

REPORT OF THE BOARD OF DIRECTORS OF BARCO N.V.
DATED SEPTEMBER 1, 2000
TO THE EXTRAORDINARY GENERAL MEETING

On September 1, 2000, the Board of Directors of Barco N.V. decided to propose to the shareholders of Barco N.V. to demerge the company, which proposal is to be submitted to the extraordinary shareholders' meeting to be held on Friday October 20, 2000, or, if the required quorum shall not have been obtained for this meeting on Thursday November 9, 2000.

This report is prepared in accordance with articles 174/29 and 174/47 of the coordinated laws on commercial companies.

The demerging company is:

Barco N.V. ("Barco")
Frankrijklaan 18
8970 Poperinge
C.R. IEPER 28.186
VAT BE 421.577.737

The receiving companies, which, in accordance with the demerger proposal, will each be allocated a proportion of the assets and liabilities of the demerging company, are:

Barco N.V. ("New Barco")
President Kennedypark 35
8500 Kortrijk

and

BarcoNet N.V. ("BarcoNet")
Luipaardstraat 12
8500 Kortrijk

The demerger proposal will be filed with the Registrar of the Commercial Court of Ieper on September 4, 2000.

The reports mentioned in article 29 bis of the coordinated laws on commercial companies were drawn up by the Statutory Auditor of Barco. These reports will also be filed with the Registrar of the Commercial Court of Ieper.

A special report by the incorporators with respect to the contribution in kind, in accordance with article 29 bis, 4th indent, is not required by virtue of article 174/46, § 3. The demerger proposal and the present report of the Board of Directors contain the required information with respect hereto.

1. Description and allocation of the parts of the assets and liabilities to be contributed to each of the receiving companies

For a discussion on the description and allocation of the parts of the assets and liabilities to be contributed to each of the receiving companies, referral is made to Chapter I of the demerger proposal.

2. Rationale of the demerger

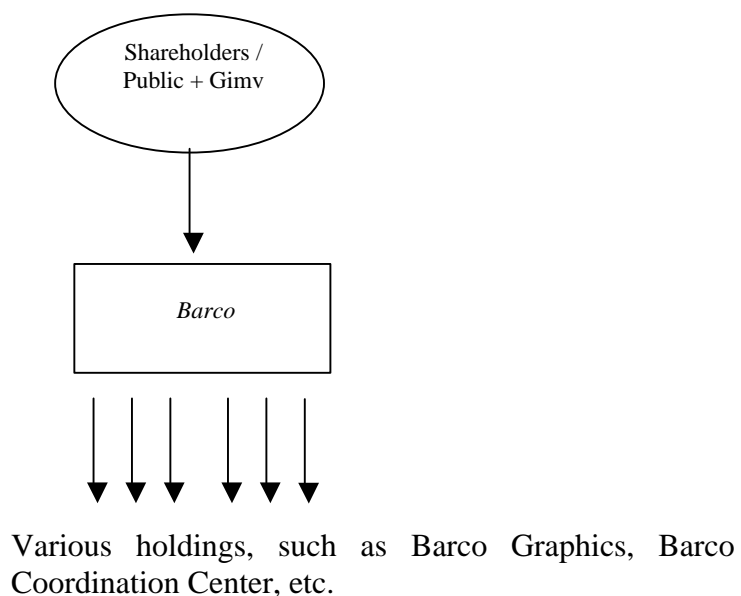
On September 1, 2000, the Board of Directors of Barco shall submit the proposal to demerge the company to the extraordinary shareholders' meeting of Barco to be held on October 20, 2000, or, if the required quorum shall not have been obtained for this meeting, to a subsequent extraordinary shareholders' meeting, to be held on November 9, 2000.

The objective of the proposed transaction is to spin off the "Barco Communication Systems" activity, i.e. one of the six activities of Barco next to "Barco Projection Systems", "Barco Display Systems", "Barco Graphics", "BarcoVision" and "Barco Specialized Subcontracting".

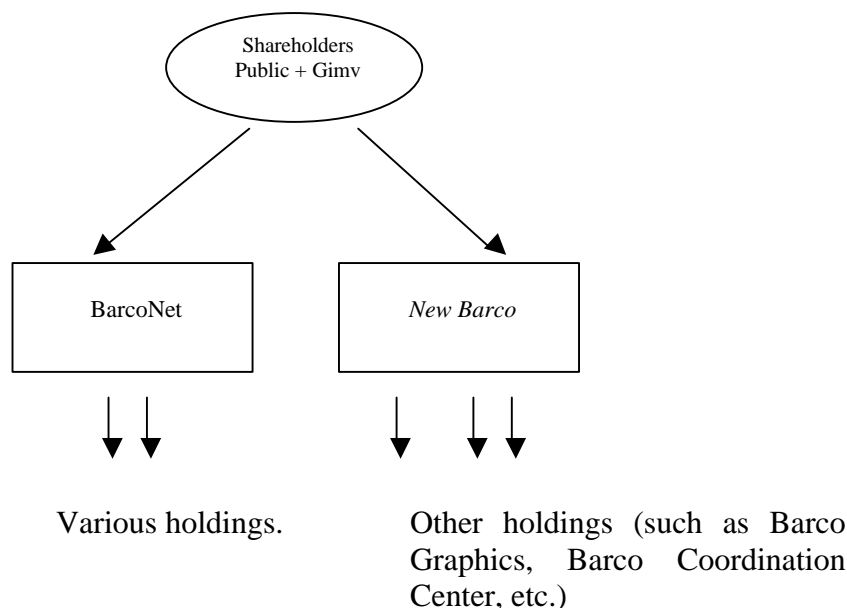
From a legal and technical point of view, the demerger of Barco will be effected through a corporate "demerger" with the incorporation of two new legal entities, i.e. BarcoNet and (New) Barco, to which all assets and liabilities of Barco will be allocated.

The following figure reflects the proposed transaction:

Current structure



Final structure



The spin-off of BarcoNet forms part of a broader strategic reorganization plan which is designed to produce far-reaching levels of autonomy for the various business activities within Barco. In the framework of this dynamic, it cannot be excluded that similar demergers will be effected in the future in order for the other activities of Barco to become legally separate and, possibly, listed companies.

The present demerger relates to the "Barco Communication Systems" activity as a result of the current window of market opportunities relating to this activity.

The spin-off of the "Barco Communication Systems" activity into a separate company, BarcoNet, also allows BarcoNet to become a separately listed company. Such a separate listing is essential in order to achieve a substantially higher price/earnings or "P/E" ratio than the current P/E ratio of Barco. As a result, BarcoNet will, as a consequence of the higher share value, be in a better position to finance acquisitions by using its own shares, so that a supportive growth strategy can be encouraged for acquisitions.

The same benefits linked to the creation of a more focused company apply to New Barco. Although New Barco currently still consists of different businesses, their temporary retention within New Barco will allow the steady and continued growth of these activities to the point where it will be possible for them to operate independently. With respect to these other activities, the spin-off of "Barco Communication Systems" activity is another step in the overall process that is heading towards the creation of a more focused structure.

Another consequence of the demerger for Barco is that the available resources and the efforts of the Board of Directors will be fully focused towards the future development of the other activities of the company.

The spin-off of the "Barco Communication Systems" activity also typically allows for the creation of shareholder value, or the addition of the value of the "specialised" shares, produced by the higher separate P/E ratio is believed to be higher than the value of the conglomerated Barco share.

The possibility of creating of shareholder value forms part of the conviction that financial markets prefer specialized shares and are no longer prepared to pay a premium for risk-spread through conglomerate companies.

3. Modalities of the demerger

All shares of Barco held in book-entry form will, on or about the second banking day following the extraordinary shareholders' meeting that is to decide upon the demerger, automatically be split.

Holders of physical bearer shares and VVPR Strips of Barco will be requested to deposit their shares at the counters of the financial institutions mentioned in the prospectus that is to be drawn up by Barco. Shares of New Barco and BarcoNet with coupon n° 1 and following attached thereto will be made physically available within 3 months following the extraordinary shareholders' meeting that is to decide on the demerger. Pending the physical delivery of the new shares of New Barco and BarcoNet, the newly issues shares will be available in book-entry form.

All registered shares of Barco will be exchanged into new registered shares of New Barco and new registered shares of BarcoNet, in accordance with the exchange ratio mentioned under 4 below. The registered shares will be recorded in the respective shareholders' register of New Barco and BarcoNet by their respective Boards of Directors.

The admission to listing of all outstanding shares of New Barco and BarcoNet will be applied for. Subject to approval by the Market Authorities of Brussels Exchanges/Euronext, trading of the New Barco and BarcoNet shares is expected to commence on or about the second banking day following the demerger.

Shareholders may at any time, and at their own expense, request the conversion of their securities into other shares of another form.

The Board of Directors of Barco is of the opinion that the special tax on the physical delivery of bearer shares, amounting to 0.2%, is not due in case of delivery of shares pursuant to a demerger. The Board of Directors of Barco is also of the opinion that the tax on stock exchange transactions in the amount of 0.17% is not due at the occasion of the exchange of shares of Barco into shares of New Barco and BarcoNet.

The newly created shares will entitle the holder thereof to participate in the profits of the entire financial year.

The date as of which the transactions of Barco, the demerging company, will be deemed, for accounting purposes, to have been performed for the account of the receiving companies is July 1, 2000.

4. Exchange ratio of the shares

At the occasion of the transfer of the assets and liabilities, that have been designated to New Barco, from Barco, to New Barco, the same number of shares and VVPR strips ("verminderde voorheffing" – "précompte réduit" – "reduced withholding tax") of New Barco shall be granted to the Shareholders of Barco as the number of shares and VVPR strips of Barco prior to the demerger, namely in total:

- 12,410,479 shares, and
- 1,894,512 VVPR strips

At the occasion of the transfer of the assets and liabilities that have been designated to BarcoNet, from Barco, to BarcoNet, twice the number of shares and VVPR strips of BarcoNet shall be granted to the shareholders of Barco as the number of shares and VVPR strips of Barco prior to the demerger, namely, in total:

- 24,820,958 shares, and
- 3,789,024 VVPR strips

Consequently, the exchange ratio per share and VVPR strip of Barco shall be as follows:

- Each share of Barco will be exchanged into one share of New Barco and two shares of BarcoNet.
- Each VVPR strip of Barco will be exchanged into two VVPR strips of BarcoNet and one VVPR strip of New Barco.

This exchange ratio is based on the apportionment of the net assets of Barco to New Barco and BarcoNet respectively, together with considerations of liquidity on the stock exchange market and the applicable market standards.

The apportionment is based on the premise that the rights of shareholders and holders of VVPR strips are not affected by the demerger and that, consequently, each share or VVPR strip of Barco needs to be exchanged into a number of shares and VVPR strips of the receiving companies, which, together, represent a capital that is identical to the capital of Barco.

Given the above, it is irrelevant to further elaborate on the methods used to determine the exchange ratio of the shares and VVPR strips and the relative importance attached to these methods. Also of minor importance are the valuations reached by each method, the difficulties that might have occurred and the proposed exchange ratio (article 174/29 of the coordinated laws on commercial companies).

5. Consequences of the demerger

Upon closing of the demerger, Barco will cease to exist.

Pursuant to the demerger, all the assets and liabilities of Barco will be allocated to New Barco and BarcoNet in accordance with the allocation described in 1 above.

Consequently, the receiving companies will each form an independent group. Admission to listing of the shares and VVPR strips of the receiving companies will be applied for. Subject to approval from the relevant authorities, trading of the shares of the receiving companies is expected to commence on Monday November 13, 2000.

Shareholders of Barco will become shareholders of the receiving companies, i.e. BarcoNet and New Barco. The demerger does not alter the position of the shareholders vis-à-vis each other. In addition, the participation of shareholders will not change as a result of the demerger.

On June 30, 2000, the fractional value per share of Barco amounted to BF 213.61. The intrinsic value amounted to BF 1,346.82.

The fractional value of the BarcoNet and New Barco share amounts to BF 20.58 and BF 172.48 respectively.

The intrinsic value of the BarcoNet and New Barco share amounts to BF 129.58 and BF 1,087.66 respectively.

Done in Kortrijk, on September 1, 2000 and made in 1 copy.

The Board of Directors of Barco N.V.

J. Cornu
Director

A. Brabers
Director

M. Ooms
Director

G. Van Acker
Director

E. Van Zele
Director

R.J. Verhoeven
Director

E. Dejonghe
Senior Vice President & COO

H. Vandamme
President & CEO

K. Vinck
Director

H. Daems
Chairman