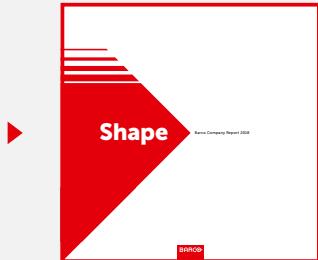




# Shape

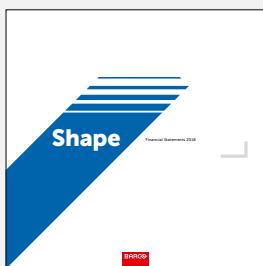
Barco Company Report 2018



**Section A.**  
Company Report  
2018



**Section B.**  
Sustainability Report  
2018



**Section C.**  
Financial Statements  
2018

This is section A of Barco's 2018 annual report. Other sections are available via the download center at [ar.barco.com/2018](http://ar.barco.com/2018).

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# Shape

We are confident that successful and leading companies are those that help shape the future. We believe that Barco is up to that.

Yet, to achieve that aim, we must constantly (re)shape our company:

- **shape our organization:** simplify our organizational structure, sharpen our efficiency and strengthen our footprint around the globe
- **shape our capabilities:** strengthen our software development, product management and service capabilities
- **shape our offering:** innovate the solutions and services we offer and the way we work.

More than shaping the future, we also want to safeguard it. That's why we're shaping our sustainability efforts too.

'Shaping Barco' is a never-ending journey, that will help us to be successful for many more years to come.

# Letter from the CEO

Dear customers, business partners,  
employees and shareholders,

Barco is on a journey to build a platform for sustained profitable growth. Throughout 2018, we worked hard to further complement Barco's innovation power with greater business efficiency and resilience.

'Say. Do.' was our rallying cry and the title of our 2017 annual report. It perfectly underpins our ambition to focus on execution. I believe that we made good progress in instilling the 'Say. Do.' culture and mindset, i.e. in driving accountability for translating plans and intentions into results.

As a result of these efforts, we continued to improve our group performance in 2018: we solidly boosted our margins and delivered a robust cash generation on a flat topline performance.

In this CEO letter, I look back on some resolutions and promises we made. I will also look forward and elaborate on the theme of this year's report: how Barco is shaping its organization, capabilities, solutions and markets to grow the company and anticipate ever-changing customer needs.



## 2018: Promises delivered

The 'focus to perform' program that we launched in 2016 to reinforce our foundation for sustained profitable growth is still very relevant today. With measurable and steady progress registered in 2017, we decided to accelerate our efforts in 2018. Over the past year, we retained a balanced focus on operational excellence and intensified management attention on business and cost efficiencies. While doing this, we continued to invest in innovation to secure our long-term growth prospects.

We delivered on what we said that we would do in many fields.

In 2018, we delivered on what we said that we would do in many fields:

### **"We further streamlined our business portfolio"**

Barco decisively chooses to streamline its activities and invest its resources in core, targeted and profitable business opportunities in healthy markets where it can lead and grow. In line with that strategy, we decided to no longer invest in the Barco Escape multi-screen cinema format and we sold our content management activities, X2O Media.

### **"We optimized our manufacturing footprint"**

Optimizing our manufacturing footprint will allow us to capture economies of scale and raise efficiencies. We made big strides forward in that field in 2018. In April, we opened 'The Engine' manufacturing hub at the One Campus site in Kortrijk (Belgium), where we welcomed 250 colleagues from our

former plant in Kuurne. We also relocated manufacturing activities from Fredrikstad (Norway) to One Campus. The Engine is a true 'Factory for the Future', where we gradually integrate new technologies and introduce new ways of working. Doing so will help us boost operational efficiencies and quality while improving demand agility.

### **"We continued to build out our global commercial footprint and invested in local capabilities in emerging markets"**

In order to become a meaningful player in the attractive Chinese growth market, the healthcare division expanded its commercial team and set up an R&D center and plant in Suzhou where healthcare displays for the Chinese market are being designed and manufactured. The other divisions also further reinforced their local presence in China with more sales people and grew their ecosystem of sales channels and partners. These investments will help further drive the introduction of our meeting and operator experience solutions and better tap into local Pro AV and Events business opportunities.

### **"We turned around activities that underperformed and strengthened our positioning in others"**

In the second half of 2018, the LCD-based UniSee video wall began contributing to sales of our control room solutions, which had been on a downward trend for a number of years. With over 150 installations to date, we believe UniSee can further help grow sales for Control Rooms in the following years. We are working on our production capacity to support that growth.

In healthcare, our investments in the NEXXIS Operating Room platform started paying off in 2018, resulting in strong increases in both orders and sales. By teaming up with exist-

ing and new partners for surgical, we want to further expand growth in the surgical market and become the reference brand for digital operating room solutions around the world.

In entertainment, we overhauled the organization of our cinema business to cater to future opportunities. The new Cinionic joint venture will prepare us for the imminent renewal cycle in North America and Europe and enhance our capabilities to deliver value-adding services to exhibitors and partners in the coming years. Cinionic already landed its first renewal contracts in 2018 and is geared up to shape the future of cinema. In China, we reduced our stake in the BarcoCFG joint venture as we believe that CFG is best positioned to lead the next phase of development in the Chinese cinema market. Of course, the work is not finished, yet the direction is set and the first results are encouraging.

We closed the year with a high-potential portfolio and with a robust platform for future profitable growth.

#### **"We actively pursued investments in innovation"**

As befits a technology leader, innovation remains key in what we do. In 2018, we worked on new projector platforms, added software capabilities and new business models in the healthcare and enterprise markets and invested in several promising incubation initiatives. While we sustained our investment levels, we focused on driving higher return on investment with stronger product management processes.

#### **2018: stakeholder outcomes**

Thanks to all these efforts, we closed the year with a high-potential portfolio and a robust platform for future profitable growth. Our company is now well positioned to drive value in the markets where we are active.

As we advanced on this trajectory, we delivered another year with solid EBITDA and EBITDA margin growth on flat sales on a pro forma base.

#### **2019: focus on 'shaping Barco for the future'**

In 2019 and beyond, we want to accelerate future topline growth and further step up profitability. To achieve that aim, we will further shape Barco for the future.

##### **Shaping the organization: become a 'fit to lead' company**

To remain a leading player and preferred partner to our channel and customers in today's global and dynamic market, Barco must become more agile, responsive and customer-focused. The 'fit to lead' restructuring plan that we announced in November 2018 aims to simplify our organizational structure and boost efficiency and customer centricity. Part of the savings enabled by this restructuring plan will be reinvested in growth initiatives, innovation and further business expansion in target geographies.

##### **Shaping the organization: strengthening our footprint around the globe**

'Going local' in emerging markets like China and India remains crucial to the Barco strategy, as our presence there helps us better tap into local market and supply opportunities. While bolstering our manufacturing, R&D and sales activities in China, we will also build out a world-class software organization in India.

The 'fit to lead' restructuring plan aims to simplify our organizational structure and boost efficiency and customer-centricity.

#### **Shaping our capabilities and solutions: blending performance with innovation**

Innovation has been the lifeblood of Barco for over 85 years, so we will keep investing in R&D in 2019. At the same time, we will reinvest resources to strengthen our software development, product management and services capabilities. In addition, we look for ways to innovate the way we work. Our factories for the future, for example, support leaner, more agile manufacturing processes. Development is transformed into co-creation with customers, suppliers, peers and the academic world. And we meet the market demand for novel business processes.

In every innovation effort, the Barco baseline – 'enabling bright outcomes' – is our guiding principle. Across every business, we try to fully understand customer needs and seek to develop the solutions, services and business models that deliver true customer value. This is, of course, a continuous journey. Yet, by gradually transitioning from a hardware company into an organization that combines hardware with software and services, we know we can shape our offering to enable truly bright outcomes.

#### **Shaping our markets**

We are convinced that successful companies are those that shape the market – and the future. We believe that Barco is up to that. In order to enable bright outcomes, we work hard to deliver the 'gold standard' in every market where we operate. Look at how ClickShare revolutionizes the meeting

room experience, how our surgical solutions make operating rooms digital, how weConnect introduces new ways of teaching, and how Cinionic helps develop tomorrow's cinema solutions. We will keep rethinking existing solutions, in close collaboration with our customers and the market, and design new ones to shape the markets and sectors where we are active.

#### **Shaping sustainable impact**

While Barco has the ambition to help shape the future, we also want to help safeguard it. That's why we resolutely chose to integrate sustainability into our corporate strategy. We made steady progress on that journey in 2018. While we are working to reduce our operational carbon footprint in fields like logistics, infrastructure and mobility, we are also accelerating our focus on our products and solutions. In addition, we want to move from awareness to true engagement among employees to make sustainability an integral part of how we shape our business.

#### **Thank you!**

In summary, 2018 was a next step on our road to the future. It was not always an easy journey. We had to make very tough choices at times. Yet, we made solid strides forward – which makes me confident that we have mapped the right path.

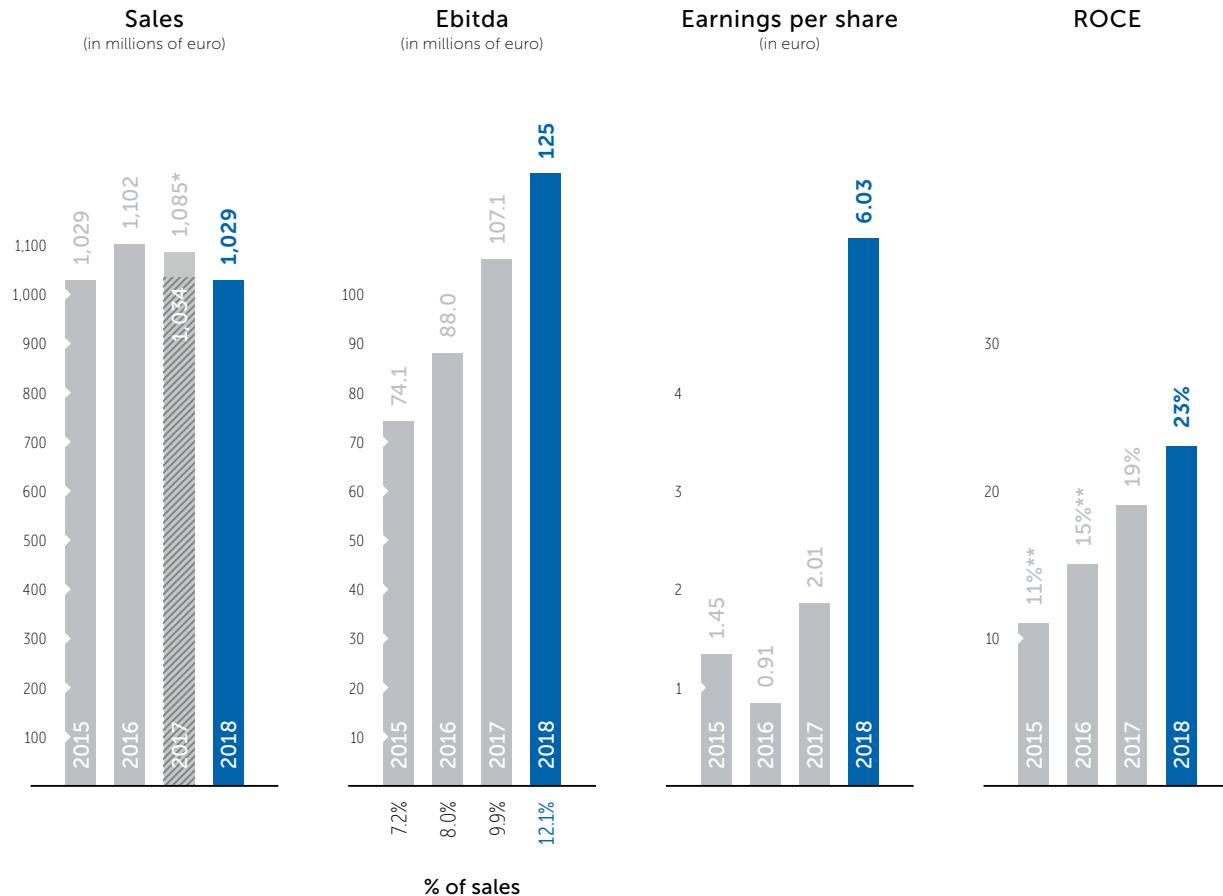
I'd like to thank our clients, the entire Barco team, our board of directors and our investors for their continued dedication and trust. This support is crucial for Barco to stay on track in its journey towards 'Enabling bright outcomes' for all of its stakeholders.

Jan De Witte  
CEO



## Key figures

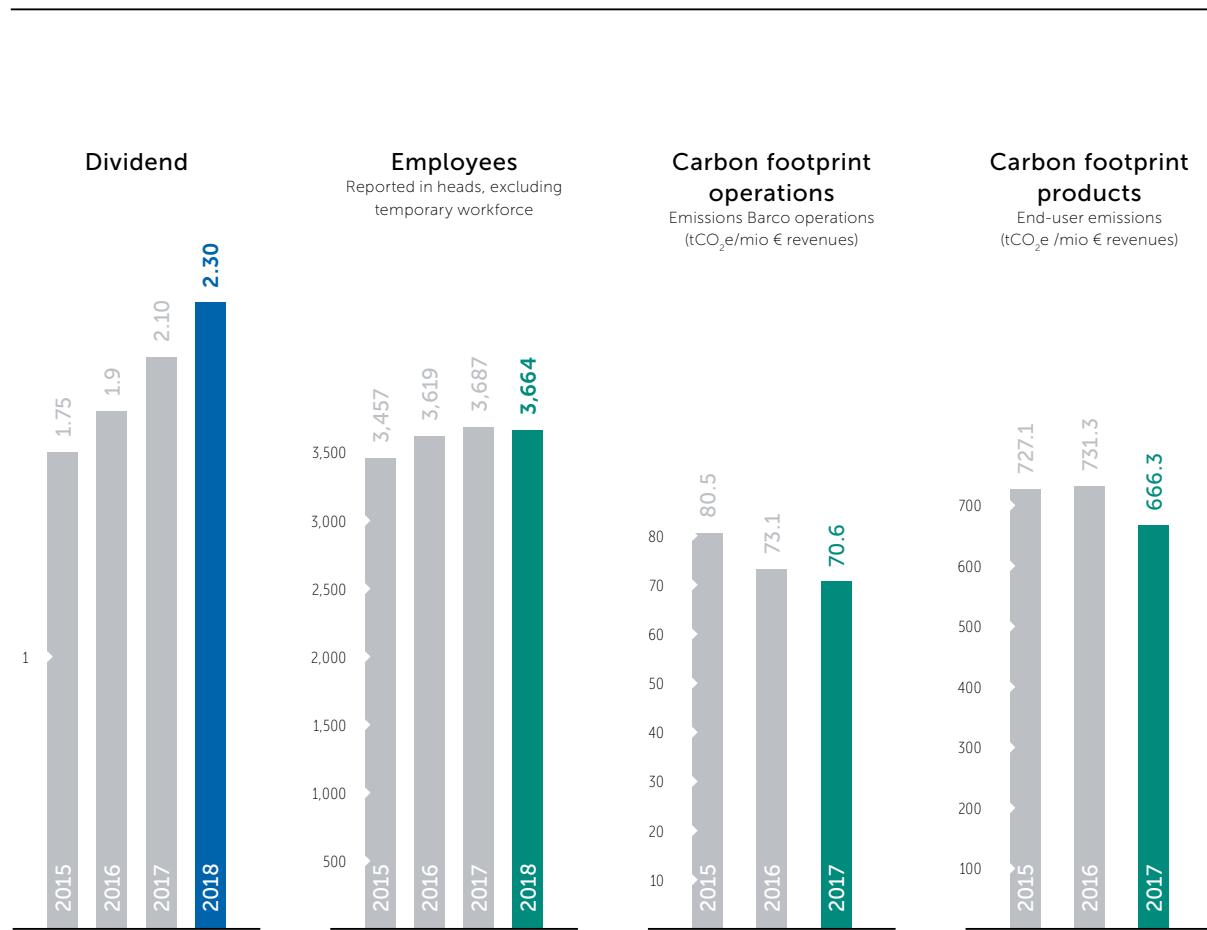
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\* For 2017 reported sales were 1,085 million euro while pro forma comparable sales amounted to 1,034 million euro.

For more information, please refer to the section 'Management Discussion' A/86

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



## Financial highlights

IN MILLIONS OF EURO	2018	2017*	2017	2016
<b>Income statement</b>				
Orders	1,046.9	1,060.6	1,105.2	1,081.2
Orderbook	303.2	285.9	318.8	320.8
Sales	1,028.5	1,033.9	1,084.7	1,102.3
Gross Profit	413.0		404.2	378.8
Gross Profit Margin	40.1%		37.3%	34.4%
EBITDA	124.5		107.1	88.0
EBITDA margin	12.1%		9.9%	8.0%
Adjusted EBIT	90.0		73.2	36.6
Adjusted EBIT Margin	8.7%		6.8%	3.3%
Net income attributable to the equityholder of the parent	75.0		24.8	11.0
Net income Margin	7.3%		2.3%	1.0%
EPS (in euro)	6.03		2.01	0.91
Diluted EPS (in euro)	5.98		1.99	0.88
<b>Balance sheet &amp; Cash flow</b>				
Equity	635.0		593.5	615.5
Balance sheet total	1,047.3		1,065.0	1,159.2
Free cash flow	63.2		40.0	57.4
Net financial cash/(debt)	332.0		210.7	286.6
Operating capital employed	223.0		202.4	203.6
Net Working capital	2.5		-41.6	-56.4
<b>Ratios</b>				
DSO	52		55	55
Inventory turns	3.8		3.6	3.6
DPO	59		58	63
ROCE	23%		19%	15%**
Debt/Equity	6.0%		8.9%	13.6%
ROE	12%		5.5%	4.2%

\* For 2017 reported sales were 1,085 million euro while pro forma comparable sales amounted to 1,034 million euro.

For more information, please refer to the section 'Management Discussion' A/86

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

(a) Gross dividend / share price at year-end closing date

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

(c) Gross dividend\*number of shares on 31 December / net income attributable to the equity holder of the parent

(d) Share price 31 December / earnings per share

	2018	2017	2016
<b>Share data</b>			
Gross dividend	2.30	2.10	1.90
Gross dividend yield (a)	2.3%	2.4%	2.4%
Yearly return (b)	13.2%	13.9%	33.0%
Pay-out ratio (c)	40.1%	110.7%	225.1%
Price/earnings ratio (d)	16.4	44.4	88.0
<b>Share price (in euro)</b>			
Average closing price	105.62	86.90	65.90
Closing price on 31 December	98.90	89.25	80.04
Average number of shares traded daily	23,215	16,862	21,921
Stock market capitalization on 31 December (in millions)	1,292.4	1,166.0	1,045.1
Number of shares (in thousands)	13,067	13,064	13,057

## Extra-financial highlights

	2018	2017	2016	2015
<b>Planet (1)</b>				
Carbon footprint Barco operations (tCO2/mio € revenues) (2)	TBD 2019	70.6	73.1	80.5
Carbon footprint Barco products (tCO2/mio € revenues) (3)	TBD 2019	666.3	731.3	727.1
CDP score (4)	TBD 2019	B	C	B
<b>People</b>				
Employees on 31 December	3,664	3,687	3,619	3,457
Diversity: Gender equality (% women)	28.1%	28.4%	28.2%	28%
Average hours of learning & development/employee	16.9	17.2	20.7	19.5
<b>Communities</b>				
Customer loyalty index			83	
% Key and core suppliers who signed declaration of compliance with RBA Code of Conduct	95% key & core	100% core	100% core	100% core
Community investment (financial support in community engagement) €	102,000	125,000		
% Employees trained in Barco's Code of Ethics	94%	92%	92%	NA

(1) The reporting period for carbon figures in this report is 2017

(2) Scope 1,2,3 emissions (excl. end-user emissions)

(3) Scope 3 emissions (end-user emissions)

(4) CDP: environmental disclosure: see [www.cdp.net](http://www.cdp.net)



## Our company

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Our technology  
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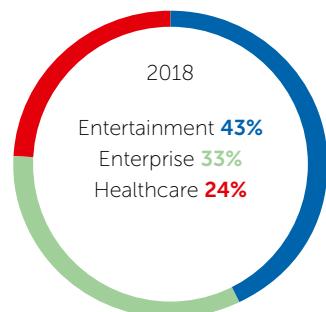




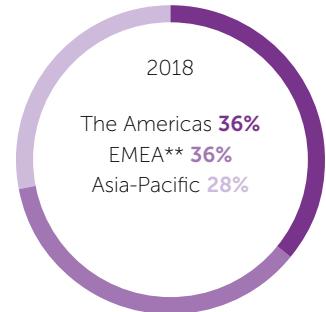
# Company profile

Barco designs technology to enable bright outcomes around the world. Seeing beyond the image, we develop sight, sound, and sharing solutions to help you work together, share insights, and wow audiences. Our focus is on three core markets: Enterprise (from meeting and control rooms to corporate spaces), Healthcare (from the radiology department to the operating room), and Entertainment (from movie theaters to live events and attractions).

## Sales per division



## Geographical breakdown of sales



## Geographical footprint

### AMERICAS

- Brazil
- **Canada**
- Colombia
- Mexico
- **United States**

### EUROPE & MIDDLE EAST

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

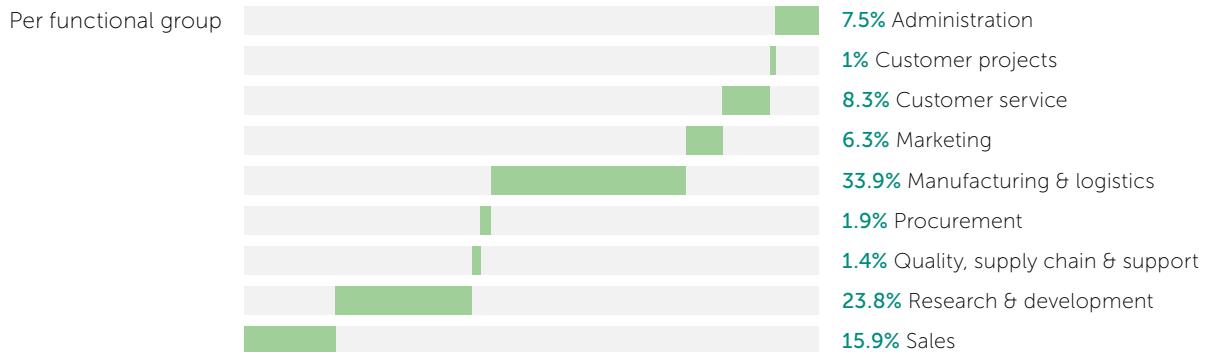
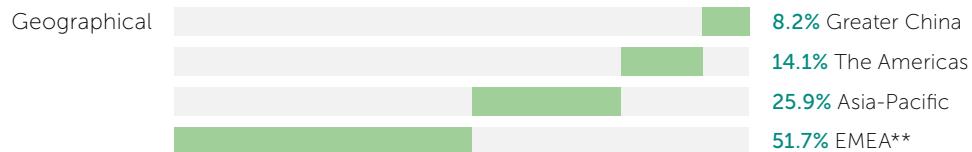
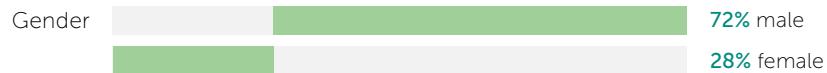
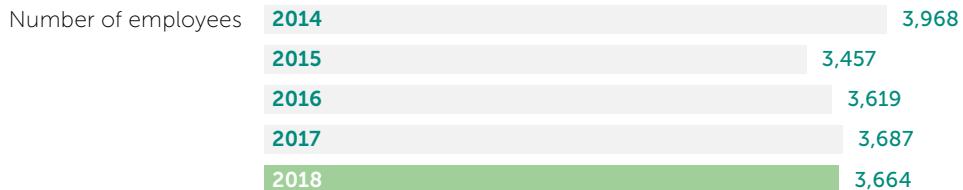
### ASIA-PACIFIC

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

○ Sites

● **R&D and/or manufacturing facilities**

## Employees



Reported in heads, excluding temporary workforce  
(Database Corporate Associates per 31/12/2018)  
\*\*EMEA: Europe & Middle East & Africa

# Our technology

In today's fast-paced, digital world, innovation and agility are more important than ever. Building on decades of experience and expertise in imaging, Barco keeps investing generously in R&D in order to fuel the innovation pipeline and consolidate its market position. In recent years, we are steadily evolving from being a tech 'specs' vendor to a partner that delivers outcomes. To achieve that aim, we increasingly complement our market-leading hardware solutions with software and services. We are currently strengthening our capabilities in these fields.

## 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.

## Connectivity platforms

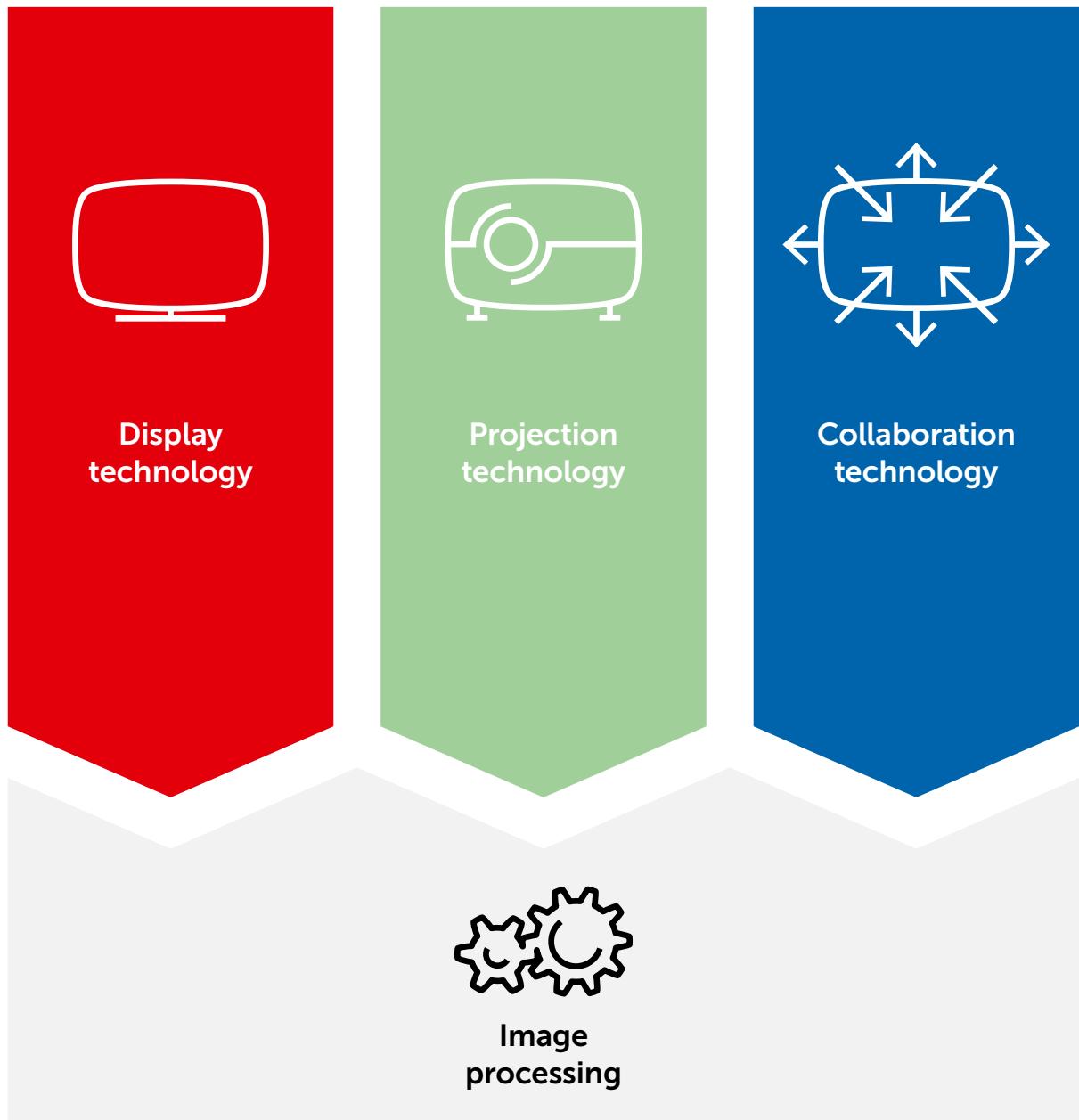
We bring to market a **suite of software-enabled systems**, including networking and cloud-based capabilities. Result? All-round connectivity for uninterrupted, shared, and mobile access to data, anytime, anywhere.

## 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.

## 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 activities

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Enterprise  
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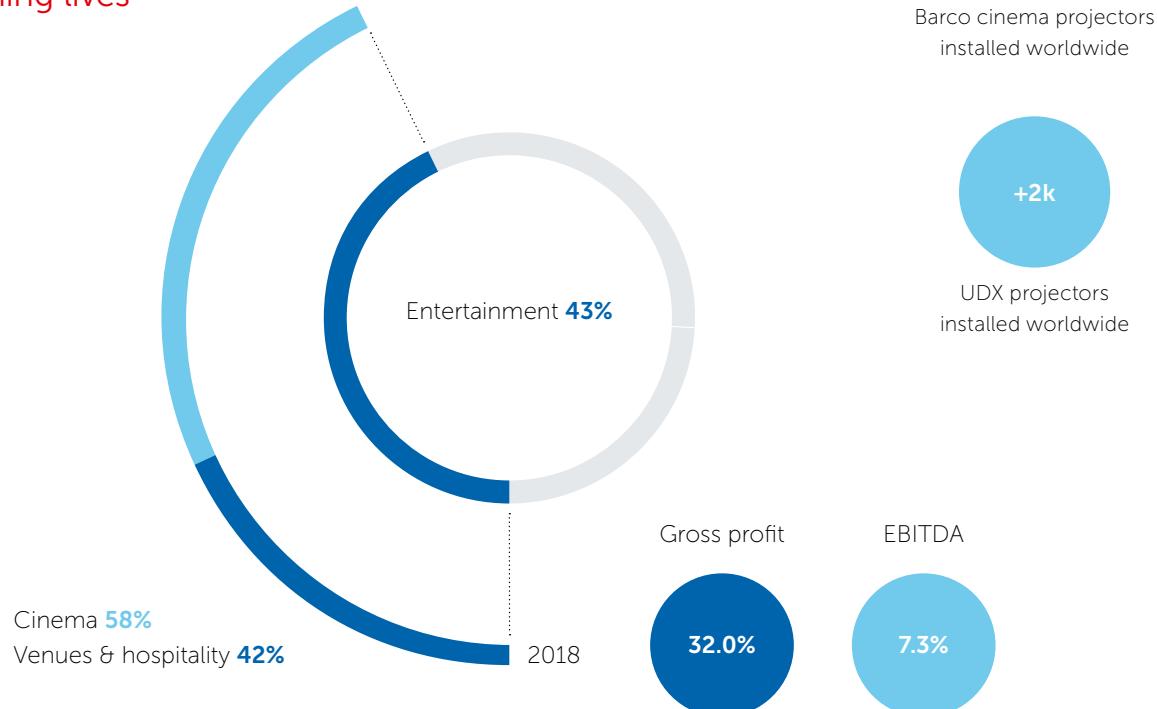
Healthcare  
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# Entertainment

Creating moments,  
enriching lives



Whether in cinemas, concert halls or museums; at theme parks, music festivals or corporate events: Barco's entertainment solutions are designed to turn heads and create compelling moments. By providing our customers with the most advanced

projectors, LED displays and image processing solutions, we help them capture fans rather than audiences. Our increasing focus on convenience and services further helps them build that fan base and grow their businesses.

## AN INTERVIEW WITH NICOLAS VANDEN ABEELE

### 2018 made us stronger to help us thrive in the years ahead

Nicolas Vanden Abeele came aboard Barco's entertainment division at the end of 2017. In his first interview, he promised to grow the division's top line and strengthen its strategy. Did his team make progress on these fronts?

#### How was your first year at the head of the entertainment division?

I'm happy about our achievements. In our ProAV and events business, for instance, we sharpened our go-to-market strategy and made good portfolio choices (for projectors as well as for image processing solutions). That led to good uptake in target markets such as theme parks and museums and in selected geographies such as China. With over 2,000 units sold, our award-winning UDX platform is our star in that market.



By sharpening our go-to-market strategy and making portfolio choices, we are back to growth in ProAv and events.

**Nicolas Vanden Abeele**  
General Manager  
Entertainment



## AN INTERVIEW WITH NICOLAS VANDEN ABEELE

### **Cinema remains your largest business. 2018 was a year of change in this sector, wasn't it?**

Absolutely. In order to future-proof our cinema business, we consolidated our sales and services in the Cinionic joint venture. Over the past year, Cinionic forged bonds with the cinema world and signed the first contracts. We're all geared up now for the upcoming replacement wave in cinema. In China, however, business is tougher. Our market share rose slightly, but as the market for large cinema screens is saturated, we couldn't repeat the staggering growth of the past few years. Our partner China Film Group is better positioned to meet the needs of the shifting market there. That's why we decided to become a minority shareholder (49%).

### **What are your plans for cinema in 2019 and beyond?**

Now that we have the right foundations in place, we want to keep leading the pack, i.e. by offering the widest portfolio

and best-in-class technology, and by remaining a market and a thought leader. To reach that aim, we are, for example, prepping ourselves for the uptake of laser RGB – which is becoming ever more affordable –, we are exploring the possibilities of light steering technology and LED and we are launching new business concepts like our retrofit projectors and the premium CGS cinema format.

### **And in the ProAV and events business, how do you want to sustain growth there?**

We'll continue down our chosen path. By targeting specific market domains, we want to foster proximity to our customers and partners. As for technology, we will launch some new solutions in the near future, like new UDX projector models and a new platform for simulation. Laser and LED will be our technology foci as we go forward. We even plan to leverage our laser expertise to develop solutions for adjacent markets.

Internally, we will further optimize our R&D and manufacturing sites to enhance our topline performance and we will strengthen our sales, R&D and manufacturing capabilities in China. All that will help us to enable even brighter outcomes in 2019.

In cinema, we want to keep leading the pack on all fronts – from market coverage to technology.

**Nicolas Vanden Abeele**  
General Manager  
Entertainment





## ENTERTAINMENT HIGHLIGHT

**'Utterly fascinating!'**

Experience is the code word in the entertainment business today. In France, Culturespaces Fondation is on a mission to create unforgettable art and music experiences. In Les Baux-de-Provence and in Paris, they bring the paintings of renowned artists to life to the sound of rhythmic music in, respectively, a former underground quarry and an old foundry.

More than getting raving online reviews – 'utterly fascinating!', 'stunning!', 'amazing!' –, the art center in Les-Baux-de-Provence even won a 2018 THEA award – the Oscar of the theme park industry! One of the keys to their success? Barco laser projectors! By projecting razor-sharp images in high contrast, they depict the artwork in the most lifelike way possible.



## SUSTAINABILITY IN ENTERTAINMENT

**How did the entertainment division embed sustainability into its operations in 2018?**

- Our laser projectors **cut energy consumption** by at least 50% and eliminate lamp swaps.
- Every new Barco entertainment solution is assessed from a sustainability point of view and should have an **A eco-performance score**.

CINIONIC



# All geared up to deliver wow experiences

In 2018, Barco took a bold step to strengthen the cinema of the future: we moved our cinema-related sales, marketing and services activities to Cinionic\*. Why this change? How does Cinionic want to lead the pack? And what does the future hold? We asked CEO Wim Buyens, who had been at the helm of Barco's cinema division since November 2007.

## Why did Barco make this bold move?

"We understood that the cinema market is changing rapidly. As the switch from 35mm to digital, which was subsidized by studios through Virtual Print Fees (VPF), has come full circle, the next ten years will look completely different. These days, people want wow experiences. Technology will help exhibitors to deliver these experiences. However, this second wave in cinema drives the need for new business models that provide exhibitors with financial flexibility. So, while Barco had

been delivering leading digital cinema projectors for over a decade, we knew we had to expand that product offering with more solutions and services."

## What makes Cinionic stand out in the cinema market?

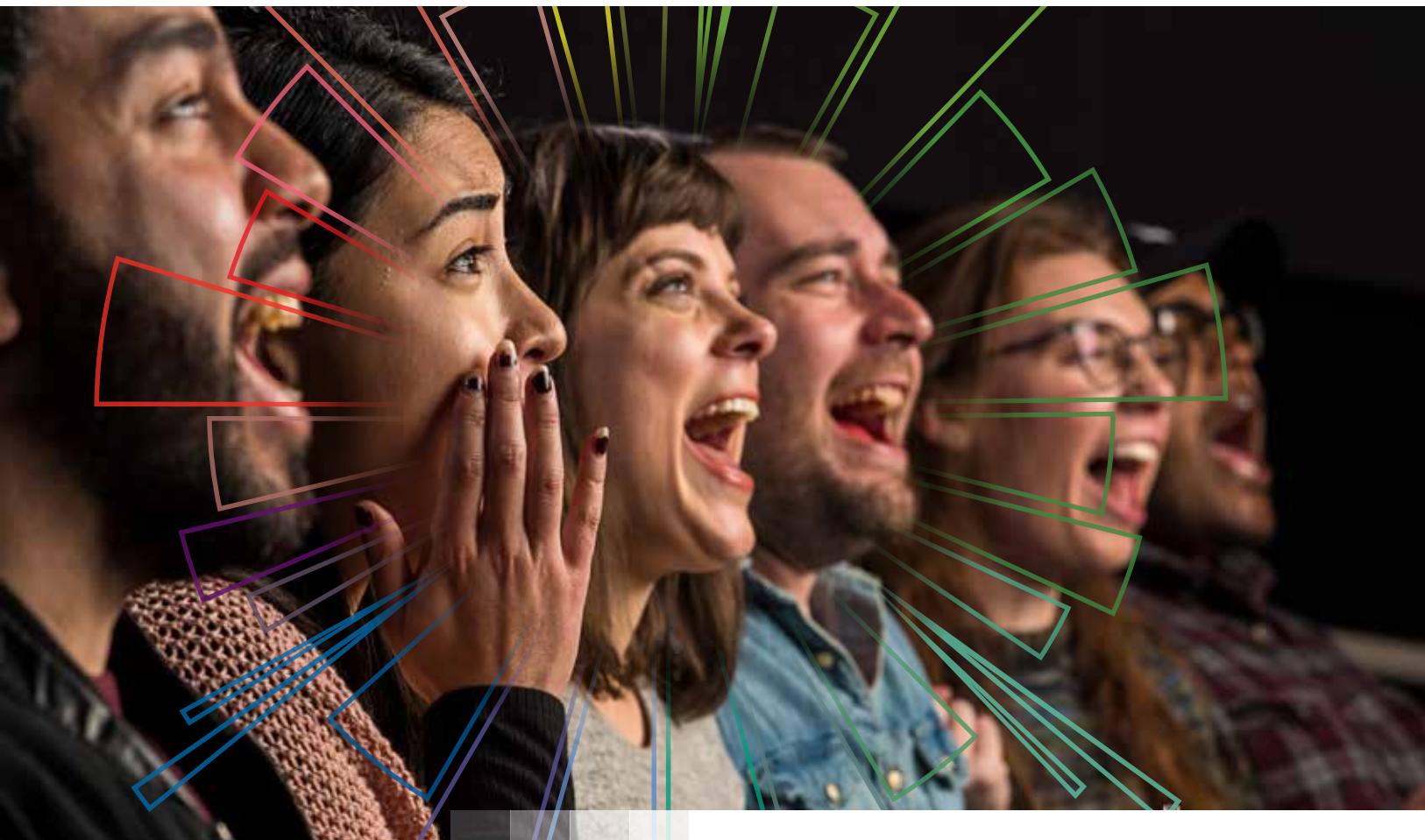
"Firstly, we offer an exceptionally broad range of high-quality, laser-illuminated projectors. Whether exhibitors want technology for their new, small cinemas in rural areas, to replace their existing digital cinema equipment or to offer premium experiences: we've got them all covered. What's more, we can combine that innovative technology with unique service models that ensure peace of mind: by offering warranty programs, preventative maintenance or remote monitoring of projector solutions we help guarantee uninterrupted, high-quality shows at all times. And to make all that affordable, we provide flexible financing options, too."



Cinionic offers the top technology and the comprehensive services exhibitors need to deliver the 'wow' experiences that their audiences expect.

**Wim Buyens**  
Cinionic CEO

\* Cinionic is Barco's strategic joint venture with China Film Co. Ltd, Appotronics and CITICPE for the global cinema market excluding mainland China.



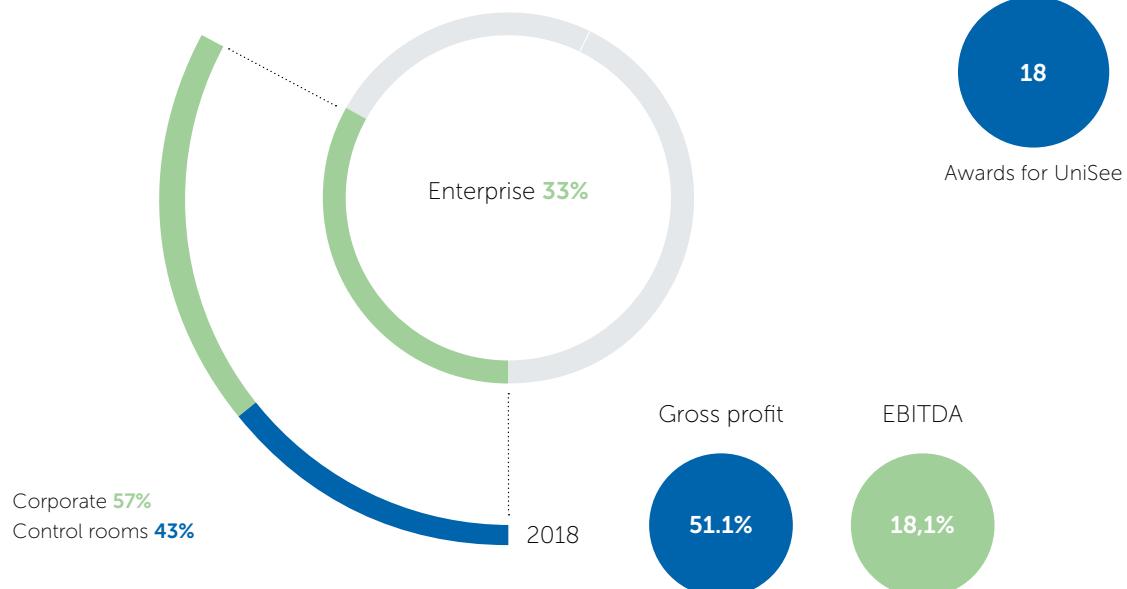
**Looking into the future:  
where will Cinionic be five years from now?**

"The future looks promising. Millions of people in Asia, the Middle East and Latin America haven't had the chance to enjoy cinema experiences yet. So, there is still ample room for growth. Simply installing new screens, however, is no longer enough: moviegoers expect their visits to the cinema

to be truly exciting. Cinionic is a trusted partner for exhibitors who are looking for the combination of top technology and comprehensive services that they need to deliver the 'wow' experiences that their audiences expect."

# Enterprise

Engaging you to unleash  
the power of shared knowledge



Every Barco enterprise solution is designed to help people collaborate better together by ensuring engaging experiences. From our large video walls, which provide operators with a crystal-clear overview, our ClickShare presentation system, which

enables meeting participants to easily share ideas, and our classroom solutions, all the way to our new software solutions: they all help people unleash the power of shared knowledge – for brighter ideas and, ultimately, better results.

## AN INTERVIEW WITH GEORGE STROMEYER

### We are extremely ambitious about where we can go

In 2018, George Stromeier and his team managed to start showing measurable turnaround results for Control Rooms while continuing to supercharge growth for the meeting room experience activities. Looking back, George is pleased to see that the enterprise division is more healthy, growing and ready for more

**Your mission is to deliver experiences that enable, engage and inspire. What were the 2018 highlights in that field?**

ClickShare remains a winner, and UniSee starts delivering on its promises. Demand is brisk and the LCD platform has been showered with awards. Everyone loves it for its ease-of-use and integrated approach. We like how it opens doors to new markets, like broadcasting, experience centers, museums, etc. The biggest challenge now is to scale production up.



UniSee has been showered with awards. Everyone loves it for its integrated approach. We like how it opens doors to new markets.

**George Stromeier**  
General Manager  
Enterprise



## AN INTERVIEW WITH GEORGE STROMEYER

### Is ClickShare still unbeaten?

ClickShare delivered a strong double-digit growth without us launching any major novelties – just steadily increasing the current experience. Competition is on the rise, though, but that helps us keep raising the bar. We've got many exciting things in store for 2019. The market is looking for ways to adapt rooms to UCC – unified communication and collaboration. That's no easy transition, but we're working on that.



We have customer journey experts on the team now, who will help us wrap a perfect journey around our technologies.

**George Stromeyer**  
General Manager  
Enterprise

### How about weConnect, your very first SaaS-based learning platform. Does it meet expectations?

weConnect is another proof point of our increasing focus on the experience. While we are still exploring the best scale and go-to-market models, market interest is vivid, and we won some large new contracts with very reputable institutions - such as the University of Northampton. Several of these have also deployed Overture, our second SaaS solution, to remotely manage the AV devices in their classrooms and meeting spaces.

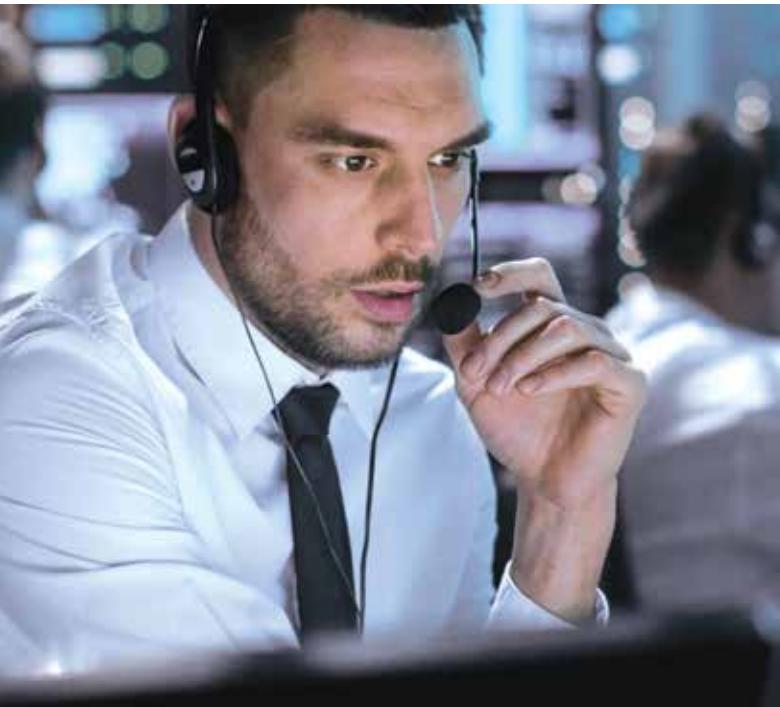
### So, you are well on your way to becoming a hardware + software + services business?

Indeed, we increasingly complement hardware with software-enhanced applications and remote monitoring, diagnostics and analytics functionalities. In this way, we can add tremendous value, i.e. help our clients optimize workflows – and, again, the experience – to drive productivity. A key lever for this is adding connectivity to our new products.

We have taken the first steps in that respect, but there is much more to come. To understand how to create sustainable value, we mapped our customer and partner journeys in 2018. We have customer journey experts on the team now, who help us wrap a perfect customer and partner journey around our technologies.

### Where do you see the enterprise division in five years?

We have worked hard on our foundations in recent years: besides identifying our purpose and implementing our strategy, we fine-tuned and extended our product portfolio, cut costs, went agile, reinforced sales, became more sophisticated in our marketing, etc. I believe we are now ready to really leverage the world of digital, cloud, IoT, AI, etc. to provide the enterprise market with more engaging collaboration experiences. We are extremely ambitious about where we can go.

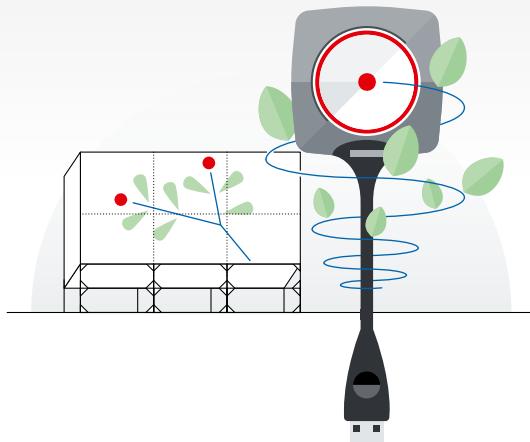


## ENTERPRISE HIGHLIGHT

### Critical decision-making in changing times

In today's digital, data-driven era, technology gives decision-makers real-time visibility into insights that they never accessed or analyzed before. Yet the sheer volume of data available makes decision-making more difficult than ever. "Information must be augmented with deep insights, from the most diverse sources, and presented visually," says Suchit Rout, director strategic marketing at Barco. "The capability to quickly share information to whatever system – i.e. connectivity and interoperability – is key too."

That's why Barco is constantly innovating its offering with hardware, software and services that support collaborative critical decision-making everywhere – from control rooms, breakout rooms and other meeting rooms to the field.



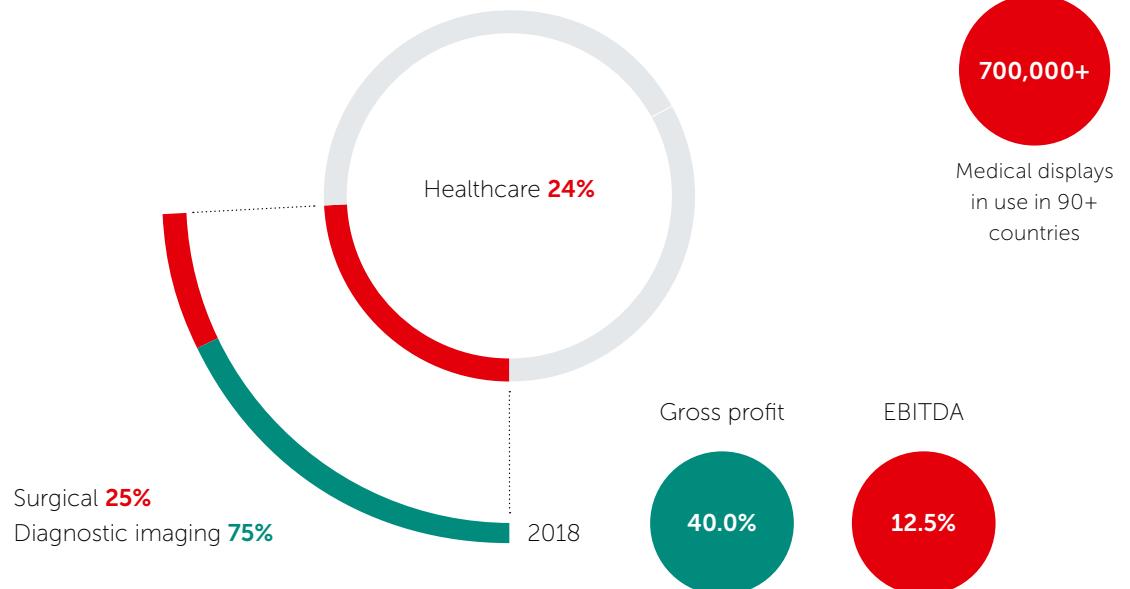
## SUSTAINABILITY IN ENTERPRISE

### How did the enterprise division embed sustainability into its operations in 2018?

- Our rear-projection cube (RPC) upgrade program encourages customers to **reduce energy consumption and minimize waste**.
- We've improved the **eco-score** of the ClickShare Button and our ClickShare trade-in program boosts **responsible recycling** of older products.

# Healthcare

Enable better healthcare outcomes  
for more people



Barco co-creates technology solutions for integrated care. From the imaging room and the radiology department to specialist consultations and the surgical suite: we connect healthcare professionals at every patient touchpoint. Clinicians rely on our medical imaging solutions to deliver the complete

picture they need 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.



## AN INTERVIEW WITH FILIP PINTELON

### We made the shift to being a real healthcare company

How does Filip Pintelon, general manager of Barco's healthcare division, look back on 2018? "2018 took us an important step closer to our mission: Barco is no longer a display manufacturer but a company that helps solve healthcare issues," he says. We challenged him to prove his point.

#### What were the highlights of 2018 for the healthcare division?

One of the milestones was the step up of our surgical business with the upgrade to Nexxis 2.0. Surgeons confirm that the new release of our digital OR solution responds perfectly to their needs: it's a powerful and stable, robust platform that simplifies their workflows. Sales have picked up and contracts with big-name partners like Brainlab and Canon Medical Systems further testify to the success.



Surgeons confirm that the new Nexxis responds perfectly to their needs: it's a powerful, yet stable, robust platform that simplifies their workflows.

**Filip Pintelon**  
General Manager  
Healthcare



## AN INTERVIEW WITH FILIP PINTELON

### In 2017, you also promised to boost business in China.

#### Did that work out?

We wrote an exciting new chapter in our China story. Our sales team grew from 5 to 40 people, who now help reinforce our bonds with Chinese hospitals. In addition, we strengthened our local R&D team and opened a new plant for the manufacture of customized displays and modality solutions. We're well-equipped to further drive sales there.

### How did the modality and diagnostic business fare?

2018 was not easy for our modality activities, as prices are under pressure in the conventional markets. We are now teaming up with customers in growth markets, like robotics, where we can add real value. As for diagnostics: while that market is mature, we are still recording growth. Our strategy to stick to high-level solutions really helps in that respect. Uniti, for example, remains unique for its all-in-one approach.



Co-creation and the broader view of healthcare are key to our future. Barco is no longer a display manufacturer but a company that helps solve healthcare issues.

**Filip Pintelon**  
General Manager  
Healthcare

### Does 'adding value' imply that you'll be complementing hardware with software and services?

Even small hospitals choose Barco because they love our services, such as MediCal QAWeb for quality assurance. As the need for compliance rises, that tool becomes ever more vital, so we'll launch an update soon. Another well-appreciated service is our extended warranty offering. Yet, our incubators are the ones that really took software and services to the next level in 2018. The Demetra platform that dermatologists are currently testing, and which recently obtained CE-marking, combines hardware and software – even artificial intelligence – to revolutionize dermatological exams.

### Is that the way forward?

We'll keep focusing on raising efficiencies, of course, through value engineering and commercial excellence. But co-creation and the broader view of healthcare are key to our future. Barco is no longer a display manufacturer but a company that helps solve healthcare issues. So, 2018 has truly brought us a decisive step closer to our mission of delivering better healthcare outcomes for as many people as possible.

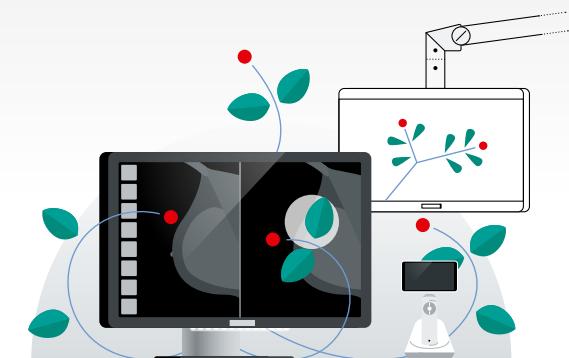


## HEALTHCARE HIGHLIGHT

### Image guiding is the future

In line with its zeal for innovation, Barco works closely together with healthcare institutes as well as the academic world. One of our partners is the Orsi Academy, a unique center for surgical innovation and expertise in minimal invasive surgery. "Surgical operations are becoming less invasive," says Professor Mottrie, co-founder of the Academy. "Hence the growing importance of robots. Image guiding is key in this process."

For Barco, the Orsi Academy is an ideal forum for demonstrating and testing new technologies. The Academy uses our Nexxis OR-over-IP platform, as it delivers the high-quality image and transmission speed needed for image-guided surgery. In addition, we currently showcase 3D screens that do not require special glasses – a solution that greatly interests manufacturers of operation-assisting robots.



## SUSTAINABILITY IN HEALTHCARE

### How did the entertainment division embed sustainability into its operations in 2018?

- To reduce the CO<sub>2</sub> footprint of transport, we shipped all our healthcare products from our Belgian manufacturing plant to the US by sea.
- Since 2018, every **component** used in our healthcare solutions has to **meet 20 'green' criteria**, thus helping us gain eco-labels for our products.



## Our strategy

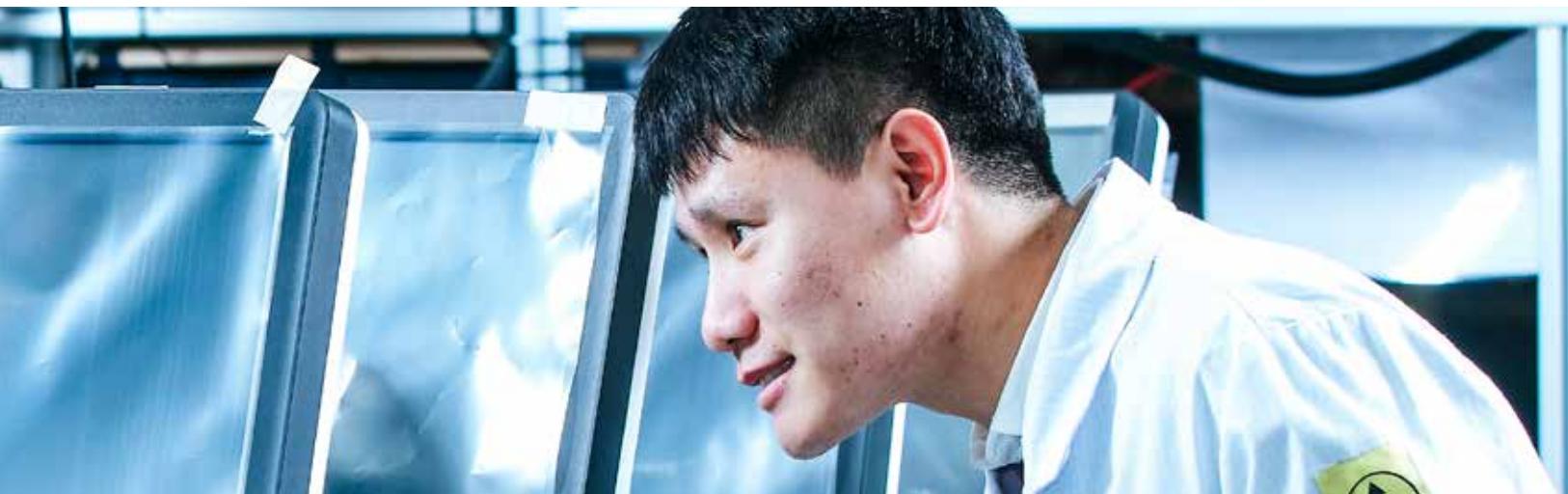
Enabling bright outcomes:  
how do we get there?

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Lead by innovation

[Page A/38](#)





Focus to perform

[Page A/40](#)

Outcome-based solutions

[Page A/42](#)

Go for sustainable impact

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# Enabling bright outcomes: how do we get there?

Barco is on a mission to 'enable bright outcomes' by transforming content into insight and emotion. We know that we need a robust strategy to make this a reality. The company strategy that we introduced in 2017 is built around four strategic priorities. Together, they form the Barco DNA, which will guide us on our path toward continuing success:

## 1. Lead by innovation



As a technology leader, we've always had an exceptional zeal for innovation. Yet more than developing innovative solutions, we also think outside the box about the way we work and do business.

## 2. Focus on performance



To lead the way in changing times, we unceasingly focus on performance: we work hard to drive efficiency and agility, strengthen our commercial capabilities, ensure to redeploy our cost savings to drive investment effectiveness, and apply 'value-focused thinking' in everything we do.

## 3. Offer outcome-based solutions



We want to provide our customers with outcome-based solutions instead of just products. That implies a step-change in the way we work: we have to evolve from a tech 'specs' vendor into a partner that delivers outcomes through hardware, software and services.

## 4. Go for sustainable impact



When executing our strategy, we want to work with respect for our planet, our colleagues and the communities we operate in. Year after year, we accelerate our sustainability efforts in these three domains: planet, people and communities.

It is only by intertwining innovation, a focus on performance and the commitment to deliver tangible outcomes that we will unlock the full potential of Barco as a company!

Lead by

**INNOVATION**

Focus to

**PERFORM**

Offer

**OUTCOME-BASED  
SOLUTIONS**

Go for

**SUSTAINABLE  
IMPACT**

# 1. Lead by innovation

Innovation has been the lifeblood of Barco for over 85 years. Conceiving, designing and developing new technology: that's what we do. To keep fueling innovation, **we invest heavily in R&D**. However, we are reviewing and broadening our innovation focus: innovation at Barco is **innovation that matters**, i.e. that adds value for our customers, and is about **more than launching innovative products**. By sharpening our innovation processes, we want to raise the **return on our innovation investments**.



Action points	Proof points in 2018
Continuing to invest in R&D	 <ul style="list-style-type: none"> <li>In 2018, we spent <b>+11% of our sales on R&amp;D</b> – far more than most of our peers.</li> </ul>
Innovation at Barco is innovation that matters	 <ul style="list-style-type: none"> <li>The new Nexxis digital OR solution is <b>powerful yet stable - to meet surgeons' needs</b>.</li> <li>New projector platforms based on laser and light steering capabilities meet the requirements of the entertainment market: <b>more brightness and light output</b>.</li> <li>UniSee wins 18 awards for ensuring an <b>outstanding viewing experience</b> and <b>peace of mind</b>.</li> <li><b>New business models:</b> weConnect and Demetra are offered as SaaS solutions.</li> </ul>
Innovation is more than introducing new products	 <ul style="list-style-type: none"> <li><b>New business models:</b> weConnect and Demetra are offered as SaaS solutions. Cinionic is launched as big business innovation play.</li> <li><b>Adjacent markets:</b> weConnect targets education, Demetra was developed for dermatologists. ClickShare opened up the meeting room market for Barco and develops as a market with important channel building.</li> </ul>
Raising the return on our innovation investments by enhancing processes and organization	 <ul style="list-style-type: none"> <li><b>Realigning our organization around software capabilities and product management.</b> All our software development departments are grouped into one global software development structure.</li> <li><b>New CTO:</b> Gerwin Damberg (effective 1 April 2019)</li> </ul>



## UniSee: a revolution in the LCD video wall market

UniSee, the LCD video wall system that we launched in October 2017, is a perfect example of innovation in all its aspects. When developing UniSee, our R&D colleagues took a step back, evaluated the pain points of existing solutions and reinvented the concept from the ground up. Their efforts led to the most game-changing, large-scale modular LCD visualization platform to hit control rooms in decades. It combines a high-quality, uninterrupted viewing experience with peace of mind. On top of that, it helps Barco strengthen ties with its users.

UniSee is showered with awards and demand is brisk. Everyone loves it for its ease-of-use and integrated approach.

**George Stromeyer**  
General Manager  
Enterprise

### The market loves UniSee

Demand for UniSee is brisk and the system keeps winning awards. "Everyone praises its ease-of-use and integrated approach. We like how it also opens doors to new markets, like broadcasting, experience centers, museums, etc.," said George Stromeyer, General Manager of our enterprise division.



## 2. Focus on performance

Bold innovation is no longer enough to remain a market leader in today's changing world. To ensure sustainable profitable growth – and our future success – Barco has instilled a culture of performance. Our focus on performance implies that we have to **make high-impact choices**. It also means that we have to run our business differently. More than boosting our margins, a rigid focus on **(cost-) efficiencies** and operational and **commercial excellence** will help us become a truly resilient company that innovates quickly and responds rapidly to market changes.



Action points	Proof points in 2018
Making choices: streamline our business portfolio	<ul style="list-style-type: none"> <li>Stopped Escape multi-screen cinema format.</li> <li>Sale of X2O Media.</li> </ul>
Focusing on R&D and operational efficiency	<ul style="list-style-type: none"> <li>Accelerated value engineering initiatives across the group led to gross profit margin growth in 2017 and 2018.</li> <li><b>Factory for the future:</b> opening of new factory that centralizes manufacturing, where we gradually introduce new technologies to boost efficiencies.</li> <li>Manufacturing activities in Fredrikstad (Norway) are relocated and transition to new factory in Kortrijk.</li> <li>"Fit to lead" program initiated to boost redeployment and operational efficiency.</li> </ul>
Commercial excellence	<ul style="list-style-type: none"> <li><b>Go-to-market:</b> Tier 2 channel innovation and marketing: Build true marketing lead development mechanisms.</li> <li>Expansion of our commercial teams, sales channels and partners <b>in China</b>.</li> <li>Cinionic strengthens our <b>commercial capabilities in the cinema market</b>.</li> </ul>
Bringing EBITDA-margin in range of 12 to 14% of sales	<ul style="list-style-type: none"> <li>Since introducing the 'Focus to Perform' program in 2016, Barco has <b>expanded the EBITDA margin from 8% to 12%</b> in 2018.</li> </ul>



## Factory for the future: a key step towards enhanced performance

By **optimizing our manufacturing footprint**, we can capture economies of scale and raise efficiencies. We made big strides forward in that field in 2018, by opening 'The Engine' – our manufacturing hub at the One Campus site in Kortrijk (Belgium). In April 2018, The Engine welcomed 250 colleagues from our former plant in Kuurne. Manufacturing activities from Fredrikstad (Norway) are being relocated to The Engine as well.

The Engine is a true 'Factory for the Future', where we gradually integrate new technologies and introduce new ways of working.

**Jan De Witte**  
Barco CEO

### Raise productivity, quality and agility

The Engine is a true 'Factory for the Future', where we gradually integrate new technologies and introduce new ways of working: from automation, growing integration and connectivity through to innovative process design. By working smarter, we will be able to raise productivity, product quality and sustainability. Flexibility will increase, too, as we start using multi-product lines.



# 3. Deliver outcome-based solutions

In today's digital world, customers increasingly demand ultimate peace of mind. To meet that need, businesses move from selling products to selling outcome-based solutions. Barco is gradually making that shift too. Traditionally a tech 'specs' vendor, we are now **strengthening our capabilities and organization** to combine hardware with software and services. Doing so will be a multi-year journey, but as our technology is mission-critical, the potential is huge. More than making our customers happier – and more loyal – outcome-based solutions will also help us achieve predictable, recurring revenues.



Action points	Proof points in 2018
Strengthening capabilities and organization	<p></p> <ul style="list-style-type: none"> <li>• 'Fit to lead' program introduced to <b>realign our organization</b> around services and product management.</li> <li>• Kick-off of <b>software organization</b> in India.</li> <li>• <b>ISO27001</b>: Barco implemented an Information Security Management System and received official certification in 2018.</li> <li>• Cinionic <b>laser retrofit</b> offering now available in the market</li> <li>• The <b>Digital Engagement Platform</b> has been put in place as a key enabler of SaaS offerings</li> </ul>
Exploring and launching outcome-based solutions, in new business models	<p></p> <ul style="list-style-type: none"> <li>• A growing number of solutions are now offered and/or supported through <b>subscription-based services</b> such as: <ul style="list-style-type: none"> <li>- WeConnect</li> <li>- Overture</li> <li>- UniSee</li> <li>- Demetra (launched in 2018 as a pilot with its SaaS capabilities to be activated as of 2019)</li> </ul> </li> <li>• Entertainment division offers NOC (Network operations center) services for the <b>remote monitoring</b> of digital cinema projectors.</li> </ul>



## Digital Engagement Platform: a key enabler for SaaS offerings

Over the past years, Barco's enterprise division launched new offerings that perfectly illustrate our commitment to **providing outcome-based solutions**. The key system capability supporting these new offerings is our Digital Engagement Platform. As we are launching new SaaS-based solutions, the Digital Engagement Platform enables subscription, registration and license management towards customers and partners. We currently offer weConnect, our learning platform, and the Overture AV management solution via the Digital Engagement Platform. Demetra, our brand-new solution for skin imaging, will also be offered as a service.

Demetra, our brand-new solution for skin imaging, will be offered as a service – so there are no financial risks or big investments.

### SaaS is a real win-win

The SaaS concept is a real win-win. Customers get access to weConnect, Overture and Demetra by paying a monthly fee, which includes access to new features, dedicated support and regular updates of both software and hardware – without any financial risks or big investments. For Barco, the SaaS concept lowers the threshold to its solutions, fosters long-term partnerships with customers and ensures recurring revenues.

# 4. Go for sustainable impact

When deciding how to execute our strategy, we seek to work with respect for our planet, our people and the community we operate in. Our commitment to 'go for sustainable impact' is now part of Barco's corporate DNA. To support this quest, we drafted a sustainability strategy. Now that our ambitions and targets have been defined, we are **strengthening our organization** to instill a true culture of sustainability and **stepping up our sustainability performance** in the domains of planet, people and communities.



Action points	Proof points in 2018
Strengthening governance and organization	 <ul style="list-style-type: none"> <li><b>Hired a new sustainability manager</b>, An Saveyn, to make sure we commit to our sustainability agenda.</li> <li><b>Sustainability ambassadors and work stream leaders</b>. (by functional and divisional domain) to foster employee engagement and accountability.</li> </ul>
Sustainability strategy	 <ul style="list-style-type: none"> <li><b>Defined sustainability targets</b> for different domains.</li> <li>Sustainable impact plan with clear definition of <b>material</b> topics, articulation of <b>objectives</b> in the planet and community domains.</li> <li><b>Communication</b> around strategy in the Barco organization.</li> </ul>
Improving sustainability performance in the domains of planet, people and communities	 <ul style="list-style-type: none"> <li>'B'-score in the Carbon Disclosure Project and <b>silver</b> in the Eco-vadis-assessment.</li> <li><b>Operational footprint -12%</b> compared to baseline-year 2015.</li> <li><b>Energy footprint of products -18%</b> compared to baseline-year 2015.</li> <li>94% of people followed the <b>Code of Ethics</b> training.</li> </ul>



## Our journey towards greener logistics

The major source of greenhouse gas emissions from Barco's operations is related to logistics, i.e. the transport of incoming goods and outgoing finished products. Over the past few years, we are working hard to optimize transport worldwide. By shifting from long-haul air transport to sea cargo transport, we have substantially slashed logistics-related carbon emissions: CO<sub>2</sub> emissions dropped by 18% between 2015-2017 – that is even better than the -17% target that we had set ourselves for 2020.

By shifting from long-haul air transport to sea cargo transport, CO<sub>2</sub> emissions dropped by 18% between 2015-2017.

### Design and packaging with sustainability in mind

More than changing transport modes, we also keep in mind the importance of smaller/lighter packaging, in order to reduce the volume/weight of high-running appliances. In 2017, we for example redesigned the flightcase of our projector engines. Last but not least, more and more new Barco products are built on an existing platform. As that implies that only the last customization has to be done in a local warehouse, we are able to ship bigger volumes more upfront to overseas destinations by sea.





# Governance

Corporate governance  
statement

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Board of Directors &  
Core Leadership Team

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Annual General Meeting

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Activity report & Evaluation of  
the Board and its Committees  
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Remuneration report  
[Page A/67](#)

Policies of conduct  
[Page A/74](#)



## Declaration regarding the information given in the Annual Report 2018

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 the Corporate Governance Code as follows:

Art. 8.4:

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.

Appendix D, art. 5.3/1 & Appendix E, art. 5.4/1  
The Remuneration and Nomination Committee does not have a majority of independent directors.

Barco's Corporate Governance Charter is available for download at

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

## Board of Directors



### **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.



### **Jan De Witte (\*1964)**

is CEO of Barco as of September 2016. 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 17-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.

**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 Telecolumbus AG, as non-executive director of KBC Group NV and as independent director of Elia System Operator NV. Frank Donck holds a Master of Law from the University of Ghent and he obtained a Master of Finance from Vlerick Business School. He started his career as investment manager for Investco NV and was a board member for several listed and privately owned companies. Mr. Donck was Chairman of Telenet Group Holding NV. He is also vice-chairman of Vlerick Business School and is a member of Belgium's Corporate Governance Commission.

**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)**

holds a PhD in law. 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 is a member of the Belgian Corporate Governance Committee and served as a member of the supervisory board of the F S M A (formerly C B F A) until 2014.



#### **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 Mateco. He served on the boards of LMS, Vandemoortele and Bank Degroof and Corelio. 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 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.

**An Steegen (\*1971)**

holds a Ph.D in Material Science and Electrical Engineering from the Catholic University of Leuven, KUL, in collaboration with the Interuniversity Microelectronics Center, IMEC, in Belgium.

She joined IBM Semiconductor R&D in Fishkill, New York, in 2000, as director of the CMOS Technology Development division. In 2010, she rejoined IMEC, in Belgium as Executive Vice President for Semiconductor Technology & Systems. Dr. Steegen is a recognized leader in semiconductor R&D and an acclaimed and inspiring thought leader in innovation in the IoT and digitalization era. Recently, Dr. An Steegen joined Umicore as Chief Technology Officer, responsible for the company's overall innovation strategy and in charge of Umicore's central R&D to support the business units technology leadership in the areas of clean mobility materials, recycling and sustainability.

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**Board of Directors**

Situation on 4 February 2019

Chairman	<b>Charles Beauduin</b>	2020*
Directors	<b>Jan De Witte</b>	2020*
	<b>An Steegen (1)</b>	2020*
	<b>Luc Missorten</b>	2021*
	Adisys Corporation (represented by <b>Ashok K. Jain</b> )	2020*
	<b>Hilde Laga (1)</b>	2021*
	<b>Frank Donck (1)</b>	2020*
Secretary	<b>Kurt Verheggen</b> General Counsel	

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

## Changes

At the general meeting of 26 April 2018, the shareholders reduced the number of Board members from 10 to 7 members. The mandates of Jan Oosterveld, Bruno Hotlhof and Christina Von Wackerbarth have not been renewed. At their meeting, the shareholders reappointed Luc Missorten as director and Hilde Laga as independent director.

The composition of the Board of Directors meets the gender diversity requirement laid down in article 526 quater §2 of the Companies Code.

All directors hold or have held senior positions in leading international companies or organizations. Their biographies can be found on pages A/50-A/53 of this annual report.

## Core Leadership Team

**Jan De Witte**

See biographies of Board of Directors  
(A/58 - A/60)

CEO

**Wim Buyens****CEO - Cinionic**

heads the New Cinema Joint Venture, Cinionic. He has held several senior management positions in high tech companies during the past 15 years. He started his career in IT, later joining the Danish company Brüel & Kjaer where he enjoyed several global senior management positions in sales and product strategy. Mr. Buyens started his career at Barco in November 2007 as Vice President Digital Cinema. He has also been appointed in 2017 as chairman of the board of governors of the Advanced Imaging Society in Hollywood. He has been General Manager of the Barco Entertainment division for 7 years. Mr. Buyens holds a degree in Engineering and obtained his executive management at Stanford University and IMD in Lausanne.

**Xavier Bourgois****Information Technologies**

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



**Ney Corsino**

is the Regional President of the Americas. Prior to this, he managed the International Sales and Sales Operations of Barco. Before joining Barco, he held several management positions at Philips, through various industry segments, in foreign assignments and 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.

**Americas**



**Gerwin Damberg**

joined Barco in 2016 via the acquisition of MTT's Light Steering technology where he was co-founder and served as CTO. Dr. Damberg is an entrepreneur at heart and has advanced image technologies over the last decade both in start-up and established technology companies in R&D, business development and management roles. He holds a mechatronics engineering degree from the University of Applied Sciences in Karlsruhe, Germany as well as a PhD in Computer Science from the University of British Columbia, Canada.

**Chief Technology Officer**



**Olivier Croly**

**APAC**

joined Barco in 2017 as Senior Vice President of APAC. Prior to joining Barco, he held top positions at GE Health-care & Philips, leading businesses across EMEA & Asia. After graduating from the National Telecom Institute with a Master of Telecommunications & Informatics in 1988, Mr. Croly earned an MBA from Paris Dauphine University.

**Ann Desender****Chief Financial Officer**

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. Mrs. Desender holds a Master of Applied Economic Sciences from the University of Ghent and completed an advanced management program at IESE Barcelona.

**Stijn Henderickx****EMEA**

joined Barco in 2013 and held several positions in Barco's Entertainment Division, including Vice President Cinema and Vice President Pro AV, Events & Simulation. As of early 2019, he became Senior Vice President of EMEA.

Prior to joining Barco, Mr. Henderickx led Philips Arena Solutions, Philips' global business entity focused on stadiums and arenas. Earlier in his career, he took on multiple strategy assignments, first at The Boston Consulting Group as Consultant, later on with Philips as Director Corporate Strategy. He holds an MSc in Business Engineering from the University of Antwerp.

**An Dewaele****Chief HR Officer**

is Chief Human Resources Officer. Prior to joining Barco in 2017, she worked for five years as an HR consultant with De Witte & Morel, followed by 20 years with 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.



**Johan Heyman** **Organizational Excellence/’Fit to lead’**  
is Senior Vice President Organizational Excellence. In this role he manages Barco’s transformation program “Fit to Lead” aiming at making Barco a leaner, simpler and more productive organization. He joined the company in 2008 as Vice President Operations & Logistics, managing Barco’s worldwide manufacturing, logistics, quality and procurement teams. Before joining Barco, he held several management positions in the semiconductor industry at Alcatel Microelectronics, AMI Semiconductor and ON Semiconductor.

Mr. Heyman holds a Master of Electronics Engineering from the University of Ghent as well as a post-graduate degree in industrial management from the same university.



**Rob Jonckheere** **Global Operations**  
is Senior Vice President Global Operations managing Barco’s worldwide manufacturing sites as well as the worldwide Logistics, Procurement, Quality and Facilities teams. He joined Barco in April 2016 as VP Global Procurement and brings 30 years of experience across R&D, Program- and General Management.

Prior to joining Barco he held various positions with increasing responsibility at Philips and TP Vision and was chairman of the Board of Directors of TP Vision Belgium. Mr. Jonckheere holds a Master of Science in Electromechanical Engineering from the University of Louvain.



**Chang Tet Jong** **MD Barco China**  
joined Barco China as Senior Vice President and Managing Director on 1 April, 2017 and is a member of Barco’s Core Leadership Team.

He is responsible for leading Barco's organization in the Greater China region. This includes the governance of the different joint ventures and other strategic relationships.

Mr. Chang brings 30 years of experience to Barco across R&D, sales & marketing and general management. He has a diverse professional background in several Asia Pacific countries, notably in China, South East Asia and India. He has also worked in Western Europe and has lived in Brussels for a few years. Prior to his current role, he was the Vice Chairman and General Manager of Sanbei Seed and Head of Corn and Vegetables business at Syngenta. Mr. Chang holds a Master of Science from Oklahoma State University, USA.



#### **Filip Pintelon**

joined Barco 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 of the Healthcare division. Prior to joining Barco, he held top positions at Siemens Simulation & Testing, Accenture and The Boston Consulting Group. After graduating from KU Leuven with a Master of Informatics in 1986, Mr. Pintelon earned an MBA from Vlerick Leuven Gent Management School.

#### **GM Healthcare**



#### **George Stromeyer**

#### **GM Enterprise**

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

Mr. Stromeyer 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, multilingual background, with extensive years living and working in Europe and Latin America. George Stromeyer holds a Bachelor of Science in Mechanical Engineering from Cornell University and a Master of Business Administration from the Tuck School at Dartmouth College.



**Nicolas Vanden Abeele**

**GM Entertainment**

is General Manager of the Entertainment division. He joined Barco in December 2017. Mr. Vanden Abeele has over 20 years of experience in the technology and process industry in global leadership roles across the globe, having been stationed during his career in the Americas, Asia (China/Singapore) and Europe.

Prior to joining Barco, he was a division head and part of the Executive Committee of the Etex Group. From 1997 until 2010, he held several leadership positions in regional and business divisional roles at Alcatel-Lucent. He started his career at Arthur Andersen in management and strategy consulting.

Mr. Vanden Abeele holds a degree in business administration from KU Leuven, and a masters' degree in business from the College of Europe and Solvay School of Management.



**Kurt Verheggen**

**General Counsel**

serves as Company Secretary of the Board. He is the General Counsel of Barco in charge of legal, risk & compliance matters. 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 DEUG en droit from Université du Havre, a Master of Laws from Tulane University Law School in New Orleans and a Master of Real Estate from Antwerp Management School.

## Changes Core Leadership team

Barco NV is managed by a Core Leadership Team ('CLT') which comprises certain key officers from functions, businesses and regions. The CLT operates under the chairmanship of the Chief Executive Officer and shares responsibility for the deployment of Barco's strategy and policies, and the achievement of its objectives and results.

The CLT composition 2019 has gone through the following changes compared to 2018:

- Piet Candeel, Senior VP EMEA will be leaving Barco at the end of the first quarter 2019 and will be succeeded by Stijn Henderickx.
- Johan Heyman, former VP Operations, will take up the role of Program Management Office "fit to lead" and remains member of the CLT. Rob Jonckheere, former VP Global Procurement succeeds Johan as head of Global Operations.
- Gerwin Damberg, who joined Barco with the acquisition of MTT in 2016, has been appointed Chief Technology Officer for Barco.

## Annual General Meeting

The annual general meeting (AGM) is held on the last Thursday of April. Shareholders can either attend the meeting or vote by proxy. Voting is done electronically using an outside vendor's services. The company is open to discussions with proxy voting agencies to better understand their policies and align the company's activities therewith, taking into account its size, profile, jurisdiction as well as the geographical scope of its activities.

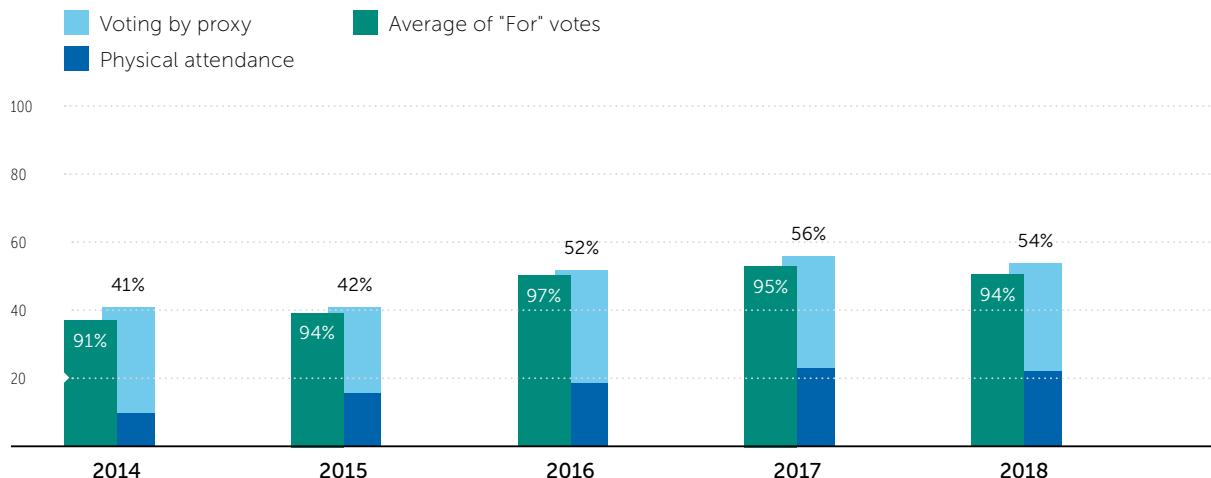
Over the last years, shareholders' participation has gradually increased. More than half of the shareholders participated in the 2018 AGM, of which 41% physically attended the meeting. There was no extra-ordinary meeting held in 2018.

During the AGM, the Chairman clarifies the company's corporate governance policy and submits the remuneration report to the shareholders' vote. On average, the topics on the agenda were adopted with a 94% majority.



Prof. E. Terryn and approximately 50 students from the law faculty of KULAK (University of Leuven, section Kortrijk) attended the AGM as part of the course 'Company Law'.

### Participation rate & Average of "For" votes



## Activity report on Board and Committee meetings

### Board of Directors

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 Board of Directors and Committee meetings in 2018:

**Directors' attendance at Board and Committee meetings**

	BOARD OF DIRECTORS	AUDIT COMMITTEE	REMUNERATION & NOMINATION COMMITTEE	STRATEGIC & TECHNOLOGY COMMITTEE
Charles Beauduin	7		6	4
Jan De Witte	7	5	6	4
Frank Donck <sup>(1)</sup>	7	3		
Bruno Holthof <sup>(1)</sup>	2	2		1
Ashok K. Jain	7			4
Hilde Laga <sup>(1)</sup>	7		6	
Luc Missorten	7	5	6	
Jan P. Oosterveld	2	2		
An Steegen <sup>(1)</sup>	6	3		4
Christina von Wackerbarth	2			

(1) independent directors

In 2018, the Board of Directors met seven times. Given the importance of the company's activities in Asia, in June, the Directors traveled to Taiwan (Taipei) and the People's Republic of China (Wuxi, Suzhou, Beijing). The directors visited the different sites of the company to meet and discuss the current state of affairs as well as future business plans with the local leadership teams. Moreover, the directors were introduced to local technology players, JV partners and suppliers.

Furthermore, 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. At the beginning of the year, upon recommendation by the Audit Committee, the Board approved the financial results of 2017 and proposed the dividend for approval by the shareholders. It also deliberated on the reduction of the number of Directors and the renewal of the director mandates as presented by the Remuneration and Nomination Committee. The Board, in close concert with the Core Leadership Team, 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 2019 financial budget.

The Board closely monitored the implementation of strategic projects such as the set up of Cinonic, the joint venture for cinema with China Film Group, Appotronics and CITIC, or the "Fit to lead" program aimed at reducing the company's indirect expenses. Finally, the Board also attended several demonstrations of new technologies in areas such as digital dermatoscope and HDR lightsteering.

## Board Committees

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

### Audit Committee

The Audit Committee is composed of three members. Luc Missorten, who acts as Chairman, Frank Donck and An Steegen. Frank Donck and An Steegen are independent directors. The Audit Committee's members have relevant expertise in financial, accounting and legal matters as shown in the biographies on pages A/50-A/53.

The Audit Committee met five times during 2018. As the composition of the Audit Committee changed in the course of 2018, the former Audit Committee members still participated in 2 meetings, the new members attended the 3 other meetings. All Audit Committee members were present during the meetings.

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 was submitted to the Board of Directors.

The CEO, the CFO and the VP Corporate finance attended all regular meetings. The Group's internal auditor and the Group's external auditor PwC Bedrijfsrevisoren cvba were present in 3 meetings. One session was attended by the former external auditor (Ernst & Young Bedrijfsrevisoren/Accountants bcvba) who had to rotate off in the course of 2018.

The overview below indicates a number of matters that Barco reviewed and/or discussed in Audit Committee meetings throughout 2018:

- The Company's 2018 annual and interim financial statements, including non-financial information, prior to publication thereof. The Committee also assessed in its quarterly meetings the adequacy and appropriateness of internal control policies and internal audit programs and their findings.
- Matters relating to accounting policies, financial risks and compliance with accounting standards. Compliance with statutory and legal requirements and regulations, particularly in the financial domain, was also reviewed. Important findings, Barco's major areas of risk (including the internal auditor's reporting thereon, as well as the review of litigation and other claims), follow-up actions and appropriate measures were examined thoroughly.
- Each quarter, the Committee reviewed the Company's free cash flow generation and working capital ratios.
- The Committee also monitored the potential goodwill impairment indicators and reviewed the goodwill impairment test performed, risk management (cyber security, legal compliance, currency & treasury instrument, health, safety & environmental, insurance, GDPR and single source supplier risks).
- The Committee reviewed the progress in the implementation of an integrated, company-wide IT platform and the expected benefits.
- With regard to internal audit, the Committee reviewed and, if required, approved the internal audit charter, audit plan, audit scope and its coverage in relation to the scope of the external audit, as well as the staffing, independence and organizational structure of the internal audit function.



- With regard to the external audit, the Committee proposed the appointment of PwC as group auditor to the Board of Directors of February 2018, based on the selection criteria set beforehand by the Committee. Furthermore, the Committee reviewed the proposed audit scope, approach and fees, the independence of the external auditor, non-audit services provided by the external auditor in conformity with Barco's non-audit fee policy, as well as approval of the related policy. The Committee also reviewed the key audit matters, focusing on revenue recognition, valuation of goodwill and valuation of deferred tax assets, as well as the group external auditor's management letter, which contained no recommendations for material adjustments.
- For information on the fees of Group auditor, please refer to note 24 Related party transactions in section C - Financial Statements 2018.
- The impact of newly adopted accounting standards IFRS 9 (financial instruments), IFRS15 (revenue recognition) and IFRS16 (leases), the potential financial impact of IFRIC 23 (Uncertain Tax Positions) applicable as of January 1<sup>st</sup>, 2019 and the proper application of IFRS on costs and provision related to restructuring.

The Committee reviewed the report from the external auditor in which the auditor set forth its findings and attention points during the relevant period. The Committee also assessed the overall performance of the external auditor. The Committee also reviewed and approved its updated Audit Committee Charter, including the minor amendments thereto.

## Remuneration and Nomination Committee

The Board of Directors has combined the Remuneration Committee and the Nomination Committee into a single committee.

The Remuneration & Nomination Committee consists of three directors: Charles Beauduin, who acts as Chairman, Luc Missorten and Hilde Laga.

Mrs. Laga is independent non-executive director. Due to his tenure, Mr. Missorten does no longer meet the independency requirements. In light of the significant reduction of Board members and the replacement of the independent directors in the Audit Committee, the Board of Directors has decided not to change the composition of the Remuneration and Nomination Committee yet to ensure a smooth transition in the different Committees.

The Committee has the necessary expertise to perform its mission.

The Remuneration and Nomination Committee fulfills the mission imposed on it by law and meets at least three times per year, as well as whenever the Committee needs to address imminent topics within the scope of its responsibilities. The CEO is invited to meetings, except for matters that concern him personally. The meetings are prepared by the Chief HR Officer, who attends the meetings.

The Committee gives its opinion on appointments to the Board of Directors (Chairman, new members, renewals and committees) and to Core Leadership Team positions. Other topics for the agenda of the committee typically are remuneration policies, senior leadership remuneration, critical successions and nominations. In fulfilling its responsibilities, the Remuneration and Nomination Committee has access to all resources that it deems appropriate, including external advice.

The Committee is aware of the importance of diversity in the composition of the Board of Directors in general and of cultural and gender diversity in particular. For further reference on how the company deals with diversity and equal opportunities we refer to the Sustainability Report, section People.

In 2018, the Remuneration and Nomination Committee met seven times.

The Remuneration and Nomination Committee has reviewed the results on the 2017 bonus targets, for Barco, Core Leadership Team and CEO. For the Core Leadership Team the evaluation on the individual bonus criteria was discussed and an overall assessment on the performance was done. This was done with regard to the 2017 bonus review as well as the 2018 salary review and bonus plans. The members of the Remuneration and Nomination Committee received detailed data for each individual CLT member before giving final approval on 2017 bonus and merit.

Following through on the study that started in 2017 on pay mix (base salary, short-term incentives and long-term incentives), several meetings were held to evaluate proposals for a new Long Term Incentive Plan for Core Leadership Team members and for Executives. The Committee discussed the parameters for the LTI Plan and prepared the performance target levels, which were proposed and approved by the Board of Directors in April 2018. This new Long Term Incentive Plan has been approved and implemented as from this year and covers a 3 year performance period (2018-2020).

The allocations of Stock Options for 2018 has been prepared and brought to the Board for approval.

In preparation for 2019, the proposed salary increase budgets for the different countries were reviewed.

With regards to the Lean Barco project, subject to further discussion and approval by the Board, potential actions were presented to the Remuneration and Nomination Committee, including social impact.

An update was given on the HR Plan that was presented to the Remuneration and Nomination Committee in 2017. The achievements and work going forward were reviewed. Related to some shifts in the Core Leadership Team throughout the year, the new appointments were discussed by the Remuneration and Nomination Committee.

## **Strategic and Technology Committee**

The Strategic and Technology Committee is an advisory body to the Board of Directors. As of 12 June 2018, the committee is composed of four members. Charles Beauduin, who acts as Chairman, Ashok Jain, An Steegen and Jan De Witte.

The Strategic and Technology Committee discusses options that could influence the company's strategic path. Possible topics include 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 commitment by the company of 10 million euro over the entire duration of the project. The investments also include potential mergers & acquisitions.

In 2018, the Strategic and Technology Committee met four times. The Committee organized specific working sessions by division, thus ensuring appropriate depth and focus for each of Barco's divisions. The Committee also performed the annual general review of foundational technologies as included in its strategic plan update presented to the board.

## 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, and opportunities for improvement are then proposed, evaluated and agreed upon during the board sessions. 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 of 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 for financial year 2018

### **Procedures for developing the remuneration policy and for determining the remuneration granted to non-executive directors and members of the Core Leadership Team**

The remuneration policy for the Board and CLT takes account of prevailing legislation, the Corporate Governance Code and market data. It is monitored and regularly checked by the Remuneration and Nomination Committee – with the assistance of specialist members of staff – to see whether it complies with changes in the law, the Corporate Governance Code, and prevailing market practices and trends. The Chairman of the Remuneration and Nomination Committee informs the Board of the Committee's activities and advises it of any changes to the remuneration policy. If required by law, the Board will submit any policy changes to the General Meeting for approval.

### **Remuneration awarded to non-executive directors (in euro)**

On 26 April 2018, pursuant to article 17 of the Articles of Association, the General Meeting set the aggregate annual remuneration for the year 2018 at 2,236,060 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.

The remuneration paid to non-executive directors consists solely of an annual fixed component plus the fee received for each meeting attended. In light of the considerable time he devotes to the ongoing supervision of Barco group affairs, the Chairman of the Board receives a different remuneration

package that comprises solely a fixed component, which is set separately by the Remuneration and Nomination Committee and approved by the Board.

The Ordinary Shareholders' Meeting of 25 April 2013 decided to set director's pay, starting from the 2013 financial year, and to grant:

- an annual gross fixed compensation of 100,000 euro for the Chairman of the Board
- an annual gross fixed compensation of 20,500 euro per director to non-executive directors and additionally an individual attendance fee of 2,550 euro gross per Board meeting attended
- 2,550 euro gross for members of the Audit Committee and 5,125 euro gross for its Chairman for each meeting of the committee attended
- 2,550 euro gross for members of the Remuneration and Nomination Committee for each meeting of the committee attended

#### Individual remuneration awarded to non-executive directors

Board of Directors	FIXED REMUNERATION	BOARD ATTENDANCE	COMMITTEE ATTENDANCE	TOTAL 2018
Charles Beauduin	100,000			100,000
Frank Donck	20,500	17,850	7,650	46,000
Bruno Holthof*	6,833	5,100	9,150	21,083
Ashok K. Jain	20,500	17,850	6,000	44,350
Hilde Laga	20,500	17,850	15,300	53,650
Luc Missorten	20,500	17,850	46,050	84,400
Jan P. Oosterveld*	6,833	5,100	7,650	19,583
An Steegen	20,500	15,300	13,650	49,450
Christina von Wackerbarth*	6,833	5,100	0	11,933

\* until General Meeting of 26 April 2018

- 2,550 euro gross per full day and 1,500 euro gross per half day for members of the Strategic & Technology Committee for each meeting of the committee attended
- the Chairman of the Board, the CEO and the members of the CLT do not receive attendance fees for taking part in meetings of the Board and the committees

Non-executive directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options or shares, nor to any supplemental pension scheme.

These remunerations are charged as general costs.

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 was a non-executive director of Barco BV (Netherlands) until 30 April 2018 and received a fixed remuneration of 4,000 euro in 2018.
- 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 contract initiation: 1,500 euro (1 day at 1,500 euro per day)

#### **Remuneration policy for the next two financial years**

Barco intends not to make any changes to the remuneration awarded to non-executive directors.

#### **Remuneration paid to the CEO and Core Leadership Team (in euro)**

For the CEO and the Core Leadership Team, 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).

#### **Reward strategy and compensation structure**

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, are at the heart of Barco's employee value proposition. Overall, Barco strives for

a position above the market median on the total reward position, with a substantial variable part based on company, team and individual performance. Compensation decisions are compliant and equitable, and balance cost and value appropriately.

The reward packages of the Core Leadership Team are reviewed by the Remuneration contract initiation: 1,500 euro (1 day at 1,500 euro per day) 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 variable remuneration.

The main elements of the Group's executive remuneration policy are a base remuneration, a short-term variable remuneration, a long-term variable bonus, stock options, a pension contribution and various other components.

#### **Base salary**

The base salary reflects role responsibilities, job characteristics, experience and skill sets. Base salary is reviewed annually and may increase if justified by external market.

#### **Pension and benefits**

The primary purpose of pension and insurance plans is to establish a level of security for our employees and their dependents with respect to age, health, disability and death.

#### **Short-term incentive**

A strong focus on performance and achievements at Group, divisional/regional/functional and individual level is reflected in the short-term variable remuneration program, which is directly linked to the annual business objectives.

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.

#### Long-term incentive

In 2018 Barco implemented its revised Long-Term Incentive policy that exists of a combination of Long-Term Incentive Cash Plan and stock options.

#### 1) Long-Term Incentive Cash Plan

The Long-Term Incentive Cash Plan incentivizes and rewards engagement and leadership in driving the performance of Barco's business in accordance with its long-term strategic goals.

#### 2) Stock options

The stock option plans provide each beneficiary with the right to buy Barco shares at a strike price corresponding to the fair market value of the shares upon grant.

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.

#### Chief Executive Officer remuneration package

The remuneration package of the Chief Executive Officer consists of a base remuneration, a variable remuneration, stock options, a pension contribution and other components. The remuneration package aims to be competitive and is aligned with the responsibilities of a Chief Executive Officer leading a globally operating industrial group with various business platforms.

The amount of the remuneration and other benefits granted directly or indirectly to the Chief Executive Officer, by the Company or its subsidiaries, in respect of 2018 for his Chief Executive Officer role is set forth below.

There were no shares granted.

Jan De Witte	REMUNERATION	COMMENTS
Base remuneration	600,000 euro	Includes Belgian base remuneration as well as foreign director fees
Short-term variable remuneration	636,000 euro	Annual variable remuneration based on 2018 performance, maximum bonus payout capped at 120% of base remuneration. This amount is part of the bonus provision included in the 2018 results *
	185,250 euro	In line with the Belgian law of 6 April 2010 on Corporate Governance, the payment of half of the variable remuneration is deferred (25% after 1 year and 25% after 2 years) and subject to multi-year targets or criteria
Stock option grant	30,000 options	Deferral payment bonus 2017.
Pension and insurance plans	300,000 euro	Number of stock options granted in 2018
Other benefits	21,294 euro	

\* This does include the deferred annual variable remuneration based on 2018 performance.

### **Senior Vice Presidents (Core Leadership Team) remuneration package**

The remuneration package of the Core Leadership Team members other than the Chief Executive Officer consists of a base remuneration, a short-term variable remuneration, a long-term variable bonus, stock options, a pension contribution and various other components. The remuneration package aims to be competitive and is aligned with the role and responsibilities of each CLT member, being a member of a team leading a globally operating industrial group with various business platforms.

The Chief Executive Officer evaluates the performance of each of the other members of the CLT and submits his assessment to the Nomination and Remuneration Committee. This evaluation is done annually based on documented objectives directly derived from the business plan and taking into account the specific responsibilities of each CLT member. The achievements measured against those objectives will determine all performance-related elements.

### **Pension and other benefits**

The Core Leadership Team is entitled to retirement, death-in-service and disability benefits on the basis of the provisions of the plans to senior executives in their base countries. Other benefits, such as medical care and company cars or car allowances, are also provided according to the rules applicable in the base country. The nature and magnitude of these other benefits are largely in line with the median market practice.

### **Short-term incentive**

A strong focus on performance and achievements at Group and individual level is reflected in the short-term variable remuneration program, which is directly linked to the annual business objectives.

The short-term incentive payment is based on Group (40%), divisional/regional/functional (30%) and individual performance (30%). The 2018 variable payment is based on EBITDA, free cash flow, costs, orders, sales and individual targets.

### **Long-term incentive**

The long-term incentive cash bonus is a conditional right to receive a cash payment upon the achievement of certain long-term company performance indicators (sales CAGR, EBITDA margin increase and cumulated net earnings) over the respective plan period comprising 3 financial years (2018, 2019, 2020) and continued employment on the last day of the plan period.

### **Stock options**

The Core Leadership Team receives stock options.

The Core Leadership Team under analysis of this chapter includes 13 persons.

### **Remuneration policy for the next two financial years**

Barco intends not to make material changes to the characteristics and modalities of the remuneration awarded to the Core Leadership Team.

	REMUNERATION	COMMENTS
Base remuneration	3,587,766 euro	
Short-term variable remuneration	1,184,723 euro	Annual variable remuneration based on 2018 performance, maximum bonus payout capped at 150% of on-target bonus. The amount of 1,184,723 euro has been provided for in the 2018 results.
Long-term variable remuneration	1,422,399 euro	Variable remuneration based on company performance over the period 2018 – 2020, maximum bonus payout capped at 150% of the on-target bonus. The target amount of 1,422,399 euro has been provided for pro-rata in the results of 2018.
Stock option grant	30,700 options	Number of stock options granted in 2018
Pension and death-in service-coverage	345,932 euro	Defined contribution plans
Disability coverage	50,776 euro	
Other benefits *	698,828 euro	

\* Includes health insurance, risk insurances, company cars, luncheon vouchers, allowances

### Stock options for the Core Leadership Team granted in 2018

In 2018, following authorization by the general meeting and at the proposal of the Remuneration and Nomination Committee, the Board of Directors allotted stock options to 11 members of the CLT and 8 other employees (specific functions employed in Silicon Valley). The exercise price amounts to 100.80 euro per option, with a three-year vesting period. The number of options to be offered to each individual beneficiary is variable in part, based on an assessment of such person's long-term contribution to the success of the Company. The options are offered to the beneficiaries free of charge.

25,100 stock options were granted to and accepted by the members of the Core Leadership Team.

The Core Leadership Team does not receive shares as part of their compensation packages.

Reference is made to pages C/70 in the Financial Statements for an overview of the warrants and stock options exercisable under the warrant and stock option plans.

The Core Leadership Team is presented on pages A/55 – A/60 of this annual report.

Name	Number of stock options granted in 2018	Number of stock options exercised in 2018	Number of stock options expired in 2018
Xavier Bourgois	500	-	-
Nicolas Vanden Abeele	2,500	-	-
Tet Jong Chang	2,500	-	-
Ney Corsino	1,000	1,050	-
Olivier Croly	2,500	-	-
Ann Desender	3,500	600	-
An Dewaele	2,100	-	-
Johan Heyman	500	350	-
Filip Pintelon	2,500	7,250	-
George Stromeyer	6,000	-	-
Kurt Verheggen	1,500	400	-
Piet Candeel	-	3,000	-
Wim Buyens	-	10,000	-

**Most important provisions of the contractual relationships with the Company and/or affiliated company, including the provisions relating to compensation in the event of early departure**

Members of the Core Leadership Team, including the CEO, have directorships in Group subsidiaries as a function of their responsibilities. Where such directorships are compensated, they are included in the amounts given above, regardless of whether the position is deemed to be salaried or undertaken on a self-employed basis under local legislation.

Local law and normal practice are the basis for the severance arrangements of the members of the Core Leadership Team, except for:

- The Chief Executive Officer, whose contractual arrangements, entered into at the time of his appointment, provide for a notice period of six months

- Ney Corsino who transferred to a US employment agreement which includes a severance payment of 12 months annual compensation in case of termination not for cause
- Wim Buyens whose contractual arrangements, entered into at the time of his appointment as CEO for Cinionic, provide for a notice period of 12 months

Core Leadership Team members' contracts do not include a clause providing a right of claw-back of variable compensation in cases of erroneous financial information. The audited results are used as the basis for the assessment of the performance.

**Departure of members of the Core Leadership Team**

No departures occurred in 2018.

## Policies of conduct

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

The company's dealing code is part of its Corporate Governance Charter which is available for review on the company's website ([www.barco.com/corporategovernance](http://www.barco.com/corporategovernance)). It meets the requirements of the EU Regulation of 16 April, 2014 n° 596/2014 on market abuse. 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 three 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, the latter on an aggregate basis.

### 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 2018, 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 abovementioned 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 their own judgment, without taking the director (or his or her family members) into account.

## Statutory auditor

Barco refers to note 24 Related party transactions in section C - Financial Statements 2018.





## Risk management and control processes





Risk management  
process  
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Risk factors  
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Financial risk management  
and internal control  
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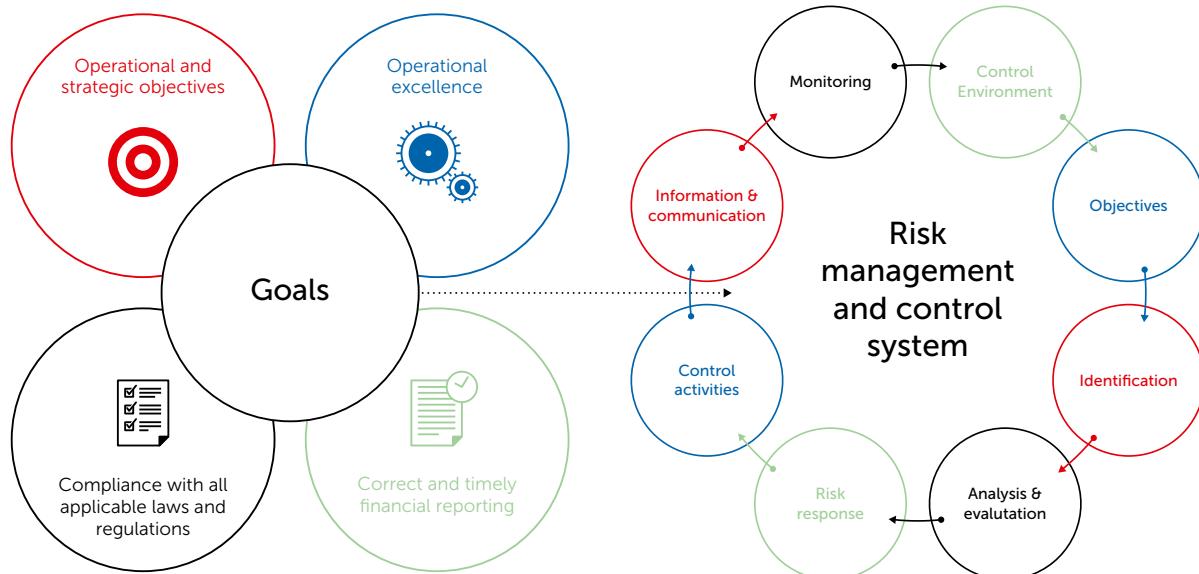


Within the context of its business operations, Barco is exposed to a wide variety of risks that can affect its ability to achieve its objectives and to execute its strategy successfully. To anticipate, identify, prioritize, manage and monitor the business risks that impact its organization, Barco puts a **sound risk management and control system** into place in accordance with the Companies Code and the 2009 Corporate Governance Code. Risk control is a core task of the Board of Directors, the Core Leadership Team (CLT) as well as all other employees with managerial responsibilities.

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Barco's risk management and control system was set up to achieve 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 a total compliance culture and risk awareness attitude by defining **clear roles and responsibilities** in all relevant domains. In this way, the company fosters an environment in which it pursues its business objectives and strategy in a controlled manner. This environment is created by implementing various **company-wide policies and procedures**, such as:

- The updated Code of Ethics
- Decision and signature authority rules
- The Barco values
- Quality and other management systems
- Risk profiling, reporting and mitigation processes

### Identification and analysis: yearly risk assessment and compliance gap analysis

In the fourth quarter of each year, Barco performs a company-wide risk assessment and compliance gap analysis. This exercise, which involves a major part of the management team as well as other key people, **aims to strengthen and formalize risk awareness throughout Barco**. It encourages the management team to actively think about the risks that impact our business and provides them – as well as other executives – with a clear view of how their peers around the world perceive risk.

To identify risks, Barco organizes a series of risk interviews, audits and on-site surveys, the results of which are consolidated in an overview that is passed on to CLT members. All domains from the Barco risk universe are taken into account. They then determine and rank the inherent (likelihood, impact) and residual risks (control level). The result of their work is summarized in a final report that is reviewed by the Audit Committee. The outcome is used for internal audit planning, as input for the risk and compliance work program, for insurance programs and for corrective and mitigation actions.

## Risk management process

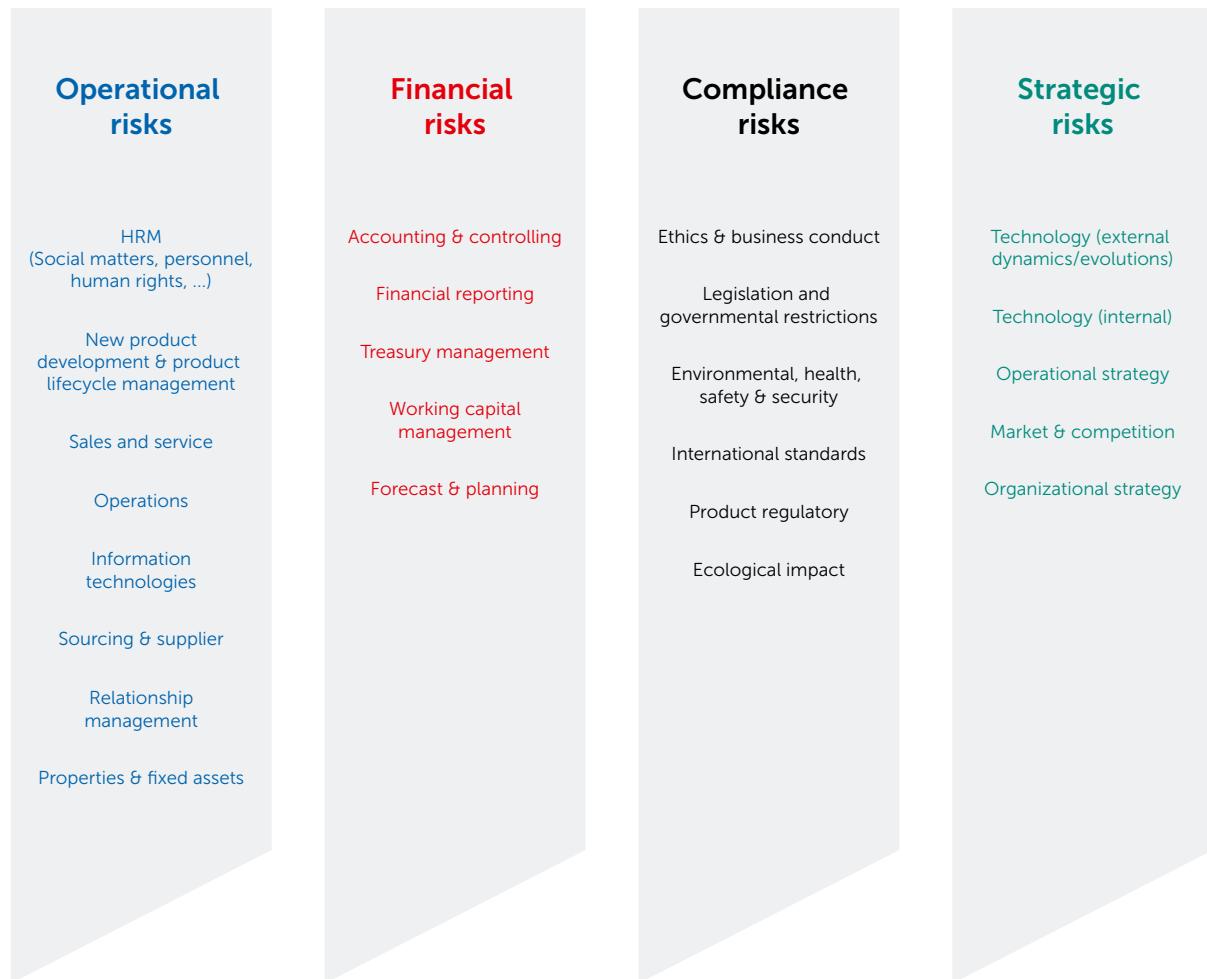
Risk management is firmly embedded into Barco's processes, at all levels. For every key management, assurance and supporting process, Barco has developed and implemented a systematic risk management approach. It consists of five steps: **identification, analysis, evaluation, response and monitoring**.

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

The Risk and Compliance Manager is in charge of this exercise, together with Internal Audit.

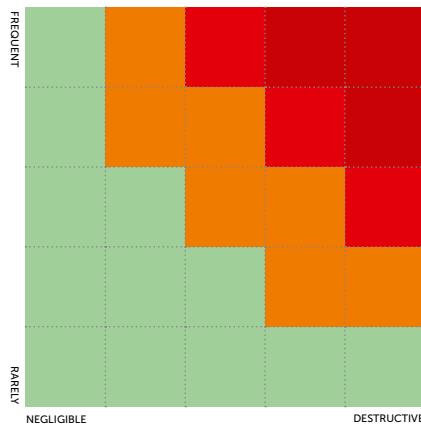
### Barco risk universe

All risks are classified in the Barco risk universe, which is divided into four risk areas:



## Risk evaluation

To set the right priorities, the risk is first evaluated in a consistent manner in terms of impact and likelihood scale. The resulting inherent risk does not yet take into account any management activities or control measures developed to mitigate it.



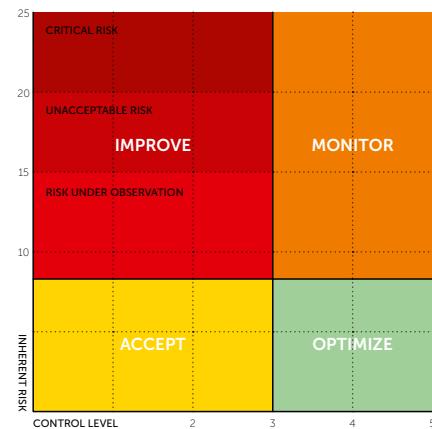
The residual risk level is then determined by taking into account the control level (control measures and their effectiveness) of each risk.

The scales for impact, likelihood and control level are based on the acceptable level of risk exposure that is ratified by the Board of Directors.

## Risk response

### Management response to residual risks

'Risks to **improve**' are contained by means of an action plan to minimize their effects of such risks on the organization's ability to achieve its objectives. These types of risks, if any, reside under the ownership of the CEO.



'Risks to **monitor**' are monitored by a member of the CLT team.

'**Acceptable** risks' and 'risks to **optimize**' are recorded in the risk register of the related process.

Each risk is allocated to a risk owner responsible for its monitoring and follow-up.

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 impact on the company's balance sheet.

### Information and communication

A 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 the 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.

### Risk monitoring

Monitoring helps to ensure that internal controls continue to operate effectively. The **continuity and the quality** of Barco's risk management and control system is assessed by 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. 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** – plays a pivotal role in the organization by ensuring appropriate coordination and follow-up of risk management activities. The Legal, Risk and Compliance Department to which the Risk and Compliance Manager also belongs, 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 the 'Company report')

## Risk factors

Just like in previous years, Barco assessed and analyzed its corporate risks in 2018. Below are the **eight main risks** identified by this exercise, along with the trends and main measures taken.

### CYBER RISK

Trend 

- Worldwide implementation of an Information Security Management System according to ISO 27001 for ClickShare and other Barco products
- Creation of a multidisciplinary council to coordinate, monitor and manage all information security efforts
- Continued adjustment of our new product introduction (NPI) methodology to enhance the security of our solutions
- Continuous improvements to ensure business continuity and physical protection of servers and IT infrastructure
- Cyber security awareness month

We received the ISO 27001 certificate for the business processes and infrastructure that relate to ClickShare.

### MARKET/COMPETITION RISK

Trend 

- Launch of the 'fit to lead' restructuring plan to raise agility and effectiveness in the areas of product management and commercial and service delivery processes
- Re-investment of cost efficiencies towards growth initiatives and innovation
- Stronger enforcement of IP rights
- Appointment of a CTO to strengthen the central technology office

### QUALITY – NEW PRODUCT INTRODUCTION (NPI)

Trend 

- Launch of new corporate quality policy: by realigning and strengthening product management capabilities we ensure end-to-end responsibility for solutions
- Set-up of NPI workgroups to sustain and improve rigorous NPI process implementation

### DATA PROTECTION

Trend 

- Successful implementation of GDPR compliance + extension of GDPR with new corporate data protection rules at every Barco site worldwide
- Introduction of Data Protection Impact Assessment (DPIA) in product development to ensure that all data are properly processed and stored
- Optimization of the NPI process to enhance the security of every Barco solution that deploys data
- Appointment of a Data Protection Officer to oversee all privacy and data protection issues and ensure compliance with GDPR and local regulations.

More than complying with GDPR legislation, we introduced new corporate data protection rules at every Barco site worldwide.

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## CURRENCY RISK

Trend 

- Natural hedging program for Chinese Yuan, USD, Taiwanese Dollar
- Monitor developments of Brexit and execution of Brexit mitigation plan to assess and anticipate the impact of Brexit on our business (lead times, taxes, customs, logistic flows, etc.)

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## INTELLECTUAL PROPERTY

Trend 

- Introduction of an open source compliance program to ensure that all software used complies with open source licenses and regulations
- Proactive monitoring and combating of IP infringements
- Organization of IP awareness trainings
- Installation of a structured approach for patent filing

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## GEO-POLITICS / MACRO-ECONOMICS

Trend 

- Accelerated in-country-for-country approach: we increasingly spread our R&D, manufacturing – and sales activities around the world (e.g. new medical display manufacturing plant in China, UniSee is manufactured in Taiwan, strengthened sales organizations in China ....)

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## STAFFING

Trend 

- Gradual shift to an integrated talent management program that focuses on sustainable employability by encouraging internal mobility, broadening the learning offering, encouraging continuous feedback, strengthening leadership skills and investing in future leaders
- Software development departments are grouped into one global software development structure
- Rebalancing marketing, service delivery and project management capabilities for stronger regional empowerment

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An integrated talent management program helps us ensure our people have the right skills – today and in the future.



### Notes:

- 1) GDPR: General Data Protection Regulation approved by the EU Parliament on 14 April 2016 and enforcement on 5 May 2018.
- 2) The trend indicates whether the risk for Barco has increased or decreased compared to last year.
- 3) The risk measures related to the accounting and financial reporting risks are described in the Financial Statements of this annual report.

## Financial risk management and internal control

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

Specifically within the financial domain, a **quarterly, bottom-up risk analysis** is conducted to identify and document 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 books, reconciliations, etc.), whereas the **controlling teams** check the validity of these figures. These checks 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.

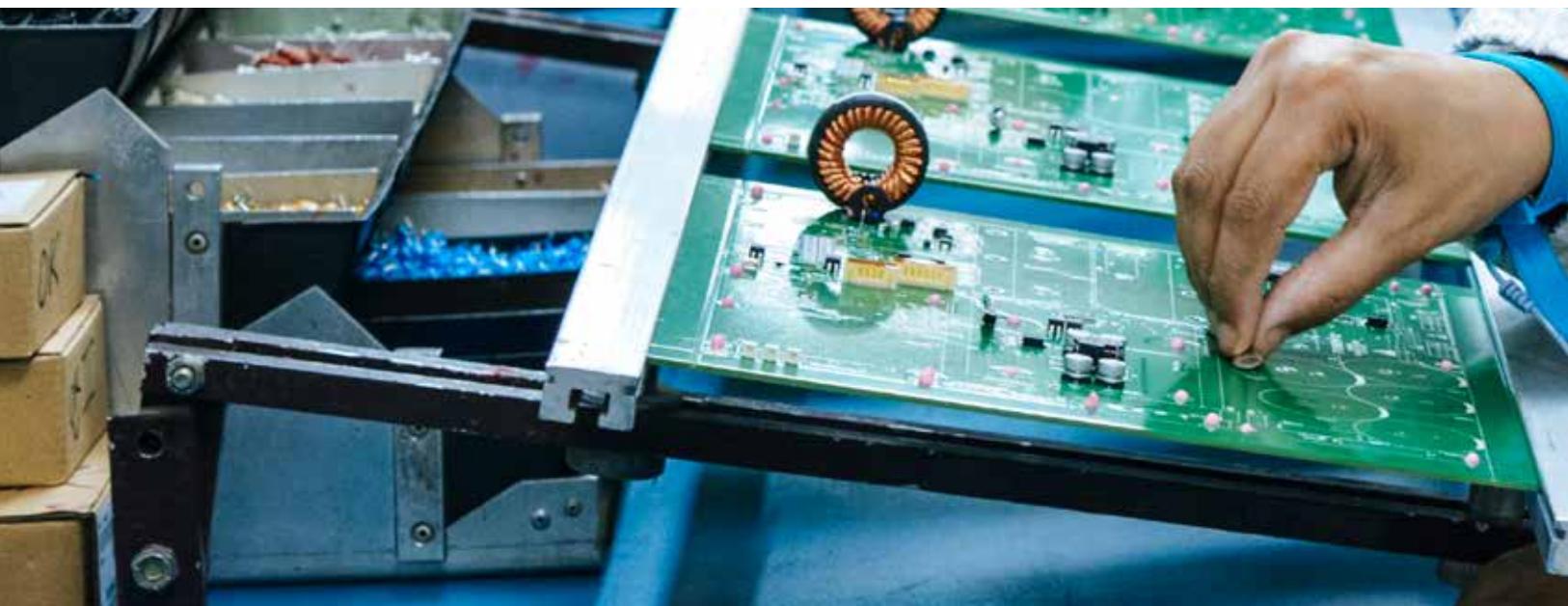


## Management discussion

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Divisional results  
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# Comments on the results

Second consecutive year of solid margin expansion,  
with topline growth in 2<sup>nd</sup> half

## Fiscal year 2018 financial highlights

- Incoming orders at 1,046.9 million euro (-1.3%), year-end orderbook +6%
- Sales at 1,028.5 million euro (-0.5%); growth in the 2<sup>nd</sup> half +2.8%<sup>1</sup>
- EBITDA of 124.5 million euro (+16%) , EBITDA margin at 12.1% of sales (+2.2 ppts)
- Net income<sup>2</sup> of 75.0 million euro (+50.2 million euro)
- Proposal to increase the dividend to 2.30 euro per share from 2.10 euro

## Preliminary remark:

- To present comparable data for 2017, 2017 figures for orderbook, orders and sales are presented on a pro forma basis assuming the deconsolidation of the BarcoCFG joint venture<sup>3</sup> had taken place on July 1, 2017.
- As the impact of the deconsolidation on Gross profit, EBITDA and EBIT is not material, these reported values are not restated nor the margins.
- An overview of reported and pro forma figures for the prior six quarters can be found on page A/100 and A/101.

(1) Sales for the full year at constant currencies is 3.4% higher compared to 2017.

(2) Net income attributable to the equity holder of the parent.

(3) BarcoCFG is the entity where Barco joined forces with China Film Group to address the Chinese cinema market. Barco held a 58% stake in this entity till end of June 2018 when it sold a 9%-stake to China Film Group. See also the glossary in the Annual Report.

## Comments on the results

EBITDA margin expanded 2 percentage points, on comparable sales, to 12% and within the range of Barco's 2020 goal. A 2.9 percentage point gain in gross profit margin to 40% of sales drove the EBITDA margin improvement. Both the Enterprise and the Healthcare division delivered solid EBITDA margin growth while sustained investment in next-generation technology caused Entertainment's EBITDA margin to be flat year-over-year. Consistent with the EBITDA improvement, group EBIT grew 17 million euro to 90 million euro, or 8.7% of sales, and net earnings increased threefold to 75 million euro.

Noteworthy in Barco's performance for 2018 is the continued double-digit growth of ClickShare and the measurable turnaround results for Control Rooms which boosted the Enterprise division performance. The topline Entertainment results bottomed out in the course of 2018 with a substantial pick-up in growth in the EMEA and North American region for Cinema, which partially offset anticipated market softness in China. Healthcare booked modest topline growth while continuing to add partners globally, further strengthening its position in the surgical segment.

While continuing to invest nearly 12% of sales in R&D, the company advanced its key growth initiatives, including its 'In China for China' program. As part of this program, Healthcare expanded its business development and manufacturing capabilities and the company expanded its local sales presence for Pro AV and ClickShare solutions. Under the 'Focus to perform' program, Barco finished streamlining its business activities, optimized its manufacturing footprint and announced its 'fit to lead' plan. In 2018, Cinionic, the company's new cinema venture, started operations and won its first set of sizeable renewal programs.

Since introducing the 'Focus to perform' program in 2016, Barco has expanded the EBITDA margin from 8% to 12% in 2018 and has created a more resilient and healthy platform for future profitable growth. As the company continues its journey to becoming a sustainable profitable growth company, in 2019 the 'fit to lead' program will be implemented, Barco's capability-building and efficiency plan, while the company intends to resume topline growth across the three business segments.

## Outlook 2019

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

Assuming a stable global economic environment and currencies at 2018 average levels, management expects mid-single digit topline growth on a comparable pro forma basis<sup>4</sup> and continued EBITDA and EBITDA margin growth<sup>5</sup>. Growth rates in management's guidance are based on comparisons to 2018 results on a pro forma basis.

## Dividend

The Board of Directors will propose to the General Assembly to increase the dividend from 2.10 euro to 2.30 euro per share to be paid out in 2019.

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

- Ex-date: Monday, 6 May 2019
- Record date: Tuesday, 7 May 2019
- Payment date: Wednesday, 8 May 2019

(4) See chapter 'Pro forma comparison' for comparable pro forma numbers for 2018.

(5) EBITDA and EBITDA margin growth is expected to be derived from a combination of operating leverage, efficiency gains and the application of a new IFRS accounting standard. The accounting adjustment is related to the new IFRS 16 accounting standard "Leasing" which the group will start to adopt as of 1 January 2019. See Annual Report, Section C "IFRS accounting standards issued but not yet effective as of 2018".

## Consolidated results for the fiscal year 2018

### Order intake and order book

Order book at year end was 303.2 million euro, up 6.0% from 285.9 for FY17 on a pro forma basis reflecting increases in

the Healthcare segment while orderbooks for Entertainment and Enterprise were stable.

#### Order book

IN MILLIONS OF EURO	31 DEC 2018	31 DEC 2017	CHANGE
Order book	303.2	285.9	+6.0%

Order intake was 1,046.9 million euro, a decrease of 1.3% compared to last year due to declines in Entertainment, partially offset by gains in Healthcare & Enterprise. Order intake declined 4% in the first semester, mainly driven by currency headwind and market softness in Cinema, and increased

1.7% in the second semester.

From a regional perspective, growth in the EMEA and Americas region was offset by declines in the APAC region, due to a softer performance for the China cinema market.

#### Order intake

IN MILLIONS OF EURO	FY18	FY17	CHANGE
Order intake	1,046.9	1,060.6	-1.3%
<i>Order intake at constant currencies</i>	-	-	+2.5%

#### Order intake by division

IN MILLIONS OF EURO	FY18	FY17	CHANGE
Entertainment	453.3	491.2	-7.7%
Enterprise	336.6	323.9	+3.9%
Healthcare	256.9	245.8	+4.5%
Group	1,046.9	1,060.6	-1.3%

#### Order intake by region

IN MILLIONS OF EURO	FY18	FY17	CHANGE (IN NOMINAL VALUE)
The Americas	38%	37%	+1%
EMEA	35%	33%	+6%
APAC	27%	30%	-11%

## Sales

Full year sales decreased 0.5% reflecting a softer cinema market and unfavourable currency effects mainly in the first half of the year, almost entirely offset by stronger results in 2H18. Increases for Enterprise and Healthcare nearly offset the decline in Entertainment.

After declining 3.8% in the first half, sales increased with 2.8% in the second semester, mainly driven by strong increases in the Enterprise activities.

### Sales

IN MILLIONS OF EURO	FY18	FY17	CHANGE
Sales	1,028.5	1,033.9	-0.5%
<i>Sales at constant currencies</i>	-	-	+3.4%

### Sales by division

IN MILLIONS OF EURO	FY18	FY17	CHANGE
Entertainment	447.6	482.5	-7.2%
Enterprise	335.9	308.2	+9.0%
Healthcare	245.0	243.2	+0.7%
Group	1,028.5	1,033.9	-0.5%

### Sales by region

IN MILLIONS OF EURO	FY18	FY17	CHANGE (IN NOMINAL VALUE)
The Americas	36%	38%	-6%
EMEA	36%	33%	+8%
APAC	28%	29%	-3%

## Profitability

### Gross profit

Gross profit margin increased in all divisions and increased on group-level once again by 2.9 percentage points to 40.1% compared to 37.3% for 2017 having previously increased from 34.4% for 2016. This 5.7 percentage point improvement over the past two years reflects favourable product mix, portfolio choices and the benefit of cost down engineering and efficiency actions taken in all divisions.

### Operating expenses & other operating results

Total operating expenses<sup>7</sup> were 325.5 million euro compared to 327.2 million euro a year earlier.

As a percentage of sales, operating expenses were 31.6% compared to 30.2% for 2017.

- Research & Development expenses decreased slightly to 120.3 million euro compared to 122.3 million euro last year. As percentage of sales, R&D expenses were 11.7% compared to 11.3% a year earlier.
- Sales & Marketing expenses were 147.7 million euro compared to 146.8 million euro for 2017. As a percent of sales, Sales & Marketing expenses were 14.4% of sales compared to 13.5% in 2017. This increase - compared to sales - reflects intensified focus on commercializing our technologies and China build out.
- General & administration expenses decreased to 57.5 million euro compared to 58.1 million euro last year and were 5.6% as a percentage of sales compared to 5.4% in 2017.

Other operating results amounted to a positive of 2.5 million euro reflecting mainly Barco's share in the result of Barco CFG (since 1 July 2018). Other operating results in 2017 were 3.7 million euro negative mainly driven by additional provisions made.

### EBITDA & adjusted EBIT<sup>8</sup>

EBITDA grew 16.2% to 124.5 million euro compared to 107.1 million euro for the prior year.

EBITDA margin was 12.1% versus 9.9% for 2017.

### By division, EBITDA and EBITDA margin is as follows:

2018 (IN MILLIONS OF EURO)	SALES	EBITDA	EBITDA %
Entertainment	447.6	32.9	7.3%
Enterprise	335.9	60.9	18.1%
Healthcare	245.0	30.6	12.5%
Group	1,028.5	124.5	12.1%

### EBITDA by division 2018 versus 2017 is as follows:

(IN MILLIONS OF EURO)	2018	2017	CHANGE
Entertainment	32.9	38.9	-15.5%
Enterprise	60.9	40.7	+49.8%
Healthcare	30.6	27.5	+11.3%
Group	124.5	107.1	+16.2%

(7) Operating expenses referenced in this press release are including depreciations on tangible and intangible fixed assets.

(8) EBITDA and adjusted EBIT in this press release exclude impairment and restructuring costs and other non-operating income expenses: see Glossary in Annual Report.

Barco delivered double-digit EBITDA growth for 2018 with solid gains in both the Enterprise and the Healthcare division. Significant EBITDA growth in the Enterprise division was driven by continued strong contributions from the Corporate activity and the first measurable results of the turnaround in Control Rooms. The Healthcare division registered profitability gains on favourable product mix while the Entertainment division kept its EBITDA margin flat on declining sales.

Adjusted EBIT was 90.0 million euro or 8.7% of sales, compared to 73.2 million euro, or 6.8% of sales for 2017.

Barco recorded a gain of 16.4 million euro on the sales of the 9% stake in the BarcoCFG venture, offset by a restructuring charge of 17.0 million euro.

As a result EBIT was 89.4 million euro compared to 40.8 million euro in 2017.

#### Income taxes

In 2018 taxes were 16.6 million euro for an effective tax rate of 17.7%. Taxes in 2017 were 11.4 million euro for an effective tax rate of 26.5%.

#### Net income

Net income attributable to the equity holders was 75.0 million euro compared to 24.8 million euro in 2017. This is net income after deducting non-controlling interest of 2.3 million euro for 2018 compared to 8 million euro for 2017 reflecting the deconsolidation since 2H18 and lower profits in the BarcoCFG venture in the first half.

Net income per ordinary share (EPS) improved threefold to 6.03 euro, coming from 2.01 in 2017. Fully diluted earnings per share were 5.98 euro compared to 1.99 euro.

## Cash flow and balance sheet

### Free cash flow and working capital

Barco generated a strong increase in free cash flow to 63.2 million euro for the year compared to 40.0 million euro for

2017, mainly driven by higher gross operating free cash flow and steady working capital management.

IN MILLIONS OF EURO	2018	2017	2016
<b>Gross operating free cash flow</b>	<b>120.9</b>	<b>104.0</b>	<b>81.9</b>
Changes in trade receivables	-11.2	-7.3	0.2
Changes in inventory	0.3	-3.6	-2.8
Changes in trade payables	-1.3	-19.7	-2.7
Other changes in net working capital	-12.7	-8.1	11.9
<b>Change in net working capital</b>	<b>-24.9</b>	<b>-38.7</b>	<b>6.6</b>
 <b>Net operating free cash flow</b>	 <b>96.0</b>	 <b>65.3</b>	 <b>88.5</b>
Interest income/expense	4.3	2.0	4.1
Income taxes	-12.5	-4.4	-11.5
 <b>Free cash flow from operating activities</b>	 <b>87.9</b>	 <b>63.0</b>	 <b>81.1</b>
Purchase of tangible and intangible FA (excl. One Campus)	-25.6	-23.2	-24.2
Proceeds on disposal of tangible and intangible FA	0.9	0.2	0.6
 <b>Free cash flow from investing</b>	 <b>-24.7</b>	 <b>-23.0</b>	 <b>-23.7</b>
<b>FREE CASH FLOW</b>	<b>63.2</b>	<b>40.0</b>	<b>57.4</b>

### Working capital and Return on Capital Employed

Working capital actions in the 2<sup>nd</sup> semester brought Inventory + Accounts Receivables – Accounts Payables to 19% on flat sales compared to 20% a year before.

Net working capital was 0.2% of sales compared to -3.8% of sales in 2017.

IN MILLIONS OF EURO	FY18	FY17	FY16
Trade Receivables	161.8	182.1	188.6
DSO	52	55	55
Inventory	135.1	154.1	166.2
Inventory turns	3.8	3.6	3.6
Trade Payables	-105.1	-114.5	-135.1
DPO	59	58	63
Other working capital	-189.3	-263.3	-276.0
<b>TOTAL WORKING CAPITAL</b>	<b>2.5</b>	<b>-41.6</b>	<b>-56.4</b>

### Capital expenditure

Capital expenditure was 25.6 million euro compared to 23.2 million euro in 2017.

### Return on Capital Employed

ROCE was 23%, up 4 percentage points versus last year, driven by a significantly stronger EBIT-performance in 2018.

### Goodwill

Goodwill on the group level remained flat at 105.6 million euro equal to the end of 2017.

### Cash position

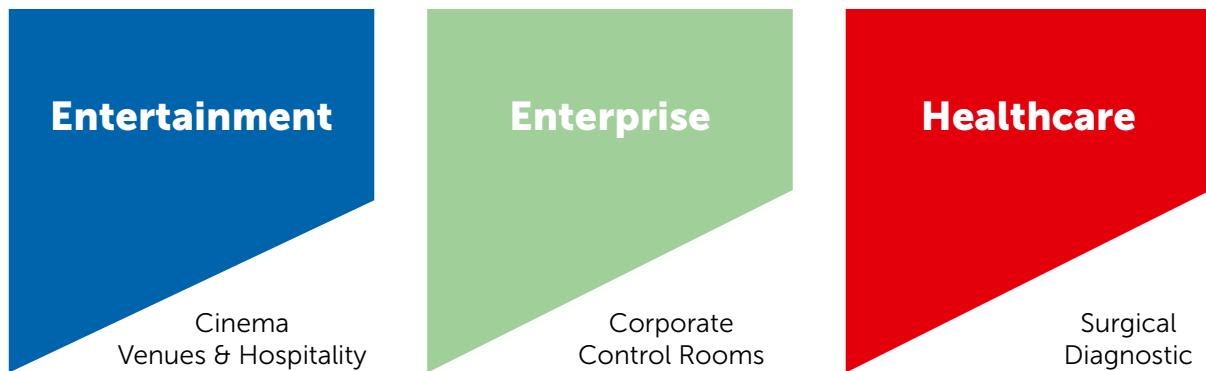
Barco strengthened its net financial cash position to 332.0 million euro from 210.7 million euro last year. This position includes 84.6 million euro capital contributions from the Cinionic venture.

The directly available net cash position amounts to 247.4 million euro, an increase of 37.0 million euro compared to last year, driven by the free cash flow generated and dividends received.

## Divisional results for fiscal year 2018

### Barco's organizational structure

Barco is a global technology company developing solutions for three main markets, which is also reflected in its divisional structure: Entertainment, Enterprise and Healthcare.



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

The Enterprise division is the combination of the Control Rooms activities and the Corporate activities. ClickShare is the main contributor to the Corporate activity.

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

## Entertainment division

IN MILLIONS OF EURO	FY18	FY17	CHANGE VS FY17
Orders	453.3	491.2	-7.7%
Sales	447.6	482.5	-7.2%
EBITDA	32.9	38.9	-15.5%
EBITDA margin	7.3%	7.3%	

Entertainment registered single digit reductions in orders and sales due to weaker Cinema results. Venues and Hospitality booked a more flat result year-over-year and accounted for 42% of the divisional sales versus 39% in 2017 on a pro forma basis.

EBITDA margin remained flat at 7.3% mainly reflecting continued solid R&D-investments in a next generation projection-platform, partially offset by benefits of value engineering initiatives.

In the Cinema segment, while volumes in China remained solid, sales declined as the Chinese market shifted to lower price projectors in tier 3 and 4 cities. With Cinionic, the new strategic joint venture established in 2018, Barco Cinema recorded growth in orders and sales in the North American and EMEA regions including replacement contracts with important reference accounts.

The Venues and Hospitality segment delivered good uptake in the events market and target areas such as theme parks and museums, mainly driven by demand for the new laser phosphor projectors and image processing solutions, which have enhanced Barco's competitive positioning. Sales increase for Pro Av and Events were offset by softer results in Simulation mainly due to project delays.

The company relocated the manufacturing activities of Fredrikstad, Norway, during 2018, and the transition to the new factory in Kortrijk will be fully completed by mid-2019.

## Enterprise division

IN MILLIONS OF EURO	FY18	FY17	FY16	CHANGE VS FY17
Orders	336.6	323.9	290.2	+3.9%
Sales	335.9	308.2	289.7	+9.0%
EBITDA	60.9	40.7	33.0	+49.8%
EBITDA margin	18.1%	13.2%	11.4%	

The Enterprise division posted a very solid performance in 2018 driven by a strong second semester, with the EBITDA margin expanding 5 percentage points on a 9% sales increase. The Corporate segment posted double-digit sales growth and Control Rooms delivered sales growth for the first time since 2015. In terms of the sales mix, the Corporate segment accounted for about 57% of Enterprise sales for 2018 compared to 55% for 2017.

The Corporate segment continued to grow mainly in the EMEA and APAC regions and ClickShare is now installed in well over 500,000 meeting rooms, up from 350,000 meetings rooms for 2017.

To support further ClickShare growth, the company expanded its sales presence worldwide notably in the APAC region and is working on expanding the portfolio with products attuned to the IT-channel needs.

In Control Rooms, Barco received multiple industry awards for its new LCD-based videowall solution, UniSee, and began generating sales growth and profits in the second half of 2018.

At the same time, Barco continued to invest in software and workflow solutions and is introducing a new network controller for the mid-tier segment, enhancing the value proposition to its channel partners.

In line with the objective of streamlining Barco's businesses under the 'Focus to perform' program, management sold X2O media to Stratocache in the first half of the year after divesting Silex in 2017.

## Healthcare division

IN MILLIONS OF EURO	FY18	FY17	FY16	CHANGE VS FY17
Orders	256.9	245.8	216.3	+4.5%
Sales	245.0	243.2	234.6	+0.7%
EBITDA	30.6	27.5	24.6	+11.3%
EBITDA margin	12.5%	11.3%	10.5%	

Healthcare booked strong order intake in 2018 mainly due to a strong inflow by the surgical segment. While reported sales were essentially flat due to unfavourable currency, sales on a constant currency increased around 3%.

Healthcare expanded EBITDA margin by 1.2 percentage points to 12.5% driven by an improved gross profit margin that resulted from a more favourable product mix and the benefit of value engineering initiatives. At the same time, Barco continued to invest in its Barco China Healthcare plan and kicked off several growth initiatives.

While results for the Diagnostics segment were flat with last year, Surgical performed well by parlaying a stronger product positioning into an expanded partner network globally. In order to further penetrate the high growth market in China, the division augmented its local business development capabilities, opened its local R&D center and started production of Healthcare displays for the Chinese market.

## Pro forma comparison

As announced in the 1H18 results, Barco completed the transaction on the sale of 9% shares in the BarcoCFG joint venture and reduced its stake to a 49% position. As a result, as of July 2018 the BarcoCFG joint venture orders and sales are no longer consolidated in Barco's group and Entertainment results.

### 2018 reported versus pro forma 2017

To facilitate comparable trend analysis of Barco's topline results, the full year 2018 announcement is using pro forma Entertainment and group orders and sales for the 2 last quarters of 2017 as if the 2H18 structure had been in place. The

table shown below presents both pro forma and reported orders and sales for the respective quarters, semesters and years.

#### Reported and pro forma orders and sales following the deconsolidation for 2H17:

IN MILLIONS OF EURO	REPORTED 3Q17	PRO FORMA 4Q17	REPORTED 4Q17	PRO FORMA 4Q17	REPORTED 2H17	PRO FORMA 2H17	REPORTED FY17	PRO FORMA FY17
Group Orders	263.7	259.0	279.7	239.7	543.3	498.7	1,105.2	1,060.6
Entertainment Sales	136.5	112.3	149.4	122.8	285.9	235.1	533.3	482.5
Group Sales	266.7	242.5	300.0	273.4	566.7	515.9	1,084.7	1,033.9

## 2019 reported versus pro forma 2018

In order to support comparable projections for 2019 versus 2018, we present also the pro forma orders and sales for 1H18 as if the deconsolidation had been in place as of 1 January 2018<sup>11</sup>:

IN MILLIONS OF EURO	REPORTED 1Q18	PRO FORMA 1Q18	REPORTED 2018	PRO FORMA 2Q18	REPORTED 1H18	PRO FORMA 1H18	REPORTED FY18	PRO FORMA FY18
Group Orders	276.0	244.4	263.6	252.0	539.7	496.4	1,046.9	1,003.6
Entertainment Sales	110.3	89.0	118.6	100.4	228.9	189.4	447.6	408.1
Group Sales	245.2	223.9	252.9	234.7	498.1	458.6	1,028.5	989.0

(11) With the deconsolidation active as of mid-year 2018, the 2018 numbers used reported orders and sales for 1H18. For 2019, comparable data analysis will call for pro forma 1H18 orders and sales.



## Shareholder information





## Key figures for the shareholder

Number of shares (in thousands):	13,067	13,064	13,057
PER SHARE (IN EURO)	2018	2017	2016
EPS	6.03	2.01	0.91
Diluted EPS	5.98	1.99	0.88
Gross dividend	2.30	2.10	1.90
Net dividend	1.61	1.47	1.33
Return on Equity (ROE)	12.0%	5.5%	4.2%
Gross dividend yield	(a)	2.3%	2.4%
Yearly return	(b)	13.2%	13.9%
Pay-out ratio	(c)	40.1%	110.7%
Price/earnings ratio	(d)	16.4	44.4
			88.0

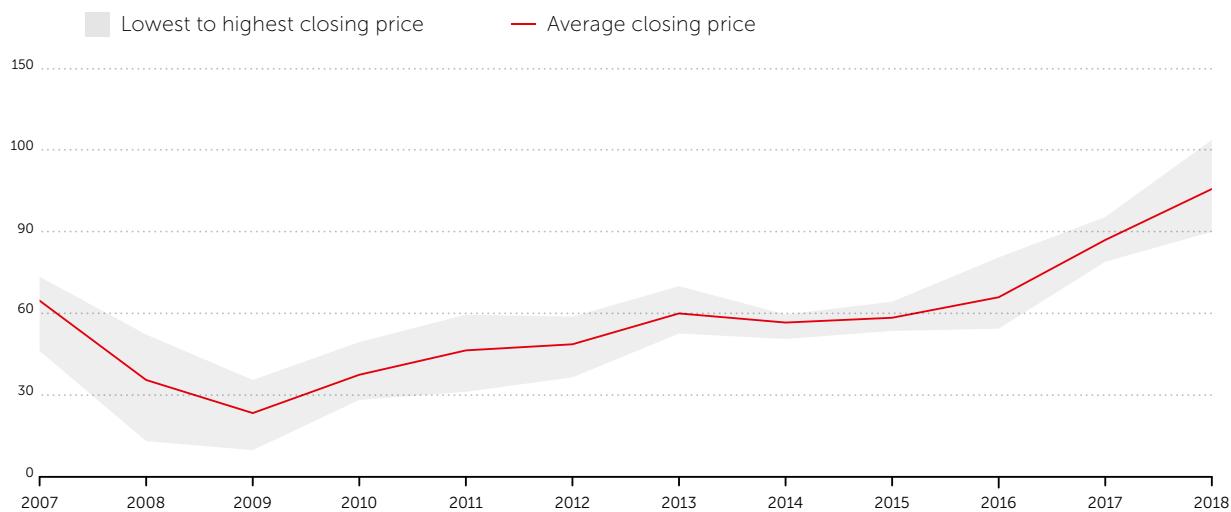
(a) Gross dividend / share price at year-end closing date

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

(c) Gross dividend\* number of shares on 31 December / net income attributable to the equity holder of the parent

(d) Share price 31 December / earnings per share

## Share price performance



## Share price

PER SHARE (IN EURO)	2018	2017	2016	2015	2014	2013	2012
Average closing price	105.60	86.91	65.90	58.37	56.61	59.96	48.64
Highest closing price	123.60	95.31	80.50	64.26	59.59	69.95	58.75
Lowest closing price	89.90	78.94	54.37	53.54	50.60	52.58	36.52
Closing price 31 Dec	98.90	89.25	80.04	61.60	58.24	56.70	54.50
Average number of shares traded daily (e)	23,215	16,862	21,921	22,189	31,962	34,019	29,298
Stock market capitalization on 31 December (in millions)	1,292.35	1,166.00	1,045.05	801.80	757.00	736.50	696.40

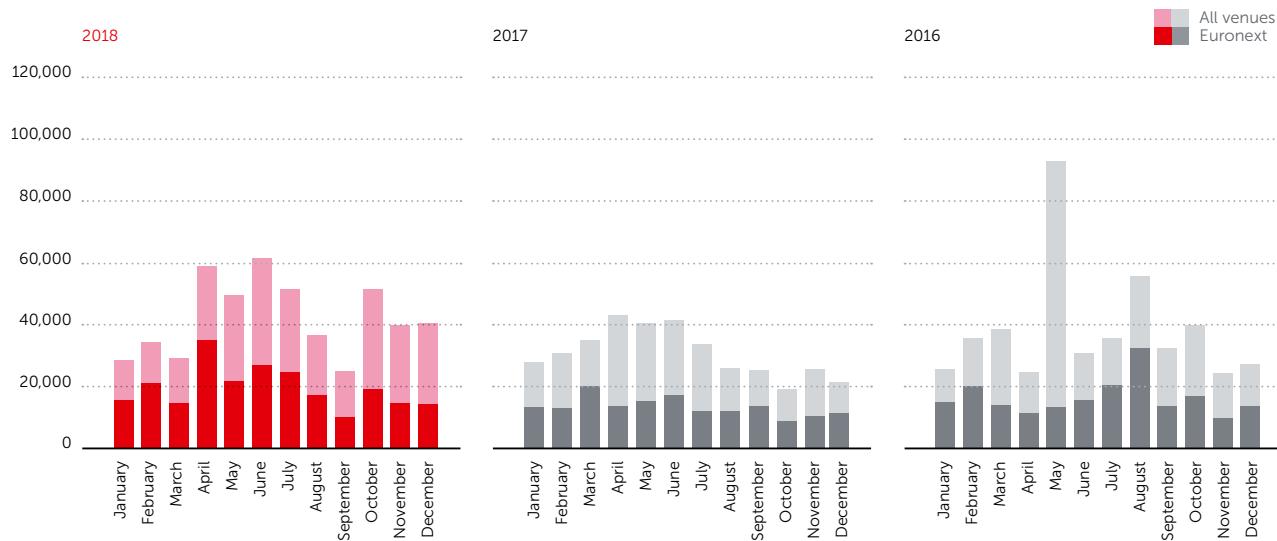
(e) The average number of shares traded daily is taking into account the trades on the Lit Venues: Euronext as well as registered trades on alternative platforms BATS, Chi-X, Turquoise and Equiduct.

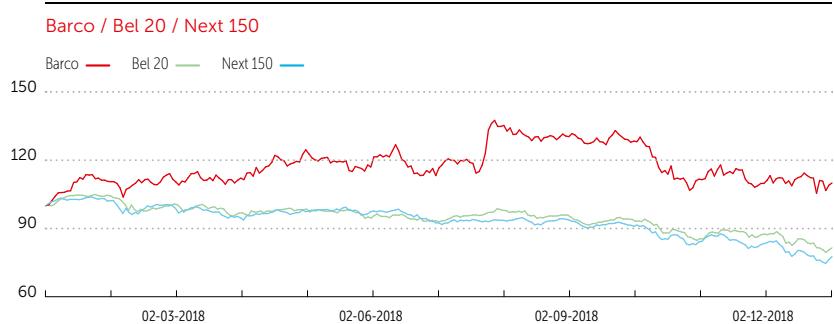
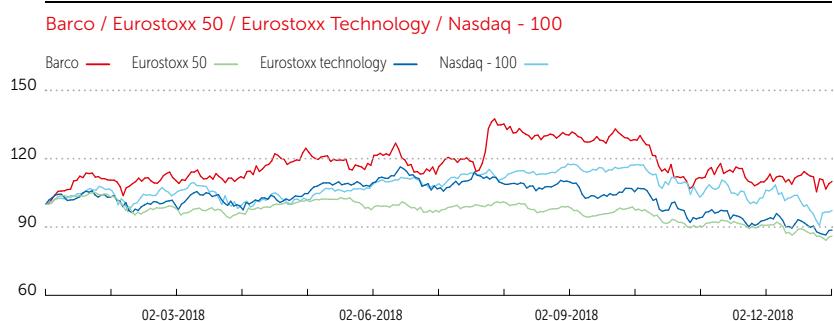
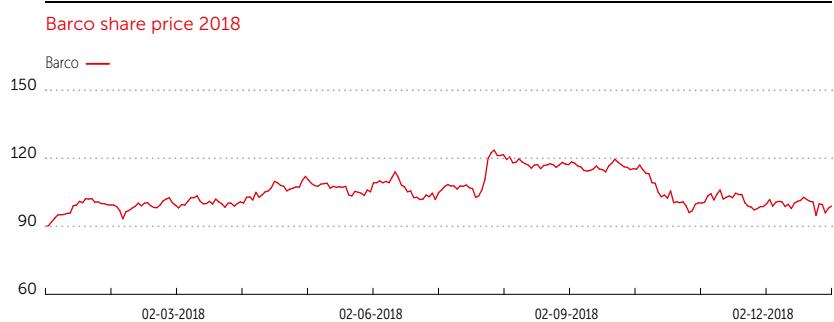
## Liquidity

LIQUIDITY	SOURCE	2018	2017	2016
Total yearly volume (shares)	Euronext	4,996,551	3,447,772	4,186,998
	Lit venues <sup>(1)</sup>	5,919,720	4,299,723	5,633,738
	All venues <sup>(2)</sup>	10,802,134	7,851,057	10,007,069
Daily average number of shares traded	Euronext	19,594	13,521	16,292
	Lit venues <sup>(1)</sup>	23,215	16,862	21,921
	All venues <sup>(2)</sup>	42,361	30,788	38,938
Total yearly volumes (turnover) in million euro	Euronext	468.74	262.09	254.33
	Lit venues <sup>(1)</sup>	625.55	373.15	370.83
	All venues <sup>(2)</sup>	1,140.92	684.20	652.48
Velocity		<b>38.16%</b>	<b>25.43%</b>	<b>31.40%</b>

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 shareholderhip on 31 December 2018 plotted almost 95% of the company's shareholder composition<sup>(1)</sup>.

Identified institutional investors hold almost 75% of all shares (versus 72% at the end of 2017). Treasury shares held by the company are good for 5% of the shares and around 5% of the shares are held by retail investors (versus 13% at the end of 2017)

### Stable shareholder structure

All in all, Barco's main shareholder structure remained stable in 2018, with no material changes in top-10 holding positions.

Barco's institutional ownership increased, with institutional investors holding more than 9 million shares. Domestic, Dutch and UK investors led the buying activity whereas the most active selling was done in the US, France and Germany.

Value-oriented shareholders were the most active group in the selling activity but remain the largest category within Barco's institutional shareholder base with 20% of institutional shares. New entrants were mainly index and growth-oriented. The growth-oriented investors' position increased now to 19% of institutional ownership and is the second largest institutional shareholding group.

### Geographic distribution

Belgium remains the dominant investment region in Barco's institutional shareholder base, with a strong proportional representation versus peers and industry averages.

The United States, the second largest investment region, recorded small negative changes in shareholding over this analysis period but with significantly more buyers than sellers, showing positive sentiment in the region. Over 2018, both France and the UK-based investment base increased their stake in Barco offsetting the selling in rest of Europe.

### Investment style

Value-oriented shareholders remain the largest category within Barco's institutional shareholder base, but decreased ownership in Barco from 23% to 20%. With this decrease value ownership became slightly underweight when compared to the benchmark.

Growth investors were the most active group amongst buyers and increased their stake to 19% from 12%, suggesting that investors are able to see attractive entry points, given the growth profile of the company.

### Concentration

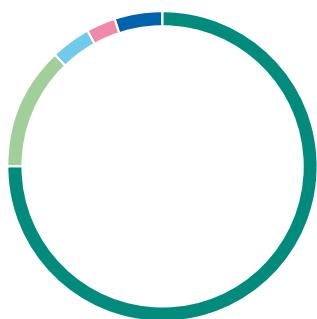
Concentration level among Barco's top 10 investors reduced 4 percentage points over this analysis period, following a couple of divestments, while concentration within the top 25 and top-50 remained relatively stable.

The categories now account for:

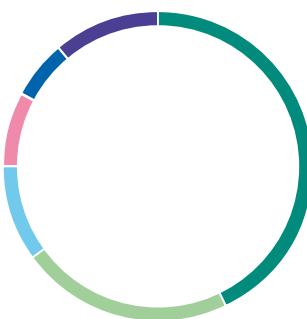
- Top 10: 46% (-4pcpt)
- Top 25: 64% (-1pcpt)
- Top 50: 73% (+1pp)

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

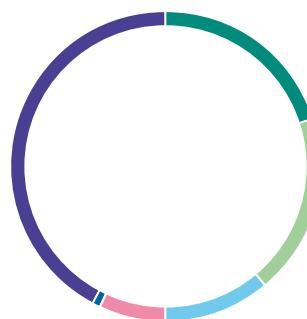
(1) Shareholder analysis performed by Nasdaq Advisory services in January 2019



Institutional **75%**  
Retail **13%**  
Company-related **4%**  
Brokerage/trading **3%**  
Miscellaneous **5%**

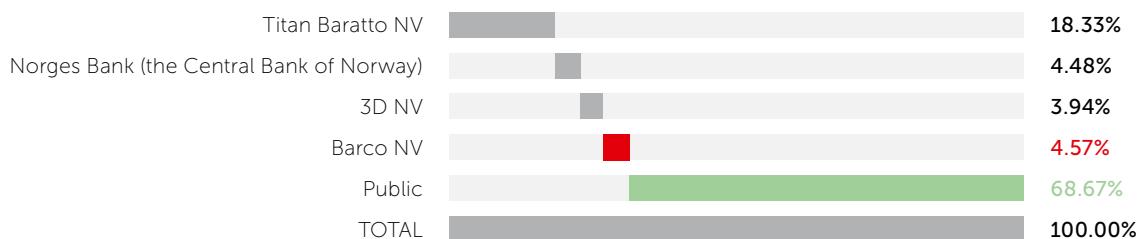


Belgium **43%**  
United States **22%**  
France **10%**  
United Kingdom **8%**  
Norway **6%**  
Rest of Europe **11%**  
Rest of world **<1%**



Value **20%**  
Growth **19%**  
GARP **11%**  
Index **7%**  
Hedge fund **1%**  
Other **42%**

## Ownership of Barco's shares 2018 (per 31 December 2018)



## Shareholder remuneration

### Dividend

The Board of Directors decided to recommend that the general assembly pay a dividend of 2.30 euro (gross) per share over 2018 (compared to 2.1 euro over 2017). This is 1.61 euro net, on a withholding tax of 30%. At 2.30 euro, the payout ratio is 40.17% and the gross dividend yield is 2.3%.

Ex-date:	Monday, 6 May 2019
Record date (+1):	Tuesday, 7 May 2019
Payment date (+1):	Wednesday, 8 May 2019

### 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 at the Annual General Meeting of shareholders at the end of each fiscal year.

## Barco's investment case

### Technology & market leadership in healthy markets

Backed by over 85 years of experience, Barco is a strong brand that is known the world over for its technology leadership in three healthy and solid markets: Entertainment, Enterprise and Healthcare. Barco has established global leadership positions in any of these markets. The solutions delivered to these markets are mostly mission-critical: there is a real effective need for high-performance and utterly reliable technology. Based on a solid experience, a thorough understanding of customer needs, advanced know-how in developing and delivering value-add solutions and a well-developed go-to-market network, Barco continues to lead in these markets.

### Sound strategy

The company is implementing its "enabling bright outcomes"-strategy, building capabilities to become a successful hardware + software + service company, to capture more of the lifecycle opportunity of its solutions and as a result enhance the relationships with its customer base and strengthen the contribution of recurring revenues.

### Solid financial results

Over the past years, Barco has streamlined its organization, and continues to sharpen the focus of its activities. Since introducing the 'focus to perform' program in 2016, as part of the 'enabling bright outcomes' strategy, Barco has

made measurable and steady progress primarily by rationalizing the business portfolio and part of the footprint and by implementing value engineering initiatives. As a result EBITDA margin expanded from 8% to 12% in 2018 and net earnings grew to 7% of sales.

Over the years, Barco enjoys year-on-year net cash positive results. The company follows a conservative course in managing its financials and net cash position.

### A strong & reliable leadership team

With some new experienced leaders, Barco's leadership team became more global and diversified and allowed to blend insights of new members with the strong potential and competencies available at Barco. The team delivered on its promises in line with its stated Say.Do objective.

Confident that Barco has the required assets to further deliver sustainable profitable growth, the company will implement its 'fit to lead' program, a capability building and efficiency plan while resuming topline growth across the different business segments.

### Shareholder trust

Barco's sound strategy, strong market positions and solid financials inspire the trust and strengthen the confidence of its shareholders. Barco 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, Barco's shareholders see consistent growth in the dividend, which reflects the overall profit growth.

## Analysts covering Barco

Bank Degroof Petercam sa	Stefaan Genoe
Berenberg	Trion Reid & Anna Patrice
Flemish Federation of Investors and Investor Club	Gert De Mesure
ING	Marc Hesselink
KBC Securities	Guy Sips
Kempen & Co N.V.	Christophe Beghin
Kepler Cheuvreux	Matthias Maenhaut

## Financial calendar 2019

Announcement of results 4Q18 and FY19	Thursday 7 February 2019
Trading update 1Q19	Wednesday 17 April 2019
Annual general shareholders meeting	Thursday 25 April 2019
Announcement of results 1H19	Thursday 18 July 2019
Trading update 3Q19	Wednesday 23 October 2019

## Share info

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 tradeshows are available on Barco's investor portal

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



# Shape

Barco Sustainability Report 2018



**Section A.**  
Company Report  
2018



**Section B.**  
Sustainability Report  
2018



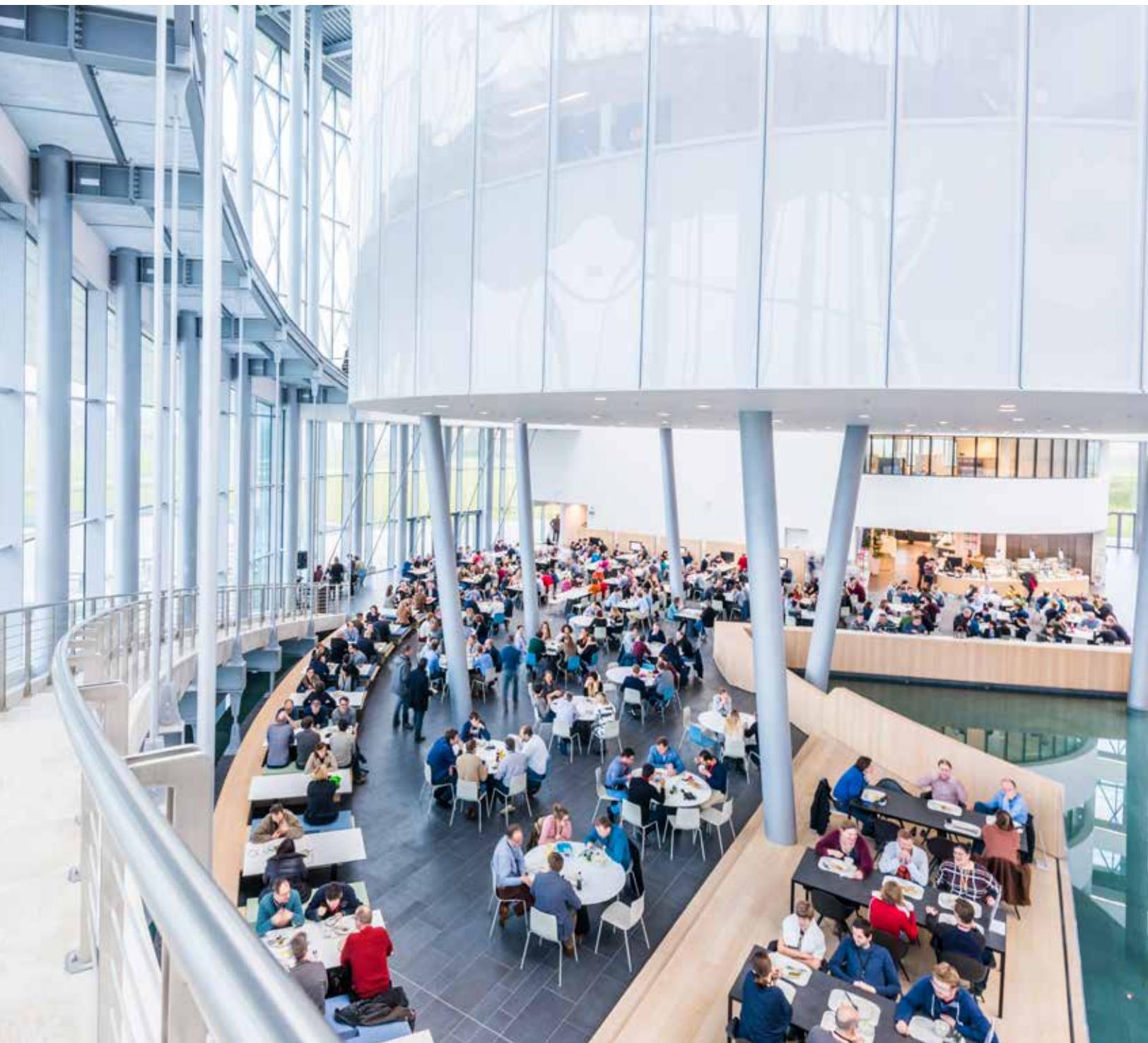
**Section C.**  
Financial Statements  
2018

This is section B of Barco's 2018 annual report. Other sections are available via the download center at [ar.barco.com/2018](http://ar.barco.com/2018).



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# Introduction

## Building a platform to drive sustainable impact

Growing our company goes hand in hand with helping our people and the communities around us thrive, while safeguarding our planet. That is why sustainability is becoming an integral part of how we shape our business.

Of course, sustainability is and will always be a continuous journey of learning and improving. Yet, we believe that we have the right foundations in place to deliver on our sustainability objectives in the coming years, as sustainability is

- **strongly linked to our values**

For years, seven values have been guiding Barco in everything it does. In 2017, we changed the 'we care about our people' value by 'we care' to highlight that we also care about our planet and our communities.

- **deeply embedded in our strategy**

The new strategy that we launched in 2017 includes three pillars: 'lead by innovation', 'focus on performance' and 'offer outcome-based solutions'. The fourth vector that keeps the strategic pillars together is 'go for sustainable impact' – because we are convinced that sustainable business is the only way forward.

- **increasingly integrated into Barco's risk evaluation process**

Sustainability-related topics like climate change, environment, health and safety, ethics and business conduct are ever more important in the way we do business. As sustainability is increasingly integrated into Barco's risk management process, a solid sustainability plan is needed.

- **firmly supported by top management**

Top level commitment is a key success factor for our sustainability strategy. Over the past few years, our top management has embraced sustainability: they actively participate in sustainability meetings and take up sponsorship roles for different sustainability work stream initiatives. Moreover, our CEO Jan De Witte also highlights that sustainability is one of the driving forces in Barco's corporate strategy, keeps it on the corporate agenda and chairs the executive steerco meeting.

Moving from awareness to true engagement among employees will help us make sustainability an integral part of how we shape our business.

**Jan De Witte**  
Barco CEO

## Stepping up our efforts

In line with our 'Say.Do' mantra, we geared up our sustainability efforts in 2018 and made progress in every domain - from organization and strategy through to performance.

### Organization

- We put the **organization** into place that we need to start delivering on our sustainability ambitions. We clearly mapped out and identified the topics that matter most to us, defined roles and responsibilities and aligned and communicated the accountabilities for the different workflows. The framework that we drafted helps us firmly embed sustainability in every division and process.
- The **governance of sustainability-related initiatives** has been strengthened further to ensure continued follow-up and progress. In addition to defining roles and committees at both the executive and management levels, we also welcomed An Saveyn as our sustainability manager. An will further build Barco's sustainable impact strategy and program and integrate sustainability into our business.

### Strategy, communication and objectives

- We identified, defined and/or re-affirmed the **measures and key performance indicators** (KPIs) that will guide and indicate the way forward for every stakeholder involved.
- As the support and participation of every Barco employee is key to successfully living up to our sustainability agenda, we **stepped up our initiatives to engage Barco employees** in our journey towards sustainability. We informed every employee about our short-term targets (2020) regarding eco-design and our operational footprint. Next to that, our divisions

started building awareness around circular design and sustainable business models.

### Performance

- In 2018, we started seeing the first results. In addition, we identified areas for further improvement where we need to step up our efforts with an increased level of accountability.

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

### Our seven values

- We lead by innovation
- We delight our customer
- We deal openly and ethically
- We encourage team play
- We are accountable
- We trust each other
- We care

# Our sustainability ambition statement

In line with our ambition to fully integrate sustainability into our corporate DNA, Barco has decided to constantly accelerate its sustainability efforts on three levels: planet, people and communities.

1. We will lower our own **environmental footprint** and that of our customers.
2. We will **invest in sustainable employability** by encouraging our people to learn and develop themselves, by engaging them and by keeping them healthy – both physically and mentally. We will create an inclusive workplace that embraces the diversity of our people.
3. We will **play an active role in the communities** we operate in, by upholding the highest ethical business standards and expecting the same from our suppliers, and by offering chances to the underprivileged.

Barco is ready to gear up and move forward towards a more sustainable future.

Jan De Witte  
CEO





# Our sustainability strategy

'Go for sustainable  
impact'  
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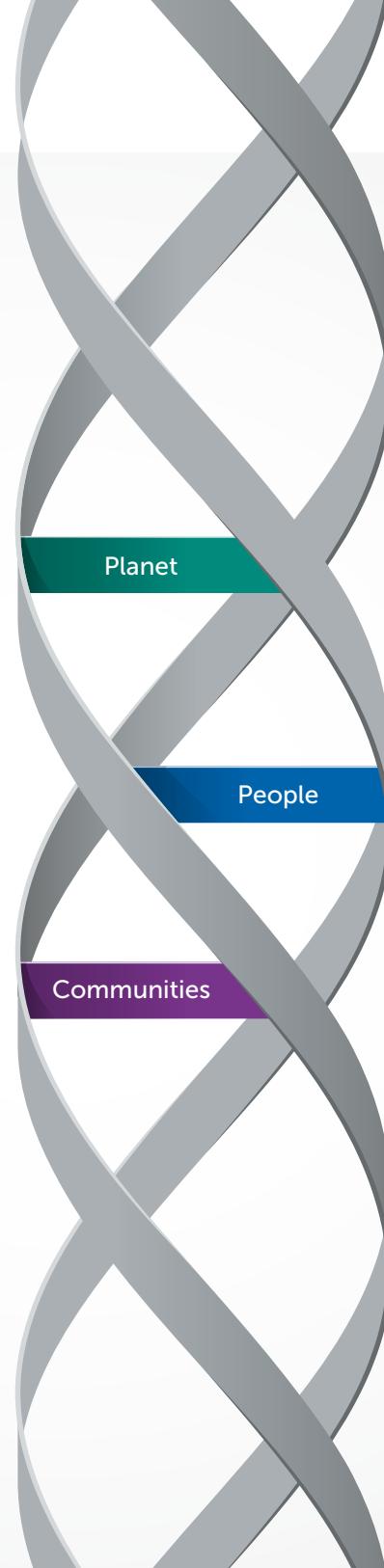




# 'Go for sustainable impact'

Our sustainability strategy is an integral part of our corporate strategy, 'enabling bright outcomes'. Integrating 'go for sustainable impact' into our corporate strategy was a logical choice for us, as we are convinced that sustainable business is good business.

Our corporate strategy consists of three pillars: **planet**, **people** and **communities**. For each pillar, we defined an overall ambition statement as well as several focus areas. Those focus areas, 11 in total, are the sustainability topics we consider important for both our business and our stakeholders. They were defined in the 2017 materiality assessment (page B/12).



## Barco's sustainability pillars, ambitions and focus areas

### PILLAR

#### Planet

#### People

#### Communities

### AMBITION

We will lower our environmental footprint and that of our customers.

We will invest in sustainable employability by encouraging our people to learn and develop themselves, by engaging them and by keeping them healthy – both physically and mentally. We will create an inclusive workplace that embraces the diversity of our people.

We will play an active role in the communities we operate in, by upholding the highest ethical business standards and expecting the same from our suppliers, and by offering chances to the underprivileged.

### FOCUS AREAS

- Greenhouse gas emissions
- Energy efficiency of products & operations
- Circular economy

- Learning & development
- Employee safety
- Employee health / care
- Diversity & inclusion

- Supplier assurance on sustainability
- Community engagement
- Customer satisfaction
- Business ethics

# Contribution to the Sustainable Development Goals

The UN 2030 Agenda for Sustainable Development is a global plan for improving our world in the domains of people, planet and prosperity. It lays out where we collectively need to go and how to get there. Barco uses the Sustainable Development Goals (SDGs) defined in the UN Agenda as a guideline

to shape its approach and scale up its contribution to the areas that matter most to society and where we can achieve the greatest impact. During a mapping exercise, we listed how our 11 focus areas contribute to the SDGs.

FOCUS AREAS	CONTRIBUTION TO SDGS		FOCUS AREAS	CONTRIBUTION TO SDGS		
Footprint of our operations	 7 AFFORDABLE AND CLEAN ENERGY	 13 CLIMATE ACTION	Diversity & inclusion	 5 GENDER EQUALITY		
Footprint of our products	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 13 CLIMATE ACTION	Supplier assurance on sustainability	 8 DECENT WORK AND ECONOMIC GROWTH	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Circular economy	 11 SUSTAINABLE CITIES AND COMMUNITIES	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Community engagement	 3 GOOD HEALTH AND WELL-BEING	 4 QUALITY EDUCATION	
Learning & development	 4 QUALITY EDUCATION	 8 DECENT WORK AND ECONOMIC GROWTH		 10 REDUCED INEQUALITIES	 17 PARTNERSHIPS FOR THE GOALS	
Employee safety	 8 DECENT WORK AND ECONOMIC GROWTH		Business ethics	 8 DECENT WORK AND ECONOMIC GROWTH	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	
Employee health/care	 8 DECENT WORK AND ECONOMIC GROWTH		Customer satisfaction	 8 DECENT WORK AND ECONOMIC GROWTH		

# Materiality assessment

Many different social, environmental and ethical issues impact our business, either directly or through our global value and supply chains. Consequently, we have to manage a continually evolving set of issues.

Every three years, we conduct a materiality assessment to help ensure our strategy focuses on the right areas, and tailor our reporting so that it aligns with the interests and needs of our stakeholders, as well as those of the company.

## Our 2017 materiality assessment

Our last materiality assessment was conducted in 2017. We analyzed a range of internal and external data, including trend reports and other documents created by peers and competitors, sector associations and sustainability networking organizations (CDP, SASB, GRI, Sustainalytics, United Nations Sustainable Development Goals), as well as internal documents. This research led to a container of over 50 topics.

We then surveyed a select group of Barco employees (sustainability ambassadors) to determine the topics they thought were most important and relevant to Barco and its stakeholders. The Executive sustainability steering committee determined the impact of each of the topics on Barco's success. The result of the 2017 assessment is a set of 11 topics that stand out as 'material' and determine our current sustainability strategy. We call them our focus areas.

## 2018: determining priorities

In 2018, we surveyed Barco's global leadership team (about 100 people) to assess the importance of each of the 11 focus areas to Barco and define their maturity levels. Topics with both high importance and a low maturity level were flagged as priorities. Those topics will be the main focus for the sustainability office in 2019-2020.

- For more information on how Barco engages with its stakeholders to determine risks and points of attention, we refer to the 'Stakeholder engagement' segment on pages B/61 and B/62 of this report.



## Our sustainability performance





Planet

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People

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Communities

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# Planet

## Our ambition

We will lower our environmental footprint and that of our customers.

## Our targets by 2020



**-20%**

Reduce the **carbon footprint of our own operations** by 20% (baseline 2015)



**-25%**

Reduce the **energy footprint of our products** by 25% (baseline 2015)



**25%**

Ensure that **at least 25% of our products launched has an A eco-score** or higher.

- + 100% of new product launches will be eco-scored.
- + no products will have a D score.

## Planet (key) performance indicators

	INDICATOR	UNIT	2014	2015	2016	2017	2018	TARGET 2020
FOOTPRINT OF OUR OWN OPERATIONS	Greenhouse gas (GHG) emissions <sup>(1)</sup> of our own operations <sup>(2)</sup>	tCO <sub>2</sub> e/mio € revenues	100.4	80.5	73.1	70.6	TBD 2019	64.4
	Energy consumption	MWH/FTE	14.2	15.6	14.6	14.8	TBD 2019	
		MWH/mio € revenues	46.0	44.2	39.9	41.7	TBD 2019	
	% electricity from renewable sources	%	NA	NA	60%	57%	TBD 2019	
	% hazardous waste of total waste	%	NA	NA	0.1%	0.8%	TBD 2019	
FOOTPRINT OF OUR PRODUCTS	Recycling rate	%	NA	NA	69%	60%	TBD 2019	
	Eco-performance of new product launches	#/score	NA			None of eco-scored products has been launched yet	All eco-scored --- No D score --- 25% A score	
	Energy efficiency index of sold products <sup>(3)</sup>	/	NA	1.00	0.96	0.82	TBD 2019	0.75
	GHG emissions <sup>(4)</sup> of sold products (i.e. end-user emissions)	tCO <sub>2</sub> e/mio € Revenues	NA	727.1	731.3	666.3	TBD 2019	

(1) Calculation of greenhouse gas emissions is explained on B/17

(2) 2014-2016 numbers differ from earlier sustainability reports since upstream emissions are also taken into account now. This doesn't change emission trends since an increase or decrease in direct emissions of a specific emission category will also lead to the proportionally equivalent increases or decreases in upstream emissions.

(3) The energy efficiency index of our products is calculated by taking into account the energy consumption/delivered capability of our two most important product groups in terms of energy consumption: projectors (70% of total product energy consumption in 2017) and large video walls (20% of total product energy consumption in 2017). The energy performance of these product groups is calculated and formulated as Watt/delivered capability (For projectors, delivered capability = lumen; for large video walls, delivered capability = cd/m<sup>2</sup>). In 2015, the W/delivered capability for both product groups was scaled to 1 for comparability and then weighted based on turnover of the respective product groups.

(4) End-user emissions refers to the emission source indicated in the Greenhouse Gas Protocol as 'Use of sold products'. In the case of Barco products, this covers the CO<sub>2</sub> emissions from electricity consumption of sold products and excludes emissions related to mining of raw materials, transport, manufacturing or waste treatment of these products.

## Other indicators

INDICATOR	UNIT	2014	2015	2016	2017	2018
GHG emissions scope 1	tCO <sub>2</sub> e/mio € revenues	5.8	5.1	4.7	4.6	TBD 2019
GHG emissions scope 2	tCO <sub>2</sub> e/mio € revenues	6.4	5.4	5.0	5.0	TBD 2019
GHG-emissions scope 3 (incl. end-user emissions)	tCO <sub>2</sub> e/mio € revenues	88.2 <sup>(1)</sup>	797.1 <sup>(2)</sup>	794.6 <sup>(2)</sup>	727.3 <sup>(2)</sup>	TBD 2019
Total GHG emissions	tCO <sub>2</sub> e/mio € revenues	100.4	807.6	804.4	736.9	TBD 2019

(1) End-user scope: healthcare

(2) End-user scope: all divisions

MEASURING CARBON FOOTPRINT OF OUR OWN OPERATIONS		MEASURING OUR CARBON FOOTPRINT RELATED TO END-USER EMISSIONS	
Methodology	<ul style="list-style-type: none"> <li>Bilan Carbone® methodology</li> <li>Compliant with ISO 140064 standard</li> <li>Sources of emission factors: emission factors from scientific sources, ADEME, GHG Protocol, IEA, suppliers specific for electricity</li> </ul>	Methodology	<ul style="list-style-type: none"> <li><b>GHG Protocol Methodology</b></li> <li>Formula to be used: <math>\Sigma</math> (total lifetime expected uses of product x number sold in reporting period x electricity consumed per use (kWh) x emission factor for electricity (kg CO<sub>2</sub>e/kWh))</li> </ul>
Scope	<ul style="list-style-type: none"> <li>Technical: all GHG such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), refrigerants (HFCs, PFCs, CFCs) are converted into CO<sub>2</sub> equivalents using Intergovernmental Panel on Climate Change (IPCC) 100-year global warming potential (GWP) coefficients</li> <li>Boundaries: operational (vs. equity) approach, as it better defines the boundaries of influence</li> <li>Geographical scope: main production facilities and offices in Belgium, China, Italy, Germany, India, Norway, Taiwan and US, accounting for 85% of Barco's total headcount (3,590 FTEs) in 2017</li> </ul>	Scope	<ul style="list-style-type: none"> <li>Emissions based solely on the energy consumption of the product (excluding the embodied energy of components, end-of-life emissions, etc.)</li> <li>Approx. 90% of the products covered (in terms of sales volume) in 2017</li> </ul>
Reporting period	FY 2017	Reporting period	<ul style="list-style-type: none"> <li>FY 2017</li> </ul>
Baseline	<ul style="list-style-type: none"> <li>For targets and performance comparison, Barco selects FY 2015 as a baseline</li> </ul>		
Reporting	<ul style="list-style-type: none"> <li>Annual reporting to the Carbon Disclosure Project (CDP)</li> </ul>		

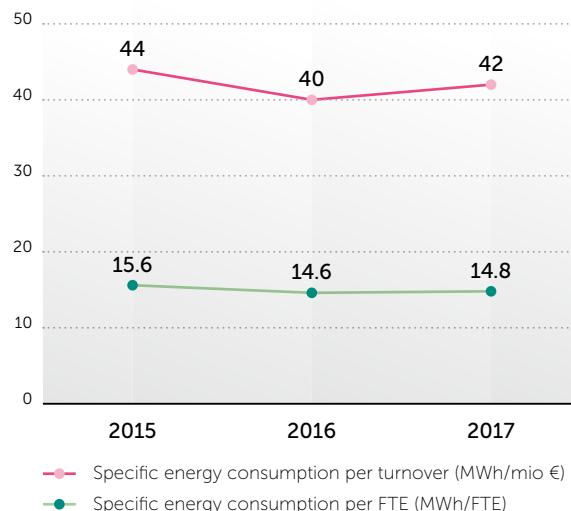
# Our roadmap towards sustainable impact: key initiatives and action plans

## 1. Footprint of our own operations

### 1.1 Energy use in our own operations

Barco's **energy consumption** (including fuel use for company cars) in 2017 was 42 MWh/mio € revenues. That is a 5% decrease compared to our 2015 baseline. However, despite efforts to reduce energy consumption year by year, it was higher in 2017 than in 2016 – mainly due to the growing use of company cars in Belgium. Our plans to tackle this issue are described later. (page B/23 greenhouse gas emissions from mobility).

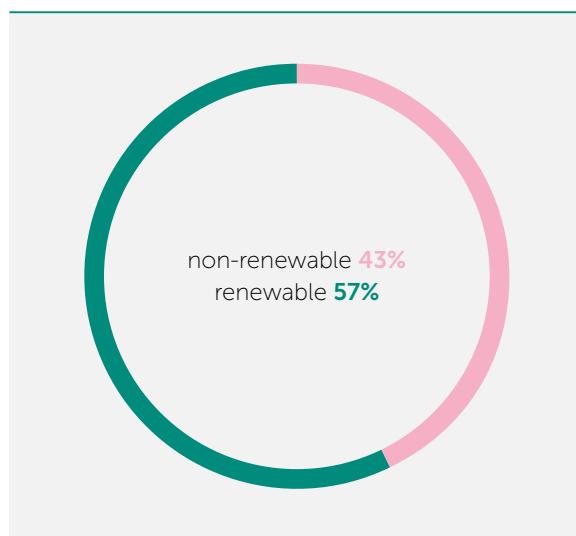
Specific energy consumption in own operations 2015-2017



Barco's main energy sources are electricity (51%) and fossil fuels (for company cars) (24%). In addition, we also use natural gas (for heating and hot water) and district heating/cooling.

57% of all electricity that Barco uses comes from renewable sources. We purchase green electricity in Belgium and Italy. In addition, we produce our own renewable electricity at the Kortrijk and Kuurne sites in Belgium, where 2880 m<sup>2</sup> of photovoltaic panels are installed on the roofs. We plan to further expand our own production of renewable energy in the coming years.

Renewable vs. non-renewable energy sources (2017)





Greenhouse gas emissions from our own operations decreased by 12% between 2015 and 2017.

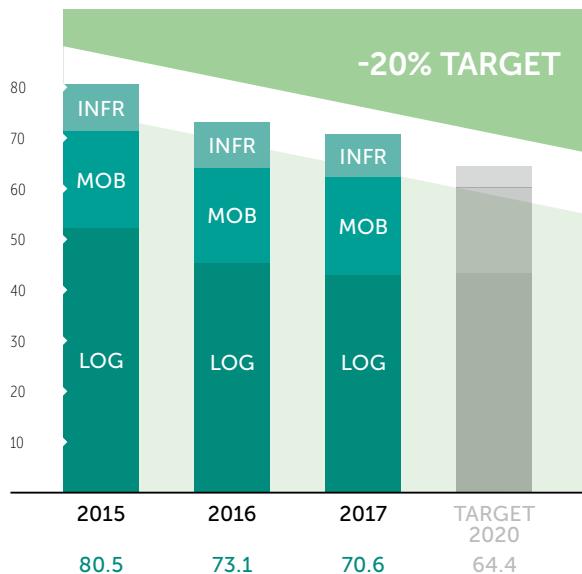
## 1.2 Greenhouse gas emissions due to our own operations

There are three main sources of CO<sub>2</sub> emissions in our own operations: logistics, mobility and infrastructure. On this page we share the consolidated numbers for own operations. On the next pages we zoom in on the numbers per source, as well as on the actions for each source.

Greenhouse gas emissions from our own operations decreased by 12% between 2015 and 2017. That proves we are well underway to achieving our -20% target for 2020 vs. 2015.

### Carbon footprint of own operations 2015 – 2017, incl. 2020 target

All figures in tCO<sub>2</sub>e / mio € turnover



### 1.2.1. Greenhouse gas emissions from logistics

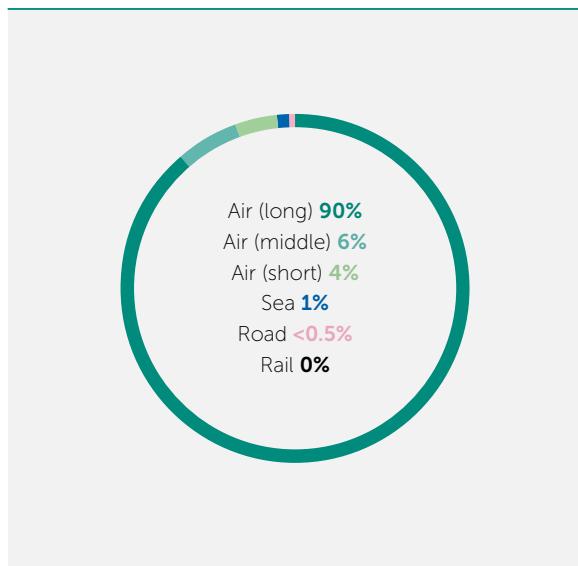
The major source of greenhouse gas emissions from our own operations is related to logistics, i.e. the transport of incoming goods and outgoing finished products. Logistics was responsible for 61% of Barco's own CO<sub>2</sub> emissions in 2017. Transport via long-haul air causes the majority (90%) of these emissions.

While transport via long-haul air causes the largest portion (90%) of CO<sub>2</sub> emissions from logistics, 57% of Barco's total tkms is still shipped by plane. 37% of Barco's total tkms (ton<sup>(1)</sup> \* distance shipped) is transported via deep sea transport,

which is responsible for less than 1% of the CO<sub>2</sub> footprint in logistics. Over the past few years, we have been working hard to shift transport from air to sea freight. (see further)

Logistics-related greenhouse gas emissions dropped by 18% between 2015 and 2017.

**Breakdown of logistics emissions by source  
(2017)**



(1) Metric tons

**Carbon footprint of logistics  
2015 - 2017, incl. 2020 target**



A solid plan to optimize transport worldwide has helped us cut logistics emissions in recent years. In 2017 (and 2018) we further **analyzed our logistic footprint** in order to ensure that we'd achieve our targets by 2020. By merging data from our SAP system and data from freight forwarders, we gained clear insights into logistics volumes, lead times, CO<sub>2</sub> emissions, cost, impact on inventory and working capital. Based on these results, our logistics team – together with supply chain, procurement and sales colleagues – drafted **an action plan with tangible, executive initiatives**.

**In 2017, we accelerated the following initiatives:**

- **Changing our transportation modes:** We keep swapping long-haul air transport for sea cargo transport. We mainly focused our efforts on:
  - China-Belgium flow (raw materials, subassemblies and outsourced finished goods), which accounts for ca. 12% of our CO<sub>2</sub> footprint
  - Belgium-US flow (mainly medical display systems for the US market), which accounts for ca. 13% of our CO<sub>2</sub> footprint
- **Re-designing packaging for logistics:** When designing new products, we keep in mind the importance of smaller/lighter packaging, in order to reduce the volume/weight of high-running appliances. We for example redesigned the flightcase of our projector engines.

• **Designing products for the supply chain:** As more and more new Barco products are built on an existing platform, only the last customization has to be done in a local warehouse. In this way, we are able to ship bigger volumes more upfront to overseas destinations by sea.

• **Every transport and warehousing tender now includes a sustainability clause:** Logistic suppliers are expected to inform us about their sustainability plans and initiatives. This information is taken into account in the overall decision matrix and, as such, in our supplier selection procedure. In addition, we add sustainability clauses in the contracts, driving our suppliers to advance their efforts to cut carbon emissions.

**In addition, every Barco division launched sustainability initiatives in 2017, which started delivering results in 2018 and will continue to do so in 2019.**

- **Healthcare division:** By manufacturing medical displays for the Chinese market in the new China manufacturing plant (instead of in Italy), CO<sub>2</sub> emissions will drop.
- **Entertainment division:** Projector engines of US customers are repaired locally in the Atlanta facility, instead of in Belgium, thus reducing the volume of long-haul air transport.
- **Enterprise division:** By opening a new bonded warehouse hub in Taiwan, we can store our latest LCD displays until there's enough demand to fill a sea container. At the same time, the displays are closer to our APAC customers.

## AN INTERVIEW WITH KATHY VERLEDENS

## Our journey towards greener logistics

Until the end of 2017, Kathy Verledens was head of our Virtual Factory. Her role: to oversee the operational flow for Barco solutions manufactured in Asia and continually look for improvements, also in supply chain processes. In 2014, her unit set itself a very ambitious target: to ship 70% of the products leaving subcontractors' plants in Asia via ocean container ships instead of by air. While the initial drive was to reduce logistics costs, it helped slash carbon emissions, too.

**Shifting from air to ocean freight**

"The decision was not that easy to make, as ocean shipment transit times are much longer: eight weeks instead of one week by air," Kathy admits. "That greatly impacts our planning, forecasting and inventory management. So, we have to explore the feasibility of shipment by sea on a case-by-case basis, depending on customer needs, product value, supplier agreements, etc."



The sustainability aspect  
is gaining increasing  
importance at Barco.

**Kathy Verledens**  
Director Strategic Partnerships

**Optimizing packaging**

To further raise transport efficiency, the team also optimized its approach to packaging. ClickShare, for example, is now shipped in much smaller packages, which again saves money while reducing the carbon footprint. "That last argument, the sustainability aspect, is gaining increasing importance at Barco."

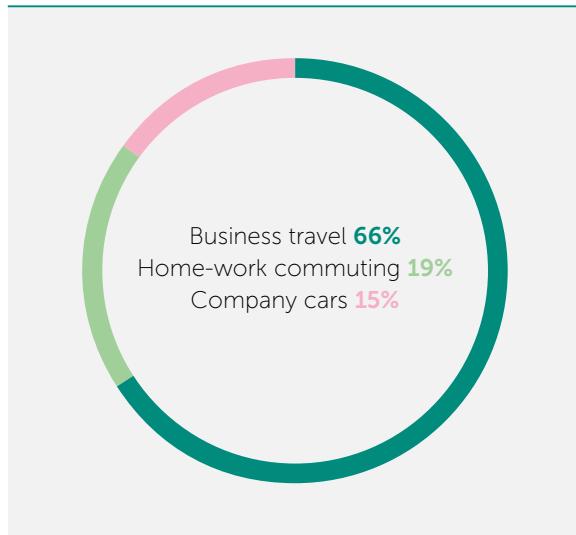
**Interest in sustainability grows**

Kathy and her team have been pioneering the transport mode shift. While the team has continually stepped up its performance in the field, Kathy has accepted the role of Director Strategic Partnerships, Business Health and Supply Chain in the entertainment division. She has already launched a pilot project to study the feasibility of transporting cinema components by ship/train from Belgium to the joint venture in China. And there are more transport mode shifts happening,

she says: "My colleague Michael Paeyeneers from the healthcare division decided to shift cargo from planes to ships, although the cost of both options is the same. He really insisted on using the eco-friendliest transport option."

### 1.2.2. Greenhouse gas emissions from mobility

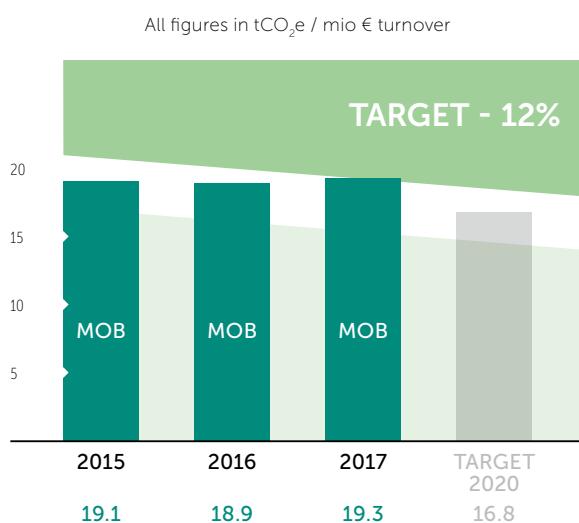
Breakdown of mobility by source (2017)



The second largest source of greenhouse gas emissions from our own operations is related to mobility. It includes business travel, the use of company cars and home-work commuting. The share of mobility in Barco's own CO<sub>2</sub> emissions in 2017 was **27%** - mainly caused by business travel.

While our target is to reduce mobility-related emissions by 12% by 2020 (vs 2015), mobility caused an increase in greenhouse gas emissions in 2017 (+1% compared to 2015).

Carbon footprint of mobility  
2015 - 2017, incl. 2020 target

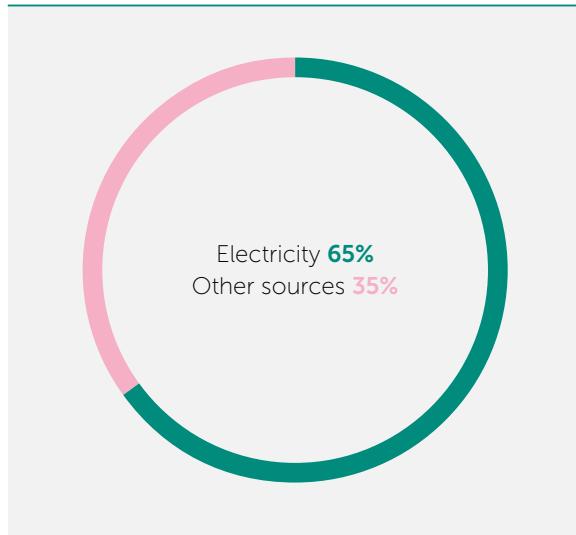


To **accelerate our efforts** in this field, we have plans to

- **Update our car fleet policy:** by gradually changing the composition of our car fleet, decreasing the share of diesel and petrol fueled cars and sensitizing employees to eco-driving, we aim to reduce fuel use from company cars by 12% by 2020 (vs 2015). We will also keep promoting carpooling and commuting by bike.
- **Change business travel:** our plans are to switch all short-haul (<3,000km) flights in business/first class to economy class, and replace short-haul (<600 km) economy class flights to train rides where possible. We will also continue to promote the use of virtual meeting rooms to cut back on business trips.

### 1.2.3. Greenhouse gas emissions from infrastructure

Breakdown of infrastructure emissions by source (2017)

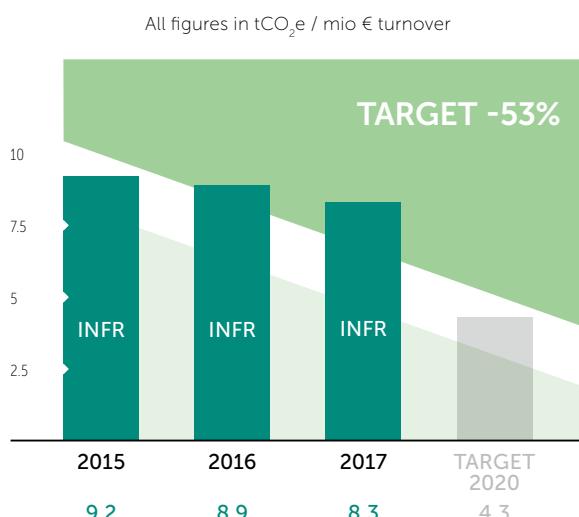


The third source of greenhouse gas emissions from our own operations is infrastructure. It includes emissions from the use of electricity, gas for heating, fossil fuels (excl. company cars) and from the leakage of refrigerant gases from cooling equipment. The share of infrastructure in Barco's own CO<sub>2</sub> emissions was 12% in 2017, which was mainly attributable to the use of electricity.

#### In 2017 (and 2018) we focused on the following measures:

- **Centralizing manufacturing activities:** In Belgium, we moved part of our production activities from the old Kuurne site to the state-of-the-art, more energy-efficient manufacturing plant in Kortrijk.

Carbon footprint of infrastructure  
2015 - 2017, incl. 2020 target



- **Investing in energy-efficiency measures:** We replaced old lighting systems with LED solutions (in Norway and Beijing).
- **Creating awareness** campaigns to engage employees in energy efficiency and drive energy-saving behavior in the workplace.

#### Plans to further reduce emissions from infrastructure include:

- Monitoring energy consumption and changing our behavior across the globe.
- Extending our green electricity procurement program to other regions, notably the US and India.
- Investing in renewables and energy-efficiency measures across the globe

## iGemba: our way to continuously improve our environmental footprint in operations

For over five years now, our iGemba program has encouraged Barco operators around the globe to continuously improve processes by placing them at the heart of improvement ideas. Employees are challenged to come up with improvement ideas that enhance our environmental footprint, like reducing material use and waste, transportation, and packaging.

A couple of examples:

- *"In the past, we used filling foam in the packaging of cooling liquid bottles. By shifting to an air column bag, we no longer need foam and have substantially reduced the size of our packaging."*

**Yingyong Li, Christine Zhang and Xiaowei Tian, Beijing**

- *"After receiving the goods we now gather the pallets and reuse them for commissioning or delivery."*

**Xu Zhou, Beijing**

- *"To ensure the safe shipment of our boxes, we used to put a plastic foil around them. By using a cardboard honeycomb cover that seals off the box immediately, we no longer need plastic foil."*

**Nikita Decancq, Kortrijk**

- *"Our safety manual for the Harbin xenon lamp projector was available in seven languages and counted 70 pages. We replaced it by a 10-page Chinese version."*

**Yu Haitao, Beijing**



## 2. Footprint of our products

### 2.1. Energy performance of our products

Generally, we see that market trends and customer preferences are shifting towards solutions with ever-higher performance (brightness, resolution, etc.) – which require higher energy consumption levels. That is why we measure and manage the energy performance of our products, i.e. the energy consumption relative to brightness, resolution, luminance, etc. (watt/delivered capability).

From 2015 (baseline) to 2017, the average energy efficiency index decreased by 18%\*, so we are well underway to achieving our target of -25% by 2020. One driver for the improvement is the increased sales of laser projectors, which consume far less power (-50 to -150%) than traditional lamp-based systems (see B/29).



The average energy footprint of sold products fell by 18% between 2015 and 2017.

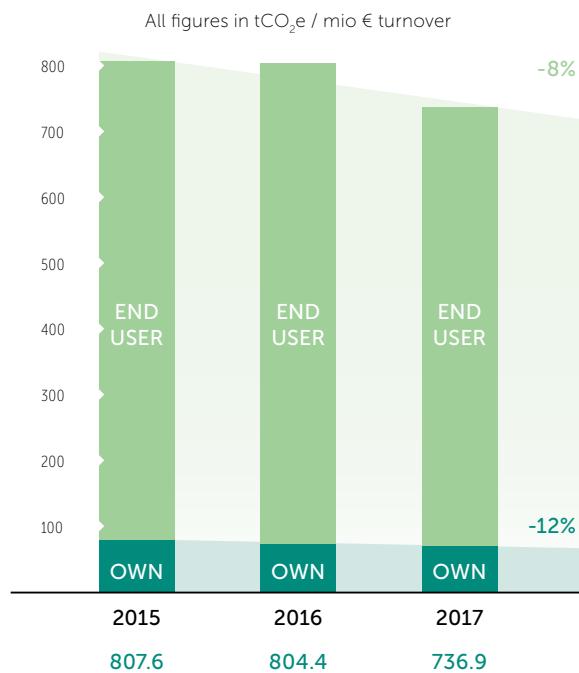


\* The energy efficiency index of our products is calculated by taking into account the energy consumption/delivered capability of our two most important product groups in terms of energy consumption: projectors (70% of total product energy consumption in 2017) and large video walls (20% of total product energy consumption in 2017). The energy performance of these product groups is calculated and formulated as Watt/delivered capability (For projectors, delivered capability = lumen; for large video walls, delivered capability = cd/m<sup>2</sup>). In 2015, the W/delivered capability for both product groups was scaled to 1 for comparability and then weighted based on turnover of the respective product groups.

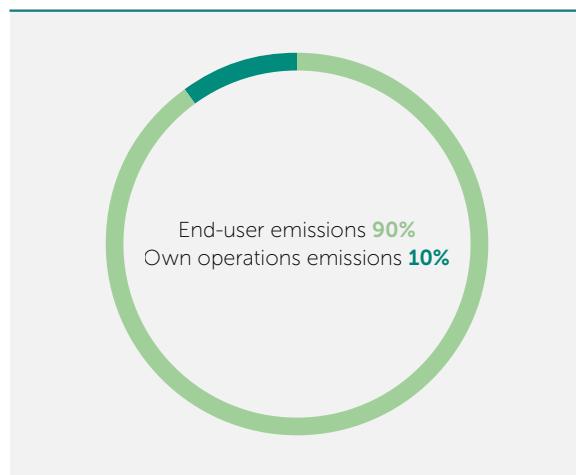
## 2.2. Greenhouse gas emissions of our products (end-user emissions)

End-user emissions are CO<sub>2</sub> emissions due to the energy used by sold Barco products. In 2017, total end-user emissions amounted to 666.3 tCO<sub>2</sub>e / mio € revenues. This is 90% of our total carbon footprint. The major part of end-user emissions is generated by our projectors (entertainment division). End-user emissions decreased by 8% between 2015 and 2017, as a direct result of our efforts to improve the energy performance of our products.

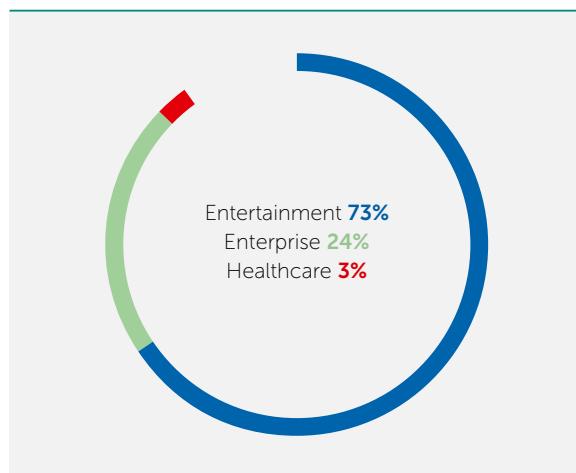
### Total carbon footprint 2015-2017



### Share of greenhouse gas emissions between own operations and end-user (2017)



### Breakdown of end-user emissions by division (2017)



## 2.3 Eco-design

Next to improving their energy performance, we want our products to

- be composed of low-impact materials (material use)
- be packed in an eco-friendly way (packaging)
- be easy to maintain, refurbish, upgrade and eventually recycle (end-of-life optimization).

That is why an increasing number of innovation initiatives are focused on sustainable product innovation, taking the full product lifecycle into account. To determine the sustainability performance of our products, we have set up an **eco-design program** on product family level.

### Our eco-design journey

- **2013 - 2015**
  - Phase out high-impact hazardous toxic materials
  - Adoption of the Barco Substances List
  - REACH, RoHS 6 compliance
- **2016 - 2017**
  - Focus on energy efficiency (Laser, LED, ... ).
  - Design for supply chain (weight, volume, material reduction)
- **2018 - 2020**
  - Implement power management solutions in all product types
  - Low-impact materials
  - Reduce the use of halogens and PVC
  - Design for refurbishment and repair/maintenance
  - Pro-actively enforce RoHS 10 compliance down our supply chain
  - Eco-design training for R&D stakeholders
  - Start exploring the use of recycled content in plastics parts.



Ensure that **at least 25% of our new products launched has an A eco-score** or higher by 2020.

- + 100% of new products will be eco-scored.
- + no new products will have a D score.

## Product in the spotlight: our laser projector

In 2018, Barco achieved the milestone of 600 all-laser cinema multiplexes installed worldwide. By going all-laser – i.e. combining flagship laser and smart laser series projectors – exhibitors are sure to realize substantial sustainability benefits:

### Energy efficiency

Laser projectors are 50-150% more energy-efficient per delivered lumen than lamp-based projectors.

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.

### Material use

- Laser technology eliminates any concerns about potential pollution from xenon lamp disposal.
- Extremely long life time.

### Supply chain

- 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.

### End-of-life optimization

- Modular design enables retrofit (reuse of casing / standard parts).
- Platforming for easy maintenance and refurbishment.

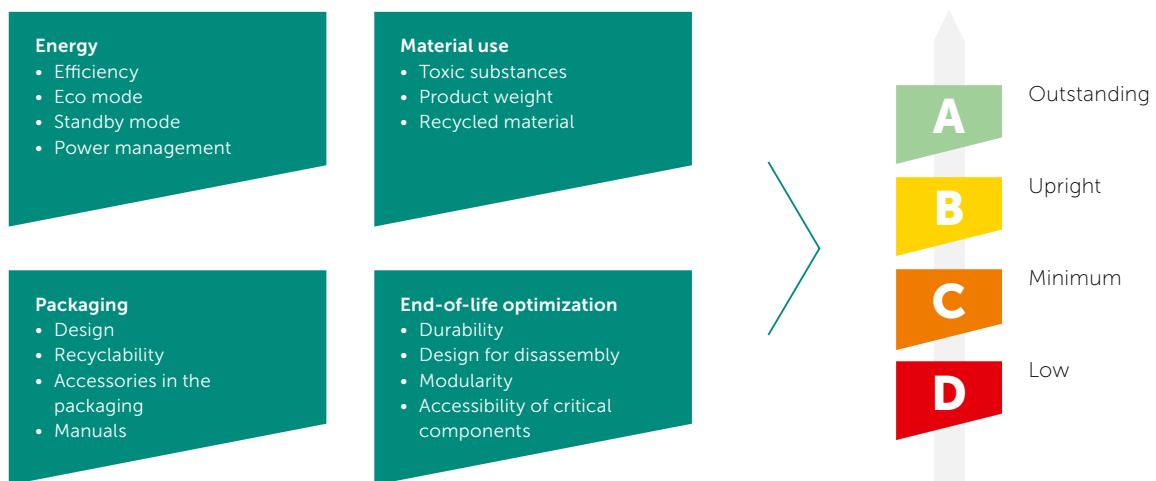


### Our eco-scoring methodology

Our eco-design program is supported by a robust eco-scoring methodology that helps us determine the sustainability performance of our products in the fields of energy-efficiency, material use, packaging and end-of-life optimization. The sustainability performance is evaluated against objective criteria inspired by future regulations, industry standards and voluntary ecolabels.

The **eco-scoring tool** helps us improve the sustainability of our products in a systematic way. In addition, it motivates designers and product managers to choose a more sustainable alternative.

Barco's central eco-office performs the eco-scoring assessments across all divisions to ensure an objective scoring.



### 3. Circular solutions

The circular economy is a focus area in Barco's sustainability strategy. We joined Agoria's learning network on the circular economy and the CEN-CENELEC Joint Technical Committee 10 on energy-related products. As an active member, we help write future standards to **improve the circularity performance of products in Europe**.

Our circular economy efforts have, until now, mainly focused on improving the design of our products (see B/29). Design for serviceability (maintenance, repair, upgrading) is key in all new design tracks, as it is a prerequisite for offering circular solutions. In addition, connectivity and data analyses are increasingly being used to prolong the lifetimes of products deployed in the field. We are now exploring opportunities to step up our circular economy efforts, through, for example, circular service offerings.

We increasingly use connectivity and data analyses to prolong the lifetimes of products deployed in the field.

#### Trade-in program for image processing products

In 2018, we launched a dedicated trade-in program for image processing products that are technically close to obsolete. The old products are collected locally through our channel partners, after which we/they verify if/what spare parts can be reused. The components considered valuable are then reused for maintenance or for product repairs (in the field). Parts that cannot be used are recycled in a proper way.

In the meantime, the customers replace their end-of-life image processing products with new, state-of-the-art Barco processing solutions that have been designed with sustainability in mind. Thanks to their modular architecture, our image processing solutions are future-proof. Components can be reused and the new solutions are much more energy-efficient when processing high-resolution video signals.



## Solution in the spotlight: Upgrade of rear-projection cubes

A proven global leader in control room visualization, Barco has an installed base of over 10,000 rear-projection video walls. Recently, we started offering our customers the unique opportunity to upgrade their video walls to the next-generation, state-of-the-art light source technologies (LED or RGB laser), without replacing the mechanical structures and optical screens. We simply replace the projection engine.

The **sustainability wins** of this upgrade offering are impressive:

- **Less waste:**
  - Mechanical structures and screen are reused

- LED or RGB laser technologies greatly extend the lighting source lifetime (up to 100k hrs. in eco mode)
- There is no rotating color and/or phosphor wheel that is susceptible to wear
- As the solution is modular, users need to upgrade only the electronic connectivity part when new graphics cards and cabling are available

- **Less energy consumption** (at least -50% ), as the new light source technologies help to drastically slash power consumption and heat dissipation

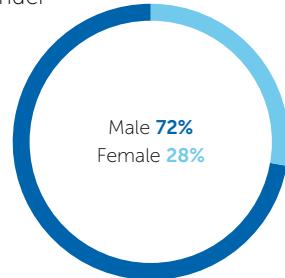
# People

## Our ambition

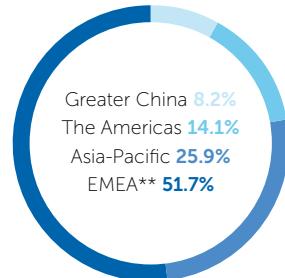
We will invest in sustainable employability by encouraging our people to learn and develop themselves, by engaging them and by keeping them healthy – both physically and mentally. We will create an inclusive workplace that embraces the diversity of our people.

Number of employees: **3,664\***

Gender



Geographical



Per functional group



\* Reporting in heads (not FTE), excluding temporary workforce (Database Corporate Associates per 31/12/2018)

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

## People (key) performance indicators

	INDICATOR	UNIT	2014	2015	2016	2017	2018
EMPLOYEE ENGAGEMENT	Employee net promotor score (NPS)	#	NA	*	17	*	**
	# of iGemba improvement suggestions	#	4,685	5,332	6,610	6,751	6,031
	# of improvement suggestions per operator	#	6.5	6.7	8.4	8.6	7.3
	% implementation	%	87%	86%	84%	85%	84%
LEARNING & DEVELOPMENT <sup>(2)</sup>	% of employees in internal mobility	%	2.2%	2.9%	3.3%	2.7%	3.6%
	Avg hours L&D/employee	#	19.5	20.7	17.2	14.7	16.9
	Turnover/outflow - voluntary	%	5.8%	5.6%	6.0%	7.7%	9.1%
EMPLOYEE HEALTH & SAFETY	Lost time injury frequency rate (LTIFR) <sup>(1)</sup>	#	NA	1.0	3.3	1.9	3.0
	% of employees in LT illness (> 1 yr) <sup>(2)</sup>	%	1.1%	0.9%	0.7%	0.7%	0.6%
DIVERSITY & INCLUSION <sup>(2)</sup>	% woman Barco overall	%	28.8%	28%	28.2%	28.4%	28.1%
	% women mgmt. – Hay grade +18	%	11.6%	14%	14.5%	15.2%	16.6%
	Avg age of active Barco payroll employees	#	44	43	42	41	42

\* Employee engagement surveys conducted every two years

\*\* Employee engagement survey postponed to 2019, see B/35 for the explanation why

(1) Number of lost time injuries per million hours worked. Lost time injuries are accidents that result in at least one lost day of work. When recording lost time injuries, we use applicable national definitions for incidents as work-related.

(2) Reporting in heads (not FTE)

# Our roadmap towards sustainable impact: key initiatives and action plans

## 1. Employee engagement

Employee engagement is the key to the success of every company. We want all our people to join our journey towards 'enabling bright outcomes'. To spread our message, we provide structured communication platforms. We encourage our people to ask questions, provide feedback, share ideas and become truly involved.

### Communicating openly at all times

In 2018, Barco initiated a lot of changes. More than hard work, this also implied that we had to make some tough choices. We are fully aware of the impact that restructuring plans have and took this to heart when preparing the relocation of our Frederikstad activities and the 'Fit to lead' program.

- To help people understand, support and drive the change, the **HR & internal communications team** prepared a transparent communication on the why, what and how of the changes, which was shared via meetings, our intranet, webinars and other dedicated channels. An employee mailbox was installed to respond quickly to any questions our people had.
- We engaged with **employee representatives** around the world to start **constructive dialogues** on the plans and find appropriate solutions, like redeployment or outplacement, for employees that are affected by our decisions.

- When difficult decisions have to be communicated, Barco insists on **informing internal stakeholders** first. Only after explaining the background, the content and the scope of the program to social partners did we make announcements public.
- The **management** also communicated openly with the rest of the team and provided – and continues to provide – regular insights on how our business is being prepared for future challenges by simplifying its organizational structure and sharpening its efficiency.

### Measuring employee engagement

People engagement is high on Barco's agenda and fits into our commitment to drive sustainable employability. We did not, however, manage to introduce the new measuring method (including new KPIs) that we had promised to deliver in 2018 due to the restructuring programs. Engagement and culture, including the implementation of a measuring method, will be a key focus going forward in 2019.

## AN INTERVIEW WITH JAYATI ROY

## Engagement Champions in India: a bottom-up approach

We believe that in an ever-changing environment, employees have to be in the driver's seat when it comes to their workplace. In addition, it is key to ensure high levels of employee engagement. To enable this, Barco India's HR team brought together a group of 20 volunteers to become 'Engagement Champions', i.e. motivated employees who drive all employee engagement initiatives across Barco Noida.

"We truly believe in this bottom-up approach," explains Jayati Roy, director of HR at Barco India. "We strive to involve people 'on the ground' as much as possible, as this helps boost ownership and drives the One Barco spirit."

"In Noida, the Engagement Champions are representatives from different factions across the organization who work together to organize events, plan activities around sustain-

ability, sports and well-being, and do just about anything to bring fun into the work place. Whenever an employee event needs to be arranged, the Engagement Champions are at the scene."

In 2018, the India team organized various fun activities, from Employee Appreciation Week and sports challenges like badminton and table tennis tournaments, yoga sessions, health checkups and fun events with games, great food and celebrations, to 'Barco's Got Talent'. "Everyone participates in these activities across functions and seniority levels. It is a great way to get to know and appreciate each other – and see firsthand that we are One Barco, all working towards the same goal."



6,031

In 2018, Barco operators came up with 6,031 improvement suggestions (7.3 per operator) – 84% were implemented

### iGEMBA:

#### driving engagement in operations

For over five years now, our iGemba program has encouraged Barco operators to drive innovation and continuous improvement, and move the organization forward each and every day. The program continues to gain momentum year after year. In 2018, operators came up with 6,031 improvement suggestions (7.3 per operator), of which 84% were implemented.

## 2. Learning and development

Barco invests significantly in the development of its staff – to help them gain the right skills for now and in the future. In 2018, we advanced our learning and development program to gradually upgrade it into an integrated talent management program. Isabelle De Wulf came on board in March 2018 as Talent and Organizational Development Manager. Her mission: to help ensure that Barco hires, develops and retains talented people.

### **End-to-end talent management**

“Talent management has to play a key role in a company’s business strategy, as it concerns one of the most important assets: its people,” Isabelle explains. “That’s why Barco decided to bundle together all the initiatives – and the people – involved at every step of the talent management process, from recruitment to development. We made some important strides forward in 2018.”

### **Encouraging internal mobility**

One of the initiatives that HR initiated in 2018 was to reinforce the focus on internal mobility. “Whenever there is a job opening, we first try to find a candidate internally,” says Isabelle, “because we really believe that internal mobility is a great way for employees to expand their horizons. By taking on a new challenge, new experiences and learning opportunities will cross their paths. In addition, they can build experience in other working domains within the context of their familiar employer. For Barco too, it’s beneficial to work with people who already know the company.” 25% of our job openings were filled internally in 2018.

### **From traffic administrator to training coordinator**

Deborah Goemaere is one of the Barco employees who swapped jobs within Barco, in 2018. For six years, Deborah worked as a traffic administrator. In 2018, she became training coordinator for Barco University: “I am the contact person for all internal and external product training. That is something completely different than what I did before, so I was quite excited about the changes. Today, I’m really happy that I took the step. Working with new tools and new people is really refreshing and energizing.”

### **Frequent feedback sessions**

Isabelle continues: “To really understand which Barco employees are suitable for a particular job, it’s really important that we know our people. That’s why we launched the idea of frequent feedback sessions to replace the once-a-year performance review: from 2019 onwards, managers and employees will be encouraged to have at least four informal, undocumented conversations about their performance



By coaching people in real time, managers can resolve issues in a timely manner, while employees will feel more engaged.

**Isabelle De Wulf**  
Talent and Organizational  
Development Director

over the course of the year. By coaching people in real time, managers can identify and resolve performance issues in a timely manner and better understand the potential of their team. The employees, for their part, will feel more involved and engaged." Isabelle and her team raised awareness of the new approach and organized workshops on the topic for HR business partners in 2018.

#### **Broadening the learning and development offering**

To help people stay on top of their responsibilities and grasp new opportunities along their career paths, our HR team also decided to broaden its learning and development offering. During meetings with the governance boards and business leaders, a new offering was prepared that will include training courses centered around Barco's four strategic pillars. "Topics like compliance, commercial excellence, product excellence, sustainability, etc. are all really relevant and will help our employees to constantly develop the know-how they need in their roles."

#### **Leadership and organizational development**

Barco leaders also get opportunities to expand their skillsets

and foster their leadership potential. "Leaders have to be good coaches and, at the same time, experts in their fields. In 2018, we launched the Barco Leadership Compass, which describes three domains of leadership – thought leadership, result leadership and people leadership – as well as the skills and behaviors needed to achieve that. We now have a good framework in place with clear goals, which makes it easier to provide

targeted training or to recruit the right people," says Isabelle. The HR team provided 100 executive leaders with a series of practical tools (a book, 360° online tools, a survey) to sharpen their skills and capabilities in 2018 and beyond.

#### **Empowering the next generation of leaders**

Last but not least, Barco decided to invest in its future leaders, too. 30 high-potential employees had the chance to participate in the new 'emerging leadership program' developed with Vlerick Business School. Isabelle: "The eight-month program is centered around an online course where the young potentials learn and practice the fundamental skills they need to move up to leadership positions. The program is an excellent way to motivate these talented people and keep them on board – so that they can guide Barco in the future."

### 3. Employee health and safety

In 2018, Barco also kept investing in a healthy and safe work environment around the world. Besides taking initiatives to keep our employees healthy and fit, we also promote their psychosocial well-being and offer additional support when required. Our EHS (Environment, Health and Safety) team worked hard to further reduce the risk of accidents and exposure to hazardous materials and strengthen the safety culture at Barco.

#### 2018 initiatives

- Around the world, we keep organizing fun initiatives that bring our employees together, while also **enhancing their physical health**. In Belgium, Barco colleagues gathered for a tennis event, a Kubb tournament and a buddy run around One Campus in 2018. Barco Italy launched an ambitious, award-winning 'physical well-being' program that embraced a wide range of initiatives – from sports challenges and awareness campaigns to serving more balanced food in the company restaurant.
- Through dedicated training courses, we help supervisors and HR business partners develop their **coaching and leadership skills** so they can motivate their teams, communicate openly and spot the warning signs of stress.
- We have a strong network of **confidant(e)s** that are the primary go-to people in case of problems with supervisors, psychosocial issues, sexual discrimination and harassment, other forms of discrimination, etc.
- To uncover psychosocial risks and devise action plans to mitigate these, we launched the RAPSY – **Risk Analyses of Psycho-Social aspects at work** – methodology, an approach to assessing departments or groups on their potential for psychosocial risks and to link action plans to possible issues.
- Belgian employees who are wrestling with psychosocial issues can get professional advice and counselling through the **employee assistance program**. In times of crisis, they can call a dedicated hotline, 24/7, and reach a competent professional. In addition, we also offer

Barco Italy's physical well-being program won a prestigious award from the regional network for Workplace Health Promotion, member of the European Network for Workplace Health Promotion (ENWHP)

The key to success is a company-wide safety culture: every employee has to be aware of the importance of safety.

**Christ Vandenbussche**  
EHS and Security Manager

the 'FitforLife' training program, which provides tips and tricks (via Skype or phone) to deal with stress in a proactive manner.

- Our Prevention and Protection Working Group drafted an integrated policy to foster the **re-integration** of employees **after a long-term illness**.
- We strengthened the EHS team in 2018, allowing them to accelerate their efforts in the field of **health and safety** in the workplace.

### On a constant quest to enhance employee safety

In line with the 'we care' value, Barco continues to strengthen the safety culture among its employees. In Belgium, a three-strong EHS team controls a broad range of safety risks across our business through clear safety practices, instructions and controls. They assure that all employees are properly trained for the tasks they are performing and work hard to instill a safety culture at Barco. Christ Vandenbussche is in charge of the team.

"Over the past few years, we have significantly accelerated our efforts in the field of good health and safety practices. In 2018, we welcomed an extra member on the team, which definitely helps us shift into higher gear." The team's responsibilities in the field of safety vary greatly – from ensuring safety in Barco's parking lot to protection against chemical hazards.

#### Optimal protection against chemicals and laser

One of the major achievements in 2018 was the opening of a chemical lab. "We have very strict procedures in place for handling hazardous chemicals – from purchasing through to disposal," Christ explains. "In 2018, we equipped a dedicated space to ensure the optimal chemical protection of our R&D engineers. Everyone who works in the lab has to follow a training course on chemical safety." Chemical safety at Barco is overseen by a chemical committee.

As Barco increasingly works with laser technology, the EHS team also works closely together with a laser safety committee. Laser safety procedures are very strict and laser technology is always handled in dedicated rooms at One Campus.

#### The importance of a safety culture

"Safety committees, instructions and controls are a must, yet these are not enough to completely avoid accidents at work," says Christ. "The key to success is a company-wide safety culture: every employee has to be aware of the importance of safety. That's why we offer a range of safety-related training and we increasingly perform informal 'safety walks'. These are perfect occasions to talk to the people, learn how they work, gauge their needs in the field of safety and see how we can constantly improve safety practices."

## 4. Diversity and inclusion

Barco commits itself to equal opportunities and encourages diversity and inclusion at every level of the company. This commitment is also articulated in our Code of Ethics, where we state that diversity in the work environment is valued as an enrichment for the company.

### Diversity in today's leaders

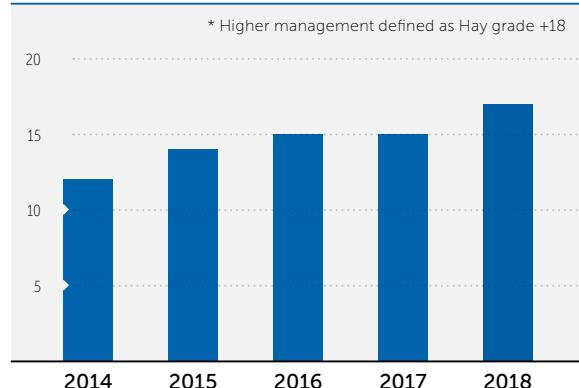
More than priding ourselves on the diversity level of our workforce, we also steer actively towards diversity within the highest governance bodies. We monitor, assess and evaluate gaps and areas for improvement in the composition of our Board of Directors and of the Core Leadership Team in terms of gender, age, capabilities, expertise, educational and professional experience as well as nationality.

- For more information on diversity in the Board of Directors and Core Leadership Team, including changes in 2018, we refer to the Governance section of the Company Report.

### And in the leaders of tomorrow

To ensure diversity in our leadership team in the coming years – or even even decades – diversity is key in the 'Emerging Leaders Program' that Barco launched in 2018. An international group of 30 high-performing specialists with an average of about seven years of working experience participated in the 2018 program. "We select the participants on a series of criteria," says Isabelle De Wulf, Talent and Organizational Development Director. "Our aim is to compose groups which are multidisciplinary and diverse, in order to have rich exchange and best practices sharing between participants."

### % women in higher management\* positions





# Communities

## Our ambition

We will play an active role in the communities we operate in, by upholding the highest ethical business standards and expecting the same from our suppliers, and by offering chances to the underprivileged.

## Our targets



**100%**

100% of our employees<sup>(1)</sup> are trained in Barco's Code of Ethics



**100%**

100% of our key and core suppliers<sup>(2)</sup> have signed the declaration of compliance with the RBA Code of Conduct<sup>(3)</sup>

## Communities (key) performance indicators

	INDICATOR	UNIT	2014	2015	2016	2017	2018	TARGET
<b>CUSTOMER SATISFACTION</b>	Customer loyalty index	#	87	NA	83	NA	83	
<b>ETHICS &amp; COMPLIANCE</b>	% employees <sup>(1)</sup> trained in Barco's Code of Ethics	%	NA	NA	92%	92%	94%	100%
	% employees covered by collective agreements	%	100%	100%	100%	100%	100%	
<b>SUPPLIER ASSURANCE ON SUSTAINABILITY</b>	% key and core suppliers <sup>(2)</sup> that signed declaration of compliance with RBA Code of Conduct <sup>(3)</sup>	%	100% core	100% core	100% core	100% core	95% key & core	100%
<b>COMMUNITY ENGAGEMENT</b>	Community investment	€	NA	NA	NA	125,000	102,000	
	Community involvement	# heads	NA	NA	NA	+600	+100	

(1) White-collar workers

(2) Core supplier: supplier that is of strategic importance to Barco in terms of quality criticality, technology and annual spend. Key supplier: supplier that has a major annual spend, is important for its technology or requires special attention due to quality criticality.

(3) The Responsible Business Alliance (RBA) Code of Conduct establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible. We use the RBA Code of Conduct to serve as the sustainability standard for our suppliers.

# Our roadmap towards sustainable impact: key initiatives and action plans

## 1. Customer satisfaction

As Barco is committed to enabling bright outcomes for its customers, we set great store by offering outstanding customer services. Our growing focus on services helps us to further customize the customer journey, enabling us to give our customers what they want and when and how they want it. Our design and development processes too, are becoming more customer-centric: we listen to our customers' needs and take these into account when developing new Barco solutions.

### Customer loyalty study

Every two years, we measure customer satisfaction with a loyalty study. The 2018 score (83) largely exceeds the industry benchmark (70) and proves that Barco has a very loyal and stable customer base.

New in 2018 is that we incorporated the net promotor score (NPS) framework, which indicates the likeliness that customers would recommend Barco to others, into our customer loyalty study. In giving Barco a customer net promotor score of 35, our customers agree that Barco is a great supplier. In addition to confirming the satisfaction of our customers, the survey yielded a ton of great insights on how to improve our products and services to score even higher in the future.



The 2018 customer loyalty score (83) proves that Barco has a very loyal and stable customer base

- More details on how we co-operate with our customers are available in the section 'Stakeholder engagement' towards the end of this report. (pages B/61-62)

## 2. Ethics & compliance

We know that compliance and integrity are crucial to our business success, as they instill trust in our customers and business partners. That is why ethical conduct is deeply embedded across our operations. We expect our employees to work in alignment with our values: 'we are accountable', 'we deal openly and ethically' and 'we trust each other'. Moreover, we expect our business partners to adhere to the highest possible ethical standards as well.

### Ensuring compliance by our employees and our business environment

To foster a corporate culture in which compliance is taken seriously, we need to establish a common understanding of what we mean by ethics and compliance. Among other actions, we do this by promoting our Code of Ethics which outlines the basic principles of compliant and ethical behavior when dealing with each other, business partners, company assets, information, infrastructure, etc. The Code contains guidelines that all Barco employees worldwide are expected to adhere to in their daily work – an ethics compass.

In 2017, the Code of Ethics was thoroughly revised to include new trends in compliance domains, such as privacy, IT security, data protection, open-source software and social media.

Today, the Code reflects on ethics topics relating to work environment, relationships (incl. anti-bribery and anti-corruption), compliance, company resources and records and governance.



of our employees\* are trained in  
Barco's Code of Ethics

\* White-collar workers

## AN INTERVIEW WITH KURT VERHEGGEN

### Ethics and compliance is a constant journey

Can Barco employees accept gifts from suppliers? Can they use their Barco e-mail addresses for personal communications? Since 2017, it has been easier to find clear answers to these questions, thanks to our updated Code of Ethics and open communications about the topic. General Counsel Kurt Verheggen explains how we ensure that every Barco employee knows, understands and applies the Code in their daily work.

#### A multidisciplinary, structured approach

"Over the past few years, awareness has grown rapidly about the need to conduct our business in accordance with the highest standards of ethical behavior. When Jan De Witte came on board as our new CEO, he insisted on advancing

our efforts and engaging all Barco colleagues in ethics and compliance," says Kurt. "While we had, of course, worked on the topic in the past, a truly structured approach was missing. Together with the Internal Communications team and Barco University, we succeeded in putting a more structured compliance program together. One of the highlights is the concept of the Compliance Awareness Month: in the month of June, we now put compliance on stage in a variety of ways."

#### Putting compliance in the spots

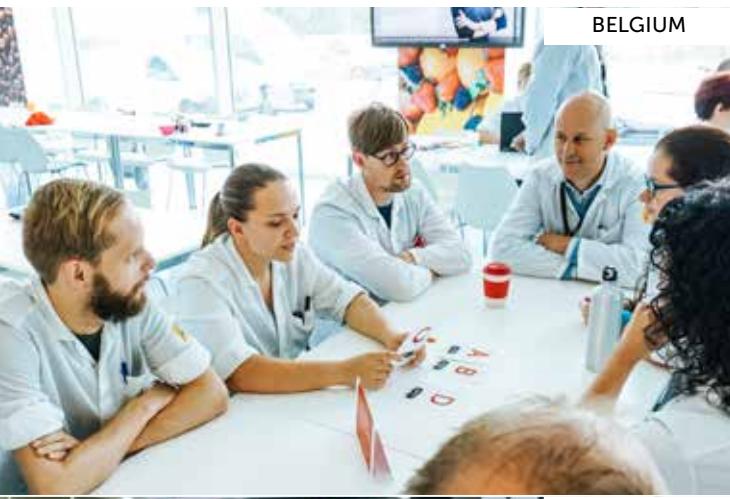
The reviewed Code of Ethics combines theory with practice, including a lot of real-life examples (in Q&A style). To raise awareness in every Barco facility around the world, the communications team used a mix of channels: from a dedicated ethics and compliance portal and an ethics blog to print and digital posters, information sessions and an e-learning course.

"Ethics and compliance can be a fairly boring topic, yet we did our very best to get the message across in a fun, engaging way – hence the success of the compliance challenge," Kurt explains. "We had been organizing this live quiz with compliance-related questions since 2015 but commitment soared in 2017, with 50% of our white-collar workers participating. In 2018, participation rose further. Several colleagues even reserved a separate room during a trade show to be able to join the challenge."



Ethics and compliance  
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the message across

**Kurt Verheggen**  
General Counsel



### 2018: stepping up our efforts

More than white-collar workers, Barco's blue-collar workers were also invited to join the compliance challenge in 2018. Almost 1,000 employees from our factories in Beijing, Tainan, Saronno, Noida, Kortrijk and Kuurne joined. "We devised a series of questions related to their daily work," Kurt explains, "and felt that the initiative was really appreciated. The learnings we took from that exercise will help us improve the challenge in 2019."

Kurt highlights how the road to compliance is a constant journey of learning and improving. In 2018, he shared the highlights and lessons learned in a brief report, that is available in six different languages: "Openness and transparency are key to ensure commitment. That's why the report also includes an overview of the things that need improvement in the coming years."

### Ethical compass

"It is key to enlist all the questions that we get and how we respond to them, to ensure increasingly consistent responses," Kurt continues. "Ethical decision-making is not always an easy path, as it goes beyond simply being compliant with a set of rules. The core goal is to make the grey zones in ethical dilemmas open for discussion. Yet, there's 50 shades of grey. The Code of Ethics serves as an ethical compass yet every new question is a new opportunity to learn and hone our approach."

New employees must follow the e-learning course on the Code of Ethics as part of their onboarding process. To help people make the right choices when facing particular situations in their roles or jobs, Kurt and his colleagues have recently elaborated a series of new training courses, which will be available in 2019. In this way, Barco keeps building further towards a positive, ethical company culture.



### GDPR in 2018

2018 was the year of General Data Protection Regulation ('GDPR'). The legal team worked hard to amend clauses and notices in forms, contracts and on the website, and the topic was handled in training sessions and newsletters for Barco employees. Moreover, a Data Protection Officer was appointed to oversee Barco's data protection strategy and ensure its compliance with GDPR requirements.

### Supervising compliance, clarifying ethics for all employees and raising concerns

We have built a network of professionals that ensure that every employee adheres to our Code of Ethics and that general inquiries on ethics can be quickly clarified.

Employees who have questions or want to raise concerns or issues can do so via several channels:

- Their direct supervisor or HR business partner is the first line of contact.
- Questions and/or concerns can also be communicated via the ethics inbox. In 2018, the ethics email address has been increasingly used by employees seeking ethical guidance on the acceptance of business gifts or invitations for supplier events, conflicts of interest, or wishing to report a possible compliance violation.
- An Ethics Committee, consisting of the General Counsel, the Chief HR Officer and the internal auditor, formally deals with the concerns raised on a case-by-case basis.

Moreover, Barco takes a proactive approach to raising the ethics bar at Barco. At regular intervals, we organize internal audits and internal control projects to assure ethical employee behavior.

### Covering a wide spectrum of business ethics topics

Our ethics approach includes several aspects that support our business activities. Specific risks and risk management procedures are included in the risk report (see Company Report).

TOPIC	POLICY
<b>Non-discrimination</b>	<p><b>What?</b> Ensuring non-discrimination in various domains (e.g. recruiting, ...) and countries.</p> <p><b>How?</b> Anti-discrimination policy.</p> <ul style="list-style-type: none"><li>• Available on our Intranet (BarcoZone).</li><li>• Governed by HR department.</li></ul>
<b>Freedom of association and collective bargaining</b>	<p><b>What?</b> Ensuring compliance with local and international social security and minimum wage legislations; industrial relation policies and with international standards on freedom of association.</p> <p><b>How?</b></p> <ul style="list-style-type: none"><li>• Barco includes all employees in collective bargaining agreements by complying with all necessary local workforce regulations in the countries where Barco operates. → E.g. in Belgium, Barco adheres to sector agreements for automatic wage indexation, leave, etc.</li><li>• Barco handles specific workforce-related topics by closing off company-specific collective bargaining agreements. → Where applicable, Barco organizes workers' councils (both national and international). → Collective labor agreements on company level with specific stipulations for wage and working conditions, parental leave, etc.</li><li>• Applying the ILO-framework (International Labor Organization) to ensure freedom of association.</li></ul>
<b>Anti-bribery and anti-corruption</b>	<p><b>What?</b> Avoiding and reporting situations in which a Barco employee is offered or offers money or a favor to influence the judgment or conduct of a person in a position of trust.</p> <p><b>How?</b> The Code of Ethics includes a section on how to deal with anti-bribery and anti-corruption in professional business relationships.</p>
<b>Human rights</b>	<p><b>What?</b> Barco safeguards human rights as entitled to all people, regardless of nationality, place of residence, sex, national or ethnic origin, skin color, religion, language, or any other status or characteristic.</p> <p><b>How?</b> Barco applies a human rights policy in line with the standards and policies set by the ILO (International Labor Organization).</p> <ul style="list-style-type: none"><li>• The Code of Ethics includes sections on "Respect for the individual" and "Positive workplace".</li><li>• The Statement on Child Labor, Forced Labor and Human Trafficking articulates our position regarding child labor, forced labor and human trafficking.</li></ul>

### 3. Supplier assurance

In order to meet our customers' expectations for high-quality, innovative products, we work with service and manufacturing partners from around the world. Together with them, we continue to drive responsible and ethical behavior and high standards across our supply chain.

#### Supplier sustainability management

We want our suppliers to understand and to demonstrate responsibility and transparency. Our supplier sustainability management program is based on four pillars:

- **Supplier classification:** we categorize suppliers into core, key and commercial suppliers, based on the magnitude of spend and the criticality of technology provided. Key and core suppliers cover roughly 80% of our spend.
- **Supplier declaration:** we require our key and core suppliers to sign a declaration of compliance with the RBA Code of Conduct. We have also incorporated a declaration of compliance into the contracts which our new suppliers are required to sign.
- **Supplier assessment:** Barco audits every (new) supplier on site or via a questionnaire. In the case of shortfalls, an action plan is developed.

- **Continuous improvement:** During business reviews with key and core suppliers and during new product development projects, suppliers are encouraged to take part in improvement actions related to sustainable products and supply chain, from manufacturing processes and use of raw materials to transport. Through webinars and other communication channels, we train suppliers and inform them about developments in environmental compliance guidelines, eco-design and corporate social responsibility.



We want our suppliers to understand and to demonstrate responsibility and transparency.



## Sustainability standards for our suppliers

### RBA Code of Conduct

We expect our suppliers to comply with standards as set out in the **RBA Code of Conduct** (Responsible Business Alliance). Formerly known as the EICC Code of Conduct, the RBA Code of Conduct is a set of standards covering social, environmental and ethical topics relevant to the electronics industry supply chain. The standards reference international norms and standards, including the Universal Declaration of Human Rights, International Labor Standards (ILO), OECD Guidelines for Multinational Enterprises, ISO and SA standards, etc. Topics covered include:

- Labor: Freely chosen employment, humane treatment, non-discrimination, freedom of association, ...
- Health and safety: Occupational safety, machine safeguarding, health and safety communication, ...
- Environment: Greenhouse gas emissions, hazardous substances, environmental permits and reporting, ...
- Ethics: Business integrity, fair business, advertising and competition, responsible sourcing of materials, privacy,

### Product Compliance Requirements Code

We expect that every component that our suppliers deliver to Barco complies with the Product Compliance Requirements Code, which includes worldwide regulations, industry standards and additional criteria that we have defined.

Suppliers are increasingly requested to provide Full Material Declarations of their supplied parts to ensure that we can guarantee future compliance of our products with environmental regulations worldwide. These requirements are reflected in strict contracts we have in place with our suppliers. Key and core suppliers are scored in function of product compliance transparency, competence and track record.

### Dodd Frank Act on conflict minerals

We are also strongly committed to not sourcing products and components that contain conflict minerals. That is why our suppliers are required to comply with the Dodd Frank Act on conflict minerals. Every year, we collect the required smelter lists along the full supply chain. Smelters at risk are phased out.

## 4. Community engagement

In 2017, Barco made a commitment to 'Promote an innovation society by supporting worldwide initiatives that strengthen education and entrepreneurship, close the gap between rich and poor, help underprivileged yet talented youth and improve health and well-being.' In line with that engagement, we support employee-driven initiatives in local communities around our sites. By ensuring personal commitment to these initiatives, we want to make them sustainable so that they become long-term investments, creating real opportunities instead of standing alone as one-off actions.

### Stimulating quality education in India

Since its opening in October 2017, the **Barco Sakshi Education Center in Noida, India** has provided 183 underprivileged children with informal education and good meals. Furthermore, a computer lab was set up and Jan De Witte donated over 200 books to the library in the name of Barco. Barco employees are really involved in the school: in 2018 they spent over 300 hours at the Center to give, among others, computer and yoga lessons.

Through the innovative '**iGemba Scholarship Scheme**', Barco India helps its employees pay for the education of their children. The concept is simple: for each improvement suggestion that operators make through our iGemba program, Barco contributes 3 euro, which is collected in a scholarship fund. Since the start of the program, 69 children of Barco employees received scholarships. The program not only supports our sustainability and CSR efforts, but also reinforces the Barco value 'we care'.

The iGemba Scholarship Scheme has helped me provide better education to my son. After receiving the scholarship, he felt special and was more motivated to study harder. His academic performance has also improved.

**Sarita Bisht**  
Operator at Barco Noida



## Stimulating entrepreneurship

Barco is a proud partner of Hangar K, a co-creation hub that was inaugurated in October 2017 in Kortrijk, Belgium. More than just a workspace, Hangar K is a competence center as well as an incubator: a place where start-ups, scale-ups, established companies and the academic world come together to inspire each other and embrace the opportunities of the digital age to build new, successful businesses.

For over 85 years, technological innovation combined with the entrepreneurial spirit of Kortrijk have been the cornerstones of growth at Barco. In Hangar K, we want to support local entrepreneurs in exploring digital initiatives and exchange know-how and expertise.

**Guy Van Wijmeersch**  
Director Innovation and Design Thinking

## Supporting good health and well-being

During the **breast cancer awareness month**, Barco promoted the 'There's a hero behind every hero fighting cancer' video through several social media channels to raise awareness on the importance and the evolution of screening.

Barco India donated 40,000 euro to CanSupport, India's largest free **home-based palliative care program**. The money is used to fund three mobile teams, each comprising a doctor, a nurse and a counselor.

In India, we also support **children from poor families who suffer from or have recovered from cancer**. Our employees organize music therapy sessions and sing, paint or dance with the children to make them forget their worries.

Barco Belgium **helped a disabled student follow courses**. In close collaboration with his school, Barco built a virtual classroom, enabling the student to follow and actively participate in the courses, i.e. by asking questions, discussing topics, sharing the results of his work, etc. All parties involved – and not in the least this courageous young man, now feel more connected.

## Barco Play Days

Over 50 enthusiastic volunteers organized the 2018 Barco Play Day in **Kortrijk**, offering over 150 underprivileged children an exciting day at our One Campus. The day was a perfect opportunity to familiarize the youngsters with our technology, hoping that they will be enthused to study technology in school and gain the skills they need for good jobs and better lives.

Barco has been organizing Barco Play Day in Kortrijk for six years now, together with 'Love in action', which has been bringing underprivileged children together for fun activities for 25 years. To show how much we really admire their efforts, we decided to set up an event to celebrate their 25<sup>th</sup> anniversary: in March 2019, artwork by the children will be showcased in an exhibition at One Campus.

Play Day has become a format that has been picked up by colleagues in **India** and **Germany**, giving over 200 extra underprivileged children the same exciting experience. All volunteers feel they have made the difference for at least one day, giving them the energy and motivation to start planning the next edition of the event.



### Closing the digital divide and supporting local communities

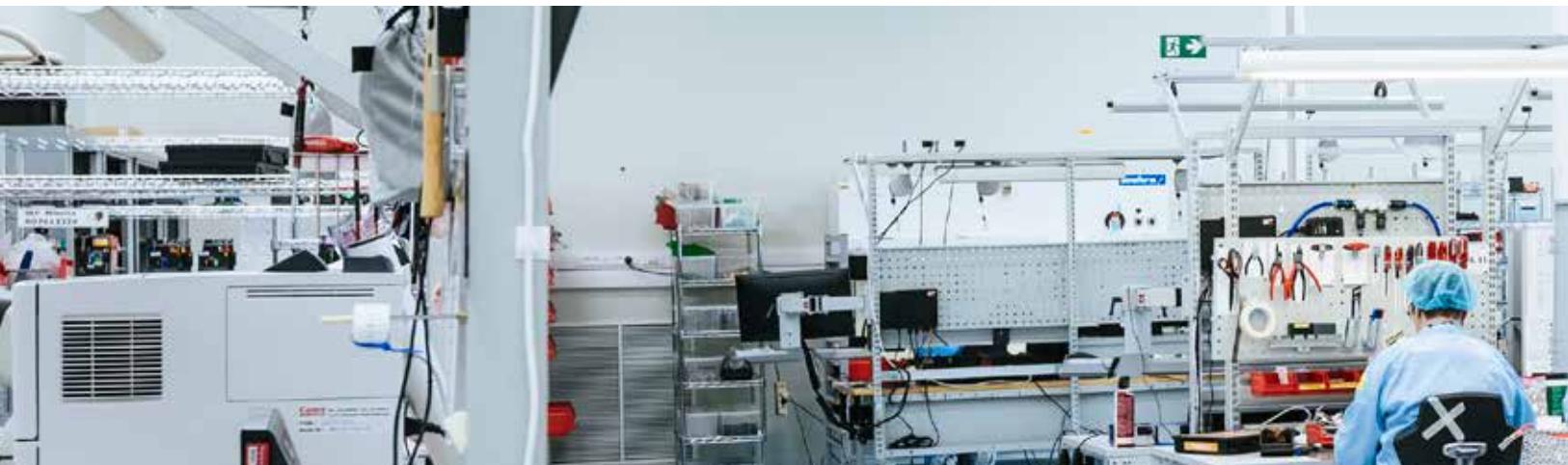
Since the start of our partnership with Close the Gap in 2015, Barco has donated over 1,150 pieces of IT equipment. Close the Gap collects our laptops, desktops, displays, servers, etc. and refurbishes them for reuse. The refurbished equipment is used in educational, medical and social projects in developing and emerging countries. When end users can't use the devices anymore, Close the Gap collects them so they can be recycled correctly.



What started with providing IT equipment to charity projects, has now become an ignitor for entrepreneurship.

**Frank Verstraete**  
ICT Service Engineer





# Our sustainability management

Governance structure  
specifically related to  
sustainability  
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Stakeholder  
engagement

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External initiatives  
(platforms and commitments)

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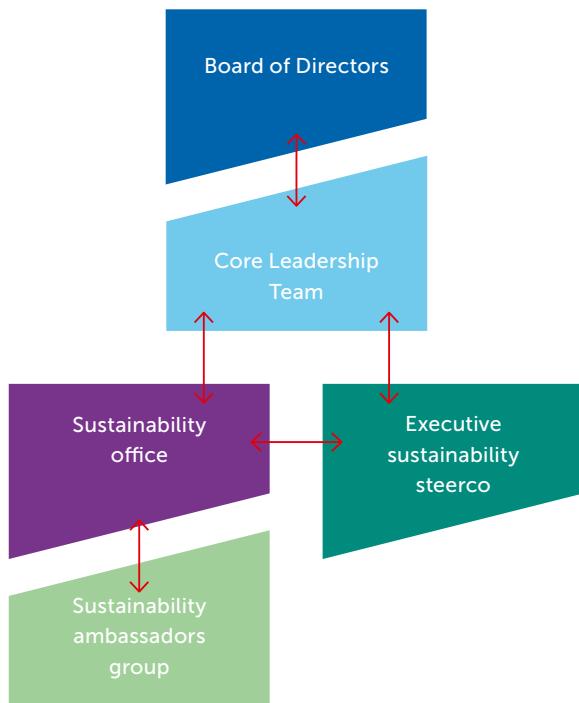
Certifications,  
External evaluations

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## Governance structure specifically related to sustainability

Governance keeps our corporate sustainability strategy on track. It makes sure the strategy remains effective, and that accountability for our results sits right at the top of our company.



### Executive sustainability steering committee

- The executive sustainability steering committee consists of seven Core Leadership Team members, including our CEO. They meet at least every quarter to review Barco's sustainability strategy and the progress made and help make sure that sustainability is integrated into our business – supporting Barco's overall goals.
- The sustainability office reports directly to the executive sustainability steering committee.
- Once a year, the sustainability office holds a presentation to Barco's Audit Committee. This presentation serves as a platform to present and discuss the status of strategy, progress and approach. In case the Audit Committee considers it appropriate, they further report issues and topics to the Board of Directors.

### Sustainability ambassadors group

- The ambassadors group is a cross-functional group of highly motivated people, including the sustainability work stream leaders (i.e. functional leaders in logistics, procurement, facilities, technology office, HR, R&D and services who are responsible for managing the sustainability action plans in their domains and departments).
- The group discusses ongoing initiatives and partnerships, suggests new ideas, etc. Led by the sustainability manager, the group meets at least every quarter. They also communicate and amplify the accomplishment of key initiatives to all relevant stakeholders.

- Note: All Barco's corporate governance structures can be found in the 'Governance' section of the Company Report.

## Sustainability office

- The sustainability office focuses on the coordination of our company-wide corporate sustainability program. It collaborates with work stream leaders and their sponsors (senior managers that serve as sounding boards, facilitate decision-making and remove obstacles for the work stream leader) to ensure the timely implementation of sustainability actions. It also drives internal engagement on sustainability and advocates Barco's sustainability program towards external stakeholders.
- In August 2018, An Saveyn joined Barco as sustainability manager.

I am excited to further build and drive Barco's sustainable impact strategy and program in collaboration with Barco's sustainability ambassadors, the steering committee and our stakeholders.

**An Saveyn**  
Sustainability manager

## Stakeholder engagement

Barco aims to engage all relevant stakeholders to integrate stakeholder (economic, social and environmental) concerns or issues into all its strategies, actions and policies. By continuing to standardize the process of interacting with our stakeholders, we can mitigate risks, identify new business opportunities and improve financial results.

- At Barco, every **department** is responsible for identifying and engaging with its own stakeholders (i.e. those they affect or are affected by) and for engaging with them. Barco's corporate functions provide the departments with a framework on how to tackle stakeholder engagement (i.e. stakeholder identification and classification, guidelines for stakeholder communication, etc.).

- Barco actively engages in **stakeholder dialogues** on a broad range of topics, via various channels, to promote participative and integrated decision-making. We understand that stakeholder involvement supports our long-term success and innovation capability.
- Barco's main stakeholder groups are: customers, employees, suppliers, sector federations, policymakers, NGOs, consumer organizations, investors, academic institutions.

STAKEHOLDER GROUP	SPOC
<b>Customers</b>	<ul style="list-style-type: none"><li>• Sales</li><li>• Corporate and strategic marketing</li><li>• Customer service</li><li>• External communication</li><li>• Product management</li></ul> <p>ThinkSales is an initiative to strengthen Barco's commercial capabilities and inject customer-centricity into our business (e.g. customer journey pilot projects)</p>
<b>Employees</b>	<ul style="list-style-type: none"><li>• CHRO</li><li>• Internal communication</li></ul>
<b>Suppliers</b>	<ul style="list-style-type: none"><li>• VP procurement</li><li>• Eco-office</li></ul>
<b>Public organizations (sector federations, NGOs, policymakers)</b>	<ul style="list-style-type: none"><li>• Global leadership team</li></ul>
<b>Investors</b>	<ul style="list-style-type: none"><li>• VP Investor relations</li></ul>

ENGAGEMENT METHOD	SPECIFIC ORGANIZATIONS/TOOLS
<ul style="list-style-type: none"> <li>General customer satisfaction survey every two years</li> <li>Daily contacts in the field (sales, strat. mkt, customer service, NPI, ...)</li> <li>Engagement with consumer organizations - bilateral</li> </ul>	<ul style="list-style-type: none"> <li>Customer loyalty score</li> <li>Press releases</li> <li>Digital interaction via social media, website, ...</li> <li>Entertainment: UNIC, GL Events, VERPRG,</li> <li>Healthcare/Enterprise: key account mgmt.</li> </ul>
<ul style="list-style-type: none"> <li>2-yearly employee engagement/enablement surveys</li> <li>Involve key teams in action plan development</li> <li>YOU+ program: B-inspired, B-engaged, B-involved</li> <li>Intranet, CEO blog, town hall meetings (straight-ups)</li> <li>Performance evaluation review</li> <li>Frequent feedback sessions</li> </ul>	<ul style="list-style-type: none"> <li>Involve employees in continuous improvement (iGemba)</li> <li>Involve employees in ideation (Barco STREAM)</li> <li>Strategy roadshow</li> </ul>
<ul style="list-style-type: none"> <li>Communicate expectations on social, environmental and ethical topics through RBA Code of Conduct, Product Compliance Requirements Code, Dodd Frank act on conflict minerals</li> <li>Audit system to evaluate supplier performance</li> <li>Business reviews with and trainings for core and key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Product Compliance Requirements Code</li> <li>RBA/EICC Code of Conduct</li> <li>Dodd Frank act on conflict minerals</li> <li>Barco Substances List</li> <li>Data collection through Greensoft</li> <li>Bomcheck.net</li> </ul>
<ul style="list-style-type: none"> <li>Participation in (governmental) workings groups of policymakers</li> <li>Meetings and roundtables</li> <li>Participation in global networks</li> <li>Scientific groups and educational institutions</li> </ul>	<ul style="list-style-type: none"> <li>European Commission – CENELEC</li> <li>Laser-illuminated projector association (LIPA)</li> <li>Close the Gap</li> <li>Sustainability networks: The Shift, We Mean Business, ...</li> <li>Universities: Kulak, Howest, VIVES, UGent, KU Leuven, TU Delft, ...</li> <li>Hangar K: co-creation space with educational institutions</li> <li>Sector federations: VBO, VOKA, Agoria, Etion by senior leadership team</li> </ul>
<ul style="list-style-type: none"> <li>Symmetric way of information dispersion through different deliverables</li> <li>Bilateral contact via investor roadshows, conferences, communities</li> <li>Support on equity research by brokers</li> </ul>	<ul style="list-style-type: none"> <li>Annual report, press releases, investor portal</li> <li>Capital Market Days (investor days)</li> <li>Conference calls</li> <li>Equity research documents</li> </ul>

## External initiatives (platforms and commitments)



### We Mean Business

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 committed to the initiatives and commitments put forward by the We Mean Business Coalition.

### The Shift

Barco is a member of The Shift, Belgium's largest corporate sustainability network. The aim of the organization is to realize the transition to a more sustainable society and economy.

### Green Deal Biodiversity

A Green Deal is a voluntary partnership between (private) companies and the Government of Flanders (Belgium) to set up a green project together. This particular Green Deal aims to increase biodiversity in business parks and to rally public support for the initiative. More than 60 companies and organizations have already signed up to participate in this Green Deal, including Barco.

### Sign for my future

Our CEO Jan De Witte supports Sign for my future, a Belgian initiative launched by the not-for-profit organization 'Klimaat-mandaat' to resolutely put climate on the political agenda in the run-up to the elections in May 2019. By collecting signatures, 'Klimaat-mandaat' wants citizens and CEOs to put pressure on Belgian politicians to pursue a more ambitious climate policy and include this policy in the new coalition agreement. The policy is:

- to guarantee Belgium's climate neutrality by 2050
- to draw up a clear investment plan to empower citizens and companies
- to conduct a yearly, independent evaluation of policies and progress

Our CEO has signed and supports the campaign. He will share his commitment and invite other Barco employees to sign as well.

## Certifications

In order to assure our stakeholders that our management systems meet international industry-specific standards, we have obtained the following ISO certifications:

- ISO 9001 quality management system (for Barco sites in US, Germany, India, Italy, Taiwan, China, Norway and Belgium)
- ISO 13485 quality management system specifically for the medical devices industry (for Barco sites in US, China, Belgium, Italy and South Korea)

- ISO 14001 environment management system (for Barco sites in China, India and Italy)
- ISO 27001 information security management system (for Barco sites in Belgium, India and Taiwan)

## External evaluations

Barco is rated by several independent organizations on its sustainability performance. We actively participate in the following initiatives:

### CDP

 CDP DISCLOSURE INSIGHT ACTION	2015	2016	2017	2018
	B	C	B	TBD in 2019

CDP, the former Carbon Disclosure Project, runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts. They have built a comprehensive global collection of self-reported environmental data. By scoring businesses from A to D, they take organizations on a journey from disclosure to awareness, management, and finally leadership, on several environmental topics such as climate change.

Every year, Barco measures and reports its carbon footprint to CDP, benchmarking its sustainability performance to peer groups suggested by CDP. We commit to the feedback program as organized by CDP, and set up action plans to mitigate the risks and capitalize on the opportunities that CDP points out.

## EcoVadis



	2015	2016	2017	2018
	NA	NA	NA	Silver

In recognition of its commitment to Corporate Social Responsibility (CSR), Barco has been awarded the Silver CSR Rating by EcoVadis, placing us among the top 30% companies evaluated. EcoVadis' independent sustainability rating platform mon-

itors and improves the environmental, ethical and social performance of companies worldwide. EcoVadis provides sustainability performance audits for 20,000 companies across 150 sectors and in more than 100 countries.

## MSCI



	2015	2016	2017	2018
	BBB	A	A	A

MSCI ESG Ratings help investors identify ESG risks and opportunities within their portfolio. They research and rate companies on an 'AAA' to 'CCC' scale according to their expo-

sure to industry-specific ESG risks and their ability to manage those risks compared to peers.

# About this sustainability report

## Reporting period, cycle and scope

We published our first corporate Sustainability Report on 18 February 2016 ('Sustainability Report 2015') and will continue to report on an annual basis. This report provides a clear overview of our most relevant intentions, achievements and objectives in the field of corporate sustainability in 2018, unless stated otherwise.

## GRI standards

Barco has used the Global Reporting Initiative (GRI) framework to guide the reporting in this sustainability overview. Barco will continue to work throughout 2019 to be able to report sustainability efforts in accordance with GRI.

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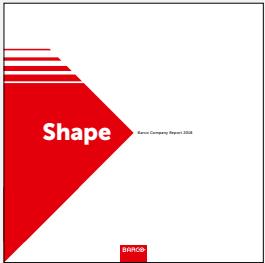
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# Shape

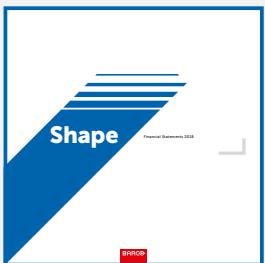
Financial Statements 2018



**Section A.**  
Company Report  
2018



**Section B.**  
Sustainability Report  
2018



**Section C.**  
Financial Statements  
2018

This is section C of Barco's 2018 annual report. Other sections are available via the download center at [ar.barco.com/2018](http://ar.barco.com/2018).



## IFRS Financial Statements

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 A/88) provides an analysis of trends and results of the 2018 financial year, and is based on the IFRS consolidated financial statements and should be read in conjunction with these statements.

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## Consolidated Statement of Income

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
Sales	4	1,028,531	1,084,706	1,102,342
Cost of goods sold	4	-615,578	-680,554	-723,538
<b>Gross profit</b>	<b>4</b>	<b>412,953</b>	<b>404,152</b>	<b>378,804</b>
Research and development expenses	4(a)	-120,279	-122,305	-143,362
Sales and marketing expenses	4(b)	-147,723	-146,802	-147,088
General and administration expenses	4(c)	-57,464	-58,095	-55,122
Other operating income (expense) - net	4(d)	2,488	-3,710	3,325
<b>Adjusted EBIT (a)</b>	<b>4</b>	<b>89,974</b>	<b>73,241</b>	<b>36,557</b>
Restructuring and impairments	6	-17,000	-32,404	-12,939
Gain on change in control	3	16,384	-	-
Gain on sale building	11,2	-	-	6,866
Other non-operating income/(expense)		-	-	33
<b>EBIT</b>	<b>4</b>	<b>89,358</b>	<b>40,836</b>	<b>30,516</b>
Interest income		5,915	4,666	4,401
Interest expense		-1,566	-2,653	-3,161
<b>Income before taxes</b>	<b>7</b>	<b>93,708</b>	<b>42,849</b>	<b>31,756</b>
Income taxes	7	-16,586	-11,355	-6,345
<b>Result after taxes</b>		<b>77,121</b>	<b>31,494</b>	<b>25,411</b>
Share in the result of joint ventures and associates	9	191	1,290	263
<b>Net income</b>		<b>77,312</b>	<b>32,784</b>	<b>25,674</b>
<b>Net income attributable to non-controlling interest</b>	<b>18</b>	<b>2,347</b>	<b>8,008</b>	<b>14,652</b>
<b>Net income attributable to the equity holder of the parent</b>		<b>74,965</b>	<b>24,776</b>	<b>11,023</b>
Earnings per share (in euro)	8	6.03	2.01	0.91
Diluted earnings per share (in euro)	8	5.98	1.99	0.88

(a) Management considers adjusted EBIT to be a relevant performance measure in order to compare results over the period 2016 to 2018, as it excludes adjusting items. Adjusting items include restructuring costs and impairments, one-time gains such as on the sale of 9% shares of BarcoCFG in 2018, on the sale of the headquarter building and other non-operating income/(expense) in 2016.

## Statement of comprehensive income

IN THOUSANDS OF EURO	2018	2017	2016
Net income	77,312	32,784	25,674
<b>Exchange differences on translation of foreign operations</b> (a)	952	-24,201	1,165
<b>Cash flow hedges</b>			
Net gain/(loss) on cash flow hedges	95	535	-280
Income tax	-17	-142	56
Net gain/(loss) on cash flow hedges, net of tax	78	393	-224
<b>Other comprehensive income/(loss) to be recycled through profit and loss in subsequent periods</b>	1,031	-23,808	941
Remeasurement gains/(losses) on defined benefit plans	20	-5,676	5,223
Deferred tax on remeasurement gains/(losses) on defined benefit plans	12	1,419	-2,284
Actuarial gains or losses, net of tax	-4,256	2,940	-8,131
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>	-4,256	2,940	-8,131
<b>Other comprehensive income/(loss) for the period, net of tax effect</b>	-5,226	-20,869	-7,190
Attributable to equity holder of the parent	-3,303	-19,574	-6,746
Attributable to non-controlling interest	77	-1,294	-445
<b>Total comprehensive income/(loss) for the year, net of tax</b>	<b>74,086</b>	<b>11,915</b>	<b>18,484</b>
Attributable to equity holder of the parent	71,662	5,201	4,277
Attributable to non-controlling interest	2,424	6,714	14,207

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

(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 appreciates versus the Euro in countries where investments were made and a negative result in case the foreign currency depreciates.

In 2018, the positive exchange differences in the comprehensive income line were mainly booked on foreign operations held in US Dollar and Hong Kong Dollar. In 2017, the negative exchange differences in the comprehensive income line were mainly booked on foreign operations held in US Dollar, Chinese Yuan, Indian Rupee, Hong Kong Dollar and Norwegian Krone.

In 2016, the positive exchange differences in the comprehensive income line were mainly booked on foreign operations held in US Dollar, Norwegian Krone and Taiwan dollar, partly offset by a negative exchange difference on the Chinese Yuan.

## Consolidated balance sheet

IN THOUSANDS OF EURO	NOTE	31 DEC 2018	31 DEC 2017	31 DEC 2016
<b>Assets</b>				
Goodwill	10	105,612	105,385	124,255
Other intangible assets	11,1	47,397	63,361	75,765
Land and buildings	11,2	57,777	57,964	53,019
Other tangible assets	11,2	51,003	47,366	50,916
Investments	9	19,105	7,906	14,460
Deferred tax assets	12	67,478	69,859	89,100
Other non-current assets	14	9,732	12,887	19,112
<b>Non-current assets</b>		<b>358,103</b>	<b>364,729</b>	<b>426,627</b>
Inventory	13	135,111	132,754	166,202
Trade debtors	14	161,787	149,438	188,561
Other amounts receivable	14	19,567	19,368	15,584
Short term investments	15	112,795	-	-
Cash and cash equivalents	15	251,807	254,130	353,549
Prepaid expenses and accrued income		8,131	5,041	8,709
Assets held for sale	3	-	139,536	-
<b>Current assets</b>		<b>689,197</b>	<b>700,267</b>	<b>732,605</b>
<b>Total assets</b>		<b>1,047,301</b>	<b>1,064,996</b>	<b>1,159,231</b>
<b>Equity and liabilities</b>				
Equity attributable to equityholders of the parent	17	633,267	579,449	590,243
Non-controlling interests	18	1,777	14,065	25,244
<b>Equity</b>		<b>635,044</b>	<b>593,514</b>	<b>615,487</b>
Long-term debts	15	29,882	41,036	66,811
Deferred tax liabilities	12	3,140	4,647	8,813
Other long-term liabilities	(a) 16	24,557	4,555	11,198
Long-term provisions	(b) 20	34,265	24,607	30,824
<b>Non-current liabilities</b>		<b>91,845</b>	<b>74,845</b>	<b>117,647</b>
Current portion of long-term debts	15	7,500	10,000	11,500
Short-term debts	15	686	686	2,085
Trade payables	19	105,148	102,943	135,127
Advances received from customers	19	53,747	67,040	109,064
Tax payables		11,370	9,752	13,880
Employee benefit liabilities	(c)	51,314	49,983	57,050
Other current liabilities	(d)	48,532	10,586	9,684
Accrued charges and deferred income	(a)	10,082	18,074	58,050
Short-term provisions	(b) 20	32,032	26,904	29,657
Liabilities directly associated with the assets held for sale	3	-	100,669	-
<b>Current liabilities</b>		<b>320,412</b>	<b>396,637</b>	<b>426,098</b>
<b>Total equity and liabilities</b>		<b>1,047,301</b>	<b>1,064,996</b>	<b>1,159,231</b>

(a) Other long-term liabilities presented in 2018 include a reclassification of deferred income mainly on maintenance contracts, which is not reflected in the 2017 and 2016 financial statements. We refer to note 16.

(b) Long-term and short-term provisions in 2018 and 2017 include a reclassification of (i) the defined benefit obligation and (ii) the technical warranty provisions, not reflected in the 2016 financial statements. For more information about the long-term portion of these liabilities, see note 20.

(c) Employee benefit liabilities are short term obligations and consist mainly of salaries, bonuses and holiday payments.

(d) In 2018, other current liabilities include the contribution of the three minority shareholders in the capital of BarcoCineAppo Limited Hong Kong, totaling 45% of the total capital contributions of USD 100 million. We refer to note 1.1 and the consolidated statement of cash flow for further information.

## Consolidated statement of cash flow

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
<b>Cash flow from operating activities</b>				
Adjusted EBIT		89,974	73,241	36,557
Impairment of capitalized development costs	4(a)	-	-	1,364
Restructuring	21	-2,882	-4,244	-4,917
Gain on sale of divestments	4(d)	-743	-513	-1,000
Amortization capitalized development cost	4(a)	-	-	21,509
Depreciation of tangible and intangible fixed assets	4, 11	34,492	33,877	28,572
Gain/(Loss) on tangible fixed assets		-149	362	-401
Share options recognized as cost	17	2,050	1,549	1,234
Share in the profit/(loss) of joint ventures and associates	9	191	1,290	263
<b>Gross operating cash flow</b>		<b>122,933</b>	<b>105,560</b>	<b>83,180</b>
Changes in trade receivables		-11,209	-7,326	205
Changes in inventory		334	-3,577	-2,829
Changes in trade payables		-1,306	-19,660	-2,676
Other changes in net working capital		-12,722	-8,113	11,883
Change in net working capital		-24,903	-38,677	6,583
<b>Net operating cash flow</b>		<b>98,030</b>	<b>66,883</b>	<b>89,763</b>
Interest received		5,915	4,666	7,272
Interest paid		-1,566	-2,653	-3,161
Income taxes		-12,460	-4,395	-11,538
<b>Cash flow from operating activities</b>		<b>89,919</b>	<b>64,501</b>	<b>82,337</b>
<b>Cash flow from investing activities</b>				
Purchases of tangible and intangible fixed assets	11	-25,627	-23,160	-24,241
Proceeds on disposals of tangible and intangible fixed assets		922	168	578
Proceeds from sale of building		-	-	9,292
Payments for short term investments	15	-112,795	-	-
Acquisition of Group companies, net of acquired cash	1, 3, 25	-5,621	-5,889	-10,229
Disposal of Group companies, net of disposed cash	1, 3, 25	-32,558	6,437	1,000
Other investing activities	(a)	-2,972	-3,729	-16,667
Dividends from joint ventures and associates		10,499	8	376
<b>Cash flow from investing activities (including acquisitions and divestments)</b>		<b>-168,152</b>	<b>-26,166</b>	<b>-39,891</b>

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
<b>Cash flow from financing activities</b>				
Dividends paid		-25,975	-23,292	-20,951
Capital increase		132	433	2,498
Sale of own shares		5,928	5,314	5,684
Payments (-) of long-term liabilities		-8,363	-17,532	-11,381
Proceeds from (+), payments of (-) short-term liabilities		-4,430	1,401	-2,239
Advances on capital contribution from non-controlling interest	(b)	37,906	-	-
Dividend distributed to non-controlling interest		-	-17,893	-5,707
Capital increase from non-controlling interest		-	-	2,912
<b>Cash flow from financing activities</b>				
Net increase (decrease) in cash and cash equivalents		5,198	-51,569	-29,185
Cash and cash equivalents at beginning of period		-73,035	-13,234	13,261
Cash and cash equivalents (CTA)		321,514	353,549	341,277
Cash and cash equivalents at end of period	(c)	3,328	-18,801	-989
Cash assets held for sale (BarcoCFG)	(c)	251,807	321,514	353,549
Cash and cash equivalents at end of period excluding assets held for sale	(c)	15	67,385	-
		251,807	254,130	353,549

(a) 'Other investing activities' include the net effect of capital contributions in and results of other investments (3.0 million euro in 2018, 3.7 million euro in 2017, and 5.5 million euro in 2016) (see note 9) and the investment in the One Campus project, the new headquarter building (2016: 9.1 million euro).

(b) We refer to notes 1.1 for the explanation on the cash contribution of the three minority shareholders in BarcoCineAppo Limited Hong Kong.

(c) Cash and cash equivalents at the end of 2017 of 321.5 million euro include 67.4 million euro cash in BarcoCFG which is classified as asset held for sale in the balance sheet. Excluding BarcoCFG, cash and cash equivalents amount to 254.1 million euro (balance sheet).

## Consolidated statement of 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 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, 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
<b>Balance on 31 December 2016</b>	201,476	452,629	6,230	-20,811	-1,493	-47,787	590,243	25,244	615,487
<b>Balance on 1 January 2017</b>	201,476	452,629	6,230	-20,811	-1,493	-47,787	590,243	25,244	615,487
Net income attributable to equityholders of the parent	-	24,776	-	-	-	-	24,776	8,008	32,784
Dividend	-	-23,292	-	-	-	-	-23,292	-	-23,292
Dividend distributed to non-controlling interest	-	-	-	-	-	-	-	-17,893	-17,893
Capital and share premium increase	433	-	-	-	-	-	433	-	433
Other comprehensive income (loss) for the period, net of tax	-	2,940	-	-22,907	393	-	-19,573	-1,294	-20,868
Share-based payment	-	-	1,549	-	-	-	1,549	-	1,549
Exercise of options	-	-	-268	-	-	5,582	5,314	-	5,314
<b>Balance on 31 December 2017</b>	201,908	457,053	7,511	-43,717	-1,100	-42,205	579,449	14,065	593,514

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 2018</b>	201,908	457,053	7,511	-43,717	-1,100	-42,205	579,449	14,065	593,514
Net income attributable to equityholders of the parent	-	74,965	-	-	-	-	74,965	2,347	77,312
Dividend	-	-25,955	-	-	-	-	-25,955	-	-25,955
Dividend distributed to non controlling interest	-	-	-	-	-	-	-	-7,724	-7,724
Capital and share premium increase	132	-	-	-	-	-	132	4	136
Other comprehensive income (loss) for the period, net of tax	-	-4,256	-	875	78	-	-3,303	77	-3,226
Share-based payment	-	-	2,050	-	-	-	2,050	-	2,050
Exercise of options	-	-	-515	-	-	6,443	5,928	-	5,928
Gain on change in control	-	-	-	-	-	-	-	-6,992	-6,992
<b>Balance on 31 December 2018</b>	<b>202,041</b>	<b>501,807</b>	<b>9,046</b>	<b>-42,842</b>	<b>-1,022</b>	<b>-35,762</b>	<b>633,267</b>	<b>1,777</b>	<b>635,044</b>

The accompanying notes are an integral part of this statement.

# 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 by 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 2018 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, pension estimates and derivative financial instruments. The financial statements were authorized for issue by the board of directors on 4 February 2019. The chairman has the power to amend the financial statements until the shareholders' meeting of 25 April 2019.

### 1.2. Principles of consolidation

#### General

The consolidated financial statements comprise the financial statements of the parent company, Barco NV (registered office: 35 President Kennedypark, 8500, Kortrijk, Belgium), and its controlled subsidiaries and joint ventures, 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 IFRS accounting policies.

#### Non-controlling interest

Non-controlling interests represent 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 and joint ventures

The company has investment in joint ventures when it shares joint control with other investments and it has rights to the net assets of these joint ventures. Investments in associated companies over which the company has significant influence (typically those that are 20-50% owned) and joint ventures are accounted for under the equity method of accounting and are initially recognized at cost. Thereafter the carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate. Investments in associated companies and joint ventures are presented as non-current asset on the face of the balance sheet on the line 'investments'.

### 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, unpredictability of which development projects will be successful, and the volatility of technologies (more and more software development) and the markets in which Barco operates led the Board of Directors to conclude that Barco's development expenses since 2015 no longer fulfilled, capitalization of development expenses as of 2015 was not allowed.

#### **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. When there is an indication that the item of property, plant and equipment is impaired, the carrying amounts are reviewed 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 de-recognition 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 – financial assets at fair value

Investments are treated as financial assets at fair value through profit and loss 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. These investments are presented on the balance sheet on the line 'Investments'. The short term investments are cash deposits with a maturity at inception in excess of 3 months and are intended to be held to maturity less than one year (Solely Payment of Principle and Interest). They are recognized at amortized cost, with the associated revenue in interest income.

## 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

We apply the five-step model to account for revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which we expect to be entitled in exchange for transferring goods or services to a customer.

### (a) Sale of goods

Contracts with customers to sell equipment has only performance obligation. Revenue recognition occurs at a point in time, when control of the asset is transferred to the customer, generally on delivery of the goods. The Group has following warranty options: the Group provides warranties for general repairs of which the Group determined that such warranties are assurance-type warranties which are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**(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. The Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative stand-alone selling prices. The Group recognizes service revenue by reference to the stage of completion. The Group recognizes the services over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group recognizes revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

**(c) Projects**

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 a lifetime of less than one year.

The Group adopted IFRS 15 as from 1 January 2018, using the full retrospective method. The transition to IFRS 15 has not had a significant impact.

**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.

**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 to those affected by the plan before the balance sheet date.

On the line item 'Long-term provisions', the company presents the net liability relating to the post-retirement benefit obligations which includes the Belgian defined-contribution pension plans that 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 2018 the minimum guaranteed rate of return remains the same as in 2017 and 2016, i.e. 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 as of 2016. We refer to note 20 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 in which they arise.

CURRENCY	DECEMBER 31, 2018		DECEMBER 31, 2017		DECEMBER 31, 2016	
	CLOSING RATE	AV. RATE YEAR	CLOSING RATE	AV. RATE YEAR	CLOSING RATE	AV. RATE YEAR
CNY	7.87	7.81	7.80	7.63	7.33	7.35
INR	79.80	80.72	76.62	73.50	71.66	74.33
USD	115	118	120	113	105	111

### 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. 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 estimated using valuation techniques which include forward pricing and swap models 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 an impairment is necessary to reduce the asset to its recoverable amount (which is the higher of (i) value in use and (ii) fair value less costs to sell). The fair value less costs to sell is determined as (i) the fair value (that is the price that would be received to sell an asset in an orderly transaction in the principal market at the measurement date under current market conditions) less (ii) 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 (CGU) 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 IFRS 2, the cost of share-based payment transactions is reflected in the income statement. The warrants are measured 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 end of the vesting period.

### **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. 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.

## IFRS accounting standards adopted as of 2018

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the annual 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:

- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRS 15 Revenue from contracts with customers, effective 1 January 2018
- Amendments to IFRS 15 Revenue from contracts with customers, effective 1 January 2018

### 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 has adopted the new standard on the required effective date.

#### (a) Classification and measurement

The Group did not have a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It continues to measure 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. At the end of 2017, the Group had one investment for which it decided to present fair value changes through profit and loss and thereafter for every new acquisition the decision will be made on an instrument by instrument basis.

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. The Group continues to measure these at amortized cost under IFRS 9. Following the assessment of the contractual cash flow characteristics of its debt instruments the Group concluded that the loans and trade receivables can be classified at 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 has applied the simplified approach and records lifetime expected losses on all trade receivables. The application of the expected credit loss did not have a significant impact on equity due to the secured nature of its loans and receivables.

## IFRS accounting standards issued but not yet effective as of 2018

### (c) Hedge accounting

All existing hedge relationships that are currently designated in effective hedging relationships 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 did not have a significant impact as a result of applying IFRS 9.

### 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 Group has adopted the new standard on the required effective date using the full retrospective method. The standard did not have a significant impact on revenues. We refer to our accounting principles on revenue recognition for further information.

### 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.

- IFRS 16 Leases, effective 1 January 2019
- Amendments to IFRS 9 Prepayment features with negative compensation, effective 1 January 2019 with the EU
- IFRIC 23 Uncertainty over income tax treatments, effective 1 January 2019
- IFRS 17 Insurance contracts<sup>1</sup>, effective 1 January 2021
- Amendments to IAS 28 Long term interests in associates and joint ventures<sup>1</sup>, effective 1 January 2019
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement<sup>1</sup>, effective 1 January 2019
- Amendments to References to the Conceptual Framework in IFRS Standards<sup>1</sup>, effective 1 January 2020
- Amendments to the guidance of IFRS 3 Business Combinations<sup>1</sup>, effective 1 January 2020
- Amendments to the definition of material in IAS 1 and IAS 8<sup>1</sup>, effective 1 January 2020
- Annual improvements to IFRS Standards 2015-2017 cycle<sup>1</sup>, effective 1 January 2019

<sup>1</sup> Not yet endorsed by the European Union as at 31 December 2018

## **IFRS 16 Leasing**

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases. At the reporting date, the group has non-cancellable operating lease commitments of 31 million euro, see note 22. Of these commitments, approximately 1 million euro relate to short-term leases and low value leases which will both be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments the group expects to recognize right-of-use assets and lease liabilities of approximately 34 million euro on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognized at 31 December 2018); impact on deferred taxes will be immaterial.

The group expects that net profit after tax will not decrease materially for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by between approximately 5 and 10 million euro, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease by between approximately 5 and 10 million euro as repayment of the principal portion

of the lease liabilities will be classified as cash flows from financing activities. The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group will apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

## **IFRIC 23 Uncertainty over income tax treatments**

Uncertainty over income tax treatments was issued in June 2017 and becomes applicable as from 1 January 2019. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The group has reviewed their tax positions taken in the financial statements and in the tax filings and how these are supported. In addition, the group has assessed how the taxation authorities might make their examinations and how issues that might arise from those examinations could be resolved. Based on the initial assessment, uncertain tax positions were identified for a range between 5 to 10 million euro.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Critical accounting judgments and key sources of estimation uncertainty

### General business risks

We refer to the chapter 'Risk factors' on C/76 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').
- Write offs on inventories: Inventories are stated at the lower of cost or net realizable value. The calculation of the allowance for slow-moving inventory is based on consistently applied write off rules, which depend on both historical and future demand, of which the latter is subject to uncertainty due to rapid technological changes.

### Accounting treatment of development expenses

- Shorter life cycles, unpredictability of which development projects will be successful, the volatility of technologies (more and more software development) and markets in which Barco operates led the Board of Directors conclude that Barco's development expenses 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.

### Defined benefit obligations

- Defined benefits: The cost of the defined benefit pension plan (see note 20) 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.

### Assets held for sale

We refer to Note 3.

## 1. Consolidated companies

### 1.1. List of consolidated companies on 31 December 2018

COUNTRY 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	Beneluxpark 21, 8500 Kortrijk BELGIUM	100
BELGIUM	Cinionic bvba	Beneluxpark 21, 8500 Kortrijk 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
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
UNITED ARAB EMIRATES	Barco Middle East L.L.C.	Concord Tower, Suite 1212, PO Box 487786, Dubai Media City, Dubai UNITED ARAB EMIRATES	49**
NETHERLANDS	Barco B.V.	Helmond NETHERLANDS	100
NORWAY	Barco Fredrikstad 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.	Building 329, Doncastle Road, RG12 8PE 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	MTT Innovation Incorporated	Suite 2400, 745 Thurlow Street, V6E 0C5 Vancouver, BC CANADA	100
COLOMBIA	Barco Colombia SAS	Carrera 15, nº 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
MEXICO	Barco Cine Appo Mexico, 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	Cinionic Inc.	3078 Prospect Park Drive, 95670 Rancho Cordova CA UNITED STATES	100*

COUNTRY 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	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
HONG KONG	Barco CineAppo Limited	Unit 2607-10, 26/F, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon HONG KONG	100*
HONG KONG	Barco CEC (Hong Kong) Limited	Unit 2607-10, 26/F, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon HONG KONG	65
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 KOREA, REPUBLIC OF	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 Limited	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

(\*) Mid December 2018 three minority shareholders have contributed in the capital of BarcoCineAppo Limited Hong Kong, totaling 45% of the total capital contributions of USD 100 million. As of 1 January 2019, these capital contributions will give right to 45% in the Cinionic legal entities' equity and result. Barco will remain in control. The 45% stake will be shown as non-controlling interest as of 1 January 2019.

(\*\*) Barco has control over the relevant activities of the entity by virtue of a contractual agreement with the local investor.

## 1.2. List of equity accounted companies on 31 December 2018

COUNTRY OF INCORPORATION	LEGAL ENTITY	REGISTERED OFFICE	%
<b>Americas</b>			
UNITED STATES	Audience Entertainment LLC	108 West 13th Street, 19801 Wilmington, Delaware UNITED STATES	18.9
UNITED STATES	CCO Barco Airport Venture LLC	Corporation Trust Center, 1209 Orange Street, 19801 Wilmington-DE UNITED STATES	35
<b>Asia-Pacific</b>			
CHINA	CFG Barco (Beijing) Electronics Co., Ltd. - <b>referred to as "Barco CFG"</b>	No. 16 Changsheng Road, Chang Ping Park, Zhong Guan Cun Science Park, Chang Ping District, 102200 Beijing CHINA	49

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 2018:

- Barco GmbH
- Barco Control Rooms GmbH

These companies are included in the consolidation scope of Barco Consolidated 2018 as listed above.

Exemption of publishing Financial Statements and management report according UK legislation section 479A of the Companies Act 2006:

Following subsidiary-companies will be released of publishing their financial statements and management report 2018:

- Barco Ltd.

### 1.3. Acquisitions and divestments

#### 2018

##### Divestment of X2O Media

On March 28<sup>th</sup>, 2018 Barco reached an agreement with US-based market leader in digital signage Stratocache to sell 100% of its shares in the Montréal-based X2O Media entity for an amount of 0.9 million US dollar (0.8 million euro), of which 0.3 million US dollar (0.2 million euro) was put in escrow over a period of twenty-four months (with projected full release on April 2020). This escrow amount was not recognized in profit and loss in 2018. Closing of the transaction happened on April 13, 2018. The transaction was cash and debt free. The purchase agreement includes a price correction linked to the closing net working capital for a calculated total of 0.9 million euro. The operating results of the X2O Media (part of the Enterprise division) entity including the gain on the transaction resulted in 0.5 million euro result in 2018.

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

#### 2017

##### Acquisition of assets of P2M

On 31 August 2017, Barco acquired the assets of P2M, former distribution agent of Barco for wePresent - an Awind solution - in EMEA and the Americas. The total acquisition cost amounted to 2.6 million euro upfront payment and a contingent consideration of expected 0.5 million euro. The full cost was allocated to customer list. IFRS3 was not applicable as the acquisition of the asset did not constitute a business.

##### Acquisition of Habornveien 53 AS

On 15 December 2017, Barco acquired 51% extra shares in the real-estate company of which Barco previously owned 42%. The total acquisition cost amounted to 1.9 million euro and was mainly allocated to land and buildings. IFRS 3 was not applicable as the acquisition was not a business combination. In 2018 Barco acquired the remaining shares in the entity for 0.3 million euro, resulting in 100% of the shares owned by Barco, after which the entity was merged into Projectiondesign AS.

##### Divestment of Barco Lighting Systems

On April 1<sup>st</sup>, 2017 Barco reached an agreement with US-based lighting company ETC to sell its Lighting activity, Barco Lighting Systems (also known as High End Systems) for an amount of 7.5 million dollar (7 million euro), of which 0.75 million dollar (0.7 million euro) was put in escrow over a period of eighteen months (with projected full release on October 1<sup>st</sup>, 2018). This escrow amount was not recognized in profit and loss in 2017. Closing of the transaction happened on the same day. In addition, a price correction caused by an adjustment on the closing net working capital in comparison to the agreed target working capital of 0.7 million euro was paid to ETC in May 2017.

The operating results of the Lighting segment including the gain on the transaction resulted in a break-even result in 2017. 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.

### **Divestment of Barco Silex SA**

On December 22, 2017 Barco reached an agreement with the Belgian company Anseribus NV regarding the sale of 100% of the shares of Barco Silex for an amount of 0.5 million euro, without any escrow. The transaction was cash and debt free. Closing of the transaction happened on the same day. The result on the transaction was break-even. 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.

### **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. Major part of the consideration paid was allocated to in-process development. Barco continues to invest in the acquired in-process development but those additional development efforts are not capitalized since Barco is unable to demonstrate that the criteria of IAS 38 are fulfilled.

The total aggregated acquisition cost paid at closing amounted to 13.1 million dollar (11.7 million euro), of which 1.5 million dollar was put in escrow, fully released by the end of 2018. On an aggregate basis, the contracts further

provided for three earn-outs and a deferred payment of 6 million dollar (5.4 million euro); 2 million dollar paid in 2017 and 2 million dollar paid in 2018. The remaining deferred consideration is payable over the next year. One of the earn-outs is subject to the filing of patents on the in-process technology and was capped at 5 million dollar (4.5 million euro) of which four patents were filed since acquisition, resulting in 3.3 million dollar (or 2.8 million euro) paid in 2018. The earn-out related to the patent filing was recognized as contingent consideration upon acquisition. The two other earn-outs are subject to future performance: one is capped at 15 million dollar while the other is uncapped. The earn-out which is capped at 15 million dollar is linked to future results as well as to the retention of the former shareholders while the uncapped earn-out is only based on future results. At the time of the acquisition Barco was unable to make a reliable estimate.

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 conform 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, including the payments of 2018.

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			-
<b>Cash flow on acquisition</b>			
Net cash acquired with the subsidiary			504
Cash paid in 2016			-11,673
Cash paid in 2017			-2,022
Cash paid in 2018			-4,481
Net cash flow on acquisition			-17,673

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 0.1 million euro. The effective control for MTT transferred on June 1<sup>st</sup>, 2016 and as a result the MTT figures were 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 impacted the Group EBITDA for an amount of -0.6 million euro.

## 2. Operating segments information

### 2.1. Basis of operating segments information

Barco's organization consists of three divisions: Entertainment, Enterprise and Healthcare which reflects the products and services that it offers to its customers.

- **Entertainment:** the Entertainment division is the combination of the Cinema and Venues & Hospitality activities, which includes Professional AV, Events and Simulation 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 Medialon activities.
- **Healthcare:** the Healthcare division includes the activities in Diagnostic Imaging (Diagnostic and Modality Imaging) and in Surgical.

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

The CEO and his core leadership team monitor the results of each of the three divisions separately, so as to make decisions about resource allocation and performance assessment and consequently, the divisions qualify as operating segments. These operating segments do not show similar economic characteristics and do not exhibit similar long-term financial performance, therefore cannot be aggregated into reportable segments. 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.

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

We refer to A/18 for more explanation on the activities performed by each division.

## 2.2. Entertainment

IN THOUSANDS OF EURO	2018		2017		2016		Variance 2018 - 2017	Variance 2017-2016
Net sales	447,611	100.0%	533,345	100.0%	578,151	100.0%	-16.1%	-7.7%
- external sales	447,611	100.0%	533,285	100.0%	578,057	100.0%	-16.1%	-7.7%
- interdivision sales	-	0.0%	61	0.0%	94	0.0%	-99.2%	-35.5%
Cost of goods sold	-304,273	-68.0%	-370,428	-69.5%	-416,628	-72.1%	-17.9%	-11.1%
Gross profit	143,337	32.0%	162,917	30.5%	161,523	27.9%	-12.0%	0.9%
EBITDA	32,879	7.3%	38,922	7.3%	30,446	5.3%	-15.5%	27.8%
Amortization capitalized development	-	0.0%	-	0.0%	10,142	1.8%	0.0%	-100.0%
Depreciation TFA and (acquired) intangibles	15,906	3.6%	15,718	2.9%	14,787	2.6%	1.2%	6.3%
Adjusted EBIT	16,974	3.8%	23,205	4.4%	5,517	1.0%	-26.9%	320.6%
Capital expenditures TFA and software	11,445	2.6%	10,890	2.0%	10,345	1.8%	5.1%	5.3%
Investments in associates	18,927		7,591		5,153			
Segment assets	239,194		235,762		329,445			
Segment liabilities	140,225		145,780		269,241			

The lower sales from 2018 to 2017 can be explained by the fact that BarcoCFG is no longer consolidated as of the second half year of 2018 (we refer to note 3 'Assets held for sale' for more explanation on the change in control in BarcoCFG). Projector sales of Barco to BarcoCFG are as of 1 July 2018 part of sales, while the external sales of BarcoCFG to their customers are no longer included (impact of 50 million euro on sales, compared to 2017). As of July 1<sup>st</sup>, the results of BarcoCFG are accounted for under the equity method and are presented as part of the Group and Entertainment EBITDA (2.8 million euro).

For the investments in associates we refer to note 9.

Segment assets and liabilities for Entertainment exclude the assets held for sale of BarcoCFG in 2017.

In 2018, Barco took a bold step to strengthen the cinema of the future by moving global, excluding China, cinema related sales, marketing and service activities to Cinionic. We refer to note 1.1 for the new Cinionic legal entities incorporated in 2018. Mid December 2018, three minority shareholders have contributed in the capital of BarcoCineAppoLimited Hong Kong, totalling 45% of the total contributions of USD 100 million. As of 1 January 2019, these capital contributions all give right to 45% in the Cinionic legal entities' equity and result. Barco will remain in control. Therefore, the non-China cinema sales, marketing and service activities will remain consolidated in the Entertainment results in 2019. The 45% stake will be shown as non-controlling interest as of 1 January 2019.

## 2.3. Enterprise

IN THOUSANDS OF EURO	2018		2017		2016		Variance 2018 - 2017	Variance 2017-2016
Net sales	335,914	100.0%	308,161	100.0%	289,652	100.0%	9.0%	6.4%
- external sales	335,914	100.0%	308,161	100.0%	289,652	100.0%	9.0%	6.4%
- interdivision sales	-	0.0%	-	0.0%	-	0.0%	0.0%	0.0%
Cost of goods sold	-164,237	-48.9%	-159,264	-51.7%	-156,758	-54.1%	3.1%	16%
Gross profit	171,677	51.1%	148,898	48.3%	132,895	45.9%	15.3%	12.0%
EBITDA	60,944	18.1%	40,662	13.2%	32,984	11.4%	49.9%	23.3%
Amortization capitalized development	-	0.0%	-	0.0%	5,440	1.9%	0.0%	-100.0%
Depreciation TFA and (acquired) intangibles	13,525	4.0%	13,295	4.3%	8,904	3.1%	1.7%	49.3%
Adjusted EBIT	47,420	14.1%	27,368	8.9%	18,640	6.4%	73.3%	46.8%
Capital expenditures TFA and software	8,436	2.5%	7,807	2.5%	9,041	3.1%	81%	-13.7%
Segment assets	158,563		149,633		177,073			
Segment liabilities	81,605		71,224		73,364			

## 2.4. Healthcare

IN THOUSANDS OF EURO	2018		2017		2016		Variance 2018 - 2017	Variance 2017-2016
Net sales	245,006	100.0%	243,260	100.0%	234,633	100.0%	0.7%	3.7%
- external sales	245,006	100.0%	243,259	100.0%	234,633	100.0%	0.7%	3.7%
- interdivision sales	-	0.0%	-	0.0%	-	0.0%	-100.0%	0.0%
Cost of goods sold	-147,070	-60.0%	-150,922	-62.0%	-150,246	-64.0%	-2.6%	0.4%
Gross profit	97,936	40.0%	92,337	38.0%	84,386	36.0%	6.1%	9.4%
EBITDA	30,642	12.5%	27,533	11.3%	24,572	10.5%	11.3%	12.1%
Amortization capitalized development	-	0.0%	-	0.0%	7,290	3.1%	0.0%	-100.0%
Depreciation TFA and (acquired) intangibles	5,062	2.1%	4,865	2.0%	4,881	2.1%	4.0%	-0.3%
Adjusted EBIT	25,580	10.4%	22,668	9.3%	12,400	5.3%	12.8%	82.8%
Capital expenditures TFA and software	5,745	2.3%	4,464	1.8%	4,855	2.1%	28.7%	-8.1%
Segment assets	107,725		104,373		102,768			
Segment liabilities	56,149		63,654		59,847			

## 2.5. Reconciliation of segment information with group information

IN THOUSANDS OF EURO	2018	2017	2016
<b>External sales</b>			
Entertainment	447,611	533,285	578,057
At a point in time	407,677	91%	479,067
Over time	39,934	9%	54,198
Enterprise	335,914	308,161	289,652
At a point in time	222,793	66%	197,129
Over time	113,121	34%	111,033
Healthcare	245,006	243,259	234,633
At a point in time	240,327	98%	238,017
Over time	4,679	2%	5,227
Total external sales segments	1,028,531	1,084,706	1,102,342
At a point in time	870,797	85%	914,212
Over time	157,734	15%	170,457
<b>Net Income</b>			
EBITDA			
Entertainment	32,879	38,922	30,446
Enterprise	60,944	40,662	32,984
Healthcare	30,642	27,533	24,572
Amortization on capitalized development			
Entertainment	-	-	10,142
Enterprise	-	-	5,440
Healthcare	-	-	7,290
Depreciation and other amortizations			
Entertainment	15,906	15,718	14,787
Enterprise	13,525	13,295	8,904
Healthcare	5,062	4,865	4,881
Adjusted EBIT			
Entertainment	16,974	23,205	5,517
Enterprise	47,420	27,368	18,640
Healthcare	25,580	22,668	12,400
Total adjusted EBIT	89,974	73,241	36,557
Restructuring and impairments	-17,000	-32,404	-12,939
Gain on change in control	16,384	-	-
Gain on sale building	-	-	6,866
Other non-operating income (expense) - net	-	-	33

IN THOUSANDS OF EURO	2018	2017	2016
EBIT	89,358	40,836	30,516
Interest income (expense) - net	4,350	2,013	1,240
Income/(loss) before taxes	93,708	42,849	31,756
Income taxes	-16,586	-11,355	-6,345
Result after taxes	77,121	31,494	25,411
Share in the result of joint ventures and associates	191	1,290	263
Net income	77,312	32,784	25,674
Net income attributable to non-controlling interest	2,347	8,008	14,652
Net Income attributable to the equity holder of the parent	74,965	24,776	11,023

In 2016 adjusted EBIT still include amortization on capitalized development.

The total over time revenues relate to project sales mainly in the Enterprise division (Control Rooms activities) and to recurring service revenues generated on maintenance contracts.

IN THOUSANDS OF EURO	2018	2017	2016
<b>Assets</b>			
<b>Segment assets</b>			
Entertainment	239,194	235,762	329,445
Enterprise	158,563	149,633	177,073
Healthcare	107,725	104,373	102,768
<b>Total segment assets</b>	<b>505,482</b>	<b>489,767</b>	<b>609,286</b>
Deferred tax assets	67,478	69,859	89,100
Other short term investments	112,795	-	-
Cash and cash equivalents	251,807	254,130	353,549
Other non-allocated assets	109,740	111,703	107,297
Assets held for sale	-	139,536	-
<b>Total assets</b>	<b>1,047,301</b>	<b>1,064,996</b>	<b>1,159,231</b>
<b>Liabilities</b>			
<b>Segment liabilities</b>			
Entertainment	140,225	145,780	269,241
Enterprise	81,605	71,224	73,364
Healthcare	56,149	63,654	59,847
<b>Total segment liabilities</b>	<b>277,979</b>	<b>280,658</b>	<b>402,452</b>
Equity attributable to equityholders of the parent	633,267	579,449	590,243
Non-controlling interest	1,777	14,065	25,244
Long-term debts	29,882	41,036	66,811
Deferred tax liabilities	3,140	4,647	8,813
Current portion of long-term debts	7,500	10,000	11,500
Short-term debts	686	686	2,085
Other non-allocated liabilities	93,070	33,787	52,083
Liabilities directly associated with the assets held for sale	-	100,669	-
<b>Total equity and liabilities</b>	<b>1,047,301</b>	<b>1,064,996</b>	<b>1,159,231</b>

## 2.6. Geographic information

Management monitors sales of the Group based on the regions to which the goods are shipped or the services are rendered in three geographical regions Europe, Americas (North-America and LATAM) and Asia-Pacific (APAC).

We refer to the 'Comments on the results' on A/88 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 32.3 million euro of the Group revenues in 2018 versus 38.3 million euro in 2017 and 50.0 million in 2016.

In 2018, Belgium's non-current assets amount to 163.2 million euro (rest of the world 195.2 million euro); in 2017 170.6 million euro (rest of the world 194.1 million euro) and in 2016 183.6 million euro (rest of the world 243.0 million euro).

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

IN THOUSANDS OF EURO	2018		2017		2016
Net sales					
Europe	367,488	35.7%	339,526	31.3%	344,355
Americas	369,834	36.0%	394,509	36.4%	394,634
Asia-Pacific	291,210	28.3%	350,671	32.3%	363,554
Total	1,028,531	100%	1,084,706	100%	1,102,342
Total assets					
Europe	451,713	45.1%	458,583	45.0%	494,569
Americas	200,037	19.1%	185,006	17.4%	241,994
Asia-Pacific	395,551	37.8%	421,607	39.6%	422,669
Total	1,047,301	100%	1,064,995	100%	1,159,232
Purchases of tangible and intangible fixed assets					
Europe	16,898	71.0%	22,094	82.0%	25,251
Americas	2,234	9.4%	1,578	5.9%	2,732
Asia-Pacific	4,677	19.6%	3,272	12.1%	5,370
Total	23,809	100%	26,944	100%	33,353

### 3. Assets held for sale

Barco announced on 4 December 2017, that it has reached an agreement with China Film Group (CFG) to change the ownership structure of BarcoCFG.

Barco agreed to sell 9% of its shares in BarcoCFG to China Film Group in exchange for 175 million CNY (or 22.2 million euro), thereby reducing its stake in the subsidiary from 58% to 49% and losing control once the transaction was completed. Operations of BarcoCFG were classified as a disposal group held for sale at 31 December 2017 and 30 June 2018.

The assets and liabilities of BarcoCFG per July 1<sup>st</sup>, 2018, the date of disposal and the major classes of assets and liabilities per 31 December 2017, classified as held for sale, are shown below:

IN THOUSANDS OF EURO		1JUL 2018	31 DEC 2017
<b>ASSETS</b>			
Goodwill	(a)	8,000	8,000
Deferred tax assets		6,216	10,174
Other non-current assets		695	-
<b>Non-current assets</b>		<b>14,911</b>	<b>18,174</b>
Inventory	(b)	19,466	21,309
Trade debtors		38,113	32,668
Cash and cash equivalents		56,669	67,385
Other current assets		800	-
<b>Current assets</b>		<b>115,048</b>	<b>121,362</b>
<b>Total assets</b>		<b>129,959</b>	<b>139,536</b>
<b>LIABILITIES</b>			
Non-current accrued charges and deferred income		16,741	6,167
<b>Non-current liabilities</b>		<b>16,741</b>	<b>6,167</b>
Trade payables		11,371	11,605
Advances received from customers		20,760	21,814
Tax payables		3,266	13,600
Employee benefit liabilities		809	1,179
Accrued charges and deferred income		34,835	42,696
Provisions		2,662	3,608
Other current liabilities		18,533	-
<b>Current liabilities</b>		<b>92,237</b>	<b>94,502</b>
<b>Total liabilities</b>		<b>108,977</b>	<b>100,669</b>

IN THOUSANDS OF EURO	1 JUL 2018	31 DEC 2017
Total net assets	21,092	38,867
- Net assets directly assigned to BarcoCFG ((a) goodwill and profit on inventory part of (b))	-4,308	A -1,659
Total local net assets	16,784	37,207
% of shares sold (i.e. 9%) x total local net assets	1,511	B 3,349
Total net assets sold (-A+B)	5,819	5,008

Reconciliation of the gain on the change in control of 16.4 million euro is shown below:

Reconciliation of the gain on the change in control:	
Cash proceeds	22,203
Total net assets sold	5,819
Gain on change in control	16,384

Per 30 June 2018, -2.2 million euro CTA was included in equity for BarcoCFG, which is recycled through profit and loss upon deconsolidation, included in the gain on change in control.

The net cash flow on the sale of the 9% shares is shown below.

Cash flow on sale of 9% shares BarcoCFG	
Cash proceeds	22,203
Cash sold	-56,669
Cash sold (net)	-34,466

We refer to note 25 for the effect on the group's cash flow.

## 4. Income from operations (EBIT)

IN THOUSANDS OF EURO	2018	2017	2016
Sales	1,028,531	1,084,706	1,102,342
Cost of goods sold	-615,578	-680,554	-723,538
Gross profit	412,953	404,152	378,804
Gross profit as % of sales	40.1%	37.3%	34.4%
Indirect costs	-325,467	-327,201	-345,573
Other operating income (expenses) - net	2,488	-3,710	3,325
Adjusted EBIT	89,974	73,241	36,557
Adjusted EBIT as % of sales	8.7%	6.8%	3.3%
Restructuring and impairments	-17,000	-32,404	-12,939
Gain on change in control	16,384	-	-
Gain on sale building	-	-	6,866
Other non-operating income/(expense)	-	-	33
EBIT	89,358	40,836	30,516
EBIT as % of sales	8.7%	3.8%	2.8%

Topline decreased 5.2% from 2017 to 2018, impacted by the deconsolidation of BarcoCFG. After restating for the deconsolidation, sales are close to flat (-0.5% yoy) and up 3.4% excluding the negative currency impact. In 2017, sales remained at the same level as 2016 (-1.6%, flat excluding the impact of the divested Lighting business).

A strong gross profit margin improvement has been realized, from 34.4% in 2016 to 37.3% in 2017 and then up 2.8 percentage points to 40.1% in 2018. A positive mix effect, value engineering and other cost efficiency efforts yielding into results across the 3 divisions are contributors to this improvement.

The higher gross profits while keeping indirect costs under control, result in an adjusted EBIT margin of 8.7% in 2018, a step-up of 1.9 percentage points vs 2017.

EBIT in 2018 includes following adjusting items: restructuring costs (17 million euro) and gain realized on the sale of 9% of

the shares of BarcoCFG (16.4 million euro), totaling net -0.6 million euro (2017: adjusting items: -32.4 million euro (5.2 million euro restructuring costs and 27.2 million non-cash impairment charges); 2016: -6 million euro (net after gain on sale of headquarter building)).

For more details on adjusting items we refer to note 6. Restructuring and impairment.

The restructuring costs in 2018 relate to the on November 7<sup>th</sup> 2018 announced restructuring plan to align the organization with changing market demands and growth opportunities while enhancing the company's long term profitability. This comprehensive plan addresses specific aspects of Barco's organizational structure and effectiveness, and agility, particularly in the areas of product management and commercial and service delivery processes. The plan is a next step in Barco's 'focus to perform' program launched in 2016.

The execution of the restructuring that was announced in November 2018 is expected to affect around 240 positions across the organization over the course of 2019, representing a total cost of 17 million euro (in 2017: 5.2 million euro, the announced relocation of the production of the Norway plant

to Belgium and the decision to stop loss-making activities mainly in the Entertainment division; in 2016: 5.8 million euro, mainly related to Entertainment). We refer to note 6 for more details on restructuring charges recorded.

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
Adjusted EBIT		89,974	73,241	36,557
Depreciations and amortizations	11	34,492	33,877	28,572
Amortizations and impairments on development expenses	4a	-	-	22,873
EBITDA		124,466	107,118	88,002
EBITDA as % of sales		12.1%	9.9%	8.0%

The change in accounting treatment of development expenses (see (a)), which resulted in no capitalization of development expenses as of 2015, negatively impacted adjusted EBIT in 2016 due to amortizations on the remaining capitalized development balance (2016: 22.9 million

euro). EBITDA excludes these impacts and shows a steady improvement in EBITDA performance of 12.1% on sales in 2018, compared to 9.9% in 2017 and 8% in 2016.

IN THOUSANDS OF EURO	2018		2017		2016	
Product sales	835,779	81%	888,753	82%	883,437	80%
Project sales	96,382	9%	96,016	9%	120,089	11%
Service sales	96,369	9%	99,936	9%	98,815	9%
Sales	1,028,531		1,084,706		1,102,342	

Major part of the sales relate to product sales (in 2018: 81%, in 2017: 82%, 2016: 80%). Project sales include combined sales from products, installations and services and were declining from 2016 to 2017 as a result of declining project sales in the control rooms business. In 2018 project sales have remained at the same level as 2017. Most of these project sales have a lifetime of less than one year. Service sales remain stable, counting 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 A/88).

**Indirect costs and other operating income (expenses) - net**

IN THOUSANDS OF EURO	2018	2017	2016
Research and development expenses (a)	-120,279	-122,305	-143,362
Sales and marketing expenses (b)	-147,723	-146,802	-147,088
General and administration expenses (c)	-57,464	-58,095	-55,122
Indirect costs	-325,467	-327,201	-345,573
Other operating income (expenses) - net (d)	2,488	-3,710	3,325
Indirect costs and other operating income (expenses) - net	-322,979	-330,911	-342,247

Indirect costs are slightly below 2017, representing 32% of sales in 2018 versus 30% of sales in 2017 and 31% of sales in 2016.

**(a) Research and development expenses**

IN THOUSANDS OF EURO	2018	2017	2016
Research & development expenses	120,279	122,305	120,490
Amortization capitalized development expenses	-	-	21,509
Impairment of capitalized development expenses	-	-	1,364
Capitalized development, net	-	-	22,873
Research and development expenses, net	120,279	122,305	143,362

In order to sustain our technological leadership, Barco strongly invests in R&D, new technologies and innovation. We refer to 'Our strategy' on page A/34 for more details. Shorter life cycles of products, unpredictability of which development projects will become successful together with the volatility of technologies and the markets Barco operates in, made the Board of Directors 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 since 2015.

As capitalized development costs were amortized over their expected useful lives, in general two years, 2016 still included a full year amortization on previously capitalized development costs.

In 2018 research and development cash expenses represent 11.7% of sales in 2018 (11.3% in 2017; 11.1% in 2016).

Impairment costs on capitalized development expenses (2016: 1.4 million euro) are presented on the line "Research and development expenses".

Research and development activities are spread over the divisions as follows:

IN THOUSANDS OF EURO	2018	% of sales	2017	% of sales	2016	% of sales
Entertainment	49,216	11%	50,142	9%	65,450	11%
Enterprise	43,751	13%	48,768	16%	49,722	17%
Healthcare	27,312	11%	23,395	10%	28,190	12%
Total Research & development expenses	120,279		122,305		143,362	

### (b) Sales and marketing expenses

IN THOUSANDS OF EURO	2018	% of sales	2017	% of sales	2016	% of sales
Sales and marketing expenses	147,723	14.4%	146,802	13.5%	147,088	13.3%

Sales and marketing expenses include all indirect costs related to the sales and customer service organization which 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.

Increased sales and marketing expenses are mainly linked to Meeting Experience landgrab and Healthcare in China.

### (c) General and administration expenses

IN THOUSANDS OF EURO	2018	% of sales	2017	% of sales	2016	% of sales
General and administration expenses	57,464	5.6%	58,095	5.4%	55,122	5.0%

General and administration expenses include the costs related to information technology, finance and accounting, general and divisional management, human resources, legal and investor relations. Expenses have increased as percentage of sales to 5.6% of sales in 2018 compared to 5.4% in

2017 and 5% in 2016. Steady investments in IT systems over the past years have led to IT costs (including also amortizations on SAP ERP system) representing the major part of G&A expenses (39%).

## (d) Other operating income (expense) – net

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
Share in the result of BarcoCFG	(a)	2,799	-	-
Gain on divestments	(b)	743	513	1,000
Reversal other long term liability	(c)	106	2,246	-
Bad debt provisions (net of write-offs and reversals of write-offs)		996	-674	2,788
Cost of share-based payments		-2,050	-1,549	-1,234
Bank charges		-728	-705	-982
Other provisions (net of additions and reversals of provisions)		782	-2,325	1,819
Gains/(Loss) on disposal of tangible fixed assets		529	-362	-142
Other (net)		-690	-854	77
<b>Total</b>		<b>2,488</b>	<b>-3,710</b>	<b>3,325</b>

(a) As of July 2018, BarcoCFG is accounted for under the equity method. The Group's share in the result of BarcoCFG is represented in EBITDA.

(b) In 2018 gain on divestment relates to the sale of X2O Media. In 2017 this mainly related to the divested Lighting activities.

We refer to note 1.3. Acquisitions and divestments for more explanation. In 2016 the remaining escrow on the sale of Orthogon was received.

(c) In 2018 and 2017 this concerned the loan on the former DAT business. For further information, see note 16.

## 5. Revenues and expenses by nature

The table below provides information on the major items contributing to the adjusted EBIT, categorized by nature.

IN THOUSANDS OF EURO	2018	2017	2016	VARIANCE 2018-2017	VARIANCE 2017-2016
Sales	1,028,531	1,084,706	1,102,342	-5%	-2%
Material cost	-501,664	-49%	-560,388	-52%	-53%
Services and other costs	-122,953	-12%	-135,309	-12%	-166,234
Personnel cost	-281,936	-27%	-278,181	-26%	-271,289
Amortizations on development	-	-	-	-22,873	-2%
Depreciation property, plant, equipment and software	-34,492	-3%	-33,877	-3%	-28,572
Other operating income (expense) - net (note 4)	2,488	0%	-3,710	0%	3,325
<b>Adjusted EBIT</b>	<b>89,974</b>	<b>9%</b>	<b>73,241</b>	<b>7%</b>	<b>36,557</b>
				<b>3%</b>	<b>23%</b>
					<b>100%</b>

Personnel cost includes the cost for temporary personnel for an amount of 4.1 million euro (in 2017: 5.3 million euro, in 2016: 6.6 million euro).

Average number of employees in 2018 was 3,592 (versus 3,515 in 2017; 3,456 in 2016), including 2,715 white-collars (in 2017: 2,683, in 2016: 2,615) and 877 blue-collars (in 2017: 832, in 2016: 841).

## 6. Restructuring and impairment costs

The table below shows the restructuring and impairment costs recognized in the income statement.

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
<b>Total restructuring (cash):</b>		<b>-17,000</b>	<b>-5,200</b>	<b>-2,297</b>
Lay-off costs		-17,000	-5,200	-2,297
<b>Total impairments (non-cash):</b>		<b>-</b>	<b>-27,204</b>	<b>-10,642</b>
Impairment on goodwill	10	-	-10,870	-7,546
Impairment on investments	9	-	-9,074	416
Write off on inventories		-	-4,400	-3,512
Impairment (in)tangible fixed assets	11	-	-2,860	-
<b>Total restructuring and impairments</b>		<b>-17,000</b>	<b>-32,404</b>	<b>-12,939</b>

Please refer to note 10 for explanation on impairment on goodwill, note 9 for explanation on the impairment on investments and note 11 for impairment of (in)tangible fixed assets.

Restructuring costs include lay off costs (2018: 17 million euro, 2017: 5.2 million euro, 2016: 2.3 million euro). Non-cash impairment costs relate to impairment on intangible and tangible fixed assets (2017: 2.9 million euro), goodwill (2017: 10.9 million euro and 2016: 7.5 million euro), write off on inventories (2017: 4.4 million euro, 2016: 3.5 million euro) and investments (2017: 9 million euro and 2016: -0.4 million euro). The restructuring costs in 2018 relate to the on November 7<sup>th</sup> 2018 announced restructuring plan to align the organization with changing market demands and growth opportunities while enhancing the company's long term profitability. This comprehensive plan addresses specific aspects of Barco's organizational structure and effectiveness, and agility, particularly in the areas of product management and commercial and service delivery processes. The plan is a next step in Barco's 'focus to perform' program launched in 2016.

The execution of the restructuring announced in November 2018 is expected to affect around 240 positions across the

organization over the course of 2019, representing a total cost of 17 million euro.

Restructuring and impairment costs in 2017 relate to Barco's decision to move the production activities in Norway to Belgium, leading to a provision for lay off costs as well as an impairment on the building (in Entertainment division), and to Barco's decision to revisit the future of certain growth initiatives (in Entertainment division) and the X2O business (in Enterprise division). Based on the latter decision, management assessed additional write offs on inventories (growth initiatives), impairment on goodwill and know-how (X2O) and provision for lay-off costs. The move of the production from Norway to Belgium is ongoing and is expected to be completed in the course of 2019. X2O was divested in 2018 (see notes 1.3 and 25).

At the end of 2016 Barco decided to scale down the Interactive Patient Care business, which 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. The decision to revisit the future of the Lighting business, resulted in additional write offs on inventories of 3 million euro. The Lighting business was divested in 2017 (see notes 1.3 and 25).

## 7. Income taxes

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
<b>Current versus deferred income taxes</b>				
Current income taxes		-9,409	-11,779	-16,612
Deferred income taxes		-7,177	424	10,267
Income taxes		-16,586	-11,355	-6,345
 Income taxes versus income before taxes				
EBIT		89,358	40,836	30,516
Interest income (expense) - net		4,350	2,013	1,240
Income before taxes		93,708	42,849	31,756
Income taxes		-16,586	-11,355	-6,345
Effective income tax rate	%	17.7%	26.5%	20.0%
Income before taxes		93,708	42,849	31,756
Theoretical tax rate		30%	34%	34%
Theoretical tax credit/(cost)		-27,719	-14,565	-10,797
 Innovation income deduction (IID)	(a)	7,291	8,243	-
Effect of different tax rates in foreign companies		3,452	4,463	11,542
Income not taxed				
Gain on sold shares in BarcoCFG	(b)	3,719	-	-
Other income exempt from tax (mainly government grants)		1,390	1,726	1,995
Capital loss carried back	(c)	-	1,636	-
Non deductible expenses				
Other non-deductible expenses		-1,829	-1,873	-4,699
Dividends received	(d)	-1,574	-1,523	-4,610
Goodwill impairments non-deductible	(e)	-	-3,695	-2,423
Impairment on investment	(f)		-3,364	-
Effect of change in expected tax rate on deferred taxes	(g)	-1,055	-15,562	A
Tax adjustments related to prior periods		-495	1,728	-53
Deferred tax assets, derecognized in current year	(h)	-335	-487	-2,460
Set-up/use of deferred tax assets, not recognized in prior years	(i)	270	11,063	A
Investment allowances		211	854	1,771
Notional interest deduction (NID)	(j)	89	-	1,769
Taxes related to current income before taxes		-16,586	-11,355	-6,345

Note: Adjusted tax rate 2017 = 16% (Taxes related to current income before taxes - non-recurring tax items (sum of A))/  
 income before taxes) = (-11,355 - (-15,562 + 11,063))/42,849  
 Adjusted tax rate is the tax rate used in the calculation of ROCE (see page C/87).

- (a) In Belgium, as of 2016, Innovation Income Deduction (IID) which is not used in the tax year it is incurred, can be carried forward to the next years. This has resulted in a deferred tax asset of rounded 6 million euro per end of 2018 on the IID carried forward of 2017 and 2016 as management believes there will be sufficient taxable profit in the future to be able to offset the IID carried forward. In 2018 the IID relates fully to the usage of the 2018 IID.
- (b) The gain realized on the sale of the 9% shares of BarcoCFG is tax exempt.
- (c) In 2017 the sale of the Lighting activities resulted in a capital loss for which part could be carried back to the gain realized on the sale of the assets of the DAT business in 2015 in the US.
- (d) Withholding tax on dividends received in 2018. In 2017, this is the net effect of deferred taxes on DRD (dividends received deduction) carried forward and 5% taxable income on dividends received.
- (e) See note 10 for more details on goodwill impairments recorded in 2017 and 2016. The 2017 and 2016 goodwill impairments were non-deductible.
- (f) For more details on impairment on investments recorded in 2017, please see note 9. Impairments on investments are non-tax deductible.
- (g)&(i) Impact of changes in tax regulations. In 2017, impact of the change in tax regulation in Belgium and US was -4.5 million euro cost, net of -15.6 million euro (g) reduction on deferred tax assets in Belgium and US due to a lower enacted tax rate; and 11 million euro (i) new deferred tax assets set-up on uncapped or faster deductible tax credits in Belgium, in combination with higher than anticipated taxable results in Belgium.
- (h) 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. See note 12.
- (j) Decrease of the allowed notional interest percentage over the years – small usage of NID in 2018, no usage of NID in 2017

## 8. Earnings per share

IN THOUSANDS OF EURO	2018	2017	2016
Net income/(loss) attributable to the equity holder of the parent	74,965	24,776	11,023
Weighted average of shares	12,437,153	12,328,663	12,171,969
Basic earnings per share (in euro)	6.03	2.01	0.91
<b>Basic earnings per share</b>	<b>6.03</b>	<b>2.01</b>	<b>0.91</b>
Net income/(loss) attributable to the equity holder of the parent	74,965	24,776	11,023
Weighted average of shares (diluted)	12,531,299	12,428,453	12,591,376
Diluted earnings per share (in euro)	5.98	1.99	0.88
<b>Diluted earnings per share</b>	<b>(a)</b>	<b>5.98</b>	<b>1.99</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 17.

## 9. Investments - financial fixed assets at fair value through profit and loss

IN THOUSANDS OF EURO	2018	2017	2016
Investments	(a) 178	315	9,307
Interest in associates	(b) 18,927	7,591	5,153
Investments and interest in associates	19,105	7,906	14,460

Investments include entities in which Barco owns less than 20% of the shares. These are accounted for as fair value through profit and loss instruments, which implies that the Group measures these investments on a fair value basis with differences in fair value reflected in profit and loss. Interest in associates represents entities in which Barco owns between 20% and 50% of the shares. These are fully allocated to the Entertainment division.

The increase from 2017 to 2018 is related to the sale of 9% of the shares in BarcoCFG, reducing Barco's shareholder's percentage from 58% to 49% and is now consolidated in accordance with the equity method, as the sale resulted in the loss of control upon completion of the transaction for Barco. The fair value of the retained 49% investment in the former subsidiary was calculated based on a discounted cash flow analysis and resulted in a fair value close to book value.

Barco has realized a gain on the change in control of 16.4 million euro, reflected as a separate line in the income statement 'gain on change in control'.

The decrease from 2016 to 2017 is the net effect of the impairment on an investment in Entertainment and an additional capital contribution in CCO Barco Airport Venture LLC. The impaired investment was facing cash flow problems. This, together with the return criteria no longer being met, let the Board decide to impair the investment in 2017, presented in the line restructuring and impairment costs.

In 2016, the equity instruments' fair value was based on a binding agreement with a third party investor (i.e. price of the last round – level 1 fair value), as these investments are unquoted instruments.

In 2016 the balance included the 35% interest in CCO Barco Airport Venture LLC, as well as a 27.32% interest in Audience Entertainment and a 41.18% interest in Habornveien 53 AS, a Norwegian real estate company owning the building leased by Barco Frederikstad AS in Norway. Meanwhile, Barco has purchased the additional shares of the real estate company in 2017 and 2018, resulting in Barco acquiring control of Habornveien 53 AS per 31 December 2017. We refer to note 1.3 Acquisitions and divestments. The investment in Habornveien 53 AS was therefore no longer included per 31 December 2017 in the investments in associated companies. The results of the equity investment until 31 December 2017 are included in the share in the profit/(loss) of joint ventures and associates in the income statement.

The Group's share of the assets and liabilities as at 31 December 2018 and 2017 and income and expenses of the joint ventures and associates for the year ended 31 December 2018 and 2017, which are accounted for using the equity method:

SUMMARIZED BALANCE SHEET IN THOUSANDS OF EURO	BARCO CFG 31 DEC 2018	CCO 31 DEC 2018	TOTAL 31 DEC 2018	CCO 31 DEC 2017	TOTAL 31 DEC 2017
Cash and cash equivalents	65,586	2,207	67,793	428	428
Other current assets	40,683	11,215	51,898	8,189	8,189
<b>Total current assets</b>	<b>106,270</b>	<b>13,421</b>	<b>119,691</b>	<b>8,617</b>	<b>8,617</b>
Non-current assets	7,692	18,505	26,196	19,099	19,099
Other current liabilities	91,963	8,963	100,926	5,998	5,998
<b>Total current liabilities</b>	<b>91,963</b>	<b>8,963</b>	<b>100,926</b>	<b>5,998</b>	<b>5,998</b>
Other non-current liabilities	-	-316	-316	29	29
<b>Total non-current liabilities</b>	<b>-</b>	<b>-316</b>	<b>-316</b>	<b>29</b>	<b>29</b>
<b>Net assets</b>	<b>21,998</b>	<b>23,279</b>	<b>45,277</b>	<b>21,689</b>	<b>21,689</b>
<b>Reconciliation to carrying amounts:</b>					
Opening net assets 1 January <sup>(1)</sup>	16,784	21,689	38,472	13,807	13,807
Profit/loss for the period	5,712	545	6,257	3,402	3,402
Other comprehensive income (CTA)	-498	1,046	548	-2,267	-2,267
Capital increase	-	-	-	6,746	6,746
<b>Closing net assets</b>	<b>21,998</b>	<b>23,279</b>	<b>45,277</b>	<b>21,689</b>	<b>21,689</b>
Group's share in %	49%	35%		35%	
Group's share	10,779	8,148	18,927	7,591	7,591
<b>Carrying amount</b>	<b>10,779</b>	<b>8,148</b>	<b>18,927</b>	<b>7,591</b>	<b>7,591</b>

(1) Opening net assets of BarcoCFG as of July 1<sup>st</sup> 2018, date of change in control (see note 3)

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME IN THOUSANDS OF EURO	BARCO CFG 31 DEC 2018	CCO 31 DEC 2018	TOTAL 31 DEC 2018	CCO 31 DEC 2017	HABORNVEIEN 31 DEC 2017	TOTAL 31 DEC 2017
Profit/loss for the period	5,712	545	6,257	3,402	240	3,642
Other comprehensive income (CTA)	-498	1,046	548	-2,267	-	-2,267
<b>Total comprehensive income</b>	<b>5,215</b>	<b>1,590</b>	<b>6,805</b>	<b>1,136</b>	<b>240</b>	<b>1,375</b>
Group's share in %	49%	35%		35%	41% <sup>(2)</sup>	
Group's share	2,799	191	2,990	1,191	99	1,290
Share in the result of joint ventures and associates	-	191	191	1,191	99	1,290
Included in other operating income	2,799		2,799			

(2) At the end of 2017, Habornveien 53 AS was no longer accounted for under the equity method as Barco obtained control at the end of 2017. The results for the year were still presented as share in the result of joint ventures and associates in the consolidated income statement. We refer to note 1.3 for further information.

The Group has no contingent liabilities or capital commitments in relation to its associates as at 31 December 2018, 2017 and 2016. For all equity accounted investments, 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 investments did not recognize items in other comprehensive income.

## 10. Goodwill

IN THOUSANDS OF EURO	2018	2017	2016
<b>At cost</b>			
On 1 January	179,548	187,548	188,133
Acquisitions	-	-	-584
Transfer to assets held for sale	-	-8,000	-
Translation (losses)/gains	227	-	-
On 31 December	179,775	179,548	187,548
<b>Impairment</b>			
On 1 January	74,163	63,292	55,746
Impairment losses	-	10,870	7,546
On 31 December	74,163	74,163	63,292
<b>Net book value</b>			
On 1 January	105,385	124,255	132,386
On 31 December	105,612	105,385	124,255

In 2018, there are no changes to goodwill.

Barco announced on 4 December 2017 that it had reached an agreement with China Film Group (CFG) to change the ownership structure of BarcoCFG (we refer to assets held for sale in note 3 for more explanation). The announcement resulted in the presentation of the net assets of BarcoCFG as assets held for sale. BarcoCFG was included in the cash generating unit Entertainment, which had a total allocated goodwill of 43.6 million euro per end of 2017. BarcoCFG was established in 2011 and contributed to the cash generating unit Entertainment since 1 January 2013, from the date on which Barco obtained control in BarcoCFG. At acquisition date, no goodwill was recognized on BarcoCFG but following the acquisition the entity contributed significantly to the sales and net income of the CGU.

At the announcement of the disposal, goodwill was allocated at the level of the Entertainment CGU and Barco disposed

of an operation within this CGU. Therefore, in accordance with IAS36.86, it needed to determine the goodwill associated with that operation in order to include it in the result of the disposal. Barco applied the relative value based on the sales of the Entertainment CGU because most of the China Entertainment sales were done through BarcoCFG. This led to an allocation of 8 million euros goodwill to BarcoCFG, presented as assets held for sale at the end of 2017. Per 1 July 2018 the change in ownership structure of BarcoCFG was completed and the assets held for sale were disposed.

In 2016 a price correction resulting from an adjustment on the opening net working capital of Advan (acquired in 2015) 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 2018, the impairment tests on goodwill did not result in any impairment.

In 2017, an impairment loss was recorded for an amount of 10.9 million euro, following management's decision to reorganize the Enterprise cash-generating unit by revisiting the future or disposing of X2O. Barco considered IAS 36.12(f) and concluded that based on this decision there were clear impairment indicators. The goodwill allocated to the cash-generating unit Enterprise has been re-allocated as Barco believed that an arbitrary method as permitted by IAS 36.87 would better reflect the goodwill associated with the re-organized units. In order to support this, Barco considered the facts and circumstances relating to the acquisition of X2O. The legal entity X2O has been acquired (100% of the shares) on 18 March 2014. The acquisition reflected Barco's strategy to move beyond display and projection technology and expanded Barco's portfolio with a complete solution to deliver enhanced and cross-divisional content distribution and workflow, based on advanced networking and connectivity capabilities. Of the total acquisition price of 13.3 million euro, 3.2 million euros was allocated to intangibles (know-how; 1.5 million euros remaining book value per end of 2017) and 10.9 million euro was allocated to residual goodwill.

### Goodwill by cash-generating unit

On acquisition, goodwill acquired in a business combination is allocated to the cash-generating units which are expected to benefit from that business combination. These cash-generating units correspond to the division level for

The carrying amount of goodwill (after impairment) has been allocated to the cash-generating units as follows (in thousands of euro):

#### Cash generating units

IN THOUSANDS OF EURO	2018	2017
Entertainment	35,564	35,564
Healthcare	28,263	28,036
Enterprise	41,785	41,785
<b>Total goodwill (net book value)</b>	<b>105,612</b>	<b>105,385</b>

Barco believed that the method of allocating goodwill after the re-organization of the Enterprise cash-generating unit best reflected the goodwill associated with the remaining Enterprise cash-generating unit, i.e. the previous goodwill of 52.7 million euro less the goodwill associated with the X2O acquisition of 10.9 million euro. Consequently, Barco allocated 10.9 million euro goodwill to the operations of X2O which was immediately impaired together with the remaining book value of the acquired know-how (1.5 million euro) because Barco estimated that the recoverable amount of the X2O operations was insufficient to cover. In April 2018, X2O was sold to Stratocache. We refer to note 1.3 Acquisitions and divestments for further explanation.

In 2016 an impairment loss was 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.

See below for explanations on the impairment testing performed.

Entertainment, Healthcare and Enterprise. Therefore, impairment testing is performed at the level of the cash-generating units as presented below.

The group performed its annual impairment test in the fourth quarter of 2018 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 2018, the market capitalization of the group was double the amount of equity of the group. 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 8.9% (2017: 8.9%, 2016: 8.8%) and cash flows beyond the five year period are extrapolated using a conservative growth rate of 0% (2017: 0%, 2016: 0%). The amount by which the unit's recoverable amount exceeds its carrying amount is 76 million euro in Entertainment (95 million euro in 2017), 262 million euro in Enterprise (158 million euro in 2017) and 130 million euro (84 million euro in 2017) in Healthcare. A sensitivity analysis is performed on all cash-generating units with respect to the discount rate (see Sensitivity to changes in assumptions – Discount rate). For forward looking statements on sales and EBITDA, we refer to the company report of this annual report. The assumptions of the annual impairment test are consistent with external sources.

For none of the cash-generating units management identified an impairment after the impairment test.

Impairment losses recorded (in previous years) are shown in a separate line 'Restructuring and impairments' 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;

The assumptions are shown in below table:

	ENTER- TAI NMENT	HEALTH- CARE	ENTER- PRISE
Sales growth rate used during the projection period	0%	0%	0%
EBITDA as % of sales	7.3%	11.2%	14.4%
Growth rate estimates	0%	0%	0%
Discount rates	8.9%	8.9%	8.9%

**Sales growth rate used during the projection period** – Sales growth rate used over the projected period has been kept conservatively at zero percent for all cash-generating units since even then there is no risk for impairment.

**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 for all divisions except for Entertainment. In Entertainment, the average of the 2018 and 2017 actuals EBITDA percentage was used as this better reflects the future EBITDA% than the average of the last three years. In none of the divisions, the positive impact on EBITDA, coming from the implementation of IFRS 16 Leasing (see IFRS accounting standards issued but not yet effective on page C/21) was taken into account in the EBITDA percentages used.

**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. It was determined on group level.

## Sensitivity to changes in assumptions

Per 31 December 2018, only the change in EBITDA margin could result in impairment losses. The implications of the key assumptions for the recoverable amount are discussed below:

**EBITDA percentage on sales** – Management has considered the possibility of lower than projected EBITDA percentages on sales.

For Entertainment, Enterprise and Healthcare a reduction of the EBITDA percentage in the last year of the projected period of respectively more than 2%, 10% and 7% would result in an impairment.

**Discount rates** – Management has considered the possibility of a significant higher weighted average cost to test the sensitivity. For none of the cash-generating units this leads to an impairment.

**Growth rate estimate (beyond the projection period)** – For all divisions, no reasonable possible change in the growth rate, used to extrapolate beyond the projection period, would result in an impairment.

## 11. Other intangible assets and tangible fixed assets

### 11.1 Other intangible assets

IN THOUSANDS OF EURO	2018					2017	2016	
	SOFTWARE	CUSTOMER RELATIONS	KNOW HOW	OTHER INTAN- GIBLE ASSETS	OTHER INTANGIBLE ASSETS UNDER CONSTRUC- TION	TOTAL	TOTAL	TOTAL
<b>At cost</b>								
On 1 January	60,372	21,019	47,752	10,087	6,071	145,300	140,663	101,874
Expenditure	787	-	-	83	2,840	3,710	6,634	6,946
Sales and disposals	-1,360	-	-3,165	-56	-	-4,581	-462	-26
Acquisition of subsidiaries	-	-	-	-	-	-	3,202	28,979
Disposal of subsidiaries	-402	-	-	-3	-	-405	-124	-
Transfers	8,599	-	-	-	-8,599	-	-	-9
Translation (losses)/gains	28	190	-563	16	-	-329	-4,612	2,897
On 31 December	68,024	21,209	44,024	10,126	312	143,696	145,300	140,663
<b>Amortization and impairment</b>								
On 1 January	30,555	16,697	24,997	9,690	-	81,939	64,898	49,246
Depreciation	7,241	-	9,605	2,186	-	19,032	18,481	14,329
Impairment	-	-	-	-	-	-	1,536	-
Sales and disposals	-1,360	-	-3,165	-29	-	-4,554	-462	-24
Acquisition of subsidiaries	-	-	-	-	-	-	-	3
Disposal of subsidiaries	-153	-	-	-	-	-153	-114	-
Transfers	-	2,161	-	-2,160	-	-	-	96
Translation (losses)/gains	15	125	-120	15	-	35	-2,400	1,246
On 31 December	36,297	18,983	31,317	9,702	-	96,299	81,939	64,898
<b>Carrying amount</b>								
On 1 January	29,817	4,322	22,755	397	6,071	63,361	75,765	52,628
On 31 December	31,727	2,226	12,708	425	312	47,397	63,361	75,765

Barco's intangibles mainly include SAP ERP software and intangibles acquired in acquisitions.

In 2018, capital expenditures for intangible assets amount to 3.7 million euro (2017: 6.6 million euro; 2016: 6.9 million

euro) of which 1.5 million euro for the implementation of SAP ERP software (2017: 5.4 million euro; 2016: 4.6 million euro). The SAP capital expenditures are amortized as roll out is performed successfully pro rata the amount of licenses used. For the total scope of the OnePlatform SAP project

Barco foresaw 2,600 licenses. Per successful roll-out (India, Belgium, Germany, US, China) a part of the licenses were activated and used.

These SAP capital expenditures are amortized over 7 years conform the valuation rules for intangible fixed assets. This was done as of April 2014 in India, July 2015 in Belgium, July 2016 in Germany, July 2017 in the US and October 2018 in China. All planned SAP roll-outs were completed in 2018.

In 2017, the customer list from the P2M asset deal (3.0 million euro) is included in 'acquisition of subsidiaries', while in 2016 this caption includes the investment in in-process development acquired through the MTT and Medialon acquisitions

(29.0 million euro) which are amortized over their useful life, between four and six years. The impairment in 2017 of 1.5 million euro relates to the acquired know-how on the X2O acquisition, which resulted from Barco's decision to revisit the future of X2O. We refer to note 6 restructuring and impairments.

We refer to Note 1.3 on "Acquisitions and divestments" and Note 25 on "Cash flow statement: effect of acquisitions and disposals" for more details on these transactions.

Barco does not hold intangible assets with indefinite lifetime.

## 11.2 Tangible fixed assets

	IN THOUSANDS OF EURO						2018	2017	2016
	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE, OFFICE EQUIPMENT AND VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL OTHER TANGIBLE ASSETS			
<b>At cost</b>									
On 1 January	89,511	88,643	37,581	14,813	7,119	148,156	237,667	238,959	225,828
Expenditure	171	5,199	2,450	652	11,627	19,928	20,099	20,311	26,406
Sales and disposals	-1,359	-8,536	-3,060	-2,866	-	-14,461	-15,820	-13,324	-15,320
Acquisition of subsidiaries	-	-	-	-	-	-	-	836	120
Disposal of subsidiaries	-	-774	-1,162	-54	-	-1,990	-1,990	-3,042	-
Transfers	3,317	3,263	335	163	-7,078	-3,317	-	-	9
Translation (losses)/gains	210	-292	46	67	23	-155	55	-6,071	1,915
On 31 December	91,850	87,504	36,191	12,776	11,690	148,161	240,011	237,668	238,959
<b>Depreciation and impairment</b>									
On 1 January	31,547	62,074	28,496	10,219	-	100,790	132,337	135,024	133,262
Depreciation	4,072	6,017	3,519	1,851	-	11,386	15,458	15,397	14,243
Impairment	-	-	-	-	-	-	-	1,324	-
Sales and disposals	-1,093	-8,441	-2,813	-2,728	-	-13,982	-15,075	-12,794	-13,518
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	82
Disposal of subsidiaries	-	-568	-848	-44	-	-1,460	-1,460	-2,664	-
Transfers	669	-760	142	-51	-	-669	-	-	-97
Translation (losses)/gains	202	-355	67	57	-	-231	-29	-3,950	1,052
On 31 December	34,073	57,967	28,563	10,628	-	97,158	131,231	132,337	135,024
<b>Carrying amount</b>									
On 1 January	57,964	26,569	9,085	4,594	7,119	47,366	105,330	103,935	92,566
On 31 December	57,777	29,537	7,628	2,148	11,690	51,003	108,779	105,330	103,935

The main capex realized in the period 2015 – 2018 relate to the new headquarters of Barco and the extended operations facility for 78 million euro (spread over 2018: 8.2 million euro; 2017: 11.1 million euro; 2016: 14.2 million euro; 2015: 44.2 million euro) and the new factory in Taiwan 5.8 million euro (spread over 2018: 2.1 million euro; 2017: 1.6 million euro; 2016: 2.1 million euro). In 2018, the total capex further includes the under construction new factory in China (Suzhou) for 1.0 million euro as well as the refurbishment of the Duluth office in the US (1.6 million euro).

Disposals in 2018 mainly relate to old machinery & equipment, which are no longer in use and to the sale of a part of the land and building in Poperinge.

In 2017, following the acquisition of the additional 51% share in Habornveien 53 AS, Barco transferred the building (Barco Frederikstad AS) from assets under finance lease to building (net 5.6 million euro). An impairment of 1.3 million euro related to this building in Barco Frederikstad AS was recorded in 2017 (see note 6). Disposal of subsidiaries relates to the sale of Barco Lighting Systems and Barco Silex SA. More information can be found in note 1.3 and 25.

Also in 2017, large disposals were booked related to the move from the old production building to the new headquarters building. In 2016, sales and disposals contain the sale of the former headquarters building on which a gain of 6.9 million euro was realized.

## 12. Deferred tax assets – deferred tax liabilities

The deferred tax asset and liability balance comprises temporary differences attributable to:

IN THOUSANDS OF EURO	ASSETS			LIABILITIES			NET ASSET/(LIABILITY)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Tax value of loss carry forwards	20,367	23,531	15,524	-	-	-	20,367	23,531	15,524
Tax value of tax credits	18,980	21,558	27,084	-	-	-	18,980	21,558	27,084
Provisions	13,430	17,055	20,428	-2,336	-345	-986	11,094	16,710	19,442
Inventory	12,001	15,089	20,538	-278	-148	-	11,723	14,941	20,538
Deferred revenue	4,805	3,550	5,040	-1,518	12	-44	3,287	3,562	4,996
Tangible fixed assets and software	1,741	1,891	1,579	-836	-519	-1,044	905	1,372	535
Employee benefits	1,388	670	2,787	-8	22	-782	1,380	692	2,005
Other investments	408	416	-	-	-	-	408	416	-
Trade debtors	231	601	815	-4	3	-	228	604	815
Patents, licenses, ...	-	1	-	-4,159	-8,841	-13,107	-4,159	-8,840	-13,107
Capitalized development cost	-	-	2,690	-	-	-	-	-	2,690
Other items	293	972	799	-170	-131	-1,035	124	841	-236
<b>Gross tax assets/(liabilities)</b>	<b>73,646</b>	<b>85,334</b>	<b>97,284</b>	<b>-9,308</b>	<b>-9,947</b>	<b>-16,998</b>	<b>64,338</b>	<b>75,387</b>	<b>80,286</b>
Offset of tax	-6,169	-5,300	-8,184	6,169	5,300	8,184	-	-	-
<b>Net tax assets/(liabilities)</b>	<b>67,478</b>	<b>80,034</b>	<b>89,100</b>	<b>-3,140</b>	<b>-4,647</b>	<b>-8,814</b>	<b>64,338</b>	<b>75,387</b>	<b>80,286</b>
Transfer to assets held for sale	-	-10,174	-	-	-	-	-	-10,174	-
<b>Net tax assets/(liabilities)</b>	<b>67,478</b>	<b>69,860</b>	<b>89,100</b>	<b>-3,140</b>	<b>-4,647</b>	<b>-8,814</b>	<b>64,338</b>	<b>65,213</b>	<b>80,286</b>

Movements in the deferred tax assets/(liabilities) arise from the following:

IN THOUSANDS OF EURO	AS AT 1 JANUARY	TRANSFER FROM ASSETS HELD FOR SALE	RECOGNIZED THROUGH INCOME STATEMENT	RECOGNIZED THROUGH OCI	ACQUISITIONS AND DISPOSALS	EXCHANGE GAINS AND LOSSES	AS AT 31 DECEMBER
Tax value of loss carry forwards	23,531	-	-3,276	-	-	112	20,367
Tax value of tax credits	21,558	-	-2,579	-	-	1	18,980
Capitalized development cost	-	-	-	-	-	-	-
Patents, licenses, ...	-8,840	-	4,607	-	-	75	-4,159
Tangible fixed assets and software	1,372	-	-483	-	-	15	905
Other investments	416	-	-26	-	-	19	408
Inventory	13,349	1,592	-2,610	-	-931	324	11,723
Trade debtors	349	255	-371	-	-15	10	228
Provisions	8,383	8,327	-1,898	1,419	-5,270	133	11,094
Employee benefits	692	-	640	-	-	49	1,380
Deferred revenue	3,562	-	-432	-	-	157	3,287
Other items	841	-	-748	-	-	31	124
<b>Net deferred tax</b>	<b>65,213</b>	<b>10,174</b>	<b>-7,177</b>	<b>1,419</b>	<b>-6,216</b>	<b>925</b>	<b>64,338</b>

On top of the tax losses and tax credits for which a net deferred tax is recognized (net deferred tax asset of respectively 20.4 million euro and 19.0 million euro), the Group owns tax losses carried forward and other temporary differences on which no deferred tax asset is recognized amounting to 44.6 million euro as of 31 December 2018 (70.2 million euro in 2017) (resulting in a non-recognized deferred tax asset of 12.2 million euro (18.8 million euro in 2017)) and unutilized capital losses carried forward in the US on which no deferred tax asset is recognized amounting to 29.4 million euro (31.4 million euro in 2017) (resulting in a non-recognized deferred tax asset of 7.3 million euro (8.0 million euro in 2017)). 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, except for capital losses carried forward which expire after 5 years in the US.

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 realization 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 profit during the periods in which those temporary

differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning strategies in making this assessment. A time period of 5 years is considered. In order to fully realize the deferred tax asset, the group will need to generate future taxable profit in the countries where the net operating losses were incurred. Based upon the level of historical taxable income and projections for future taxable profit over the periods in which the deferred tax assets are deductible, management believes as at 31 December 2018, it is probable that the group will be able to recover these deductible temporary differences.

Impact of changes in tax regulations in Belgium and US in 2017 are explained in note 7.

Barco has not recognized income taxes on undistributed earnings of its subsidiaries, as the earnings available for distribution will not be distributed in the foreseeable future. The cumulative amount of undistributed earnings on which the group has not recognized income taxes was approximately 460 million euro at December 31, 2018, 457 million euro at December 31, 2017 and 529 million euro at December 31, 2016.

## 13. Inventory

IN THOUSANDS OF EURO	2018	2017	2016
Raw materials and consumables	66,498	73,456	80,922
Work in progress	54,122	50,133	65,288
Finished goods	96,930	100,951	128,835
Write-off on inventories	-82,439	-91,786	-108,843
<b>Inventory</b>	<b>135,111</b>	<b>132,754</b>	<b>166,202</b>
Inventory turns	3.8	3.6	3.6

The amount of write-offs recognized as expense in 2018 amounts to 6.1 million euro or 0.6% of sales (2017: 8.4 million euro; 0.8% of sales, 2016: 10.8 million euro; 1% of sales). In 2017 4.4 million euro write-offs resulting from the decision to phase out certain businesses are included in restructuring and impairment costs (in 2016: 3.5 million euro). See note 6.

The inventory turns improved to 3.8 (excluding BarcoCFG) compared to 3.6 in 2017 and 2016 (2017 and 2016 including BarcoCFG).

There is no inventory pledge as security for liabilities.

## 14. Amounts receivable and other non-current assets

IN THOUSANDS OF EURO	2018	2017	2016
Trade debtors - gross	165,201	153,920	194,119
Trade debtors - bad debt reserve	(a) -3,413	-4,481	-5,558
<b>Trade debtors - net</b>	<b>161,787</b>	<b>149,439</b>	<b>188,561</b>
V.A.T. Receivable	7,054	7,461	7,461
Taxes receivable	3,313	4,787	3,074
Interest receivable	943	777	1
Currency rate swap (note 21)	2,380	677	858
Other	5,876	5,666	4,190
Other amounts receivable	19,567	19,368	15,584
Other non-current assets	(c) 9,732	12,887	19,112
Number of days sales outstanding (DSO)	52	55	55

Per 31 December 2018, the number of days sales outstanding improved to 52 days (55 days in 2017 and 2016). In 2017 and 2016 the DSO included the trade debtors of BarcoCFG which were presented in assets held for sale in 2017 (32.7 million euro). In 2017, the decrease in trade debtors was mainly the

result of the presentation of the trade debtors in BarcoCFG as assets held for sale. Excluding this impact, trade debtors were 3% lower than in 2016. The bad debt reserve in proportion to the gross amount of trade debtors has decreased to 2.1% (2017: 2.9%, 2016: 2.9%).

**(a) Movement in bad debt reserve:**

IN THOUSANDS OF EURO	2018	2017	2016
On 1 January	-4,481	-5,558	-9,351
Sale of subsidiary	-	43	-
Additional provisions	-1,922	-3,913	-1,329
Amounts used	548	199	928
Amounts unused	2,458	3,472	4,117
Transfer to assets held for sale	-	1,021	-
Translation (losses) / gains	-15	256	78
On 31 December	-3,413	-4,481	-5,558

**(b) At 31 December 2018, the aging analysis of trade receivables is as follows:**

IN THOUSANDS OF EURO	2018	2017	2016
Not due	139,634	120,603	152,402
Overdue less than 30 days	16,918	19,426	18,121
Overdue between 30 and 90 days	5,171	8,184	13,358
Overdue between 90 days and 180 days	1,042	2,331	5,308
Overdue more than 180 days	2,437	3,376	4,930
<b>Total gross</b>	<b>165,201</b>	<b>153,920</b>	<b>194,119</b>
Bad debt reserve	-3,413	-4,481	-5,558
<b>Total</b>	<b>161,787</b>	<b>149,439</b>	<b>188,561</b>

In 2018, total overdue amounts decreased to a total amount of 25.6 million euro compared to 33.3 million euro in 2017 (2016: 41.7 million euro). The bad debt reserve in 2018 amounts to 140% of the trade receivables overdue more than 180 days (2017: 133%, 2016: 113%). The group applied the IFRS 9 simplified approach to measuring expected credit

losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The group analyzed the impact of IFRS 9 and concluded there is no material impact on the bad debt reserve booked. The group also assessed whether the historic pattern would change materially in the future and expects no significant impact.

### (c) Other non-current assets

The non-current assets include long-term receivables in the frame of vendor financing programs, amounting to 5.4 million euro per 31 December 2018, of which 5.4 million euro (see note 15) offset by long term debt of the same amount (2017: 8.3 million euro, of which 8.3 million euro offset by a

long-term debt; 2016: 13.5 million euro, of which 13.5 million euro offset by a long-term debt) and cash guarantees for an amount of 3.4 million euro (2017: 3.6 million euro, 2016: 3.7 million euro).

## 15. Net financial cash/debt

IN THOUSANDS OF EURO	2018	2017	2016
Short term investments	(a) 112,795	-	-
Deposits	(a) 114,901	88,043	108,349
Cash at bank	(b) 136,832	166,016	245,177
Cash in hand	74	71	22
<b>Cash and cash equivalents</b>	<b>251,807</b>	<b>254,130</b>	<b>353,549</b>
Long-term financial receivables	(c) 5,430	8,267	13,485
Long-term debts	(c) (d) -29,882	-41,036	-66,811
Current portion of long-term debts	(d) -7,500	-10,000	-11,500
Short-term debts	(e) -686	-686	-2,085
<b>Net financial cash/(debt)</b>	<b>331,964</b>	<b>210,676</b>	<b>286,638</b>
Cash held for sale	-	67,385	-
<b>Total net financial cash / (debt)</b>	<b>331,964</b>	<b>278,061</b>	<b>286,638</b>

The net financial cash (332 million euro end 2018) increased 121.3 million euro (excluding cash held for sale), as a result of the generated positive free cash flow (63.2 million euro), the proceeds received on the sale of 9% of the shares of BarcoCFG (22.2 million euro) and the advances on the capital contribution received from the three minority shareholders of Cinionic (39.2 million euro). We refer to note 1.1 and note 3 for more explanation on BarcoCFG and Cinionic and to the supplementary statements for the free cash flow.

The direct available net cash (excluding the cash contributed by Barco and the minority shareholders of Cinionic (84.6 million euro)) amounts to 247.4 million euro.

In 2017, the net cash decreased 76 million euro, mainly explained by the exclusion of the cash of BarcoCFG of 67.4 million euro (cash held for sale). We refer to the cash flow note for explanation on the cash movements.

The net financial cash in BarcoCFG amounted to 100 million euro in 2016.

### (a) Short term investments and deposits

Short term investments are convertible to known amounts of cash between three and twelve months from inception. Deposits are short term (between zero and three months), highly liquid investments, which are readily convertible to known amounts of cash.

The short term investments and deposits do not carry a material risk of change in valuation.

At closing date, all short term investments and deposits include:

IN THOUSANDS OF EURO	2018	AVERAGE INTEREST RATE	2017	AVERAGE INTEREST RATE	2016	AVERAGE INTEREST RATE
- deposits in INR	21,709	7.20%	15,950	6.98%	11,060	6.86%
- deposits in USD	107,291	2.36%	5,469	1.37%	14,475	0.56%
- deposits in CNY	96,170	3.57%	64,728	4.03%	75,978	3.10%
- deposits in other currencies	2,526		1,895		6,837	
Total deposits	227,696		88,043		108,349	

### (b) Cash at bank

Cash at bank is immediately available. It is denominated in the following currencies:

	2018	2017	2016
- EUR	49.4%	47.7%	43.3%
- USD	15.1%	25.8%	14.3%
- CNY	17.1%	12.8%	34.8%
- INR	0.8%	0.4%	1.3%
- Others	17.5%	13.4%	6.3%

### (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 end of 2018, the outstanding long-term financial receivables have decreased to 5.4 million euro compared to 8.3 million euro in 2017.

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 a specific real estate credit facility in the US, the Barco Group has a total of 106 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 7.0 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 24 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 below table summarizes the long-term financial debts, including the current portion of long-term financial debts, per currency:

IN THOUSANDS OF EURO	2018	2017	2016
- EUR	31,000	41,000	52,500
- USD	1,261	2,745	4,961
- NOK	-	-	9,365
- Other	5,121	7,291	11,486
Total	37,382	51,036	78,311

The below table gives an overview of the long-term financial debts including the current portion of long-term financial debts, per type of interest rate:

TYPE OF INTEREST RATE	MATURITY	31 DEC 2018	31 DEC 2017	31 DEC 2016
Real estate financing:				
- variable, swapped into fixed (EU)	Later than 2023	13,388	14,663	15,938
- variable (EU)	Later than 2023	10,613	11,338	12,063
- variable, swapped into fixed (US)	Later than 2023	871	1,666	2,844
- fixed, financial leasing (Norway) <sup>(1)</sup>	Later than 2023	-	-	9,365
RDI financing:				
- fixed, European Investment Bank	2020	7,000	15,000	24,500
Vendor financing (offset by long-term receivable)		5,430	8,268	13,485
Other		81	103	118
Total long-term financial debts		37,382	51,036	78,311

<sup>(1)</sup> In 2017 the financial leasing in Norway became zero due to the purchase of the shares of Habornveien 53, the entity owning the building leased by Barco Frederikstad AS (see note 9. Investments). This resulted in a transfer of fixed assets held under leasing to buildings (see note 11.2. Tangible fixed assets).

The long-term debts (including interests due), excluding the current portion of the long-term debts, are payable as follows:

PER 31 DECEMBER 2018	PER 31 DECEMBER 2017	PER 31 DECEMBER 2016	
Payable in 2020	9,540	Payable in 2018	14,101
Payable in 2021	2,545	Payable in 2019	20,638
Payable in 2022	2,476	Payable in 2020	5,115
Payable in 2023	3,300	Payable in 2021	3,585
Later	15,352	Payable in 2022	Later
<b>Total long-term debts</b>	<b>33,213</b>	<b>45,267</b>	<b>78,596</b>

#### (e) Short-term financial debts

The below table gives an overview of the short-term financial debts on 31 December 2018:

IN THOUSANDS OF EURO	2018		2017		2016	
	EFFECTIVE INTEREST RATE	BALANCE	EFFECTIVE INTEREST RATE	BALANCE	EFFECTIVE INTEREST RATE	BALANCE
- Other	0.0%	686	0.0%	686	2.4%	2,085
<b>Total</b>		<b>686</b>		<b>686</b>		<b>2,085</b>

The available 75 million euro bilateral credit facilities that when used translate in a short term debt position are undrawn per end of December 2018.

## 16. Other long-term liabilities

IN THOUSANDS OF EURO		2018	2017	2016
Loan former DAT business	(a)	-	310	2,666
MTT long-term liability	(b)	-	3,745	8,533
Other		-	500	
Other amounts payable		-	4,555	11,198
Long-term accrued charges		1,526		
Long-term deferred income	(c)	22,097		
Long-term prepayments customers		934		
Other long-term liabilities		24,557	4,555	11,198

(a) Following the divestment of the Defense & Aerospace division in 2015, a governmental loan in the amount of 2.8 million euro was formally transferred to Esterline BVBA, whilst the payment obligation (based on the sales agreement) remains with Barco in a back-to-back structure. In 2018 Barco refunded 0.1 million euro on this loan (2017: 0.1 million euro; 2016: 0.2 million euro). The remaining pay-out for 2019 is expected to amount to 0.1 million euro and is included in other current liabilities as repayable less than one year. In 2017, the expected pay-outs were lower than the remaining liability and the resulting revenue amounting to 2.2 million euro was booked in other operating income (in 2018 0.1 million euro) (see note 4d).

(b) The MTT long-term liability is nil in 2018 as the remaining 2 million dollar deferred consideration (1.7 million euro) and the two remaining earn-out eligible patents (1.7 million dollar or 1.5 million euro) which are expected to be filed in 2019 become payable in 2019 and are therefore included in other current liabilities. The latter is subject to filing of patents on the in-process technology (capped at 5 million dollar

(4.7 million euro)). The deferred consideration originally amounted to 6 million dollar (5.7 million euro), of which 2 million dollar (1.8 million euro) was paid in 2017 and 2 million dollar in 2018 (1.6 million euro). In 2017, the MTT long-term liability consisted of the deferred payment of 1.7 million euro and the patent earn-out of 2.1 million euro.

(c) Other long-term liabilities in 2018 include a reclassification of long term deferred income mainly on maintenance contracts, which is not reflected in the 2017 and 2016 financial statements. As of 2018, deferred income which will be recognized in revenue over a longer period than one year, is shown in other long term liabilities while before this was part of advances received from customers and accrued charges and deferred income. It concerns mainly maintenance contracts sold in the Entertainment division which cover a long term liability.

## 17. Equity attributable to equity holders of the parent

IN THOUSANDS OF EURO	2018	2017	2016
Share capital	55,869	55,857	55,823
Share premium	146,171	146,051	145,653
Share-based payments	9,046	7,511	6,230
Acquired own shares	-35,762	-42,205	-47,787
Retained earnings	501,807	457,053	452,629
Cumulative translation adjustment	-42,842	-43,717	-20,811
Derivatives	-1,022	-1,100	-1,493
<b>Equity attributable to equity holders of the parent</b>	<b>633,267</b>	<b>579,449</b>	<b>590,243</b>

### 1. Share capital, share premium and own shares

The following capital increases took place in 2018:

- Through the exercise of 2,670 warrants into the same number of new shares on 29 June 2018 with a resulting increase of the statutory capital of 11 ('000) euro and an increase of the share premium account of 116 ('000) euro.
- Through the exercise of 150 warrants into the same number of new shares on 20 September 2018 with a resulting increase of the statutory capital of 1 ('000) euro and an increase of the share premium account of 5 ('000) euro.

As a result thereof the company's share capital amounts to 55.9 million euro on 31 December 2018, consisting of 13,067,284 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 May 7<sup>th</sup>, 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.

Since 2016, Barco did not acquire own shares. In total, Barco owns now 597,790 own shares.

Barco sold 94,625 own shares upon the exercise of 94,625 stock options per 29 June 2018 with a resulting decrease of the own shares of 5,689 (000) euro and a decrease of the share based payment account of 451 (000) euro, 5,834 own shares through the exercise of 5,834 stock options per 18 September 2018 with a resulting decrease of the own shares of 351 ('000) euro and a decrease of the share based payment account of 26 (000) and 6,700 own shares through the exercise of 6,700 stock options per 28 December 2018 with a resulting decrease of the own shares of 403 ('000) euro and a decrease of the share based payment account of 38 ('000) euro.

As a result thereof the company's share premium account amounts to 146 million euro, the share-based payments amount to 9.0 million euro and the number of own shares acquired by Barco NV up to 31 December 2018 therefore decreased to 597,790 own shares (2017: 704,949; 2016: 797,789 own shares).

## 2. Share-based payments

On 23 October 2018, 2 new option plans have been approved by the Board of Directors. These 2 option plans entitled the Board of Directors to grant maximum 62,700 stock options before 31 December 2018. Each stock option gives right to the acquisition of one (1) share. In 2018, 60,700 stock options have been granted to employees and management of the group based upon these option plans. On 31 December 2018, no options remained available for distribution under the 2018 stock option schemes given the expiry dates of the plans per 31 December 2018.

### Warrants exercisable under the warrant and stock option plans

The total number of outstanding warrants on 31 December 2018 amounted to 8,135 which can lead to the creation of 8,135 new shares. Since 2010, stock options have been granted. The total number of outstanding stock options on 31 December 2018 amounted to 432,416. The company's own shares will be used under the outstanding stock option plan to fulfill the commitment. There were 8,135 warrants and 431,916 stock options exercisable at year-end. During 2018, 2,820 warrants and 107,159 stock options have been exercised (in 2017, 7,857 warrants and 92,840 stock options). These warrants and stock options may be exercised the earliest 3 years after the allocation date (i.e. the vesting period) over a period of maximum 10 years and during a couple of fixed periods over the year. The cost of the awards are recognized over the vesting period on a straight-line basis. Below is an overview given of the outstanding warrant and stock option plans:

**Table on warrants**

ALLOCATION DATE	END TERM	EXERCISE PRICE (IN EURO)	BALANCE ON 31 DEC 2017	GRANTED IN 2018	EXERCISED IN 2018	CANCELLED IN 2018	EXPIRED IN 2018	BALANCE ON 31 DEC 2018
<b>Warrants</b>								
11/09/06 <sup>1</sup>	11/08/16	65.05	4,436	-	-1,450	-	-1	2,985
11/12/07 <sup>1</sup>	11/11/17	50.68	1,350	-	-350	-	-	1,000
05/28/09	05/27/16	19.62	4,200	-	-1,000	-	-	3,200
05/28/09	05/27/16	24.00	970	-	-20	-	-	950
<b>Total number of warrants</b>			<b>10,956</b>	<b>-</b>	<b>-2,820</b>	<b>-</b>	<b>-1</b>	<b>8,135</b>

(1) For a number of warrants this last exercise date was extended with three (3) years according to article 407 of the law of 24 December 2002

**Table on warrants**

ALLOCATION DATE	END TERM	EXERCISE PRICE (IN EURO)	BALANCE ON 31 DEC 2017	GRANTED IN 2018	EXERCISED IN 2018	CANCELLED IN 2018	EXPIRED IN 2018	BALANCE ON 31 DEC 2018
<b>Stock options</b>								
10/28/10	10/27/20	35.85	1,400	-	-	-	-	1,400
10/28/11	10/27/21	36.65	4,400	-	-3,350	-	-	1,050
10/31/12	10/30/22	52.37	4,975	-	-3,525	-	-	1,450
10/31/12	10/30/20	52.37	4,200	-	-750	-	-	3,450
10/31/12 <sup>2</sup>	10/30/20	53.00	8,685	-	-3,785	-	-	4,900
10/21/13	10/20/23	59.03	7,000	-	-1,200	-	-	5,800
10/21/13	10/20/21	59.03	7,175	-	-2,025	-	-	5,150
10/21/13 <sup>2</sup>	10/20/21	60.94	12,650	-	-3,584	-	-	9,066
10/23/14	10/22/24	55.00	52,090	-	-47,015	-200	-	4,875
10/23/14	10/22/22	55.00	12,760	-	-5,800	-	-300	6,660
10/23/14 <sup>2</sup>	10/22/22	55.40	11,050	-	-2,750	-	-1,000	7,300
10/22/15	10/21/25	57.10	52,375	-	-5,450	-1,100	-	45,825
10/22/15	10/21/23	57.10	28,050	-	-16,475	-600	-350	10,625
10/22/15 <sup>2</sup>	10/21/23	57.85	22,700	-	-11,450	-800	-1,500	8,950
10/24/16	10/23/26	72.80	74,205	-	-	-2,175	-	72,030
10/24/16	10/23/24	72.80	19,110	-	-	-750	-	18,360
10/24/16 <sup>2</sup>	10/23/24	74.24	34,850	-	-	-550	-	34,300
10/20/17	10/16/27	87.75	87,625	-	-	-600	-	87,025
10/20/17	10/16/25	87.75	12,600	-	-	-	-	12,600
10/20/17 <sup>2</sup>	10/16/25	88.70	30,700	-	-	-300	-	30,400
10/23/18	10/22/28	100.80	-	60,700	-	-	-	60,700
<b>Total number of stockoptions</b>			<b>488,600</b>	<b>60,700</b>	<b>-107,159</b>	<b>-7,075</b>	<b>-3,150</b>	<b>431,916</b>

(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 in other operating expense. The warrants/stock options are measured 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 2.1 million euro in 2018 (2017: 1.5 million euro; 2016: 1.2 million euro).

### 3. Retained earnings

The change in retained earnings includes the net income of 2018, 1 million euro of actuarial gains and losses and the distribution of 26.0 million euro dividend, as approved by the general shareholders meeting of 26 April 2018. The board of directors of Barco NV proposed a gross dividend of 2.3 euro per share relating to the result as of 31 December 2018. In 2018 a gross dividend of 2.1 euro per share was paid out on the results of 2017; in 2017 1.9 euro was paid out.

### 4. Cumulative translation adjustment

In 2018, the exchange differences on translation of foreign operations have a net positive impact of 1 million euro, mainly relating to foreign operations held in US Dollar (3.3 million euro), Hong Kong Dollar (1.1 million euro), Chinese Yuan (-1 million euro) and Indian Rupee (-1.6 million euro).

### 5. Derivatives

Derivative financial instruments are disclosed in note 21.

### 6. Main shareholders

BEFORE DILUTION		
Public	8,973,270	68.67%
Titan Baratto NV	2,394,833	18.33%
Barco NV	597,790	4.57%
Norges Bank	586,006	4.48%
3D NV	515,385	3.94%
<b>Total</b>	<b>13,067,284</b>	<b>100.00%</b>

## 18. Non-controlling interest

The below table represents the proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2018	2017	2016
CFG Barco (Beijing) Electronics Co., Ltd	China	0%*	42%	42%
Barco Taiwan Technology Ltd.	Taiwan	10%	10%	10%
Barco China Electronic Visualization Technology	China	35%	35%	35%
Barco CEC (HK), Ltd	China	35%		

(\*) 42% of non-controlling interest is held in BarcoCFG until 30 June 2018. On July 7<sup>th</sup>, Barco sold 9% of its shares in BarcoCFG, resulting in Barco owning 49% of the shares of BarcoCFG, transfer of control as of July 1<sup>st</sup> and the results of BarcoCFG accounted for in accordance with the equity method.

Overview of the equity attributable to non-controlling interest:

IN THOUSANDS OF EURO	2018	2017	2016
CFG Barco (Beijing) Electronics Co., Ltd	-	11,793	22,415
Barco Taiwan Technology Ltd.	-1,085	-374	78
Barco China Electronic Visualization Technology	2,819	2,646	2,751
Barco CEC (HK), Ltd	43	-	-
<b>Total equity attributable to non-controlling interest</b>	<b>1,777</b>	<b>14,065</b>	<b>25,244</b>

The main contributor to the non-controlling interest in 2017 and 2016 is CFG Barco (Beijing) Electronics Co., Ltd. Below is its balance sheet as at 31 December 2017 and 2016. This information is based on amounts before intercompany eliminations. In 2017 assets and liabilities of BarcoCFG are included in assets held for sale (note 3).

IN THOUSANDS OF EURO	2017	2016
Total non-current assets	10,827	7,881
Total current assets	129,047	164,987
<b>Total assets</b>	<b>139,874</b>	<b>172,868</b>
Equity attributable to equityholders of the parent	16,326	31,031
Equity attributable to non-controlling interest	11,793	22,415
<b>Total equity</b>	<b>28,118</b>	<b>53,447</b>
Total current liabilities	111,755	119,422
<b>Total liabilities</b>	<b>139,874</b>	<b>172,868</b>

Overview of the net income attributable to non-controlling interest:

IN THOUSANDS OF EURO	% non-controlling	2018	2017	2016
CFG Barco (Beijing) Electronics Co., Ltd *		6,640	20,025	35,628
Barco Taiwan Technology Ltd.		-6,926	-4,650	-2,369
Barco China Electronic Visualization Technology		563	178	-215
Barco CEC (HK), Ltd		107		
<b>Net income</b>		<b>384</b>	<b>15,553</b>	<b>33,044</b>
CFG Barco (Beijing) Electronics Co., Ltd *	42%	2,805	8,411	14,964
Barco Taiwan Technology Ltd.	10%	-693	-465	-237
Barco China Electronic Visualization Technology	35%	197	62	-75
Barco CEC (HK), Ltd	35%	37		
<b>Net income attributable to non-controlling interest</b>		<b>2,347</b>	<b>8,008</b>	<b>14,652</b>

(\*) 42% non-controlling interest on BarcoCFG included until June 30<sup>th</sup>, 2018.

Other comprehensive income/(loss) for the period, net of tax effect, part attributable to non-controlling interest amounts to 0.1 million euro in 2018, -1.3 million euro in 2017 and -0.4 million euro in 2016.

Total comprehensive income for the year, net of tax, part attributable to non-controlling interest amounts to 2.4 million euro in 2018, 6.7 million euro in 2017 and 14.2 million euro in 2016.

## 19. Trade payables and advances received from customers

IN THOUSANDS OF EURO	2018	2017	2016
Trade payables	105,148	102,943	135,127
Days payable outstanding (DPO)	59	58	63
Advances received from customers	(a) 53,747	67,040	109,064

(a) 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 received in 2018 compared to 2017 is partly due to lower advances received in Enterprise in China and partly due to the reclassification of deferred income on maintenance contracts to long-term (see note 16 other long-term liabilities). The decrease in advances received in 2017 compared to 2016 is partly caused by the advances received in BarcoCFG (21.8 million euro), which are in 2017 shown as part of the assets held for sale (see note 3) and partly by lower advances received in Entertainment, mainly linked to lower cinema sales.

## 20. Provisions

	BALANCE SHEET 2018	ADDITIONAL PROVISIONS MADE	AMOUNTS USED	UNUSED AMOUNTS REVERSED	TRANSFERS	REMEASUREMENT GAINS/(LOSSES) ON DBO	TRANSLATION (LOSSES) / GAINS	BALANCE SHEET 2017	BALANCE SHEET 2016
IN THOUSANDS OF EURO									
Total long-term provision	34,265	2,992	-1,380	-2,702	5,048	5,676	24	24,607	30,824
Defined benefit obligations (b)	18,757	998	-536	-30	-	5,676	53	12,596	17,936
Technical warranty (a)	14,097	1,957	-428	-2,564	3,183	-	-64	12,011	12,888
Other claims and risks (d)	1,412	36	-417	-108	1,865	-	35	-	-
Total short-term provision	32,032	20,800	-6,107	-4,928	-5,048	-	410	26,904	29,657
Technical warranty (a)	8,092	1,832	-428	-2,533	-3,183	-	393	12,011	16,219
Restructuring provision (c)	20,714	17,000	-2,882	-	-	-	-	6,596	5,640
Other claims and risks (d)	3,226	1,969	-2,797	-2,395	-1,865	-	18	8,297	7,798
Provisions	66,298	23,792	-7,487	-7,630	-	5,676	434	51,512	60,481

### (a) Technical warranty

Provisions for technical warranty are based on historical data of the cost incurred for 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

As per 31 December 2018, 2017 and 2016, the defined benefit obligations are composed of:

IN THOUSANDS OF EURO	2018	2017	2016
Pension plans in Belgium	13,143	7,405	12,318
Early retirement plans in Belgium	783	869	1,067
Local legal requirements (mainly Italy, Korea, Japan, Germany, France)	4,580	4,079	4,435
A small number of individual plans	251	243	116
<b>Total</b>	<b>18,757</b>	<b>12,596</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 exists for some blue-collars 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.

As from 2016 onwards the minimum guaranteed rate of return on employer and participant contributions is 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 setup. 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 estimate the defined benefit obligations, the defined benefit cost and the re-measurements of the net liability.

There are 15 defined benefit plans in Barco Belgium, for which we show below the aggregated view as these do not differ materially from 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.

2018, 2017 and 2016 changes in the Belgian defined benefit obligation and fair value of plan assets:

IN THOUSANDS OF EURO	2018			2017			2016		
	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	NET DEFINED BENEFIT LIABILITY	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	NET DEFINED BENEFIT LIABILITY	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	NET DEFINED BENEFIT LIABILITY
<b>Pension cost charged to P/L</b>									
On 1 January	94,077	-86,672	7,405	92,041	-79,722	12,318	-	-	-
Service cost	6,602	-	6,602	6,556	-	6,556	-	-	-
Net interest expense	1,358	-1,308	50	1,047	-944	104	-	-	-
<b>Sub-total included in profit or loss</b>	<b>7,960</b>	<b>-1,308</b>	<b>6,652</b>	<b>7,603</b>	<b>-944</b>	<b>6,660</b>	<b>-</b>	<b>-</b>	<b>-</b>
Benefits paid	-2,844	2,844	-	-484	484	-	-	-	-
<b>Remeasurement gains/losses in OCI</b>									
Increase due to effect of transfers	-	-	-	-	-	-	92,041	-79,722	12,318
Return on plan assets (excluding amounts included in net interest expense)	-	-752	-752	-	-1,882	-1,882	-	-	-
Actuarial changes arising from changes in demographic assumptions	-	-	-	-	-	-	-	-	-
Actuarial changes arising from changes in financial assumptions	281	-	281	-3,567	-	-3,567	-	-	-
Actuarial changes arising from changes in methodology	4,821	-	4,821	-	-	-	-	-	-
Actuarial changes arising from experience adjustments	1,325	-	1,325	226	-	226	-	-	-
<b>Sub-total included in OCI</b>	<b>6,427</b>	<b>-752</b>	<b>5,676</b>	<b>-3,341</b>	<b>-1,882</b>	<b>-5,223</b>	<b>92,041</b>	<b>-79,722</b>	<b>12,318</b>
Contributions by employer	-	-6,590	-6,590	-	-6,198	-6,198	-	-	-
Disposal of subsidiaries	-498	498	-	-1,743	1,591	-152	-	-	-
<b>On 31 December</b>	<b>105,122</b>	<b>-91,980</b>	<b>13,143</b>	<b>94,077</b>	<b>-86,672</b>	<b>7,405</b>	<b>92,041</b>	<b>-79,722</b>	<b>12,318</b>

The 4.8 million euro actuarial change arising from change in methodology concerns a change in death in service methodology. The remeasurement went through other comprehensive income.

The fair value of the plan assets (92.0 million euro) are fully invested in insurance policies. The target asset mix consists

of 69.1% government bonds (65.3% in 2017), 12.4% real estate (16% in 2017), 7.0% corporate bonds (9.2% in 2017), 5.7% corporate loans (5.5% in 2017) and 5.9% shares (4% in 2017).

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2018	2017	2016
Discount rate	1.30%	1.51%	1.16%
Future salary increases	2.58%	2.58%	2.59%
Future consumer price index increases	1.90%	1.90%	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	2018	2017	2016
Discount rate:			
0.25% decrease	2,537	2,032	2,361
0.25% increase	-2,384	-2,019	-2,605
Future salary change:			
0.25% decrease	-924	-564	-494
0.25% increase	989	762	478
Future consumer price index change:			
0.25% decrease	-519	-253	-901
0.25% increase	535	557	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	2018	2017	2016
Within the next 12 months	3,926	3,684	2,408
Between 2 and 5 years	17,893	16,393	13,947
Between 5 and 10 years	22,915	29,748	23,614
<b>Total expected payments</b>	<b>44,734</b>	<b>49,826</b>	<b>39,969</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.7 years (13.8 years in 2017 and 2016). The expected employer contributions to the plan for the next annual reporting period amounts to 6.2 million euro (6.6 million euro in 2017 and 6.3 million euro in 2016); the employee contributions are expected to amount to 1.1 million euro (1.1 million euro in 2017 and 1.0 million euro in 2016).

### (c) Restructuring provision

See note 6 Restructuring and impairments. We refer to the accounting standards on provisions including provisions on restructuring.

### (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.

With respect to the contingent liabilities related to the MTT and Medialon acquisitions, there is one earn-out capped at 15 million euro linked to the retention of the former shareholders and one uncapped for which the future results could not be reliably estimated at acquisition. The earn-outs would flow through profit and loss at moment of payment over the earn-out period, i.e. per end of 2021 for the capped one and per end of June 2018 for the uncapped one.

## 21. 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 2018, 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 a portfolio of foreign currencies (mainly USD and CNY) versus the euro. This sensitivity is caused by the following factors:

- The fair value of foreign currency monetary items is impacted by currency fluctuations. In order to eliminate most of these effects in foreign 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 fluctuation in foreign currencies 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 foreign currencies, while costs are incurred in a smaller part in these currencies. Barco has done great efforts in recent years to increase its natural hedging ratio in USD (being its main foreign currency in terms of sales) by increasing its operational costs and by purchasing more components in this currency. Impact on adjusted ebit is currently estimated at 4.7 million euro when the weighted average rate of a foreign currency basket that has an overall overweight of CNY and USD, changes by 5% versus the euro in a year. The overall natural hedge ratio of foreign currencies reached a level of more than 80% in 2018.
- 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 1.0 million US dollar (0.9 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 dollar or 7.8 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 13.4 million euro by means of a partial hedge for the bilateral committed Credit Facilities (currently outstanding at 24.0 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 30% 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 2018, 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 are showing in the financial statements. In general, the carrying amounts are assumed to be a close approximation of the fair value.

IN THOUSANDS OF EURO	2018	2017	2016
	Carrying amount/Fair value (approx.)		
<b>Financial assets</b>			
Trade receivables	161,787	149,438	188,561
Other receivables	19,567	19,368	15,584
Loan and other receivables	16,835	17,913	14,725
Interest rate receivable	1,800	777	1
Currency rate swap	931	677	858
Other non-current assets	9,732	12,887	19,112
Other short term investments	112,795	-	-
Cash and cash equivalents	251,807	254,130	353,549
<b>Total</b>	<b>555,688</b>	<b>435,822</b>	<b>576,806</b>
<b>Financial liabilities</b>			
Financial debts	28,583	39,302	61,862
Floating rate borrowings	26,615	31,159	36,671
Fixed rate borrowings	1,967	8,143	25,191
Other long-term liabilities	24,557	4,555	11,198
Short-term debts	686	686	2,085
Trade payables	105,148	102,943	135,127
Other current liabilities	48,532	10,586	9,684
Other short term amounts payable	43,588	5,771	3,625
Dividends payable	2,323	2,347	2,368
Currency rate Swap	958	515	932
Interest rate swap	1,663	1,953	2,759
<b>Total</b>	<b>207,506</b>	<b>158,072</b>	<b>219,956</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 cash equivalents and short-term investments, 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 at 31 December 2018, 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 2018, 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 at 31 December 2018, the Group held the following financial instruments measured at fair value:

IN THOUSANDS OF EURO	2018	2017	2016
<b>Assets measured at fair value</b>			
Financial assets at fair value through profit or loss			
Foreign exchange contracts - non-hedged	931	677	858
Financial assets at fair value through equity			
Investments	-	-	9,074
<b>Liabilities measured at fair value</b>			
Financial liabilities at fair value through profit or loss			
Foreign exchange contracts - non-hedged	958	515	932
Interest rate swap	673	884	1,297
Financial liabilities at fair value through equity			
Interest rate swap	991	1,069	1,462

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, except for the investments which were based on level 1 input (binding agreement of third party investor).

During the reporting period ending 31 December 2018, 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 following data:

IN THOUSANDS OF EURO	NOTE	2018	2017	2016
Net financial cash/(debt)	16	331,964	210,676	286,638
Equity		635,044	593,514	615,487
% Net financial cash (debt)/equity		52.3%	35.5%	46.6%

IN THOUSANDS OF EURO	2018	2017	2016
Equity	635,044	593,514	615,487
Total equity and liabilities	1,047,301	1,064,996	1,159,231
% Equity/Total equity and liabilities	60.6%	55.7%	53.1%

In 2018, the net cash position ended at a level of 332.0 million euro compared to 210.7 million euro as per end of 2017, mainly explained by the capital contribution in the Cinionic JV (39.2 million euro) and proceeds from 9% shares of Barco CFG (22.2 million euro) and dividends from Barco CFG

(10.5 million euro). 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.

### Changes in liabilities arising from financing activities

	IN THOUSANDS OF EURO		NON-CASH CHANGES		
	1 January 2018	Cash flows	Foreign exchange movements	Vendor financing <sup>1</sup>	31 December, 2018
Long-term borrowings	33,745	-8,346	52	-690	24,761
Short-term borrowings	10,686	-4,430	1,931	-	8,186
Lease liabilities	7,291	-17	-717	-1,436	5,121
<b>Total liabilities from financing activities</b>	<b>51,722</b>	<b>-12,793</b>	<b>1,266</b>	<b>-2,125</b>	<b>38,069</b>

(1) The long-term borrowings include long-term payables in the frame of vendor financing programs, of which the offset is included in the long-term receivables.

The long-term borrowings and lease liabilities are together the long-term debts as shown in the balance sheet. The short-term borrowings are the total of current portion of long-term debts and short-term debts, as shown in the balance sheet.

## 22. Operating leases

IN THOUSANDS OF EURO	2018	2017	2016
Non-cancellable operating leases are payable as follows:			
Less than one year	8,723	7,457	7,335
Between one and five years	20,608	11,281	11,018
More than five years	1,567	3,202	3,834
<b>Total</b>	<b>30,897</b>	<b>21,941</b>	<b>22,187</b>

Non-cancellable operating leases mainly relate to leases of factory facilities and warehouses and sales offices. During the current year, the total rent expenses recognized in the income statement amounted to 20 million euro (2017: 18

million euro, 2016: 17.8 million euro), of which 9.1 million euro relating to rent of buildings (2017: 9.3 million euro, 2016: 10.2 million euro).

## 23. Rights and commitments not reflected in the balance sheet

IN THOUSANDS OF EURO		2018	2017	2016
Guarantees given to third parties	(a)	4,901	2,567	3,009
Mortgage obligations given as security	(b)	30,000	30,000	32,844
- book value of the relevant assets		43,791	48,152	57,115
Buy back obligations	(c)	-	996	3,486
Purchase commitment	(d)	-	7,507	2,002
Sales commitment	(e)	1,600	1,151	

- (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 includes three loans of 10 million euro each to fund the headquarter Campus project. The decrease in net book value since 2016 is due to depreciation.
- (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 amounted to 1 million euro in 2017 and 3.5 million euro in 2016. In 2018, there are no buy-back obligations anymore.

- (d) This relates to the extended production facility at the headquarter in Belgium in 2017. In 2016 this relates to the new headquarters in Belgium. There are no purchase commitments on intangible fixed assets.
- (e) This relates to preliminary sales agreements of parts of the land on the Poperinge site in Belgium.

## 24. Related party transactions

Barco NV has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed in this note. None of the related parties have entered into any other transactions with the Group that meet the requirements of IAS 24, 'Related party disclosures'.

We refer to note 1 Consolidated companies for an overview of the consolidated and equity accounted companies. We refer to the 'Corporate Governance Chapter' on page A/49 for information with respect to remuneration of directors and members of the core leadership team.

At the annual shareholders meeting of 26 April, 2018, PwC Bedrijfsrevisoren cvba, Woluwedal 18, 1932 Sint-Stevens-Woluwe, was appointed as statutory auditor of the company for a period of three years. In 2018, remuneration approved by the Audit Committee to the statutory auditor for auditing activities amounted to 346,692 euro. Remuneration paid to the statutory auditor's network for non-audit services amounted to 137,574 euro. All services were pre-approved by the Audit Committee.

## 25. 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 2018, the movement from acquisitions relates mainly to deferred payments on the MTT acquisition. The movement coming from divestments relates for the major part to the sale of the 9% shares in BarcoCFG, resulting in a change in control in BarcoCFG as of July 1<sup>st</sup>, 2018, and the divestment of X2O Media.

In 2017, the movement on the balance sheet coming from acquisitions related mainly to the acquisition of P2M assets,

the additional purchase of 51% shares in Habornveien and the deferred payments on the 2016 acquisition in MTT. The movement coming from divestments related to the divestment of Barco Lighting and Barco Silex.

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 was released from escrow.

IN THOUSANDS OF EURO	ACQUISITIONS			DIVESTMENTS		
	2018	2017	2016	2018	2017	2016
Non-current assets						
Customer list	-	5,724	28,693	139	451	-
Software	-	-	-	3	10	-
Know-how	-	166	28,976	-	-	-
Buildings and (leased) building	-	836	-	-	2	-
Tangible assets and other intangible assets	-	-	38	136	374	-
Deferred tax assets	-	-	-	-	-93	-
Other non-current assets	-	1,687	-322	-	158	-
Current assets	-	-	496	1,486	6,079	-
Inventory	-	-	-90	-	2,595	-
Trade debtors & other receivables	-	-	586	1,486	3,484	-
Non-current liabilities						
Other long term liabilities	-	697	17,577	-	331	-
Deferred tax liabilities	-	500	9,862	-	-	-
Provisions	-	197	7,715	-	-	-
Current liabilities	5,621	-861	798	1,019	274	-
Trade payables	-	-	50	217	349	-
Other payables	5,621	-861	748	802	-75	-
Net-identifiable assets and liabilities	-5,621	5,888	10,813	605	5,925	-
Net assets held for sale (9% BarcoCFG)	-	-	-	5,819	-	-

IN THOUSANDS OF EURO	ACQUISITIONS			DIVESTMENTS		
	2018	2017	2016	2018	2017	2016
Goodwill on acquisitions/disposals	-	-	-584	-	-	-
Gain on sale of divestments	-	-	-	17,127	513	-
Acquired/(sold) cash	-	6	504	-56,669	727	-
Received consideration / Cash sold (net)	-	-	-	-32,558	7,165	1,000
Purchase price	5,621	5,894	10,732	-	-	-

The total purchase price in 2018 relates to the second deferred consideration of 2.0 million dollar (1.6 million euro) and the payment of earn-outs on the issuance of four patents totaling 2.9 million euro on the 2016 MTT acquisition.

The received consideration contains mainly the 22.2 million euro received for the sale of the 9% shares in BarcoCFG, resulting in a change in control and corresponding deconsolidation of the underlying net assets. The cash flow statement "disposal of group companies" show net of disposed cash, since as a result of the deconsolidation, the BarcoCFG cash of 56.7 million euro is disposed. We refer to note 3. Next to the BarcoCFG transaction, 1.3 million euro was received in total on the sale of the X2O Media entity.

The total purchase price in 2017 relates mainly to the acquisition of the P2M assets for 2.6 million euro, the first deferred consideration of 2.0 million euro on the MTT acquisition and the increased investment in Habornveien for 1.9 million euro. The 2017 divestment relates to the sale of the Lighting business and Barco Silex for respectively an amount of 6.2 million euro and 1.1 million euro.

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 2016 divestment relates to the remaining escrow on the sale of the Orthogon business of 1 million euro.

We refer to the Cash flow statement and note 1.3 on acquisitions and divestments.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are carried in terms of historical cost using the exchange rate at the date of the acquisition.

## 26. 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.

## Supplementary statements

### Free Cash Flow

IN THOUSANDS OF EURO	2018	2017	2016
<b>Adjusted EBIT</b>	<b>89,974</b>	<b>73,241</b>	<b>36,557</b>
Impairment of capitalized development costs	-	-	1,364
Restructuring	-2,882	-4,244	-4,917
Gain on sale of divestments	-743	-513	-1,000
Amortization capitalized development cost	-	-	21,509
Depreciation of tangible and intangible fixed assets	34,492	33,877	28,572
<b>Gain/(Loss) on tangible fixed assets</b>	<b>-149</b>	<b>362</b>	<b>-401</b>
Share in the profit/(loss) of joint ventures and associates	191	1,290	263
<b>Gross operating Free Cash Flow</b>	<b>120,882</b>	<b>104,011</b>	<b>81,947</b>
Changes in trade receivables	-11,209	-7,326	205
Changes in inventory	334	-3,577	-2,829
Changes in trade payables	-1,306	-19,660	-2,676
Other changes in net working capital	-12,722	-8,113	11,883
<b>Change in net working capital</b>	<b>-24,903</b>	<b>-38,677</b>	<b>6,583</b>
<b>Net operating Free Cash Flow</b>	<b>95,979</b>	<b>65,334</b>	<b>88,530</b>
Interest received	5,915	4,666	7,272
Interest paid	-1,566	-2,653	-3,161
Income taxes	-12,460	-4,395	-11,538
<b>Free Cash flow from operating activities</b>	<b>87,869</b>	<b>62,952</b>	<b>81,103</b>
Purchases of tangible & intangible FA (excl One Campus)	-25,627	-23,160	-24,241
Proceeds on disposals of tangible & intangible fixed assets	922	168	578
<b>Free Cash flow from investing activities</b>	<b>-24,705</b>	<b>-22,992</b>	<b>-23,663</b>
<b>FREE CASH FLOW</b>	<b>63,164</b>	<b>39,960</b>	<b>57,440</b>

As a result of the on July 5<sup>th</sup>, 2018, executed sale of 9% of the shares in BarcoCFG and the change in control, the free cash flow of BarcoCFG is only included for the first half year of 2018 compared to full year free cash flow of BarcoCFG in 2017 and 2016. We refer to note 3 for more background on the sale of 9% of Barco's stake in BarcoCFG.

Positive Free Cash Flow of 63.2 million euro generated in 2018 (2017: 40 million euro, 2016: 57.4 million euro) coming from a considerable improvement in gross operating cash flow, partly offset by lower advances on customer contracts

received (change mainly in BarcoCFG). Total working capital as percentage of sales remains low at 0.2% of sales (2017: -3.8%; 2016: -5.1%).

At the end of December 2018, Barco's net cash position reaches 332 million euro, higher than 2017 (2017: 278.1 million euro, 2016: 286.6 million euro). Net cash per end of 2016 includes net cash of BarcoCFG (100 million euro). As of end 2017 the group's net cash position excludes the net cash of BarcoCFG (end of 2017 part of assets held for sale).

## Balance Sheet

In 2018 DSO improved to 52 days versus 55 days in 2017 and 2016. Inventory turns improved to 3.8 (2017 and 2016: 3.6). Suppliers are paid on average after 59 days (2017: 58 days, 2016: 63 days).

Note: The 2017 ratios include assets held for sale of BarcoCFG. We refer to note 3 for more background on the sale of 9% of Barco's shares in BarcoCFG.

## Return on Operating Capital Employed

IN THOUSANDS OF EURO	2018	2017	2016
Trade debtors	161,787	182,106	188,561
Inventory	135,111	154,063	166,202
Trade payables	-105,148	-114,548	-135,127
Other working capital	-189,289	-263,270	-276,004
<b>Working capital</b>	<b>2,462</b>	<b>-41,649</b>	<b>-56,368</b>
Other long term assets & liabilities	220,515	244,079	259,987
<b>Operating capital employed</b>	<b>222,977</b>	<b>202,430</b>	<b>203,618</b>
Goodwill	105,612	113,385	124,255
<b>Operating capital employed (incl goodwill)</b>	<b>328,589</b>	<b>315,815</b>	<b>327,874</b>
<b>Adjusted EBIT</b>	<b>89,974</b>	<b>73,241</b>	<b>36,557</b>
<b>ROCE after tax (%)</b>	<b>(a)</b>	<b>23%</b>	<b>19%</b>
			<b>9%</b>

(a) Tax rate used is the effective tax rate in 2018 (17.7%), adjusted tax rate in 2017 (16%) and effective tax rate in 2016 (20%).  
See note 7 for the calculation of the 2017 adjusted tax rate.

The operating capital employed includes the assets held for sale of BarcoCFG in 2017.

The return on capital employed further improved in 2018 to 23% (2017: 19%, 2016: 9%), as a result of the higher EBIT in 2018.

In 2016 adjusted EBIT was negatively impacted by the decision to no longer capitalize development expenses; excluding the impact of the amortization on capitalized development, return on capital employed stood at 15% in 2016.

## Glossary

Financial term or APM	Explanation
Adjusted EBIT	EBIT excluding restructuring costs and impairments relating to reorienting or stopping certain activities, business or product lines, as well as impairments on goodwill and revenues resulting from a single material transaction not linked to current business activities (e.g. sales building headquarters, change in control in a subsidiary) and other non-operating income/(expense). Results out of divestments or acquisitions are included in EBIT(DA).
Adjusted return on operating capital employed (ROCE)	Adjusted EBIT after tax relative to operating capital employed (including goodwill), including the assets held for sale. ROCE = (Adjusted) EBIT*(1- (adjusted) tax rate)/Operating capital employed (including goodwill)
Adjusted tax rate	(Taxes related to current income before taxes - non current items in 2017 (effect of change in expected tax rate on deferred taxes+ set up of deferred tax assets, not recognized in prior years))/Income before taxes.
Associates	Companies in which Barco has a significant influence, generally reflected by an interest of at least 20%. Associates are accounted for using the equity method.
BarcoCFG	Full name is CFG Barco (Beijing) Electronics Co., Ltd. BarcoCFG is the entity where Barco joined forces with China Film Group to address the Chinese cinema market. Barco holds a 58% stake in this entity until end of June 2018.
Book value per share	Equity attributable to the Group divided by number of shares outstanding at balance sheet date.
Capital ratio	Equity relative to total assets
Dividend yield	Gross dividend as a percentage of the share price on 31 December.
DPO	Days payable outstanding calculated as Trade Payables / (Material cost + Services and other costs) x 365; including assets held for sale.
DSO	Days sales outstanding calculated as ((Trade debtors + trade debtors BarcoCFG (see note 3 assets held for sale), net) / (sales past quarter)) * 90; including assets held for sale.
EBIT	Operating result (earnings before interest and taxes), calculated as gross profit less research & development expenses, sales and marketing expenses, general and administration expenses, other operating income (expense) - net and plus or minus adjusting items.
EBITDA	Adjusted EBIT + depreciation, amortization and impairments (if any).
Equity method	Method of accounting whereby an investment (in an associate) is initially recognized at cost and subsequently adjusted for any changes in the investor's share of the associate's net assets (i.e. equity). The income statement reflects the investor's share in the net result of the investee.
Free cashflow	Gross operating cash flow excluding share options recognized as cost + change in networking capital + Interest (expense)/income + income taxes + purchase of tangible and intangible fixed assets (excl. One Campus) + proceeds on disposals of tangible and intangible fixed assets.
Indirect costs / expenses	Research & development expenses, sales and marketing expenses and general and administration expenses; including depreciations and amortizations.
Inventory turns	Inventory turns = 12 / [Inventory / (average monthly sales last 12 months x material cost of goods sold %)], including assets held for sale.

Financial term or APM	Explanation
Net financial cash/(debt)	Short term investments + cash and cash equivalents + long-term financial receivables - long-term debts - current portion of long-term debts - short-term debts.
Non-recurring tax items	Effect of change in expected tax rate on deferred taxes + innovation income deduction (IID) + tax adjustments related to prior periods + capital loss carried back/gain on sold share deal entities.
Operating capital employed (including goodwill)	Operating capital employed + goodwill including assets held for sale.
Operating capital employed (OCE)	Working capital + other long term assets and liabilities, including assets held for sale..
Operating expenses (OPEX)	Research & development expenses, sales and marketing expenses and general and administration expenses; excluding depreciations and amortizations.
Order	An order can only be recognized if a valid purchase order has been received from the sold-to customer. An order is only valid if it is: - In writing. This includes electronic version of the purchase order out of the customer's ERP system. - The contract needs to be signed by an authorized person from the business partner. Next to this, a minimum number of fields need to be mentioned on the order like customer name, address, reference to sales quotation or business partner sales agreement of Barco, etc.
Orderbook	Orderbook are previously received orders, which still fulfill all the conditions of an order, but are not delivered yet and hence not taken in revenue.
Other long term assets and liabilities	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 and 12 for the amounts.
Other working capital	Other working capital include the net of other non-current assets, other amounts receivable, prepaid expenses and accrued income and other long term liabilities, advances received from customers, tax payables, employee benefits liabilities, other current liabilities, accrued charges and deferred income and provisions; includings assets held for sale. See remark on the 2018 other working capital in definition of 'Return on operating capital employed (ROCE)'.
Return on operating capital employed (ROCE)	EBIT after tax relative to operating capital employed (including goodwill), including assets held for sale. ROCE = $EBIT * (1 - \text{effective tax rate}) / \text{Operating capital employed (including goodwill)}$ . In the 2018 calculation of return on operating capital employed, the other working capital doesn't include the other current liabilities related to the contribution of the three minority shareholders in the capital of BarcoCine Appo Limited Hong Kong.
Subsidiaries	Companies in which Barco exercises control..
TFA	Tangible fixed assets.
Theoretical tax rate	The theoretical tax rate is the corporate tax rate applied in the country of origin of the parent legal entity (i.e. Belgium). The Belgian corporate tax rate in 2018 is 29.58% (2017 and 2016 : 33.99%). As of 2019 the Belgian corporate tax rate is 25%.
Working capital (net)	Trade debtors + inventory - trade payables - other working capital.

# Auditor's report

## STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Barco NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated financial statements, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 26 April 2018, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual financial statements for the year ended 31 December 2020. We have performed the statutory audit of the consolidated financial statements of Barco NV for 1 year.

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 2018

### Unqualified Opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of income and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR'000 1,047,301 and a profit for the year, Group share, of EUR'000 74,965.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with the legal and regulatory requirements applicable in Belgium.

### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the

national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment testing of goodwill - Note 10**

#### *Description of the matter*

The carrying value of the Group's goodwill amounts to EUR'000 105,612 at 31 December 2018. These assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment.

We consider this as most significant to our audit because the determination of whether or not an impairment charge is necessary involves significant judgement in estimating the future results of the business.

#### *How our audit addressed the key audit matter*

We evaluated the appropriateness of the Group's accounting policies and assessed compliance with the policies in accordance with IFRS.

We evaluated management's annual impairment testing and assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest budgets approved by the board of directors.

We understood and challenged:

- Assumptions used in the Group's budget and internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- The discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- The historical accuracy of budgets to actual results to determine whether cash flow forecasts are reliable based on past experience;
- The mechanics of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management.

We evaluated the sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising.

Whilst recognizing that cash flow forecasting, impairment modeling and valuations are all inherently judgmental, we found that the assumptions used by management were within an acceptable range of reasonable estimates.

**Valuation of deferred taxes and valuation allowance on deferred tax assets related to tax losses carried forward Note 12**

*Description of key audit matter*

Deferred tax assets on tax losses carried forward and tax credits amounts to EUR'000 39,347 (note 12). The valuation of the deferred tax positions at Barco involved significant judgement, more specifically in the determination of the recognition of deferred tax assets related to tax losses carried forward. The estimation of the future taxable basis is highly judgemental as well as the assessment of the impact of tax laws and regulations, tax planning action and strategies, rulings and transfer pricing.

The valuation and recoverability of deferred tax assets is significant to our audit due to the magnitude of the amount recognized for these assets and because the assessment requires management estimates, mainly on the assumptions regarding expected future market and economic conditions and tax laws and regulation

*How our audit addressed the key audit matter*

We challenged the assumptions made to assess the recoverability of deferred tax assets related to tax losses carried forward and the timing of the reversal of deferred tax positions. During our procedures, we used amongst others budgets, forecasts and tax laws and in addition we assessed the historical accuracy of management's assumptions. We involved tax specialists in our audit. An important management judgement was the period over which taxable profits can be reliably estimated and consequently, no deferred tax assets are recognised for tax losses used in any period beyond. We verified that the deferred tax position was calculated at the enacted tax rate for the year in which the deferred tax position is expected to reverse.

We also assessed the adequacy and completeness of the Company's disclosure included in Note 12 in respect of deferred taxes.

We found management's judgements in respect of the Group's deferred tax positions to be consistent and in line with our expectations.

### **Responsibilities 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 International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Statutory auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

### Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report and to report on these matters.

**Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report**

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements and to the other information included in the annual report, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated financial statements. The Company has prepared the non-financial information, based on the Global Reporting Initiative Standards. However, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative Standards as disclosed in the consolidated financial statements.

**Statement related to independence**

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

**Other statements**

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 6 February 2019

The statutory auditor  
PwC Bedrijfsrevisoren cvba

Represented by



Lien Winne  
Réviseur d'Entreprises /  
Bedrijfsrevisor



Peter Opsomer  
Réviseur d'Entreprises/  
Bedrijfsrevisor

# Supplementary information

## 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 2018 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	2018	2017	2016
Fixed assets	450,225	451,277	655,445
Intangible fixed assets	41,612	42,113	49,931
Tangible fixed assets	74,363	71,094	64,284
Financial fixed assets	333,860	336,991	539,113
Amounts receivable after more than one year	390	1,079	2,117
 Current assets	 278,481	 239,454	 255,985
Stocks and contracts in progress	70,228	69,326	72,617
Amounts receivable within one year	156,383	112,564	118,758
Investments (own shares)	35,943	42,386	47,968
Cash at bank and in hand	1,435	524	503
Deferred charges and accrued income	14,492	14,654	16,139
 Total assets	 728,706	 690,731	 911,430
 Capital and reserves	 336,693	 328,165	 365,156
Capital	55,870	55,858	55,824
Share premium account	146,663	146,543	146,144
Reserves	42,156	48,599	54,181
Accumulated profits	91,373	76,480	108,164
Investment grants	631	685	843
 Provisions	 24,059	 21,506	 20,177
Provisions for liabilities and charges	24,059	21,506	20,177
 Creditors	 367,954	 341,060	 526,097
Amounts payable after more than one year	23,890	36,641	54,321
Amounts payable within one year	344,064	304,419	471,776
 Total liabilities	 728,706	 690,731	 911,430

Barco NV's balance sheet remains strong. In 2018, equity increased as a result of current year's profit of the year. In 2017, a capital decrease in Barco Coordination Center (168 million euro) of which 140 million euro was used to reimburse the short term loan to Barco Coordination Center,

strengthened Barco NV's balance sheet. The financial fixed assets further decreased because of an impairment on ProjectionDesign as a result of the announced transfer of the business from Norway to Belgium.

The increase in current assets and current liabilities in 2018 is linked to intercompany funding by Barco NV of the new affiliate Cinionic BVBA, funded by increased intercompany credit facility from Barco Coordination Center.

Intangible fixed assets relate mainly to the implementation cost of SAP ERP software. The SAP capital expenditures are amortized as roll out is performed successfully pro rata the amount of licenses used. For the total scope of the One-Platform SAP project, Barco foresaw 2,600 licenses. Per successful roll-out (April 2014 in India, July 2015 in Belgium, July 2016 in Germany, July 2017 in US and October 2018 in China) a part of the licenses were activated and used. These SAP capital expenditures are amortized over 7 years. All SAP roll-outs were completed by the end of 2018.

Next to this, the decrease of the intangible fixed assets in 2017 is the result of further amortizing capitalized development, ending in 2017, after the change in accounting treatment in 2015, which resulted in no longer capitalizing development expenses.

The main capex realized in the period 2016 – 2018 relates to the finalization of the new headquarters of Barco and the extended operations facility currently under construction for 34 million euro (spread over 2018: 8.2 million euro; 2017: 11.1 million euro; 2016: 14.2 million euro). In the beginning of 2016 the new headquarter building in Kortrijk, was taken in use for a total gross value of 44.2 million euro.

## Income statement

IN THOUSANDS OF EURO	2018	2017	2016
Sales	674,159	634,306	569,504
Recurring operating income/(loss)	38,810	27,153	-25,280
Recurring financial result	1,515	2,581	4,218
Non-recurring financial result	-2,861	-40,917	-3,368
Income taxes	-333	-128	601
<b>Profit/(loss) for the year</b>	<b>37,131</b>	<b>-11,311</b>	<b>-23,829</b>

Barco NV sales in 2018 increased to 674 million euro, up 6%, as a result of higher Clickshare sales.

The operating income in 2018 is a profit of 38.8 million euro, compared to a profit of 27.2 million euro in 2017. Higher sales combined with further gross profit margin improvement, while keeping indirect costs under control, results in a higher operating income. This trend of higher gross profit already started in 2017 and is the result of a positive mix effect and value engineering. 2016 was negatively impacted by the change in accounting treatment of development expenses as from 2015 where there was no capitalization of development expenses anymore while amortizations on the capitalized development expenses were still included (2017: 7.9 million euro, 2016: 17.7 million euro).

In 2018, the lower recurring financial income is mainly influenced by lower intercompany dividends received.

The non-recurring financial result consists of impairments booked on financial fixed assets. In 2017 this is the result of the impairment on ProjectionDesign and a realized loss on the realization of the intercompany receivable from X2O.

The income tax in 2018 and 2017 relate to withholding taxes on received dividends.

## Proposed appropriation of Barco NV result

IN THOUSANDS OF EURO	2018	2017	2016
Profit/(loss) for the year for appropriation	37,131	-11,311	-23,829
Profit brought forward	76,480	108,164	148,628
<b>Profit to be appropriated</b>	<b>113,610</b>	<b>96,853</b>	<b>124,799</b>
Transfer from other reserves	-6,443	-5,582	-6,656
Profit to be carried forward	91,373	76,480	108,164
Gross dividends	28,680	25,955	23,292
<b>Total</b>	<b>113,610</b>	<b>96,853</b>	<b>124,800</b>

The board of directors of Barco NV proposed a gross dividend of 2.3 euro per share relating to the result as of 31 December 2018. In 2018 a gross dividend of 2.1 euro per share was paid out on the results of 2017; in 2017 1.9 euro was paid out.

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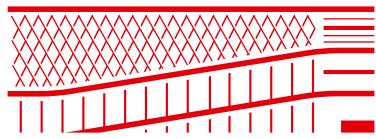
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