------|
| Investments                               | (a)  | 9,307  | 8,259 | 8,337  |
| Interest in joint ventures and associates | (b)  | 5,153  | 772   | 6,022  |
| Total investments                         |      | 14,460 | 9,031 | 14,360 |

- (a) Investments include entities in which Barco owns less than 20% of the shares. The investments are accounted for as AFS instruments, which implies that the Group measures these investments on a fair value basis with differences in fair value reflected in OCI. Since these investments are unquoted instruments, the equity instruments' fair value is based on a binding agreement with a third party investor (i.e. price of the last round – level 1 fair value).
- (b) Interest in joint ventures and associates represent entities in which Barco owns between 20% and 50% of the shares. In 2016, the balance includes a 41.18% interest in Haborneveien 53, AS, 27.32% interest in Audience Entertainment and 35% interest in CCO Barco Airport Venture LLC. The increase from 2015 to 2016 results from the investment in CCO Barco Airport Venture LLC. The Audience Entertainment results includes in each year the

fourth quarter result of the previous year and the first three quarters of the result of the current year, as the fourth quarter figures of the current year are not yet available. The decrease from 2014 to 2015 is caused by the 2015 year's loss in Audience Entertainment of 1.2 million euro and impairment of 3.8 million euro on the goodwill paid on Audience Entertainment, to bring the investment in Audience Entertainment at fair value of zero. This impairment was recorded in the income statement in the line 'Restructuring and impairment'. In 2016, the result of Audience Entertainment from October 2015 till September 2016 amounts to -0.4 million euro. This amount is offset in the income statement in the line 'Restructuring and goodwill impairment' in order to keep the investment at zero. See note 6, 'Restructuring and impairment'.

The Group's share of the assets and liabilities as at 31 December 2016, 2015 and 2014 and income and expenses of the jointly-controlled entities and associates for the years ending

on 31 December 2016, 2015 and 2014, which are accounted for using the equity method:

| IN THOUSANDS OF EURO   | 2016         | 2015          | 2014         |
|--|--------------|---------------|--------------|
| Share of the joint ventures' and associates' balance sheets:     |              |               |              |
| Current assets   | 3,262        | 269           | 114          |
| Non-current assets   | 8,244        | 3,858         | 9,088        |
| Current liabilities  | 2,549        | 451           | 127          |
| Non-current liabilities  | 3,805        | 2,904         | 3,053        |
| <b>Equity</b>  | <b>5,153</b> | <b>772</b>    | <b>6,022</b> |
| Share of the joint ventures' and associates' revenue and profit: |              |               |              |
| Sales  | 10,207       | 422           | 371          |
| Gross profit   | 1,676        | 194           | 247          |
| EBIT   | 394          | -873          | 246          |
| <b>Profit/(loss) of the year</b>                                 | <b>263</b>   | <b>-1,073</b> | <b>68</b>    |

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2016, 2015 and 2014.

For all equity-accounted investees, the parent's or other investor's consent is required to distribute its profits, which is not foreseen at the reporting date. The equity accounted investees do not have items of other comprehensive income.

## 10. Goodwill

| IN THOUSANDS OF EURO       | 2016    | 2015    | 2014    |
|----------------------------|---------|---------|---------|
| <b>At cost</b>             |         |         |         |
| On 1 January               | 188,133 | 182,581 | 172,463 |
| Acquisitions               | -584    | 4,774   | 10,870  |
| Sale                       | -       | -       | -1,602  |
| Translation (losses)/gains | -       | 777     | 851     |
| On 31 December             | 187,548 | 188,133 | 182,581 |
| <b>Impairment</b>          |         |         |         |
| On 1 January               | 55,746  | 38,807  | 38,807  |
| Impairment losses          | 7,546   | 16,940  | -       |
| On 31 December             | 63,292  | 55,746  | 38,807  |
| <b>Net book value</b>      |         |         |         |
| On 1 January               | 132,386 | 143,774 | 133,656 |
| On 31 December             | 124,255 | 132,386 | 143,774 |

In 2016, no goodwill was recorded on the acquisitions of Medialon and MTT. In 2015, acquisitions relate to the acquisition of Advan for 4.8 million euro. In 2016, a price correction resulting from an adjustment on the opening net working capital of Advan in comparison to the agreed target working capital of 0.6 million euro was adjusted to goodwill, as received within the one year window period.

In 2014, acquisitions relate to the acquisition of X2O Media Inc for 10.9 million euro.

Sale in 2014 relates to the goodwill on the Orthogon business, which was sold in July 2014.

In 2016, an impairment loss is recorded for an amount of 7.5 million euro, related to the remaining goodwill on the

cash-generating unit Interactive Patient Care, after the decision to stop this business. The impairment tests on goodwill in 2016 did not result in additional impairments for other cash-generating units. In 2015, an impairment charge of 16.9 million euro was booked, related to goodwill on Industrial & Government (9.5 million euro) and Interactive Patient Care (7.5 million euro). There is no remaining goodwill on Industrial & Government and Interactive Patient Care after the impairments were booked. In 2014, the impairment tests on goodwill did not result in any impairment.

See below for explanations on the impairment testing performed.

## Goodwill by cash-generating unit

Goodwill acquired in a business combination is allocated, on acquisition, to the cash-generating units that are expected to benefit from that business combination. These cash-generating units correspond to the division level for Entertainment and Enterprise. For Healthcare, the Interactive Patient Care business unit (IPC) and Healthcare excluding Interactive Patient Care are monitored as separate cash-generating units as from 2015 onwards. In 2015, for the Enterprise division, the cash-generating units were at the Industrial &

Government business unit level, but in 2016, these business units are no longer monitored as separate cash-generating units by management. Therefore, impairment testing is performed at the level of the cash-generating unit as shown below.

The carrying amount of goodwill (after impairment) has been allocated to the cash-generating units as follows (in thousands of euro):

| <b>Cash generating units</b>           |                |                |
|--|----------------|----------------|
| IN THOUSANDS OF EURO                   |                |                |
|  | 2016           | 2015           |
| Entertainment                          | 43,564         | 43,638         |
| Healthcare Base (excl IPC)             | 28,036         | 28,376         |
| Interactive Patient Care (IPC)         | -              | 7,717          |
| Corporate                              | -              | 52,655         |
| Enterprise                             | 52,655         | -              |
| <b>Total goodwill (net book value)</b> | <b>124,255</b> | <b>132,386</b> |

The Group performed its annual impairment test in the fourth quarter of 2016 consistently with prior years.

The Group looks at the relationship between its market capitalization and its book value, amongst other factors, when reviewing the indicators of impairment. At 31 December 2016, the market capitalization of the Group exceeded the equity of the Group with 78%. As such, this general test does not show an indication for impairment.

The annual impairment tests were performed for each cash-generating unit. The recoverable amount for each of the cash-generating units has been determined based on a value-in-use calculation using cash flow projections generated by divisional management covering a five year period. Due to the level of uncertainty of future years, these

financial projections have been adjusted to more conservative levels for the purpose of our impairment testing. The pre-tax discount rate applied to projected cash flows is 8.8% (2015: 9%, 2014: 9%) and cash flows beyond the five year period are extrapolated using a conservative growth rate of 0% (2015: 0%, 2014: 0%). A sensitivity analysis is performed on all cash-generating units with respect to the discount rate (see 'Sensitivity to changes in assumptions – Discount rate').

The assumptions of the annual impairment test are consistent with external sources.

For all cash-generating units except for Interactive Patient Care (IPC), an impairment test was done and management did not identify any impairments. Since, 2015, the Interactive Patient Care (IPC) business unit is a separate cash-generating

unit, as management decided to monitor the results of IPC as a 'separate venture' within Healthcare in order to revisit the patient care business model. A stand-alone business plan was made up in order to make IPC profitable again. However, at the end of 2016, it was decided to stop this business as the business plan targets were not reached. As a result, an impairment loss of 7.5 million euro was recorded.

Impairment losses recorded are shown in a separate line 'Restructuring and goodwill impairment' on the face of the income statement. We refer to note 6, 'Impairment and restructuring costs', for a detailed break-down of the amounts shown in this line of the income statement.

### Key assumptions used in value-in-use calculations

The calculation of value-in-use for all cash-generating units is most sensitive to the following assumptions:

- Sales growth rate used during the projection period;
- EBITDA;
- Growth rate used to extrapolate cash flows beyond the budget period;
- Discount rates;

**Sales growth rate used during the projection period –** Sales growth rate used over the projected period has been kept conservatively at zero percent for the cash-generating Entertainment and Healthcare units, since even then there is no risk for impairment. In Enterprise, an annual growth rate of 1% was considered, except for the first year, where a growth rate of 5% is budgeted.

**EBITDA as percentage of sales –** EBITDA as percentage of sales is based on average percentages over the three years preceding the start of the budget period. EBITDA

levels increase over the projected period for anticipated efficiency improvements. Efficiency improvements can be cost reductions as well as margin improvements. EBITDA as a percentage of sales has been kept stable over the projection period, at the level of the average over the three years preceding the start of the budget period (which is lower than the budgeted EBITDA) for all divisions, since even then there is no risk for impairment.

**Growth rate estimates –** The long-term rate used to extrapolate the projection has been kept conservatively at zero % for all cash-generating units.

**Discount rates –** Discount rates reflect the current market assessment of the risks specific to Barco Group. The discount rate was estimated based on a (long-term) pre-tax cost of capital, the risks being implicit in the cash flows. The long term discount rate was determined at Group level and amounted to 8.8% for the year 2016 and has been applied to all cash-generating units.

### Sensitivity to changes in assumptions

Per 31 December 2016, changes in the key assumptions of the value-in-use calculations for all cash-generating units could result in impairment losses. The implications of the key assumptions for the recoverable amount are discussed below:

**Sales growth rate used during the projection period –** Management has considered the possibility of lower-than-projected sales growth during the projection period. Changes in sales growth rates do not cause the carrying value of the cash-generating units to materially exceed its recoverable amount.

**EBITDA percentage on sales** – Management has considered the possibility of lower-than-projected EBITDA percentages on sales.

For Healthcare and Enterprise, an EBITDA level in the last year of the projected period, which is more than 3% lower than the average EBITDA percentage of the last three years, would lead to an impairment.

For Entertainment a reduction of 1% in the last year of the projected period, would result in an impairment.

**Discount rates** – Increase in the weighted average cost of more than 2% for Entertainment would result in an impairment; for the other cash-generating units, no reasonable possible change in the weighted average cost leads to an impairment.

**Growth rate estimate** – A sales decline beyond the projection period would result in an impairment for Entertainment, if the decline would be more than 3%.

For the Enterprise and Healthcare division, even a decrease (which would result in a negative sales evolution) in the long-term rate used to extrapolate beyond the projection period, would not result in an additional impairment, provided the decrease would be less than 7% for Enterprise and 17% for Healthcare.

## 11. Capitalized development costs

| IN THOUSANDS OF EURO       | 2016    | 2015    | 2014    |
|----------------------------|---------|---------|---------|
| <b>At cost</b>             |         |         |         |
| On 1 January               | 340,918 | 335,874 | 290,071 |
| Expenditure                | -       | -       | 47,691  |
| Sales and disposals        | -       | -       | -       |
| Acquisition of subsidiary  | -       | -       | -       |
| Disposal of subsidiary     | -       | -       | -7,586  |
| Translation (losses)/gains | 1,457   | 5,044   | 5,699   |
| On 31 December             | 342,375 | 340,918 | 335,874 |
| <b>Impairment</b>          |         |         |         |
| On 1 January               | 32,911  | 28,044  | 20,800  |
| Expenditure                | 1,364   | 4,866   | 7,244   |
| On 31 December             | 34,274  | 32,911  | 28,044  |
| <b>Amortization</b>        |         |         |         |
| On 1 January               | 285,161 | 236,479 | 189,226 |
| Amortization               | 21,509  | 44,575  | 49,969  |
| Sales and disposals        | -       | -       | -       |
| Acquisition of subsidiary  | -       | -       | -       |
| Disposal of subsidiary     | -       | -       | -7,310  |
| Translation (losses)/gains | 1,430   | 4,108   | 4,593   |
| On 31 December             | 308,100 | 285,161 | 236,479 |
| <b>Net book value</b>      |         |         |         |
| On 1 January               | 22,846  | 71,351  | 80,044  |
| On 31 December             | -       | 22,846  | 71,351  |

As the criteria of IAS38.57 are no longer fulfilled, Barco's accounting policy, with respect to research and development costs, no longer allows the capitalization of development expenses in 2016 and 2015. Capitalized development expenses are amortized over their expected useful lives, which is generally 2 years (see note 1, 'Accounting principles'). As of the end of 2016, capitalized development expenses are fully amortized.

Consistent with the tests performed in the previous years, Barco performed impairment tests in the fourth quarter of 2016. Based upon these tests, impairment costs have been recognized for an amount of 1.4 million euro in 2016 on certain specific capitalized development projects, which are predicted to be less successful as originally anticipated and were therefore impaired in 2016.

Similar impairment tests revealed the need to recognize impairment losses on capitalized development in 2015 for 4.9 million euro and 7.2 million euro in 2014. The impairment losses recognized in 2015 represented the write-off of

all remaining capitalized development projects in LED and Lighting (part of the Entertainment division), in view of the lower results realized. In every other division, there have been certain specific capitalized development projects, which are predicted to be less successful as originally anticipated and were therefore impaired in 2015. In 2014, the impairment loss recognized related to certain specific capitalized development projects in networking technology and in LED.

The recognized impairment losses on capitalized development are allocated to the divisions as follows:

#### Impairment losses

| IN THOUSANDS OF EURO | 2016  | 2015  | 2014  |
|----------------------|-------|-------|-------|
| Entertainment        | 679   | 3,039 | 2,702 |
| Enterprise           | 402   | 1,683 | 3,687 |
| Healthcare           | 283   | 144   | 854   |
| Total                | 1,364 | 4,866 | 7,244 |

## 12. Other intangible assets and tangible fixed assets

| IN THOUSANDS OF EURO        |  |                       | 2016                                      |  |  |                                      |                                      | 2015           | 2014           |
|-----------------------------|--|-----------------------|---|--|--|--------------------------------------|--------------------------------------|----------------|----------------|
|                             | TOTAL<br>OTHER<br>INTANGIBLE<br>ASSETS | LAND AND<br>BUILDINGS | PLANT,<br>MACHINERY<br>AND EQUIP-<br>MENT | FURNITURE,<br>OFFICE<br>EQUIPMENT<br>AND<br>VEHICLES | OTHER<br>PROPERTY,<br>PLANT AND<br>EQUIPMENT | ASSETS<br>UNDER<br>CONSTRUC-<br>TION | TOTAL<br>OTHER<br>TANGIBLE<br>ASSETS | TOTAL          | TOTAL          |
| <b>At cost</b>              |  |                       |   |  |  |                                      |                                      |                |                |
| On 1 January                | 101,874                                | 48,651                | 73,470                                    | 33,730   | 21,924                                       | 48,054                               | 177,177                              | 327,702        | 299,712        |
| Expenditure                 | 6,946                                  | 349                   | 13,889                                    | 5,884  | 2,600  | 3,684                                | 26,057                               | 33,353         | 24,693         |
| Sales and disposals         | -26                                    | -9,001                | -4,767                                    | -1,133   | -419   | -                                    | -6,318                               | -15,345        | -44,232        |
| Acquisition of subsidiaries | 28,979                                 | -                     | 31  | 88   | 1  | -                                    | 120                                  | 29,100         | 4,101          |
| Disposal of subsidiaries    | -                                      | -                     | -   | -  | -  | -                                    | -                                    | -              | -4,177         |
| Transfers                   | -9                                     | 37,177                | 7,537                                     | 889  | 1,538  | -47,132                              | -37,168                              | -              | -945           |
| Translation (losses)/gains  | 2,897                                  | 85                    | 641                                       | 297  | 811  | 82                                   | 1,831                                | 4,812          | 3,566          |
| <b>On 31 December</b>       | <b>140,663</b>                         | <b>77,260</b>         | <b>90,801</b>                             | <b>39,755</b>  | <b>26,456</b>                                | <b>4,688</b>                         | <b>161,700</b>                       | <b>327,702</b> | <b>281,529</b> |
| <b>Depreciation</b>         |  |                       |   |  |  |                                      |                                      |                |                |
| On 1 January                | 49,246                                 | 28,430                | 66,535                                    | 27,106   | 11,191                                       | -                                    | 104,832                              | 182,508        | 181,636        |
| Depreciation                | 14,329                                 | 3,303                 | 4,401                                     | 3,939  | 2,600  | -                                    | 10,940                               | 28,572         | 22,906         |
| Sales and disposals         | -24                                    | -7,610                | -4,549                                    | -987   | -372   | -                                    | -5,908                               | -13,542        | -39,989        |
| Acquisition of subsidiaries | 3                                      | -                     | 16  | 65   | 1  | -                                    | 82                                   | 85             | 1,243          |
| Disposal of subsidiaries    | -                                      | -                     | -   | -  | -  | -                                    | -                                    | -              | -3,558         |
| Transfers                   | 96                                     | -                     | 172                                       | -268   | -1   | -                                    | -97                                  | -              | -934           |
| Translation (losses)/gains  | 1,246                                  | 118                   | 455                                       | 226  | 253  | -                                    | 934                                  | 2,298          | 3,143          |
| <b>On 31 December</b>       | <b>64,898</b>                          | <b>24,241</b>         | <b>67,029</b>                             | <b>30,082</b>  | <b>13,673</b>                                | <b>-</b>                             | <b>110,783</b>                       | <b>182,508</b> | <b>159,691</b> |
| <b>Carrying amount</b>      |  |                       |   |  |  |                                      |                                      |                |                |
| On 1 January                | 52,628                                 | 20,221                | 6,935                                     | 6,624  | 10,733                                       | 48,054                               | 72,345                               | 145,194        | 118,076        |
| On 31 December              | 75,765                                 | 53,019                | 23,773                                    | 9,673  | 12,783                                       | 4,688                                | 50,916                               | 145,194        | 121,838        |

In 2016, the capital expenditures amount to 33.4 million euro compared to 43 million euro in 2015 and 24.7 million euro in 2014. Capital expenditure in 2016 relates for the major part to plant, machinery, equipment, furniture and hardware at the new headquarters of Barco (14.2 million euro). Abroad, 2.1 million euro in new machinery and R&D equipment was deployed in the joint venture GIO in Taiwan. Per end of 2015, the new building was included in the assets under construction for a total amount of 44.2 million euro. This was reclassified to mainly land and buildings and to plant, machinery and equipment in 2016. The depreciations started as of 1 February, 2016, as the building was finished and people moved into the new building.

Sales and disposals contains the sale of the former headquarters, building on which a gain of 6.9 million euro was realized.

Total intangible assets include the investment in in-process development acquired through the MTT and Medialon acquisitions (29.0 million euro), which are amortized between four

and six years over their useful lives and the SAP ERP system (4.6 million euro). In 2015, acquisition of subsidiaries related for the major part to the customer list acquired through the acquisition of Advan; in 2014, mainly to the know-how acquired through the acquisition of X2O. The disposal of subsidiaries in 2014 relates to the sale of Orthogon. The SAP capital expenditures are depreciated as roll out is performed successfully pro rata the amount of licenses used. This was done as of April 2014 in India, July 2015 in Belgium and July 2016 in Germany.

We refer to note 1.3 on 'Acquisitions and divestments' and note 26 on 'Cash flow statement: effect of acquisitions and disposals' for more details on these transactions.

## 13. Deferred tax assets – deferred tax liabilities

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

| IN THOUSANDS OF EURO                  |               |               |               |                |                |                |                       |               |               |
|---------------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|-----------------------|---------------|---------------|
|                                       | ASSETS        |               |               | LIABILITIES    |                |                | NET ASSET/(LIABILITY) |               |               |
|                                       | 2016          | 2015          | 2014          | 2016           | 2015           | 2014           | 2016                  | 2015          | 2014          |
| Capitalized development cost          | 2,690         | 3,244         | 3,786         | -              | -2,028         | -6,664         | 2,690                 | 1,216         | -2,878        |
| Patents, licenses, ...                | -             | 60            | -             | -13,107        | -6,298         | -7,312         | -13,107               | -6,238        | -7,312        |
| Tangible fixed assets and software    | 1,579         | 1,889         | 2,058         | -1,044         | -988           | -1,338         | 535                   | 901           | 720           |
| Other investments                     | -             | -             | -             | -              | -1,148         | -258           | -                     | -1,148        | -258          |
| Inventory                             | 20,538        | 21,718        | 21,565        | -              | -406           | -              | 20,538                | 21,312        | 21,565        |
| Trade debtors                         | 815           | 1,736         | 1,553         | -              | -3,810         | -4,108         | 815                   | -2,074        | -2,555        |
| Provisions                            | 20,428        | 14,967        | 14,254        | -986           | -859           | -1,987         | 19,442                | 14,108        | 12,267        |
| Employee benefits                     | 2,787         | 2,346         | -1,384        | -782           | -510           | -              | 2,005                 | 1,836         | -1,384        |
| Deferred revenue                      | 5,040         | 4,838         | 4,047         | -44            | -216           | -              | 4,996                 | 4,622         | 4,047         |
| Other items                           | 799           | 1,617         | -281          | -1,035         | -1,126         | -1,215         | -236                  | 491           | -1,496        |
| Tax value of loss carry forward       | 15,524        | 15,676        | 17,684        | -              | -              | -              | 15,524                | 15,676        | 17,684        |
| Tax value of tax credits              | 27,084        | 22,866        | 21,410        | -              | -              | -421           | 27,084                | 22,866        | 20,989        |
| <b>Gross tax assets/(liabilities)</b> | <b>97,284</b> | <b>90,957</b> | <b>84,692</b> | <b>-16,998</b> | <b>-17,389</b> | <b>-23,303</b> | <b>80,286</b>         | <b>73,568</b> | <b>61,389</b> |
| Offset of tax                         | -8,184        | -12,926       | -16,473       | 8,184          | 12,926         | 16,474         | -                     | -             | 1             |
| <b>Net tax assets/(liabilities)</b>   | <b>89,100</b> | <b>78,031</b> | <b>68,219</b> | <b>-8,814</b>  | <b>-4,463</b>  | <b>-6,830</b>  | <b>80,286</b>         | <b>73,568</b> | <b>61,389</b> |

Movements in the deferred tax assets/(liabilities) arise from the following:

| IN THOUSANDS OF EURO               | AS AT<br>1 JANUARY | RECOGNIZED<br>THROUGH<br>INCOME STATE-<br>MENT | RECOGNIZED<br>THROUGH<br>OCI | ACQUISITIONS<br>AND<br>DISPOSALS | EXCHANGE GAINS<br>AND LOSSES | AS AT<br>31 DECEMBER |
|------------------------------------|--------------------|--|------------------------------|----------------------------------|------------------------------|----------------------|
| Capitalized development cost       | 1,216              | 1,450  | -                            | -                                | 24                           | 2,690                |
| Patents, licenses, ...             | -6,238             | 1,574  | -                            | -7,953                           | -490                         | -13,107              |
| Tangible fixed assets and software | 901                | -376   | -                            | -                                | 10                           | 535                  |
| Other investments                  | -1,148             | 1,129  | -                            | -                                | 19                           | -                    |
| Inventory                          | 21,312             | -1,117   | -                            | 85                               | 258                          | 20,538               |
| Trade debtors                      | -2,074             | 2,910  | -                            | -                                | -21                          | 815                  |
| Provisions                         | 14,108             | 1,229  | 4,187                        | -                                | -82                          | 19,442               |
| Employee benefits                  | 1,836              | 122  | -                            | 22                               | 25                           | 2,005                |
| Deferred revenue                   | 4,622              | 221  | -                            | -                                | 153                          | 4,996                |
| Other items                        | 491                | -858   | -                            | 129                              | -                            | -236                 |
| Tax value of loss carry forward    | 15,676             | -235   | -                            | -                                | 83                           | 15,524               |
| Tax value of tax credits           | 22,866             | 4,218  | -                            | -                                | -                            | 27,084               |
| <b>Total</b>                       | <b>73,568</b>      | <b>10,267</b>                                  | <b>4,187</b>                 | <b>-7,717</b>                    | <b>-21</b>                   | <b>80,286</b>        |

On top of the tax losses and tax credits for which a net deferred tax is recognized (net deferred tax asset of respectively 15.5 million euro and 27.1 million euro), the Group owns tax losses carried forward and other temporary differences on which no deferred tax asset is recognized amounting to 96.6 million euro as of 31 December 2016 (at 34% tax rate resulting in a non-recognized deferred tax asset of rounded 32.8 million euro). Deferred tax assets have not been recognized on these items because it is not probable that taxable profit will be available in the near future against which the benefits can be utilized. The tax losses carried forward and other temporary differences on which no deferred tax asset is recognized have no expiration date.

Deferred tax assets relate for the major part to the tax value of loss carry forwards and tax credits and almost fully relate to Belgium. In assessing the realizability of deferred tax assets, management considers whether it is probable that some

portion or all of the deferred tax assets will be realized within the foreseeable future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Group will need to generate future taxable income in the countries where the net operating losses were incurred. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes as at 31 December 2016, it is probable that the Group will realize all of the recognized benefits of these deductible differences.

## 14. Inventory

| IN THOUSANDS OF EURO          | 2016           | 2015           | 2014           |
|-------------------------------|----------------|----------------|----------------|
| Raw materials and consumables | 80,922         | 77,092         | 78,587         |
| Work in progress              | 65,288         | 61,390         | 61,524         |
| Finished goods                | 128,835        | 129,620        | 140,738        |
| Write-off on inventories      | -108,843       | -102,142       | -95,218        |
| <b>Inventory</b>              | <b>166,202</b> | <b>165,960</b> | <b>185,631</b> |
| Inventory turns (a)           | 3.6            | 3.6            | 2.9            |

(a) Inventory turns =  $12 / (\text{inventory} / (\text{average monthly sales last 12 months} \times \text{material cost of goods sold} \%))$

The amount of write-offs recognized as expense in 2016 amounts to 10.8 million euro or 1% of sales (2015: 14.2 million euro; 1.4% of sales, 2014: 18.4 million euro; 2% of sales). In 2016 3.5 million euro write-offs resulting from the decision to phase out certain businesses are included in restructuring costs. See note 6.

The inventory turns remained stable at 3.6

## 15. Amounts receivable and other non-current assets

| IN THOUSANDS OF EURO                       | 2016           | 2015           | 2014           |
|--|----------------|----------------|----------------|
| Trade debtors - gross                      | 194,119        | 196,262        | 179,197        |
| Trade debtors - bad debt reserve (a)       | -5,558         | -9,351         | -8,711         |
| <b>Trade debtors - net (b)</b>             | <b>188,561</b> | <b>186,910</b> | <b>170,486</b> |
| V.A.T. receivable                          | 7,461          | 6,376          | 4,954          |
| Taxes receivable                           | 3,074          | 10,881         | 10,725         |
| Interest receivable                        | 1              | 2,800          | -              |
| Currency rate swap (note 22)               | 858            | 1,750          | 167            |
| Guarantees paid                            | 60             | 51             | 52             |
| Other                                      | 4,130          | 4,299          | 3,042          |
| <b>Other amounts receivable</b>            | <b>15,584</b>  | <b>26,157</b>  | <b>18,940</b>  |
| <b>Other non-current assets (c)</b>        | <b>19,112</b>  | <b>23,226</b>  | <b>15,736</b>  |
| Number of days sales outstanding (DSO) (d) | 55             | 58             | 63             |

Per 31 December 2016, the number of days sales outstanding have further decreased to 55 days, compared to 58 days at the end of 2015 and 63 days at the end of 2014. Outstanding trade debtors ended slightly lower than 2015, although sales in the fourth quarter are up 7%.

The bad debt reserve in proportion to the gross amount of trade debtors has decreased significantly to 2.9% (2015: 4.8%, 2014: 4.9%).

### (a) Movement in bad debt reserve:

| IN THOUSANDS OF EURO         | 2016          | 2015          | 2014          |
|------------------------------|---------------|---------------|---------------|
| On 1 January                 | -9,351        | -8,711        | -5,710        |
| Acquisition of subsidiaries  | -             | -121          | -38           |
| Sale of subsidiary           | -             | -             | 320           |
| Additional provisions        | -1,329        | -2,850        | -5,969        |
| Amounts used                 | 928           | 1,350         | 718           |
| Amounts unused               | 4,117         | 1,488         | 2,460         |
| Translation (losses) / gains | 78            | -507          | -493          |
| <b>On 31 December</b>        | <b>-5,558</b> | <b>-9,351</b> | <b>-8,711</b> |

**(b) At 31 December, 2016, the aging analysis of trade debtors is as follows:**

| IN THOUSANDS OF EURO                 | 2016           | 2015           | 2014           |
|--------------------------------------|----------------|----------------|----------------|
| Not due                              | 152,402        | 144,412        | 135,613        |
| Overdue less than 30 days            | 18,121         | 23,177         | 19,524         |
| Overdue between 30 and 90 days       | 13,358         | 16,375         | 11,546         |
| Overdue between 90 days and 180 days | 5,308          | 4,816          | 5,320          |
| Overdue more than 180 days           | 4,930          | 7,482          | 7,195          |
| <b>Total gross</b>                   | <b>194,119</b> | <b>196,262</b> | <b>179,197</b> |
| Bad debt reserve                     | -5,558         | -9,351         | -8,711         |
| <b>Total</b>                         | <b>188,561</b> | <b>186,910</b> | <b>170,486</b> |

In 2016, total overdue amounts decreased to a total amount of 41.7 million euro compared to 51.9 million euro in 2015 (2014: 43.6 million euro).

The bad debt reserve in 2016 amounts to 113% of the trade receivables overdue more than 180 days (2015: 125%, 2014: 121%).

**(c) Other non-current assets**

The non-current assets include long-term receivables in the frame of vendor financing programs, amounting to 13.5 million euro per 31 December 2016, of which 13.5 million euro (see note 16) offset by long term debt of the same amount (2015: 15.4 million euro, of which 15.4 million euro offset by a long-term debt; 2014: 2.4 million euro, of which 2.2 million euro offset by a long-term debt) and cash guarantees for an amount of 3.7 million euro (2015: 5.1 million euro, 2014: 3.9 million euro).

**(d) Number of days sales outstanding (DSO)**

$$DSO = ((\text{trade debtors, net}) / (\text{sales past quarter})) * 90$$

## 16. Net financial cash/debt

| IN THOUSANDS OF EURO               |         | 2016           | 2015           | 2014           |
|------------------------------------|---------|----------------|----------------|----------------|
| Deposits                           | (a)     | 108,349        | 123,814        | 64,626         |
| Cash at bank                       | (b)     | 245,177        | 217,374        | 80,602         |
| Cash in hand                       |         | 22             | 90             | 113            |
| <b>Cash and cash equivalents</b>   |         | <b>353,549</b> | <b>341,277</b> | <b>145,340</b> |
| Long-term financial receivables    | (c)     | 13,485         | 15,430         | 2,183          |
| Long-term debts                    | (c) (d) | -66,811        | -79,527        | -57,737        |
| Current portion of long-term debts | (d)     | -11,500        | -10,000        | -7,130         |
| Short-term debts                   | (e)     | -2,085         | -2,124         | -19,253        |
| <b>Net financial cash/(debt)</b>   |         | <b>286,638</b> | <b>265,056</b> | <b>63,403</b>  |

The net financial cash position increased with over 20 million euro in 2016, mainly explained by solid free cash flow generation, partially offset by cash outflows in respect of acquisitions, real estate (new HQ campus) and the annual dividend payout. The net financial cash in CFG Barco (Beijing) Electronics Co., Ltd amounts to 100 million euro (77 million euro in 2015 and 50 million euro in 2014).

### (a) Deposits

Deposits are short-term, highly liquid investments, which are readily convertible to known amounts of cash. The short-term deposits do not carry a material risk of change in valuation.

| IN THOUSANDS OF EURO                                      |  | 2016           | 2015           | 2014          |
|---|--|----------------|----------------|---------------|
| - deposits in INR, with an average interest rate of 6.86% |  | 11,060         | 5,202          | 509           |
| - deposits in USD, with an average interest rate of 0.56% |  | 14,475         | 23,560         | 5,848         |
| - deposits in CNY, with an average interest rate of 3.10% |  | 75,978         | 81,144         | 53,788        |
| - deposits in other currencies                            |  | 6,837          | 13,907         | 4,481         |
| <b>Total deposits</b>                                     |  | <b>108,349</b> | <b>123,814</b> | <b>64,626</b> |

For the deposits in CNY, 40.9 million euro equivalent is held in the Chinese joint venture CFG Barco.

## (b) Cash at bank

Cash at bank is immediately available, except for the cash held in the Chinese joint-venture CFG Barco (in CNY) (as Barco only holds an ownership of 58% in this entity).

Most of the cash is held in accounts with higher interest-yield compared to classical cash accounts. It is denominated in the following currencies:

|          | 2016  | 2015  | 2014  |
|----------|-------|-------|-------|
| - EUR    | 43.3% | 59.7% | 24.9% |
| - USD    | 14.3% | 7.9%  | 24.7% |
| - CNY    | 34.8% | 18.6% | 26.4% |
| - INR    | 1.3%  | 2.7%  | 0.3%  |
| - Others | 6.3%  | 11.1% | 23.7% |

## (c) Long-term financial receivables

Barco entered into a number of vendor financing programs granted to a selective number of international customers. The purpose of vendor financing is to grant extended payment terms to such customers, while Barco continues to benefit from prompt payment of the open accounts receivable position, e.g. by having a financial institution or other third-party in the middle. The third-party will directly or following a receivable sale by Barco open a credit in favor of the customer, thereby assuming the risk of non-payment on the spread payment plan in all material respect.

In the case of a supplier credit, Barco continues to serve as collection agent after the sale of the accounts receivable on a non-recourse basis, which leads to a long-term financial receivable from the customer (in line 'Other non-current assets') this being offset by a long-term financial debt position towards the third-party for the same amount (in line 'Long-term debts'). Due to its non-recourse character, both positions are being eliminated in the net financial cash/(debt). Per the end of 2016, the outstanding long-term financial receivables have decreased to 13.5 million euro compared to 15.4 million euro in 2015.

When the vendor financing takes the form of a buyer credit (direct financial contract between customer and financial institution, and no role for Barco as collection agent), no positions are being reflected in the balance sheet.

Where Barco assumes a small residual risk on the customer's payment behavior with recourse character (either in the form of supplier credit or buyer credit), provisions are being account for.

## (d) Long-term financial debts

Besides two specific real estate credit facilities in US & Norway, the Barco Group has a total of 127.5 million euro committed credit facilities available. The portfolio consists of 3 major tranches:

- Barco NV received a research, development and innovation (RDI) credit facility from the European Investment Bank. The aim of the facility is to finance RDI activities for networked visualization connectivity and software. Drawings under

the facility have a long-term tenor of minimum 4 years. An amount of 24.5 million euro is available and drawn under the RDI credit facility, noting that the credit line is closed going forward for new drawings.

- Barco NV and Barco Coordination Center NV (as co-obligors) signed a number of bilateral committed credit facilities with a selected group of commercial banks for a total amount of 75 million euro. The credit facilities have an availability period till December 2020. Drawings under the facilities have a short-term tenor.

Barco NV signed a number of bilateral committed credit facilities aiming at financing Barco's new headquarters campus project. Drawings have a long-term tenor of 15 years following the end of the availability period (as of the end of 2015).

An amount of 28 million euro is available and drawn under this long-term real estate financing. These commitments carry either a variable interest rate, or have been swapped via derivatives into fixed rate character.

Barco is meeting all requirements of the loan covenants on its available credit facilities. The table below summarizes the long-term financial debts, including the current portion of long-term financial debts, by currency:

| IN THOUSANDS OF EURO | 2016   | 2015   | 2014   |
|----------------------|--------|--------|--------|
| - EUR                | 52,500 | 61,000 | 48,192 |
| - USD                | 4,961  | 5,893  | 5,479  |
| - NOK                | 9,365  | 8,999  | 9,674  |
| - Other              | 11,486 | 13,634 | 1,523  |
| Total                | 78,311 | 89,527 | 64,868 |

The table below gives an overview of the long-term financial debts including the current portion of long-term financial debts, by type of interest rate:

| TYPE OF INTEREST RATE                             | MATURITY        | 31 DEC 2016   | 31 DEC 2015   | 31 DEC 2014   |
|---|-----------------|---------------|---------------|---------------|
| <b>Real estate financing:</b>                     |                 |               |               |               |
| - variable, swapped into fixed (EU)               | Later than 2021 | 15,938        | 17,213        | 10,692        |
| - variable (EU)                                   | Later than 2021 | 12,063        | 12,788        |               |
| - variable, swapped into fixed (US)               | Later than 2021 | 2,844         | 3,672         | 3,293         |
| - fixed, financial leasing (Norway)               | Later than 2021 | 9,365         | 8,999         | 9,674         |
| <b>RDI financing:</b>                             |                 |               |               |               |
| - fixed, European Investment Bank                 | 2020            | 24,500        | 31,000        | 37,500        |
| Vendor financing (offset by long-term receivable) |                 | 13,485        | 15,430        | 2,183         |
| Other   |                 | 118           | 425           | 1,527         |
| <b>Total long-term financial debts</b>            |                 | <b>78,311</b> | <b>89,527</b> | <b>64,868</b> |

The long-term debts (including interests due), excluding the current portion of the long-term debts, are payable as follows:

| PER 31 DECEMBER 2016         |               | PER 31 DECEMBER 2015         |               | PER 31 DECEMBER 2014         |               |
|------------------------------|---------------|------------------------------|---------------|------------------------------|---------------|
| Payable in 2018              | 14,101        | Payable in 2017              | 15,558        | Payable in 2016              | 13,310        |
| Payable in 2019              | 20,638        | Payable in 2018              | 11,923        | Payable in 2017              | 10,849        |
| Payable in 2020              | 5,115         | Payable in 2019              | 22,422        | Payable in 2018              | 10,402        |
| Payable in 2021              | 3,585         | Payable in 2020              | 5,119         | Payable in 2019              | 7,665         |
| Later                        | 35,156        | Later                        | 39,072        | Later                        | 28,391        |
| <b>Total long-term debts</b> | <b>78,596</b> | <b>Total long-term debts</b> | <b>94,095</b> | <b>Total long-term debts</b> | <b>70,617</b> |

### (e) Short-term financial debts

The below table gives an overview of the short-term financial debts on 31 December 2016:

| IN THOUSANDS OF EURO | 2016                       |              | 2015                       |              | 2014                       |               |
|----------------------|----------------------------|--------------|----------------------------|--------------|----------------------------|---------------|
|                      | EFFECTIVE<br>INTEREST RATE | BALANCE      | EFFECTIVE<br>INTEREST RATE | BALANCE      | EFFECTIVE<br>INTEREST RATE | BALANCE       |
| - EUR                | -                          | -            | -                          | -            | 1.0%                       | 17,500        |
| - Other              | 2.4%                       | 2,085        | 2.3%                       | 2,124        | 2.3%                       | 1,753         |
| <b>Total</b>         |                            | <b>2,085</b> |                            | <b>2,124</b> |                            | <b>19,253</b> |

The available 75 million euro bilateral credit facilities that, when used translate in a short term debt position, are undrawn as of the end of December 2016.

## 17. Other long-term liabilities

| IN THOUSANDS OF EURO        |     | 2016   | 2015  | 2014 |
|-----------------------------|-----|--------|-------|------|
| Loan former DAT business    | (a) | 2,666  | 2,839 |      |
| MTT long-term liability     | (b) | 8,533  |       | -    |
| Other long-term liabilities |     | 11,198 | 2,839 | -    |

- (a) Following the divestment of the Defense & Aerospace division, a governmental loan in the amount of 2.8 million euro was formally transferred to Esterline BVBA, while the payment obligation though (based on the sales agreement) remains with Barco in a back-to-back structure. In 2016, Barco refunded 0.2 million euro on this loan. The amount repayable was evenly split over 2018 and 2019 in the below table.
- (b) The MTT long-term liability consists of the deferred payment of 6 million dollars (5.7 million euro), payable over the next 3 years and the earn-out which is subject to the filing of patents on the in-process technology

capped at 5 million dollars (4.7 million euro). 2 million dollars (1.9 million euro) is payable in 2017, leaving 4 million dollars (3.8 million euro) in other long-term liabilities. On the patents, it is not possible to assess when these patents will be granted and when earn-out payments will be required. Most of the six patent applications are in the national stage in the US, but it depends on the patent office when these will be granted. Therefore, the amount repayable was evenly split over 2018 and 2019 in the table below.

The other long-term liabilities, excluding the current portion of the long-term liabilities, are repayable as follows:

| AS OF 31 DECEMBER 2016 |        | AS OF 31 DECEMBER 2015 |       |
|------------------------|--------|------------------------|-------|
| Payable in 2018        | 5,599  | Payable in 2017        | 946   |
| Payable in 2019        | 5,599  | Payable in 2018        | 946   |
| Payable in 2020        | -      | Payable in 2019        | 946   |
| Payable in 2021        | -      | Payable in 2020        | -     |
| Later                  | -      | Later                  | -     |
| Total long-term debts  | 11,198 | Total long-term debts  | 2,839 |

## 18. Equity attributable to equity holders of the parent

| IN THOUSANDS OF EURO                                | 2016    | 2015    | 2014    |
|---|---------|---------|---------|
| Share capital                                       | 55,823  | 55,648  | 55,572  |
| Share premium                                       | 145,653 | 143,330 | 142,510 |
| Share-based payments                                | 6,230   | 5,968   | 5,942   |
| Acquired own shares                                 | -47,787 | -54,443 | -53,985 |
| Retained earnings                                   | 452,629 | 470,926 | 472,822 |
| Cumulative translation adjustment                   | -20,811 | -22,421 | -33,589 |
| Derivatives   | -1,493  | -1,269  | -1,857  |
| Equity attributable to equity holders of the parent | 590,243 | 597,739 | 587,415 |

### 1. Share capital, share premium and own shares

The following capital increases took place in 2016:

- Through the exercise of 4,850 warrants into the same number of new shares on 29 June 2016 with a resulting increase of the statutory capital of 21 ('000) euro and an increase of the share premium account of 207 ('000) euro.
- Through the exercise of 30,160 warrants into the same number of new shares on 30 September 2016 with a resulting increase of the statutory capital of 129 ('000) euro and an increase of the share premium account of 1,772 ('000) euro.
- Through the exercise of 5,865 warrants into the same number of new shares on 23 December 2016 with a resulting increase of the statutory capital of 25 ('000) euro and an increase of the share premium account of 344 ('000) euro.

As a result, the company's share capital amounts to 55.8 million euro on 31 December 2016, consisting of 13,056,607 fully paid shares.

Barco acquired own shares in 2015, based on the shareholder authorization granted by the Extraordinary General Meeting of 24 April 2014 and the announcement on 7 May,

2014 that the company would launch a first share buy back program, for a period of 6 months, starting on 8 May, 2014 and a second announcement on 7 November, 2014 to extend the share buy-back period with another 6 months, starting 10 November. Barco acquired 89,410 own shares for a total amount of 5,046 (000) euro in 2015. In 2016, Barco did not acquire own shares.

Barco sold 33,727 own shares upon the exercise of 33,727 stock options on 20 June 2016 with a resulting decrease of the own shares of 2,028 (000) euro and a decrease of the share based payment account of 524 (000) euro, 67,668 own shares through the exercise of 67,668 stock options on 10 October 2016 with a resulting decrease of the own shares of 4,069 ('000) euro and a decrease of the share based payment account of 406 (000) and 9,300 own shares through the exercise of 9,300 stock options on 19 December 2016 with a resulting decrease of the own shares of 559 ('000) euro and a decrease of the share based payment account of 42 ('000) euro.

As a result, thereof the company's share premium account amounts to 145.7 million euro, the share-based payments

amount to 6.2 million euro and the number of own shares acquired by Barco NV up to 31 December 2016 therefore decreased to 797,789 own shares (2015: 908,484; 2014: 895,374 own shares).

## 2. Share-based payments

On 17 October 2016, 3 new option plans were approved by the Board of Directors. These 3 option plans entitled the Board of Directors to grant maximum 154,860 stock options before 31 December 2016. Each stock option gives rights to the acquisition of one (1) share. In 2016, 130,065 stock options have been granted to employees and management of the group based upon these option plans. On 31 December 2016, no options remained available for distribution under the 2016 stock option schemes given the expiry dates of the plans as of 31 December 2016.

### Warrants exercisable under the warrant and stock option plans

The total number of outstanding warrants on 31 December 2016 amounted to 25,397 which can lead to the creation of 25,397 new shares. Since 2010, stock options have been granted. The total number of outstanding stock options on 31 December 2016 amounted to 465,715. The company's own shares will be used under the outstanding stock option plan to fulfill the commitment. During 2016, 40,875 warrants and 110,695 stock options have been exercised (in 2015, 17,690 warrants and 76,300 stock options). These warrants and stock options may be exercised at the earliest 3 years after the allocation date over a period of maximum 10 years and during a couple of fixed periods over the year. Below is an overview of the outstanding warrant and stock option plans:

Table on warrants

| ALLOCATION DATE                 | END TERM | EXERCISE PRICE (IN EURO) | BALANCE ON 31 DEC 2015 | GRANTED IN 2016 | EXERCISED IN 2016 | CANCELLED IN 2016 | EXPIRED IN 2016 | BALANCE ON 31 DEC 2016 |
|---------------------------------|----------|--------------------------|------------------------|-----------------|-------------------|-------------------|-----------------|------------------------|
| <b>Warrants</b>                 |          |                          |                        |                 |                   |                   |                 |                        |
| 11/09/06                        | 11/08/16 | 65,05                    | 53,806                 |                 | -32,665           | -                 | -11,746         | 9,395                  |
| 11/09/06 <sup>1</sup>           | 11/08/16 | 66,15                    | 1,075                  | -               | -                 | -                 | -1,075          | -                      |
| 11/12/07                        | 11/11/17 | 50,68                    | 14,765                 | -               | -6,520            | -                 | -               | 8,245                  |
| 11/12/07 <sup>1</sup>           | 11/11/17 | 51,53                    | 1,937                  | -               | -250              | -                 | -               | 1,687                  |
| 05/28/09                        | 05/27/19 | 19,62                    | 5,840                  | -               | -1,190            | -                 | -               | 4,650                  |
| 05/28/09 <sup>1</sup>           | 05/27/19 | 24,00                    | 1,670                  | -               | -250              | -                 | -               | 1,420                  |
| <b>Total number of warrants</b> |          |                          | <b>79,093</b>          | <b>-</b>        | <b>-40,875</b>    | <b>-</b>          | <b>-12,821</b>  | <b>25,397</b>          |

Table on warrants

| ALLOCATION DATE                 | END TERM | EXERCISE PRICE (IN EURO) | BALANCE ON 31 DEC 2015 | GRANTED IN 2016 | EXERCISED IN 2016 | CANCELLED IN 2016 | EXPIRED IN 2016 | BALANCE ON 31 DEC 2016 |
|---------------------------------|----------|--------------------------|------------------------|-----------------|-------------------|-------------------|-----------------|------------------------|
| <b>Stock options</b>            |          |                          |                        |                 |                   |                   |                 |                        |
| 10/28/10                        | 10/27/20 | 35,85                    | 4,000                  | -               | -2,600            | -                 | -               | 1,400                  |
| 10/28/11                        | 10/27/16 | 36,65                    | 17,500                 | -               | -15,800           | -                 | -1,700          | -                      |
| 10/28/11                        | 10/27/21 | 36,65                    | 8,285                  | -               | -3,135            | -                 | -               | 5,150                  |
| 10/28/11 <sup>2</sup>           | 10/27/16 | 41,70                    | 3,165                  | -               | -1,500            | -                 | -1,665          | -                      |
| 10/31/12                        | 10/30/22 | 52,37                    | 50,760                 | -               | -42,460           | -200              | -               | 8,100                  |
| 10/31/12                        | 10/30/20 | 52,37                    | 11,200                 | -               | -5,000            | -                 | -100            | 6,100                  |
| 10/31/12 <sup>1</sup>           | 10/30/22 | 53,28                    | 2,000                  | -               | -2,000            | -                 | -               | -                      |
| 10/31/12 <sup>2</sup>           | 10/30/20 | 53,00                    | 19,785                 | -               | -7,050            | -                 | -               | 12,735                 |
| 10/21/13                        | 10/20/23 | 59,03                    | 56,850                 | -               | -                 | -200              | -               | 56,650                 |
| 10/21/13                        | 10/20/21 | 59,03                    | 27,100                 | -               | -15,700           | -200              | -               | 11,200                 |
| 10/21/13 <sup>2</sup>           | 10/20/21 | 60,94                    | 33,150                 | -               | -15,450           | -500              | -               | 17,200                 |
| 10/23/14                        | 10/22/24 | 55,00                    | 53,040                 | -               | -                 | -                 | -               | 53,040                 |
| 10/23/14                        | 10/22/22 | 55,00                    | 31,200                 | -               | -                 | -550              | -               | 30,650                 |
| 10/23/14 <sup>2</sup>           | 10/22/22 | 55,40                    | 23,600                 | -               | -                 | -1,100            | -               | 22,500                 |
| 10/22/15                        | 10/21/25 | 57,10                    | 54,825                 | -               | -                 | -                 | -               | 54,825                 |
| 10/22/15                        | 10/21/23 | 57,10                    | 31,900                 | -               | -                 | -350              | -               | 31,550                 |
| 10/22/15 <sup>2</sup>           | 10/21/23 | 57,85                    | 26,100                 | -               | -                 | -1,550            | -               | 24,550                 |
| 10/24/16                        | 10/23/26 | 72,80                    | -                      | 74,205          | -                 | -                 | -               | 74,205                 |
| 10/24/16                        | 10/23/24 | 72,80                    | -                      | 20,110          | -                 | -                 | -               | 20,110                 |
| 10/24/16 <sup>2</sup>           | 10/23/24 | 74,24                    | -                      | 35,750          | -                 | -                 | -               | 35,750                 |
| <b>Total number of warrants</b> |          |                          | <b>454,460</b>         | <b>130,065</b>  | <b>-110,695</b>   | <b>-4,650</b>     | <b>-3,465</b>   | <b>465,715</b>         |

(1) Deviation of exercise price as a result of the implementation of the UK sub plan

(2) Deviation of exercise price as a result of the implementation of the US sub plan

The cost of these warrant/stock option plans is included in the income statement. The warrants/stock options are valued at grant date, based on the share price at grant date, exercise price, expected volatility, dividend estimates and interest rates. The warrant/stock option cost is taken into

result on a straight-line basis from the grant date until the first exercise date. The share-based payment expenses amounted to 1.2 million euro in 2016 (2015: 1.3 million euro; 2014: 1.3 million euro).

### 3. Retained earnings

The change in retained earnings includes the net income of 2016, the distribution of 21.2 million euro dividend, as approved by the general shareholders meeting of 28 April 2016 and the defined benefit obligation through other comprehensive income.

### 4. Cumulative translation adjustment

In 2016, the exchange differences on translation of foreign operations have a positive impact of 1.6 million euro, mainly relating to foreign operations held in US dollars (2.4 million euro), Taiwan dollars (1.1 million euro), Norwegian krone (1 million euro) and Chinese yuan (-2.8 million euro).

### 5. Derivatives

Derivative financial instruments are disclosed in note 22.

## 19. Non-controlling interest

The below table represents the proportion of equity interest held by non-controlling interests:

| NAME  | COUNTRY OF<br>INCORPORATION<br>AND OPERATION | 2016 |
|---|--|------|
| CFG Barco (Beijing) Electronics Co., Ltd        | China  | 42%  |
| Barco Taiwan Technology Ltd.                    | Taiwan                                       | 10%  |
| Barco China Electronic Visualization Technology | China  | 35%  |

Overview of the equity attributable to non-controlling interest:

| IN THOUSANDS OF EURO   | 2016          |
|--|---------------|
| CFG Barco (Beijing) Electronics Co., Ltd                     | 22,415        |
| Barco Taiwan Technology Ltd.                                 | 78            |
| Barco China Electronic Visualization Technology              | 2,751         |
| <b>Total equity attributable to non-controlling interest</b> | <b>25,244</b> |

The main contributor to the non-controlling interest is CFG Barco (Beijing) Electronics Co., Ltd. Below is the summarized balance sheet as at 31 December 2016, 2015 and 2014. This information is based on amounts before intercompany eliminations.

| IN THOUSANDS OF EURO                               | 2016           | 2015           | 2014          |
|--|----------------|----------------|---------------|
| Total non-current assets                           | 7,881          | 5,883          | 6,778         |
| Total current assets                               | 164,987        | 123,088        | 92,397        |
| <b>Total assets</b>                                | <b>172,868</b> | <b>128,971</b> | <b>99,175</b> |
| Equity attributable to equityholders of the parent | 31,031         | 18,848         | 9,892         |
| Equity attributable to non-controlling interest    | 22,415         | 13,614         | 7,146         |
| <b>Total equity</b>                                | <b>53,447</b>  | <b>32,462</b>  | <b>17,038</b> |
| Total current liabilities                          | 119,422        | 96,509         | 82,137        |
| <b>Total liabilities</b>                           | <b>172,868</b> | <b>128,971</b> | <b>99,175</b> |

## 20. Trade payables and advances received from customers

| IN THOUSANDS OF EURO                 | 2016    | 2015    | 2014    |
|--------------------------------------|---------|---------|---------|
| Trade payables                       | 135,127 | 139,504 | 109,091 |
| Days payable outstanding (DPO) (a)   | 63      | 69      | 64      |
| Advances received from customers (b) | 109,064 | 113,874 | 107,544 |

(a)  $DPO = \text{trade payables} / (\text{material cost} + \text{services and other costs} + \text{inventory movement} + \text{purchases of (in)tangible fixed assets}) \times 365$

(b) Most payment terms of customers define that 30% of the total invoice needs to be prepaid before delivery of the goods. The decrease in advances in 2016 compared to 2015 is mainly caused by lower advances received in CFG Barco (- 2.9 million euro). The increase in advances in 2015 compared to 2014 is mainly explained by translation of foreign operations (4.3 million euro impact) advances in the US and China, resulting from the fluctuations of the dollar and Chinese yuan.

## 21. Provisions

|                             |     | BALANCE<br>SHEET<br>2016 | ADDITIONAL<br>PROVISIONS<br>MADE | AMOUNTS<br>USED | UNUSED<br>AMOUNTS<br>REVERSED | REMEASURE-<br>MENT GAINS /<br>(LOSSES)<br>ON DBO | TRANSLATION<br>(LOSSES) /<br>GAINS | BALANCE<br>SHEET<br>2015 | BALANCE<br>SHEET<br>2014 |
|-----------------------------|-----|--------------------------|----------------------------------|-----------------|-------------------------------|--|------------------------------------|--------------------------|--------------------------|
| IN THOUSANDS OF EURO        |     |                          |                                  |                 |                               |  |                                    |                          |                          |
| Technical warranty          | (a) | 29,107                   | 9,892                            | -2,168          | -3,217                        | -  | 238                                | 24,362                   | 23,198                   |
| Defined benefit obligations | (b) | 17,936                   | 958                              | -786            | -417                          | 12,318   | 51                                 | 5,811                    | 6,000                    |
| Restructuring provision     | (c) | 5,640                    | 2,298                            | -4,917          | -                             | -  | -                                  | 8,260                    | 3,567                    |
| Other claims and risks      | (d) | 7,798                    | 4,794                            | -3,762          | -1,813                        | -  | 111                                | 8,469                    | 7,383                    |
| <b>Provisions</b>           |     | <b>60,481</b>            | <b>17,941</b>                    | <b>-11,633</b>  | <b>-5,447</b>                 | <b>12,318</b>                                    | <b>400</b>                         | <b>46,903</b>            | <b>40,148</b>            |

### (a) Technical warranty

Provisions for technical warranty are based on historical experience of the level of repairs and replacements. Additional provisions are set up when a technical problem is detected. There are three different technical warranty provisions: provisions related to 'normal' (mostly 2 years) warranty period, provisions related to extended warranty periods and provisions for specific claims/issues.

### (b) Defined benefit obligations

In 2015 and earlier years, the majority of the pension plans at Barco were treated as defined contribution plans. Obligations for these plans were recognized as an expense in the income statement as incurred. On 18 December 2015, however, Belgian legislation has been updated and clarification was provided on the minimum guaranteed rate of return. Before 31 December 2015, the minimum guaranteed rate of return on employer and participant contributions were 3.25% and 3.75% respectively. From 2016 onwards, the rate decreased to 1.75% and is annually recalculated based on a risk free rate of 10-year government bonds. According to IAS19, Belgian-defined contribution plans that guarantee a specified return on contributions are defined benefit plans, as the employer is not responsible for the contribution payments,

but has to cover the investment risk until the legal minimum rates applicable. The returns guaranteed by the insurance companies are in most cases lower than or equal to the minimum return guaranteed by law. As a result, the Group has not fully hedged its return risk through an insurance contract and a provision needs to be accounted for. The plans at Barco are financed through group insurance contracts. The contracts are benefiting from a contractual interest rate granted by the insurance company. When there is underfunding, this will be covered by the financing fund and in case this is insufficient, additional employer contributions will be requested.

IAS 19 requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Therefore, pension provisions are set up. The obligations are measured on a discounted basis because they are settled many years after the employees render the related service. A qualified actuary has determined the present value of the defined benefit obligations and the fair value of the plan assets. These assets are held by an insurance company. The projected unit credit method was used to measure the obligations and costs. Assumptions were included on demographic and financial variables.

There are 15 defined benefit plans in Barco Belgium, for which we show below the aggregated view, as these do not differ materially in geographical location, characteristics, regulatory environment, reporting segment or funding arrangement. In accordance with IAS 19, the disclosure is in the form of a weighted average. The change in accounting treatment that resulted in an increase in the defined benefit obligation was recognized through other comprehensive income in 2016.

2016 changes in the Belgian defined benefit obligation and fair value of plan assets:

| IN THOUSANDS OF EURO                 | BALANCE SHEET<br>2015 | REMEASUREMENT<br>GAINS/LOSSES IN OCI | BALANCE SHEET<br>2016    |
|--------------------------------------|-----------------------|--------------------------------------|--------------------------|
|                                      |                       | Increase due to effect of transfers  | Subtotal included in OCI |
| Defined benefit obligation           | -                     | 92,041                               | 92,041                   |
| Fair value of plan assets            | -                     | -79,722                              | -79,722                  |
| <b>Net defined benefit liability</b> | <b>-</b>              | <b>12,318</b>                        | <b>12,318</b>            |

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

|                                       | 2016  |
|---------------------------------------|-------|
| Discount rate                         | 1.16% |
| Future salary increases               | 2.59% |
| Future consumer price index increases | 1.90% |

The following overview summarizes the sensitivity analysis performed for significant assumptions as at 31 December. The figures show the impact on the defined benefit obligation.

| IN THOUSANDS OF EURO                       | 2016   |
|--|--------|
| <b>Discount rate:</b>                      |        |
| 0.25% decrease                             | 2,361  |
| 0.25% increase                             | -2,605 |
| <b>Future salary change:</b>               |        |
| 0.25% decrease                             | -494   |
| 0.25% increase                             | 478    |
| <b>Future consumer price index change:</b> |        |
| 0.25% decrease                             | -901   |
| 0.25% increase                             | 836    |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. These may not be representative for an actual change in the defined benefit obligation, as it is unlikely that changes in assumptions would occur in isolation of one another.

The following payments are the expected benefit payments from the plan assets:

| IN THOUSANDS OF EURO                                     | 2016          |
|--|---------------|
| Within the next 12 months (next annual reporting period) | 2,408         |
| Between 2 and 5 years                                    | 13,947        |
| Between 5 and 10 years                                   | 23,614        |
| <b>Total expected payments</b>                           | <b>39,969</b> |

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.8 years.

The expected contributions to the plan for the next annual reporting period amounts to 6.3 million euro.

As per 31 December 2016, the defined benefit obligations are composed of:

| IN THOUSANDS OF EURO  | 2016          |
|---|---------------|
| Pension plans in Belgium  | 12,318        |
| Early retirement plans in Belgium   | 1,067         |
| Local legal requirements (mainly France, Germany, Japan, Korea and Italy) | 4,435         |
| A small number of individual plans  | 116           |
| <b>Total</b>  | <b>17,936</b> |

Early retirement plans are recognized as liability and expensed when the company is committed to terminate the employment of the employees affected before the normal retirement date. In Belgium, a multi-employer plan also exists for some blue-collar workers, where payments go into a sectoral fund.

As Barco does not have access to information about the plan that satisfies the requirements of the standard, the plan is further classified as a defined contribution plan and expensed as incurred.

### (c) Restructuring provision

In 2016, an additional restructuring provision has been set up mainly related to Entertainment.

### (d) Other claims and risks

This provision relates to disputes with suppliers and specific customer warranty disputes. Barco cannot provide details on the specific cases, as this could cause considerable harm to Barco in the particular disputes.

On 2 December, 2014, Barco communicated that an enquiry is ongoing with the authorities of the People's Republic of China regarding the importation of large videowalls. These import transactions were managed via custom brokers on behalf of local distributors, and the investigation relates to the period between 1997 and 2009, prior to the local assembly of such videowalls in China. No provision has been set up related to this investigation, as no formal claim has been made towards Barco.

## 22. Risk management - derivative financial instruments

General risk factors are described in the director's report "Risk Factors".

Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates and interest rates. These instruments are subject to the risk of market rates changing subsequent to acquisition. These changes are generally offset by opposite effects on the item being hedged.

### Foreign currency risk

#### Recognized assets and liabilities

Barco incurs foreign currency risk on recognized assets and liabilities when they are denominated in a currency other than the company's local currency. Such risks may be naturally covered when a monetary item at the asset side (such as a trade receivable or cash deposit) in a given currency is matched with a monetary item at the liability side (such as a trade payable or loan) in the same currency.

Forward exchange contracts and selectively option contracts are used to manage the currency risk arising from recognized receivables and payables, which are not naturally hedged.

The balances on foreign currency monetary items are valued at the rates of exchange prevailing at the end of the accounting period. Derivative financial instruments that are used to reduce the exposure of these balances are rated in the balance sheet at fair value. Both changes in foreign currency balances and in fair value of derivative financial instruments are recognized in the income statement.

#### Forecasted transactions

Barco selectively designates forward contracts to forecasted sales. Hedge accounting is applied to these contracts. The portion of the gain or loss on the hedging instrument that will be determined as an effective hedge is recognized directly in

comprehensive income. As at 31 December 2016, there were no forward contracts outstanding under hedge accounting treatment.

#### Estimated sensitivity to currency fluctuations

Sensitivity to currency fluctuations is mainly related to the evolution of the USD and a basket consisting of the main Asian currencies including CNY (hereafter the "basket") versus the euro. This sensitivity is caused by following factors:

- The fair value of foreign currency monetary items is impacted by currency fluctuations. In order to eliminate most of these effects in USD and basket currencies, Barco uses monetary items and/or derivative financial instruments as described above, which are meant to offset the impact of such results to a major extent.
- As the company has no cash flow hedges in place that aim at hedging forecasted transactions, a similar currency fluctuation in USD and basket rates would not have any effect on the equity position of Barco.
- Profit margins may be negatively affected because an important part of sales are realized in USD and basket currencies, while costs are incurred in a smaller part in these currencies. Impact on operating result is currently estimated at 18.5 million euro when the average rate of USD and basket currencies (with an overall overweight of CNY) in a year changes by 10% versus the euro. Barco has gone to great efforts in recent years to increase its natural hedging against these currencies by increasing its operational costs and by purchasing more components in these currencies. The natural hedge ratio of Barco reached a level of more than 70% in 2016.
- Another impact is the fact that some of Barco's main competitors are USD-based. Whenever the USD decreases in value against the euro, these competitors have a worldwide competitive advantage over Barco. This impact on operating result cannot be measured reliably.

## Interest rate risk

Barco uses following hedging instruments to manage its interest rate risk:

### Swap on outstanding or anticipated borrowing

Barco has an outstanding variable loan of 3.0 million US dollars (2.8 million euro equivalent) in place, of which variable interest rate conditions have been swapped into a fixed 3.86%. The fair value of the interest rate swap with a notional amount of 9.4 million US dollars or 8.9 million euro equivalent is fully recognized in the income statement.

Barco also concluded a series of interest rate swaps with an outstanding notional amount of 15.9 million euro by means of a partial hedge for the bilateral committed Credit Facilities (currently outstanding at 28.0 million euro) that aim at financing Barco's new HQ campus. This instrument swaps the variable interest rate into a fixed 1.76%. These swaps are determined as an effective hedge of outstanding or anticipated borrowings and meet the hedging requirements of IAS 39. The fair values of the effective portion of the hedging instrument are therefore recognized directly in comprehensive income under hedge accounting treatment.

### Estimated sensitivity to interest rate fluctuations

Management doesn't expect the short-term interest rate to increase significantly in the immediate foreseeable future, which limits the interest exposure on the short-term debt portfolio.

With reference to the Fair Values table below, just over 40% of Barco's outstanding long-term debt portfolio has a fixed interest rate character, which again limits the exposure of the company to interest rate fluctuations. This ratio increases to close to 70% when including the swap instruments disclosed above.

## Credit risk

### Credit risk on accounts receivable

Credit evaluations are performed on all customers requiring credit over a certain amount. The credit risk is monitored on a continuous basis. In a number of cases collateral is being requested before a credit risk is accepted. Specific trade finance instruments such as letters of credit and bills of exchange are regularly used in order to minimize the credit risk.

In 2016, Barco continued to conclude credit insurances in order to cover credit risks on specific customers with whom Barco entered into vendor financing agreements. Such vendor financing agreements are concluded and monitored on a case by case basis.

### Credit risk on liquid securities and short-term investments

A policy defining acceptable counter parties and the maximum risk per counter party is in place. Short-term investments are made in marketable securities, cash holdings or in fixed term deposits with reputable banks.

## Fair values

Set out below is an overview of the carrying amounts of the group's financial instruments that show in the financial statements.

In general, the carrying amounts are assumed to be a close approximation of the fair value.

| IN THOUSANDS OF EURO         | 2016                                 | 2015           | 2014           |
|------------------------------|--------------------------------------|----------------|----------------|
|                              | Carrying amount/Fair value (approx.) |                |                |
| <b>Financial assets</b>      |                                      |                |                |
| Trade receivables            | 188,561                              | 186,910        | 170,486        |
| Other receivables            | 15,584                               | 26,157         | 18,940         |
| Loan and other receivables   | 14,725                               | 22,315         | 18,502         |
| Interest rate receivable     | 1                                    | 2,800          | -              |
| Currency rate swap           | 858                                  | 1,042          | 189            |
| Other non-current assets     | 19,112                               | 23,226         | 15,736         |
| Cash and short-term deposits | 353,549                              | 341,277        | 145,340        |
| <b>Total</b>                 | <b>576,806</b>                       | <b>577,570</b> | <b>350,502</b> |
| <b>Financial liabilities</b> |                                      |                |                |
| Financial debts              | 61,862                               | 69,390         | 52,705         |
| Floating rate borrowings     | 36,671                               | 37,211         | 12,174         |
| Fixed rate borrowings        | 25,191                               | 32,179         | 40,531         |
| Other debts                  | 11,198                               | 2,839          | -              |
| Short-term debts             | 2,085                                | 2,124          | 19,253         |
| Trade payables               | 135,127                              | 139,504        | 109,091        |
| Dividends payable            | 2,368                                | 2,134          | 2,093          |
| Currency rate swap           | 932                                  | 809            | 821            |
| Interest rate swap           | 2,759                                | 2,756          | 2,529          |
| Other liabilities            | 8,387                                | 7,690          | 5,204          |
| <b>Total</b>                 | <b>224,717</b>                       | <b>227,246</b> | <b>191,696</b> |

The fair value of the financial assets and liabilities is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their

carrying amounts largely due to the short-term maturities of these instruments.

- Long term fixed rate and variable rate other assets are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are made to account for the expected losses of these receivables. As of 31 December 2016, the carrying amounts of

- such receivables, net of allowances, are assumed not to be materially different from their calculated fair values.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using the effective interest rates currently available for debt on similar terms, credit risk and remaining maturities. As of 31 December 2016, the effective interest rate is not materially different from the nominal interest rate of the financial obligation.
  - The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate (cap/floor) swaps and foreign exchange forward contracts. The most frequently-applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

### Fair value hierarchy

As of 31 December 2016, the Group held the following financial instruments measured at fair value:

| IN THOUSANDS OF EURO                                       | 2016  | 2015  | 2014  |
|--|-------|-------|-------|
| <b>Assets measured at fair value</b>                       |       |       |       |
| Financial assets at fair value through profit or loss      |       |       |       |
| Foreign exchange contracts - non-hedged                    | 858   | 1,042 | 189   |
| Financial assets at fair value through equity              |       |       |       |
| AFS investments  | 9,074 | 8,000 | -     |
| <b>Liabilities measured at fair value</b>                  |       |       |       |
| Financial liabilities at fair value through profit or loss |       |       |       |
| Foreign exchange contracts - non-hedged                    | 932   | 809   | 627   |
| Interest rate swap   | 1,297 | 658   | 821   |
| Financial liabilities at fair value through equity         |       |       |       |
| Interest rate swap   | 1,462 | 2,098 | 1,708 |

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

**Level 3:** techniques that use inputs having a significant effect on the recorded fair value that are not based on observable market data.

All fair values mentioned in the above table relate to Level 2.

During the reporting period ending 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## Capital Management

Management evaluates its capital needs based on the following data:

| IN THOUSANDS OF EURO               | 2016    | 2015    | 2014    |
|------------------------------------|---------|---------|---------|
| Net financial cash/(debt)          | 286,638 | 265,056 | 63,403  |
| Equity                             | 615,487 | 611,664 | 594,561 |
| % Net financial cash (debt)/equity | 46.6%   | 43.3%   | 10.7%   |

| IN THOUSANDS OF EURO                  | 2016      | 2015      | 2014      |
|---------------------------------------|-----------|-----------|-----------|
| Equity                                | 615,487   | 611,664   | 594,561   |
| Total equity and liabilities          | 1,159,231 | 1,140,327 | 1,075,385 |
| % Equity/total equity and liabilities | 53.1%     | 53.6%     | 55.3%     |

In 2016, the net cash position increased 286.6 million euro, supported by a solid free cash flow generation of 57.4 million euro, compared to 265.1 million euro at the end of 2015. Also, the solvency position and other current ratios consolidated at very healthy levels.

Together with the existing committed credit facilities, management considers that it has secured a very healthy liquidity profile and strong capital base for the further development of the Group.

## 23. Operating leases

| IN THOUSANDS OF EURO                                     | 2016          | 2015          | 2014          |
|--|---------------|---------------|---------------|
| Non-cancellable operating leases are payable as follows: |               |               |               |
| Less than one year                                       | 7,335         | 6,628         | 3,641         |
| Between one and five years                               | 11,018        | 12,426        | 11,047        |
| More than five years                                     | 3,834         | 5,208         | 4,310         |
| <b>Total</b>   | <b>22,187</b> | <b>24,262</b> | <b>18,998</b> |

Non-cancellable operating leases mainly relate to leases of factory facilities, warehouses and sales offices. During the current year, the total rent expenses recognized in the income statement amounted to 17.8 million euro

(2015: 15.7 million euro, 2014: 14.6 million euro), of which 10.2 million euro related to rent of buildings (2015: 10.2 million euro, 2014: 8.6 million euro).

## 24. Rights and commitments not reflected in the balance sheet

| IN THOUSANDS OF EURO                       |  | 2016   | 2015   | 2014   |
|--|--|--------|--------|--------|
| Guarantees given to third parties (a)      |  | 3,009  | 3,662  | 4,793  |
| Mortgage obligations given as security (b) |  | 32,844 | 33,672 | 37,722 |
| - book value of the relevant assets        |  | 57,115 | 46,376 | 18,282 |
| Buy back obligations (c)                   |  | 3,486  | 3,565  | 4,697  |
| Purchase commitment (d)                    |  | 2,002  | 2,723  | 22,970 |

- (a) Guarantees given to third parties mainly relate to guarantees given to customers for ongoing projects, guarantees given to suppliers for investment projects and to authorities for commitments related to VAT, duties, etc.
- (b) The total mortgage as of 2014 includes three loans of 10 million euro each to fund the headquarters campus project. The increase in the book value in 2015 and 2016 relates to the new building at the headquarters of Barco.

- (c) Barco appeals on a vendor lease program with the obligation to take back sold goods, in case of insolvency of the client. No buy-back provision is set up for this risk as all risks and rewards are transferred upon the sale. Total possible value of the obligation to take back sold goods amounts to 3.5 million euro in 2016 (2015: 3.6 million euro, 2014: 4.7 million euro).
- (d) This relates to the new headquarters in Belgium.

## 25. Related party transactions

For more information with respect to remuneration for directors and members of the executive management, we refer to the 'Corporate governance' chapter on page C/4 of the annual report.

## 26. Cash flow statement: effect of acquisitions and disposals

The following table shows the effect of acquisitions and disposals on the balance sheet movement of the Group. In 2016, the movement on the balance sheet coming from acquisitions relates to the acquisition of Medialon and MTT, the divestment relates to the sale of the Orthogon business where the remaining 1 million euro were released from escrow. In 2015 the movement on the balance sheet coming from acquisitions relates to the acquisition of Advan. The divestments in 2015 relate to the Defense & Aerospace

divestment. As the balance sheet of the Defense & Aerospace business has been presented as assets of discontinued operations as of the end of 2014, the balances sold as of the end of January 2015 represent no movement of the continued balance sheet. The 2014 acquisition relates to the acquisition of X2O, the divestment relates to the sale of the Orthogon business. See note 1.3 for more information on these acquisitions and divestments.

| IN THOUSANDS OF EURO                              | ACQUISITIONS  |              |               | DIVESTMENTS |               |              |
|---|---------------|--------------|---------------|-------------|---------------|--------------|
|   | 2016          | 2015         | 2014          | 2016        | 2015          | 2014         |
| <b>Non-current assets</b>                         | <b>28,693</b> | <b>3,048</b> | <b>3,999</b>  | <b>-</b>    | <b>19,521</b> | <b>1,490</b> |
| Capitalized development cost                      |               |              |               |             | 11,933        | 276          |
| Customer list                                     |               | 2,226        |               |             |               |              |
| Software  |               | 71           |               |             |               |              |
| Know-how  | 28,976        |              | 3,854         |             | 870           | 61           |
| Buildings and (leased) building                   |               |              |               |             | 884           | 379          |
| Tangible assets and other intangible assets       | 38            | 414          | 145           |             | 2,821         | 178          |
| Other non-current assets                          | -322          | 337          |               |             | 3,013         | 595          |
| <b>Current assets</b>                             | <b>496</b>    | <b>4,887</b> | <b>2,044</b>  | <b>-</b>    | <b>79,139</b> | <b>3,921</b> |
| Inventory   | -90           | 1,623        |               |             | 47,615        | 2,148        |
| Trade debtors & other receivables                 | 586           | 3,264        | 2,044         |             | 31,523        | 1,773        |
| <b>Non-current liabilities</b>                    | <b>17,577</b> | <b>312</b>   | <b>855</b>    | <b>-</b>    | <b>6,616</b>  | <b>1,540</b> |
| Long-term debts, interest-bearing liabilities     | 9,862         |              |               |             | 2,920         |              |
| Deferred tax liabilities                          | 7,715         | 312          | 855           |             | 343           | 206          |
| Provisions  |               |              |               |             | 3,352         | 1,335        |
| <b>Current liabilities</b>                        | <b>798</b>    | <b>2,763</b> | <b>-5,856</b> | <b>-</b>    | <b>37,497</b> | <b>1,534</b> |
| Trade payables                                    | 50            | 2,519        | 196           |             | 20,316        | 50           |
| Other payables                                    | 748           | 244          | -6,052        |             | 17,181        | 1,483        |
| <b>Net-identifiable assets and liabilities</b>    | <b>10,813</b> | <b>4,861</b> | <b>11,044</b> | <b>-</b>    | <b>54,547</b> | <b>2,337</b> |
| <b>Non-operating profit (losses) on disposals</b> |               |              |               |             |               |              |
| Goodwill on acquisitions/disposals                | -584          | 4,774        | 10,870        |             | 13,048        | 1,602        |
| Gain on sale DAT/Orthogon                         |               |              |               |             | 64,102        | 6,650        |
| Acquired/(sold) cash                              | 504           | 2,168        | 94            |             | 7,924         | 2,417        |
| Received consideration                            |               |              |               | 1,000       | 146,146       | 13,007       |
| Purchase price                                    | 10,732        | 11,803       | 22,009        |             |               |              |

The total purchase price in 2016 relates to the acquisition of Medialon and MTT of 11.7 million euro, minus the purchase price correction on Advan of 0.8 million euro and a release from escrow on the Awind acquisition of 2013. The cash flow statement acquisition of group companies show net of acquired cash of Medialon and MTT as the acquisition was cash and debt free.

The total purchase price in 2015 relates to the acquisition of Advan of 11.8 million euro. The cash flow statement acquisition of group companies show net of acquired cash of Advan as the acquisition was cash and debt free.

The 2016 divestment relates to the remaning escrow on the sale of the Orthogon business of 1 million euro. The 2015 divestment relates to the sale of the Defense & Aerospace business for an amount of 146.1 million euro and the escrow and net working capital adjustment received on the sale of the Orthogon business for an amount of 1.4 million euro. The cash flow statement disposal of group companies shows net of sold cash of the business for an amount of 7.9 million euro.

The total purchase price in 2014 relates to the acquisition of X2O of 13.3 million euro, the final earn-out payment on the 2010 Fimi acquisition for an amount of 2.5 million euro, the deferred consideration paid on the Awind acquisition of 2013 for an amount of 4.4 million euro and on the JAOTech acquisition of 2012 for an amount of 1 million euro. The cash flow statement acquisition of group companies show net of acquired cash of X2O.

The 2014 divestment relates to the sale of the Orthogon business for an amount of 13 million euro. The cash flow statement disposal of group companies shows net of sold cash of Orthogon.

We refer to the 'Cash flow statement' and note 1.3 on acquisitions.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are carried in terms of historical cost using the exchange rate at the date of the acquisition.

## 27. Events subsequent to the balance sheet date

There are no major events subsequent to the balance sheet date which have a major impact on the further evolution of the company.

# AUDITOR'S REPORT

## **STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF BARCO NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

As required by law, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2016 and the disclosures (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - UNQUALIFIED OPINION**

We have audited the Consolidated Financial Statements of Barco NV ('the Company') and her subsidiaries (together 'the Group') as of and for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of € 1,159,231,000 and of which the consolidated income statement shows a profit for the year (attributable to the equity holders of the parent) of € 11,023,000.

## **Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

## **Responsibility of the statutory auditor**

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected

depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit procedure and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the "Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises" as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard.

On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 9 February 2017

Ernst & Young Bedrijfsrevisoren BCVBA

Statutory auditor

represented by

Marnix Van Dooren

Partner\*

\* Acting on behalf of a BVBA/SPRL

# BARCO NV

## **Summary version of statutory accounts Barco NV**

The financial statements of the parent company, Barco NV, are presented below in a condensed form.

The accounting principles used for the statutory annual accounts of Barco NV differ from the accounting principles used for the consolidated annual accounts: the statutory annual accounts follow the Belgian legal requirements, while the consolidated annual accounts follow the International Financial Reporting Standards. 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 Barco Group.

The management report of the Board of Directors to the Annual General Meeting of Shareholders and the annual accounts of Barco 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 upon request from Barco's Investor Relations department, and at [www.barco.com](http://www.barco.com).

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Barco NV for the year ended 31 December 2016 gives a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

## Balance sheet after appropriation

| IN THOUSANDS OF EURO                        | 2016           | 2015             | 2014             |
|---|----------------|------------------|------------------|
| <b>Fixed assets</b>                         | <b>655,445</b> | <b>978,420</b>   | <b>908,233</b>   |
| Intangible fixed assets                     | 49,931         | 63,496           | 104,578          |
| Tangible fixed assets                       | 64,284         | 55,427           | 30,201           |
| Financial fixed assets                      | 539,113        | 856,736          | 763,757          |
| Amounts receivable after more than one year | 2,117          | 2,761            | 9,697            |
| <b>Current assets</b>                       | <b>255,985</b> | <b>254,590</b>   | <b>310,679</b>   |
| Stocks and contracts in progress            | 72,617         | 69,314           | 103,054          |
| Amounts receivable within one year          | 118,758        | 114,537          | 136,846          |
| Investments (own shared)                    | 47,968         | 54,624           | 54,166           |
| Cash at bank and in hand                    | 503            | 370              | 210              |
| Deferred charges and accrued income         | 16,139         | 15,745           | 16,403           |
| <b>Total assets</b>                         | <b>911,430</b> | <b>1,233,010</b> | <b>1,218,912</b> |
| <b>Capital and reserves</b>                 | <b>365,156</b> | <b>409,524</b>   | <b>436,140</b>   |
| Capital                                     | 55,824         | 55,649           | 55,573           |
| Share premium account                       | 146,144        | 143,821          | 143,001          |
| Reserves                                    | 54,181         | 60,837           | 60,379           |
| Accumulated profits                         | 108,164        | 148,627          | 176,373          |
| Investment grants                           | 843            | 590              | 814              |
| <b>Provisions and deferred taxes</b>        | <b>20,177</b>  | <b>17,432</b>    | <b>16,527</b>    |
| Provisions for liabilities and charges      | 20,177         | 17,432           | 16,527           |
| <b>Creditors</b>                            | <b>526,097</b> | <b>806,054</b>   | <b>766,246</b>   |
| Amounts payable after more than one year    | 54,321         | 365,936          | 66,196           |
| Amounts payable within one year             | 471,776        | 440,116          | 700,050          |
| <b>Total liabilities</b>                    | <b>911,430</b> | <b>1,233,010</b> | <b>1,218,912</b> |

The decrease of the intangible fixed assets in 2016 is the result of further amortizing capitalized development, after the change in accounting treatment in 2015, which resulted in no longer capitalizing development expenses. The net book value of capitalized development expenses in the statutory accounts at the end of 2016 amounts to 7.8 million euro and will be fully amortized by the end of 2017.

Next to this, the intangible fixed assets relate to the implementation cost of SAP ERP software (increase in 2016: 4.6 million euro, increase in 2015: 3.6 million euro). The total gross value of the SAP ERP software implementation cost as at December 2016 is 39 million euro.

The SAP capital expenditures are depreciated as roll-out is performed successfully pro rata the number of licenses used. This was done as of April 2014 in India, July 2015 in Belgium and July 2016 in Germany. Amortization in 2016 amounts to 4.3 million euro compared to 1.7 million euro in 2015. Increase is caused by full year amortization linked to Belgian users and increase in the number of users due to Germany roll-out.

The increase of the tangible fixed assets in 2015 and 2016, was the new headquarters under construction in Kortrijk, which has been put in use as of February 2016. The total gross value of the new building is 45 million euro.

The 317 million euro decrease of financial fixed assets in 2016 is the net result of two capital decreases and an acquisition: a capital decrease in Barco Coordination Center (232 million euro) and in Barco Integrated Solutions (95 million euro) and the acquisition of MTT (18 million euro).

In 2016, impairments were recorded on the participation

in JaoTech Ltd for an amount of 3.4 million euro, to bring it down to the liquidation value, which is planned for 2017, and on Barco Silex France for an amount of 0.3 million euro to put the participation at fair value, as the legal entity is sold per 1 January 2017.

The increase of 92 million euro of financial fixed assets in 2015 consists of the intercompany acquisition of the shares of Barco Integrated Systems (106 million euro net), partly offset by the impairment of the shares of X2O Media Inc (12.8 million euro) and the sale of the participation in Barco Texen (-4.3 million euro) and Barco Singapore (-1.3 million euro) to Esterline (as part of the Defense & Aerospace divestment).

In 2016, the inventory remained stable (+ 3 million euro) while in 2015, the stocks and contracts in progress decreased due to the divestment of Defense and Aerospace (-37.7 million euro).

The liabilities decreased by 280 million euro to 526 million (of which 268 million euro is intercompany), mainly because of the reimbursement of a long-term loan to Barco Coordination Center of 308 million euro.

## Income statement

| IN THOUSANDS OF EURO       | 2016    | 2015    | 2014    |
|----------------------------|---------|---------|---------|
| Sales                      | 569,504 | 520,910 | 589,647 |
| Operating income/(loss)    | -25,280 | -36,390 | 1,204   |
| Financial result           | 4,218   | -5,795  | 9,549   |
| Extraordinary result       | -3,368  | 33,460  | -1,546  |
| Income taxes               | 601     | 2,627   | 2,959   |
| Profit/(loss) for the year | -23,829 | -6,098  | 12,166  |

## Proposed appropriation of Barco NV result

| IN THOUSANDS OF EURO                         | 2016           | 2015           | 2014           |
|--|----------------|----------------|----------------|
| Profit/(loss) for the year for appropriation | -23,829        | -6,099         | 12,166         |
| Profit brought forward                       | 148,628        | 176,373        | 193,305        |
| <b>Profit to be appropriated</b>             | <b>124,799</b> | <b>170,273</b> | <b>205,470</b> |
| Transfer from other reserves                 | -6,656         | 458            | 9,734          |
| Profit to be carried forward                 | 108,164        | 148,628        | 176,373        |
| Gross dividends                              | 23,292         | 21,188         | 19,364         |
| <b>Total</b>                                 | <b>124,800</b> | <b>170,273</b> | <b>205,470</b> |

Barco NV sales in 2016 increased to 569 million euro, up 9%, compared to 2015. Sales in 2014 still included the Defense & Aerospace business, which was sold as of 31 January 2015 and explains the decrease in sales from 2014 to 2015. The operating income in 2016 is a loss of -25.3 million euro, compared to a loss of -36.4 million euro in 2015. In 2016, as well as in 2015 to a large extent, the result of the change in accounting treatment of development expenses as from 2015, which has resulted in no capitalization of development expenses in 2015 and 2016, while both years still include amortization on the capitalized development expenses (2016: 17.7 million

euro, 2015: 29.2 million euro, 2014 : 38.3 million euro, capitalization in 2014: 39 million euro).

In 2016, the financial income increases by 10 million mainly as a result of 14.5 million euro dividends received (no dividends received in 2015), although no interest income from Intercompany loans was received (3.7 million euro in 2015). In 2015, the financial results decreased from 9.5 million euro in 2014 to -5.8 million euro because no dividends received in 2015 compared to dividends received in 2014 of 14.6 million euro (12.9 million euro from Barco Singapore and 1.8 million

euro from Barco Texen France). Both entities were sold to Esterline as part of the Defense & Aerospace divestment. Dividends were distributed in 2014 as preparation for the cash and debt free transfer of the entities to Esterline.

The extraordinary result in 2016 of 3.3 million euro relates to impairments booked on financial fixed assets explained above. In 2015, the extraordinary result mainly relates to the gain realized on the divestment of the Defense and Aerospace division for an amount of 50.4 million euro, impairments on intercompany participations (-15.6 million euro) and -1.3 million euro realization loss on own shares, while 2014 consists of 1.6 million realization loss on own shares .

The profit on Income Taxes of 0.6 million euro in 2016, 2.6 million euro in 2015 and 3 million euro in 2014 is related to a tax credit on research and development expenses. In 2016, there was also withholding tax cost on received dividends of 0.7 million euro.

The Board of Directors of Barco NV proposed a gross dividend of 1.90 euro per share relating to the result as of 31 December, 2016.

#### Group management

Beneluxpark 21  
BE-8500 Kortrijk  
Tel.: +32 (0)56 23 32 11  
Fax: +32 (0)56 26 22 62

#### Registered office

President Kennedypark 35  
BE-8500 Kortrijk  
Tel.: +32 (0)56 23 32 11  
Fax: +32 (0)56 26 22 62

#### Stock exchange

Euronext Brussels

#### Financial information

More information is available from the  
Group's Investor Relations Department:

Carl Vanden Bussche  
Vice President Investor Relations  
Tel.: +32 (0)56 26 23 22  
Fax: +32 (0)56 26 22 62  
E-mail: [carl.vandenbussche@barco.com](mailto:carl.vandenbussche@barco.com)

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#### Realization

Barco Corporate Marketing  
Focus Advertising

#### Publisher

Ann Desender  
Senior VP-CFO

#### Barco

Beneluxpark 21  
8500 Kortrijk – Belgium