

Press release

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For immediate release

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Regulated information

Barco confirms trading update

Kortrijk, Belgium, 23 July 2014 – Today Barco (Nyse/Euronext: BAR; Reuters: BARBt.BR; Bloomberg: BAR BB) announced results for the six month period ended 30 June 2014.¹

First half 2014 financial highlights:

- Order book stood at 479.8 million euro, an increase of 9.1% compared to end of the first half 2013 and 4.1% compared to end of last year.
- Incoming orders amounted to 511.6 million euro, a decrease of 8.1% from 556.5 million euro for the first half of 2013. In constant currencies the decrease would have been 5.3%.
- Sales totaled 498.0 million euro, a decrease of 16.7% from 597.9 million euro for the first half of 2013. In constant currencies sales decrease would have been 13.8%.
- EBITDA was 54.9 million euro, compared to 76.7 million euro for 1H13. EBITDA margin was 11.0%, compared to 12.8% for the first half of 2013.
- EBIT was 14.4 million euro, compared to 41.8 million euro for the same period of 2013. EBIT margin was 2.9%, compared to 7.0% for the first half of 2013.
- Cash position of the company remains healthy at 41.0 million euro compared to 24.2 million euro at the end of 1H13.

Quote of the CEO

Chief Executive Officer Eric Van Zele commented: "The trends we observed during the first quarter persisted during the second quarter with shipments lagging orders. Barco's 1H14 results need to be viewed in the context of some structural issues in LiveDots and Control Rooms as well as in the context of adverse currency related revenue translations and substantial book-to-bill related timing issues."

"While our first semester fell short of market expectations we remain committed to our strategy. We are implementing additional measures to curb spending and stimulate sales for the under-performing divisions.

"As a result of those measures and with reference to a robust order book, we expect to deliver better consolidated revenues and improved profitability for the second half of 2014 compared to the second half of last year. Nevertheless, for the full year we expect revenues and EBITDA contribution to be slightly lower than in 2013."

"As previously announced we are also evaluating several expressions of interests for some of our businesses and plan to make decisions whether or not to pursue such offers in the coming weeks."

¹ See 2Q14 trading update in annex 2

CONSOLIDATED RESULTS FOR THE FIRST HALF

ORDER INTAKE and ORDER BOOK

Order book was 9.1% higher than 1H13 and 4.1% higher than the end of last year. Order intake was 511.6 million euro in 1H14, 8.1% below the same period in 2013 with single digit declines in all regions. As a percent of total order intake the Americas and EMEA each accounted for 35% while the Asia Pacific region accounted for 30%.

<i>(in millions of euros)</i>	1H14	2H13	1H13	2H12	1H12
Order book	479.8	460.9	440.0	461.2	501.5

Order intake by region

<i>(in millions of euros)</i>	1H14	1H13	Change
The Americas	180.9	199.3	-9.2%
EMEA	180.0	193.0	-6.8%
APAC	150.7	164.2	-8.2%

SALES

Sales for 1H14 of 498.0 million euro reflecting lower sales in each division of Barco.

All regions showed a softer first half compared to the first half of 2013. The Americas represented 38% of sales vs 40% in 1H13. EMEA represented 37% of sales versus 33% in 1H13. APAC represented 25% of sales versus 27% in 1H13.

Sales per region

<i>(in millions of euros)</i>	1H14	1H13	Change
The Americas	189.2	239.6	-21.0%
EMEA	183.3	198.6	-7.7%
APAC	125.6	159.7	-21.4%

Press release

PROFITABILITY

Gross profit

Gross profit margin improved slightly to 33.0%, compared to 32.8% for the same period in 2013. As a result of lower sales, gross profit in absolute value decreased to 164.1 million euro from 195.9 million euro.

Operational expenses

Total indirect expenses decreased by 6.7% year-on-year. As a percent of sales indirect expenses were 36% for 1H14.

Total Research & Development expenses –in cash- were reduced by 0.8 million euro to 51.6 million euro compared to 52.4 million euro for 1H13, reflecting the integration of technology acquired over the last years. As a percent of sales, research and development expenses increased to 10.4% from 8.8% last year.

Sales & Marketing expenses declined by 7.9 million euro to 74.3 million euro compared to 82.1 million euro. As a percent of sales, Sales & Marketing expenses were 14.9%, compared to 13.7% last year.

General & administration expenses were 25.3 million euro, compared to 27.0 million euro last year or 5.1% of sales versus 4.5% last year.

Other operating results amounted to 1.1 million euro, compared to 1.2 million euro last year.

EBITDA & EBIT

EBITDA before restructuring was 54.9 million euro, compared to 76.7 million euro the year before. EBITDA margin was 11.0% versus 12.8% in 1H13.

	Sales	EBITDA	EBITDA %
Entertainment & Corporate	251.9	41.2	16.3%
Healthcare	88.4	9.7	11.0%
Industrial & Government	68.5	(1.4)	(2.1%)
Defense & Aerospace	64.0	8.1	12.7%
Ventures	26.2	(2.7)	(10.5%)
Intra-group eliminations	(1.0)		
Group	498.0	54.9	11.0%

The gap between EBITDA and EBIT widened from 5.8 percentage points of sales for 1H13 and 6.4 pts for the full year 2013 to 8.1 pts for 1H14 primarily due to higher amortization of capitalized development costs. For the past years, Barco has incurred higher levels of Research & Development expenses, including acquired technology. In conjunction with these increased R&D expenses, the company has recorded higher capitalized development costs resulting in higher amortization of capitalized development costs this year compared to last year. Amortization for 1H14 was 29.2 million euro compared to 23.1 million euro for 1H13. As a result EBIT before restructuring was 14.4 million euro, compared to 41.8 million euro in 1H13.

Barco is keeping the Research & Development budget stable this year and has also taken a start to level the amount of R&D expenses capitalized to the amortized expenses.

Press release

Income taxes

In 1H14 taxes were 2.4 million euro, for a tax rate of 18.0%, compared to 4.3 million euro in 1H13, or a tax rate of 12.0%.

Net income

Net income was 11.0 million euro compared to 31.7 million euro last year. Net margin for the semester was 2.2%, compared to 5.3% in 2013.

Net earnings per ordinary share (EPS) for the half year were 0.69 euro per share, down from 2.54 euro in 1H13. Fully diluted net earnings per share were 0.68 euro, compared to 2.45 euro last year.

CASH FLOW & BALANCE SHEET

The company continues to uphold its operational excellence objectives and maintains strong working capital management.

On 30 June 2014, Barco had a net financial cash position of 41.0 million euro, compared to 24.2 million euro on 30 June 2013 and 104.4 million euro on 31 December 2013. Barco used its cash to pay dividends, fund the Share Buy Back program and acquire X2O.

Free cash flow for the first six months of 2014 was negative 8.1 million euro, compared to a negative of 11.6 million euro for the same period last year.

Barco generated 54.9 million euro in gross operating cash flow.

At the end of 1H14, trade receivables were 158.1 million euro, 36.4 million euro lower than last year and 19.4 million euro lower than 31 December 2013. DSO stood at 56 days, compared to 57 days as of 30 June 2013 and 52 days as of 31 December 2013.

At 236.8 million euro, inventory was 14.6 million euro lower than 30 June 2013 and 25.2 million euro higher than 31 December 2013. Inventory turns were at 2.6, compared to 3.0 at the end of June 2013 and 3.2 at the end of December 2013.

Trade payables stood at 120.0 million euro at the end of June 2014, essentially flat with 118.4 million euro at the end of June 2013 and slightly higher than 114.1 million euro as of 31 December 2013.

Capital expenditure, excluding capitalized development, was 10.7 million euro, compared to 10.1 million euro for the same period last year.

ROCE stood at 8%, compared to 16% at 30 June 2013 and 15% at 31 December 2013.

DIVISIONAL RESULTS FOR FIRST HALF 2014

Entertainment & Corporate

	1H14	1H13	Change %
Orders	261.6	283.0	(7.6%)
Sales	251.9	306.2	(17.8%)
EBITDA	41.2	48.1	(14.3%)
EBITDA margin	16.3%	15.7%	

The Entertainment and Corporate division performed to plan, executing its strategy to build share in the Professional AV mid-segment while preserving its leading market share in Digital Cinema. As anticipated, increased sales for the Professional AV segment (consisting of Venues & Hospitality and Corporate) partially offset sales declines for Digital Cinema. As a result, the sales mix continued to shift in favor of Professional AV: 45% of sales of the E&C division came from non-Digital Cinema activities compared to 30% last year.

Barco grew its market share in 1H14 within Digital Cinema with major programs wins and roll-outs in China and other emerging countries such as Brazil and Indonesia. In addition, Barco continued to leverage its installed base, expanding its share of wallet through the introduction of new products and promising concepts like the Barco Alchemy module for the DC projectors, laser projection and audience interaction and providing services and upgrades.

In the Venues & Hospitality segment, the E&C division registered a strong capture rate of high performance projectors and new lighting systems in both existing and growth markets. Likewise the Corporate business delivered strong results with sales of ClickShare and further developed its corporate channel program in Western Europe and North America.

Despite the decline in sales, the division improved both its gross profit margin and EBITDA margin year-over-year as it successfully completed the integration of projectiondesign® and maintained operational excellence.

Healthcare

	1H14	1H13	Change %
Orders	87.8	92.7	(5.3%)
Sales	88.4	98.6	(10.4%)
EBITDA	9.7	12.2	(20.1%)
EBITDA margin	11.0%	12.3%	

The order book for the Healthcare division increased to a record level reflecting the ongoing development of opportunities in new market segments including surgical imaging and patient care along with a growing partner network.

Order intake was slightly below last year mainly reflecting continued soft market conditions in diagnostic imaging. Sales declined due to the slower momentum in the diagnostic and modality market particularly in Western Europe and due to lengthening implementation cycles for the new market solutions.

While the timetable is taking somewhat longer, the fundamentals of the division remain solid. As a result of cost down programs, gross profit margins increased while higher indirect expenses to support ongoing business development activities caused EBITDA to decline. Cost control measures have been taken in the first half to improve the profitability year-over-year.

Industrial & Government

	1H14	1H13	Change %
Orders	76.7	85.3	(10.1%)
Sales	68.5	80.8	(15.2%)
EBITDA	(1.4)	6.0	(123.6%)
EBITDA margin	(2.1%)	7.4%	

The division posted lower order intake and sales reflecting market softness and project delays particularly in China and a shift in favor of more mid-segment solutions at a lower price point, which was most evident in North America.

As a result of the sales decline, the division reported a negative EBITDA. To reverse the negative EBITDA, Barco is implementing measures to reposition the division as a technology leader in the mid segment and to recalibrate costs to better align with the division's sales potential given changing market conditions.

Defense & Aerospace

	1H14	1H13	Change %
Orders	60.5	59.6	1.6%
Sales	64.0	71.1	(9.9%)
EBITDA	8.1	6.7	21.1%
EBITDA margin	12.7%	9.4%	

Defense & Aerospace posted a flat order intake year-over-year and lower sales for the first half as a result of a weaker second quarter caused by project slipping into the second half of the year. The restructuring actions taken in 2013 continue to yield positive results as evidenced by the expanded EBITDA margin of 12.7%.

Ventures

	1H14	1H13	Change %
Orders	26.1	37.4	(30.1%)
Sales	26.2	42.7	(38.7%)
EBITDA	(2.7)	3.9	(171.1%)
EBITDA margin	(10.5%)	9.0%	

A weak performance by LiveDots drove the sales decline for Ventures. While gross profit margin remained quite stable, absolute gross profit declined which negatively impacted EBITDA and the EBITDA margin for the venture group. Cost savings have been implemented to restore profitability in 2H14.

OUTLOOK FOR 2H14

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

Based on Barco's order book as of 30 June 2014 and the sales funnel, management expects to deliver consolidated revenues for the second half of 2014 that are ahead of the second half of 2013. With indirect expenses for the first half of 2014 below last year and additional cost cutting measures to be implemented in the second half of 2014, management expects improved profitability for the second half of 2014. For the full year 2014 Barco expects consolidated revenues and EBITDA contribution to be slightly lower than in 2013.

Press release

CONFERENCE CALL

Barco will host a conference call with investors and analysts on 23 July 2014 at 9:00 a.m. CET (3:00 am EST), to discuss the results of 1H14. Eric Van Zele, CEO, Carl Peeters, CFO and Carl Vanden Bussche, IRO, will host the call.

An audio cast of this conference call will be available on the Company's website www.barco.com by 12:30 p.m. Brussels time (6:30 a.m. EST).

About Barco

Barco, a global technology company, designs and develops visualization products for a variety of selected professional markets. Barco has its own facilities for Sales & Marketing, Customer Support, R&D and Manufacturing in Europe, North America and Asia Pacific. Barco (NYSE Euronext Brussels: BAR) is active in more than 90 countries with 4,000 employees worldwide. Barco posted sales of 1.158 billion euros in 2013.

For more information and the full report "6 month period ended 30 June 2014", please visit the Company's website at www.barco.com

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Annex 1: FINANCIAL TABLES

<u>Income Statement</u>	2014 1st half	2013 1st half
<i>(in thousands of euros)</i>		
Net sales	498,008	597,868
Cost of goods sold	-333,914	-401,944
Gross profit	164,094	195,925
Research and development expenses	-51,186	-46,287
Sales and marketing expenses	-74,268	-82,142
General and administration expenses	-25,342	-26,962
Other operating income (expense) - net	1,073	1,228
EBIT before restructuring	14,371	41,763
Restructuring costs	0	-4,620
EBIT after restructuring	14,371	37,143
Interest income	886	545
Interest expense	-1,880	-1,765
Other non-operating income (expense) - net	9	0
Income before taxes	13,385	35,923
Income taxes	-2,408	-4,297
Result after taxes	10,978	31,626
Share in the result of joint ventures and associates	29	27
Net income	11,007	31,652
Net income attributable to non-controlling interest	2,520	770
Net income attributable to the equity holder of the parent	8,487	30,883
Earnings per share <i>(in euros)</i>	0.69	2.54
Diluted earnings per share <i>(in euros)</i>	0.68	2.45

<u>Selected Financial Ratios</u>	2014 1st half	2013 1st half
EBITDA before restructuring	54,857	76,730
EBITDA before restructuring on sales	11.0%	12.8%
EBITDA minus capitalized development cost	25,270	47,570
EBITDA minus capitalized development cost on sales	5.1%	8.0%
EBIT before restructuring on Net sales	2.9%	7.0%
Total debt to equity	9.5%	9.7%

	30 June 2014	31 Dec 2013
Balance sheet		
<i>(in thousands of euro)</i>		
ASSETS		
Goodwill	156,732	145,705
Capitalized development cost	93,641	93,248
Other intangible assets	57,425	55,169
Land and buildings	22,405	27,017
Other tangible assets	41,306	40,120
Investments	11,874	11,824
Deferred tax assets	71,935	62,333
Other non-current assets	14,154	14,286
Non-current assets	469,472	449,702
Inventory	236,799	211,575
Trade debtors	158,060	177,467
Other amounts receivable	43,344	44,102
Cash and cash equivalents	92,438	156,545
Prepaid expenses and accrued income	6,627	8,431
Current assets	537,268	598,120
Total Assets	1,006,740	1,047,822

EQUITY AND LIABILITIES		
Equity attributable to equityholders of the parent	565,291	574,943
Non-controlling interest	5,147	4,423
Equity	570,438	579,366
Long-term debts	38,850	40,410
Deferred tax liabilities	11,620	11,721
Other long-term liabilities	2,991	15,322
Non-current liabilities	53,461	67,453
Current portion of long-term debts	2,500	3,582
Short-term debts	12,112	11,657
Trade payables	120,032	114,133
Advances received on customers	83,588	93,562
Tax payables	34,021	30,124
Employee benefit liabilities	50,261	57,248
Other current liabilities	4,571	12,115
Accrued charges and deferred income	32,298	31,778
Provisions	43,458	46,804
Current liabilities	382,841	401,003
Total Equity and Liabilities	1,006,740	1,047,822

Press release

Cash flow statement	2014 1st half	2013 1st half
<i>(in thousands of euros)</i>		
Cash flow from operating activities		
EBIT after restructuring	14,371	37,143
Amortization capitalized development cost	29,220	23,058
Depreciation of tangible and intangible fixed assets	11,266	11,910
Loss on tangible fixed assets	34	-3
Share options recognized as cost	634	636
Share of profit/(loss) of joint ventures and associates	29	27
Gross operating cash flow	55,555	72,771
Changes in trade receivables	20,796	14,879
Changes in inventory	-24,228	-4,060
Changes in trade payables	5,566	-27,777
Other changes in net working capital	-23,738	-14,939
Change in net working capital	-21,604	-31,898
Net operating cash flow	33,951	40,873
Interest income	886	545
Interest expense	-1,880	-1,765
Income taxes	-4,194	-11,471
Other non-operating results	8	0
Cash flow from operating activities	28,770	28,182
Cash flow from investing activities		
Expenditure on product development	-29,587	-29,160
Purchases of tangible and intangible fixed assets	-10,707	-10,094
Proceeds on disposals of tangible and intangible fixed assets	4,062	95
Acquisition of Group companies, net of acquired cash	-20,340	-51,667
Dividend distributed to non-controlling interest	-1,728	0
Cash flow from investing activities (including acquisitions and divestments)	-58,300	-90,827
Cash flow from financing activities		
Dividends paid	-18,410	-16,856
Share issue	-741	7,600
Acquisition of own shares	-1,543	1,354
Proceeds from (+), payments (-) of long-term liabilities	-88	20,962
Proceeds from (+), payments (-) of short-term liabilities	-14,160	4,190
Cash flow from financing activities	-34,943	17,249
Net increase/(decrease) in cash and cash equivalents	-64,473	-45,395
Cash and cash equivalents at beginning of period	156,545	122,139
Cash and cash equivalents (CTA)	366	-958
Cash and cash equivalents at end of period	92,438	75,785

Press release

<u>Results per division</u>	2014 1st half	2013 1st half
<i>(in thousands of euros)</i>		
Sales		
Entertainment & Corporate	251,873	306,240
Healthcare	88,421	98,636
Industrial & Government	68,509	80,812
Defense & Aerospace	64,000	71,058
Ventures	26,159	42,692
Intra-group eliminations	-955	-1,569
Group	498,008	597,868
EBITDA before restructuring		
Entertainment & Corporate	41,177	48,064
Healthcare	9,723	12,164
Industrial & Government	-1,406	5,954
Defense & Aerospace	8,106	6,695
Ventures	-2,742	3,854
Group	54,857	76,730

Annex 2: TRADING UPDATE 2Q14

Trading update second quarter 2014:

Order book

<i>(in millions of euros)</i>	2Q14	2Q13	change
Barco	480.0	440.0	9.1%

Incoming orders

<i>(in millions of euros)</i>	2Q14	2Q13	change
Barco	258.3	283.3	(8.8%)

Sales per division

<i>(in millions of euros)</i>	2Q14	2Q13	change
Entertainment & Corporate	125.7	166.3	(24.4%)
Healthcare	43.9	47.2	(7.1%)
Industrial & Government	38.9	46.0	(15.6%)
Defense & Aerospace	32.3	41.8	(22.6%)
Ventures	14.8	21.1	(29.9%)
Intra-group eliminations	-	(0.9)	
Barco	255.6	321.5	(20.5%)