Results FY14

Encouraging recovery in second half

12 Feb 2015

Eric Van Zele, President & CEO

Agenda

I. Financial highlights

II. Divisional results & Business update

III. Executive focus & Outlook

IV. Q&A

Preliminary remark

- "**Reported** business" referring to the results incl. D&A
- "**Continued** business" referring to the 2014 results excl. D&A and with pro forma 2013 figures where appropriate

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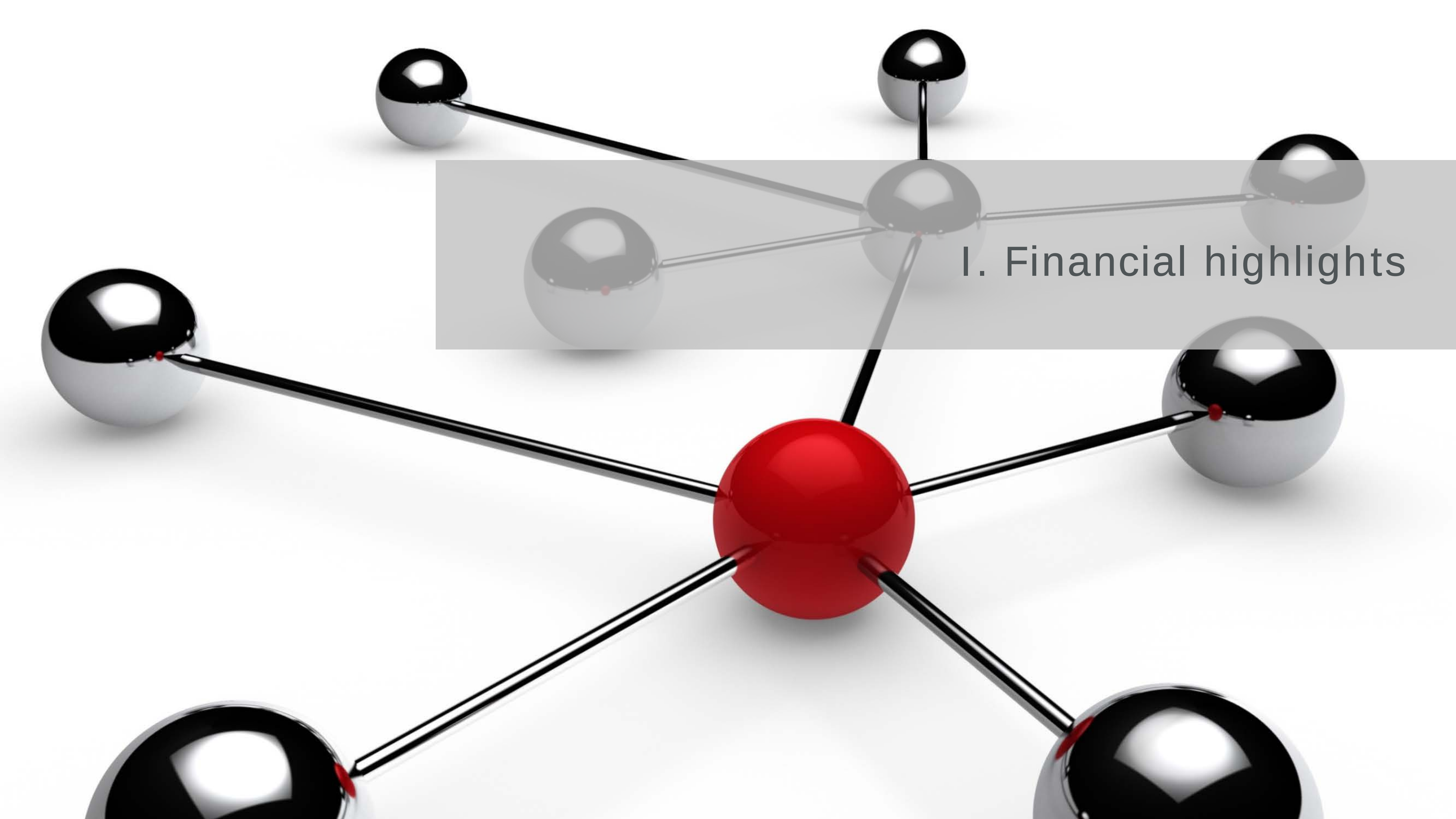
I. Financial highlights



Financial highlights **2H14**

- Orders € 499.6m, 15.9% below last year
- Sales € 553.0m slightly (1.3%) below last year
- Gross profit margin @ 33.9%
- EBITDA € 73.7m or 13.3%
- EBIT € 23.9m or 4.3%
- FCF € 18.2m

2H14 *(in millions of euros)*	**Sales**	**EBITDA**	**EBITDA %**
Entertainment & Corporate	269.2	39.1	14.5%
Healthcare	98.2	13.5	13.7%
Industrial & Government	91.7	6.5	7.1%
Defense & Aerospace	78.7	13.1	16.6%
Ventures	15.4	1.6	10.4%
Intra-group eliminations	(0.2)		
Group	**553.0**	**73.7**	**13.3%**

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Financial highlights **2014**

- Orders € 1,011.2m, 12.1% below last year
- Sales € 1,051.0m, 9.2% below last year
- Gross profit margin healthy @ 33.4%
- EBITDA € 128.6m or 12.2%
- EBIT € 38.2m or 3.6%
- Net income € 27.8m
- FCF € 10.1m
- ROCE 6%
- Net cash positive @ € 63.4m

2014 *(in millions of euros)*	**Sales**	**EBITDA**	**EBITDA %**
Entertainment & Corporate	521.5	79.4	15.2%
Healthcare	186.7	23.2	12.4%
Industrial & Government	160.2	5.1	3.2%
Defense & Aerospace	142.7	21.2	14.8%
Ventures	41.1	(0.3)	(0.7%)
Intra-group eliminations	(1.2)		
Group	**1,051.0**	**128.6**	**12.2%**

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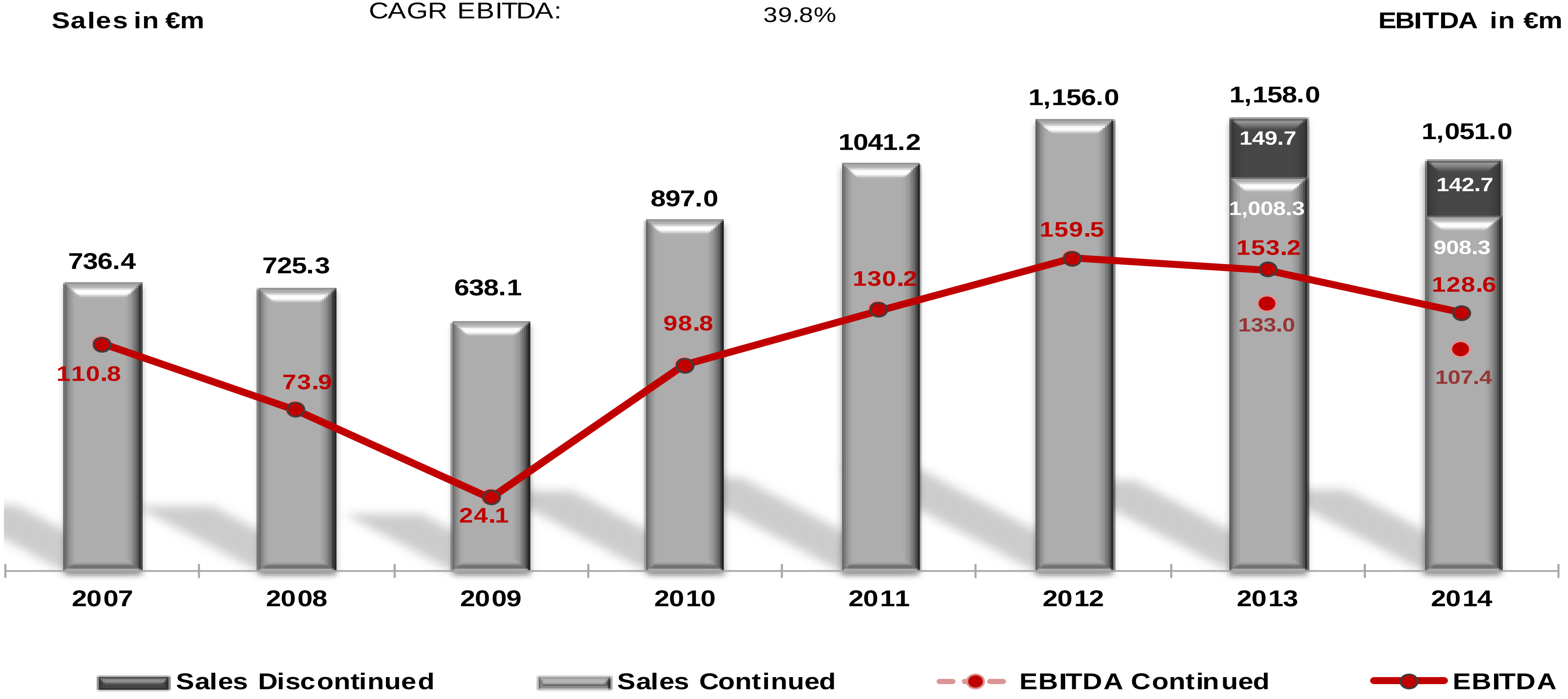
Performance History

Group

CAGR 2009-2014
CAGR Sales: 10.5%
CAGR EBITDA: 39.8%



Editorial comments

ORDERS & SALES

- Order Book
  - Order Book Reported down to € 433.4m from 460.9 end of 2013
  - Order Book Restated for divestments & debookings levels with 2013

(in millions of euros)	**2H14**	**1H14**	**2H13**	**1H13**
Order Book Reported	433.4	479.8	460.9	440.0
Order Book Continuing	302.2	356.0	334.5	330.3
Order Book Restated	302.2	319.0	306.0	303.3

- Post a disappointing 1H14, Barco produced stronger results during 2H14
  - All Barco's core divisions progressed y-o-y in terms of sales contributions with decent EBITDA contributions

(in millions of euros)	**Sales 2H14**	**Sales 2H13**	**EBITDA% 2H14**	**EBITDA % 2H13**
Entertainment & Corporate	269.2	261.7	14.5%	14.9%
Healthcare	98.2	97.1	13.7%	14.5%
Industrial & Government	91.7	88.8	7.1%	4.8%
Defense & Aerospace	78.7	78.7	16.6%	17.2%
Ventures	15.4	35.8	10.4%	15.2%
Group	**553.0**	**560.1**	**13.3%**	**13.7%**

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Sales: Geographical breakdown

AMERICAS

EMEA

APAC

	AMERICAS	EMEA	APAC
2014	38%	36%	27%
Change YoY	-8.7%	-8.6%	-10.8%

Editorial comments

PROFITABILITY

- Gross profit margin remains stable @ 33.4%
- Indirect costs decline by € 20.6m but increase as % of sales to 34.7% vs 33.3%
- All core divisions delivered better EBITDA contributions in the second half, compared to the first half, but LiveDots wiped out the gains
- EBITDA to EBIT gap widened due to increased amortizations and impairments on capitalized development related to LiveDots and networking projects for IPC
- Inventory write-offs too high at € 21.9m (2.1% on sales)

Income statement

In € m	2014		2013	
Sales	**1,051.0**	**100.0%**	**1,158.0**	**100.0%**
Cost of goods sold	(699.5)	(66.6%)	(771.5)	(66.6%)
Gross profit	**351.5**	**33.4%**	**386.5**	**33.4%**
Research & development	(115.3)	(11.0%)	(95.5)	(8.2%)
Sales & marketing	(151.8)	(14.4%)	(160.7)	(13.9%)
General & administration	(52.6)	(5.0%)	(55.7)	(4.8%)
Other operating result	6.5	0.6%	4.4	0.4%
EBIT before restructuring	**38.2**	**3.6%**	**79.0**	**6.8%**
Restructuring costs	(3.3)	(0.3%)	(9.4)	(0.8%)
EBIT after restructuring	**34.9**	**3.3%**	**69.6**	**6.0%**
Interest expense, net	(1.1)	(0.1%)	(2.3)	(0.2%)
Income taxes	(6.1)	(0.6%)	(8.1)	(0.7%)
Result after taxes	**27.7**	**2.6%**	**59.2**	**5.1%**
Share in the result of JV's and associates	0.1	0.0%	0.2	0.0%
Net income	**27.8**	**2.6%**	**59.4**	**5.1%**
Net income attributable to non-controlling interest	3.9	0.4%	2.3	0.2%
Net income attributable to the equityholders	**23.9**	**2.3%**	**57.1**	**4.9%**
EBITDA	**128.6**	**12.2%**	**153.2**	**13.2%**

P/L format ‘reported’ – group including D&A

Other operating result 2014 including € 6.7m gain on the Orthogon divestment

Net income attributable to non-controlling intrest (€ 3.9m): third party share of result China Joint-Venture with CFG

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Income statement

In € m	2014		2013	
Sales	**908.4**	**100.0%**	**1,008.5**	**100.0%**
Cost of goods sold	(603.7)	(66.5%)	(671.7)	(66.6%)
Gross profit	**304.7**	**33.5%**	**336.8**	**33.4%**
Research & development	(99.7)	(11.0%)	(80.4)	(8.0%)
Sales & marketing	(135.1)	(14.9%)	(142.0)	(14.1%)
General & administration	(44.3)	(4.9%)	(46.2)	(4.6%)
Other operating result	5.3	0.6%	2.4	0.2%
EBIT before restructuring	**30.9**	**3.4%**	**70.6**	**7.0%**
Restructuring costs	(3.4)	(0.4%)	(4.5)	(0.4%)
EBIT after restructuring	**27.5**	**3.0%**	**66.1**	**6.6%**
Interest expense, net	(1.1)	(0.1%)	(2.1)	(0.2%)
Income taxes	(4.7)	(0.5%)	(7.7)	(0.8%)
Result after taxes	**21.6**	**2.4%**	**56.3**	**5.6%**
Share in the result of JV's and associates	0.1	0.0%	0.1	0.0%
Net income from continuing operations	**21.7**	**2.4%**	**56.4**	**5.6%**
Net income from discontinued operations	6.1	0.7%	2.9	0.3%
Net income	**27.8**	**3.1%**	**59.3**	**5.9%**
Net income attributable to non-controlling interest	3.9	0.4%	2.3	0.2%
Net income attributable to the equityholders	**23.9**	**2.6%**	**57.0**	**5.7%**
EBITDA from continuing operations	**107.4**	**11.8%**	**133.0**	**13.2%**

P/L format (applying IFRS5) – continuing business + D&A result after taxes (€ 6.1m) on separate income statement line ‘Net income from discontinued operations’

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Gap EBITDA – EBIT

	2014		2013	
Amortization on cap'd development	(50.0)	(5.5%)	(40.2)	(4.0%)
Impairments on cap'd development	(7.2)	(0.8%)	(0.7)	(0.1%)
Amortization on other acquired intang.	(7.0)	(0.8%)	(8.7)	(0.9%)
Depreciations	(12.2)	(1.3%)	(12.8)	(1.3%)
Gap EBIT to EBITDA	(76.5)	(8.4%)	(62.4)	(6.2%)

- 2014: Gap EBIT-EBITDA: 8.4 ppts in 2014 mainly driven by:
  - € 9.8m higher amortization in 2014 (vs 2013) on capitalized development
  - € 7.2m impairment relating to LiveDots and Networking projects for Healthcare/IPC
- For 2015 we expect lower amortizations offset by higher depreciations due to One Platform and One Campus investments
- Barring exceptional investments for growth initiatives we will continue to manage towards an equilibrium between capitalized and amortized R&D expenses
  - 2014: € 7.1m fewer R&D expenses capitalized vs prior year
  - 2014: amortization (excluding impairment) exceeded capitalization by € 2.3m
- Note: Barco will book exceptional gain following the closing of the D&A divestment in 1H15

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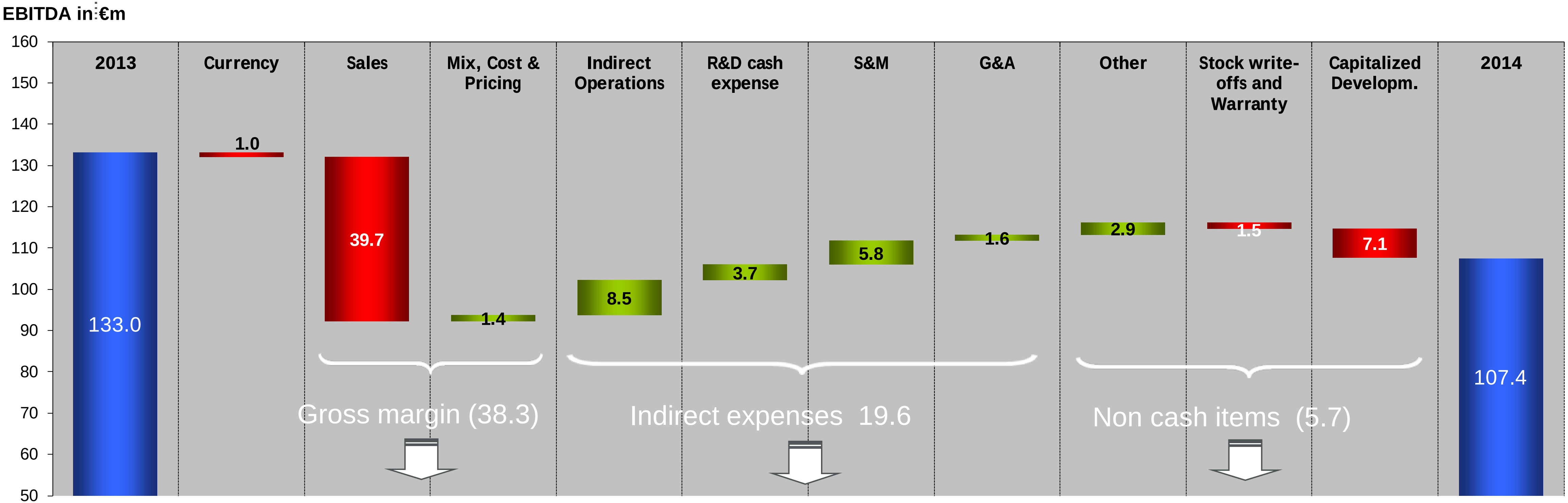
EBITDA waterfall 2014 vs 2013 (- € 25.6m)



- Sales decline in all regions
- Gross margins% stable vs last year

- Reduced spending in all divisions and dpts though indirect expenses still at 34.5% on sales

- Selective reductions in strategic development projects
- Increased stock write-offs
- Other: gain on divestment Orthogon, offset by higher bad debt provisions

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Cash & Balance sheet

- € 10.1m free cash flow realized in 2014
  - € -8m in 1H14 and € 18.2m in 2H14
  - Lower operating profit and aggravated by softer working capital performance
- € 118.6m gross operating cash flow generated (vs € 140.9m in 2013)
- € 26.1m increase in working capital
  Net working capital balance of 8.8% on sales (vs 4.7% EOY13) ; Continuing: 4.9%
  - Trade receivables @ DSO of 63 days (vs 56 days 1H14 and 52 days EOY13) ; Contin.: 63 days
  - Inventory turns at 2.7 (vs 2.6 @ 1H14 and 3.2 EOY13) ; Continuing: 2.9 turns
  - Trade Payables @ € 122m (vs € 120m @ 1H14 and € 114m EOY13)
- € 63.4m net financial cash, post acquisitions and prior to D&A divestment closing (vs € 41m 1H14 and € 104.4m EOY13)
- ROCE @ 6% (vs 8% 1H14 and 15% FY13)

II. Divisional results & Business updates

Entertainment & Corporate

(in millions of euros)	1H14*	2H14	FY14	1H13	2H13	FY13
Sales	252.3	269.2	521.5	306.2	261.7	568.0
EBITDA	40.3	39.1	79.4	48.1	39.0	87.1
EBITDA margin	16.0%	14.5%	15.2%	15.7%	14.9%	15.3%

- Orders & shipments as anticipated
  - DC drops with 25% but confirms global leadership with significant wins in Brazil, China & Indonesia
  - Corporate (ClickShare) continues to grow rapidly & good response to X2O capabilities
  - Venues & Hospitality growth with succesful integration of High End Systems
- Sales mix continues to shift towards professional AV
  - Decline in DC partially offset by growth in non cinema activities
  - 45% of sales from non-cinema activities (vs 35% last year)
- Continued healthy EBITDA contributions with each segment close to or above 15%
- First laser projectors succesfully delivered & deployed

(*): 1H14 Results restated due to integration of X2O

Healthcare

(in millions of euros)	1H14	2H14	FY14	1H13	2H13	FY13
Sales	88.4	98.2	186.7	98.6	97.1	195.7
EBITDA	9.7	13.5	23.2	12.2	14.1	26.3
EBITDA margin	11.0%	13.7%	12.4%	12.3%	14.5%	13.5%

- Soft first semester in diagnostic imaging and improved results in the second semester
  - Orderbook for Healthcare remains high but delays in call-offs
  - Sales declined primarily due to softness in the diagnostic imaging business with major OEM’s & losses in Interactive Patient Care
- EBITDA in the 2nd half at 13.7%
- Market leadership remains intact & continue to drive growth in surgical
  - Launch of UNITI (12MP display)
  - Launch of 4K Nexxis
- Start to develop footprint in China

Industrial & Government

(in millions of euros)	1H14	2H14	FY14	1H13	2H13	FY13
Sales	68.5	91.7	160.2	80.8	88.8	169.6
EBITDA	-1.4	6.5	5.1	6.0	4.3	10.3
EBITDA margin	-2.1%	7.1%	3.2%	7.4%	4.8%	6.1%

- Slow 1H order intake & sales with recovery in Western Europe & North America in the second half while demand in China stalled
  - Shift to LCD-solutions @ lower price point
- EBITDA recovery in the second semester due to cost-cutting measures and improved sales
- New competitive LCD-portfolio released

Defense & Aerospace

(in millions of euros)	1H14	2H14	FY14	1H13	2H13	FY13
Sales	64	78.7	142.7	71.1	78.7	149.7
EBITDA	8.1	13.1	21.2	6.7	13.5	20.2
EBITDA margin	12.7%	16.6%	14.8%	9.4%	17.2%	13.5%

- Solid EBITDA contribution; 2013 cost reductions continue to take a hold

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Ventures

(in millions of euros)	1H14	2H14	FY14	1H13	2H13	FY13
Sales	25.7	15.4	41.1	42.7	35.8	78.5
EBITDA	-1.8	1.6	-0.3	3.9	5.4	9.3
EBITDA margin	-7.0%	10.4%	-0.7%	9.0%	15.2%	11.8%

- Weak performance in LiveDots
  - Slower global market demand & delays in combination with project losses in North America & Middle East
  - Loss of topline weighs on profitability
  - Rightsizing operating expenses & repositioning in the Entertainment division in 2015
- EBITDA-recovery in 2H14 due to inflow of gains of Orthogon divestiture (€ 6.7m)

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III. Executive focus 2015 & Outlook

Outlook 2015 (*)

Assuming the euro remains at current levels, management expects flat to single digit growth in sales.

On the basis of the improved performance in the second half 2014 management expects also to deliver improved profitability for the full year.

(*) Guidance excluding the exceptional capital gain following the completion of the D&A divestment.

Executive focus 2015

- Restore cash flow performance by improving working capital efficiency
- Improve profitability by focusing on target P/L performance & continued cost reductions
- Strengthen geographic leadership & reinforce local governance
- Rebuild channels in China
- Implement Sales excellence program & reinforce customer intimacy
- Execute on a number of internal and external growth initiatives and establish new growth platforms
- Capitalizing on connectivity & networking

Dividend 2014

- The Board of Directors will propose to the General Assembly to increase the dividend from 1.50 euro to 1.60 euro per share to be paid out in 2015, supported by the available cash resources in the company.
- In line with Barco’s long term strategy to strengthen its global leadership position and to realize the company’s growth potential, the Board has decided to preserve most of the company financial resources for internal and external growth investments and does not plan to authorize another share buy back program after the current program expires in May 2015.

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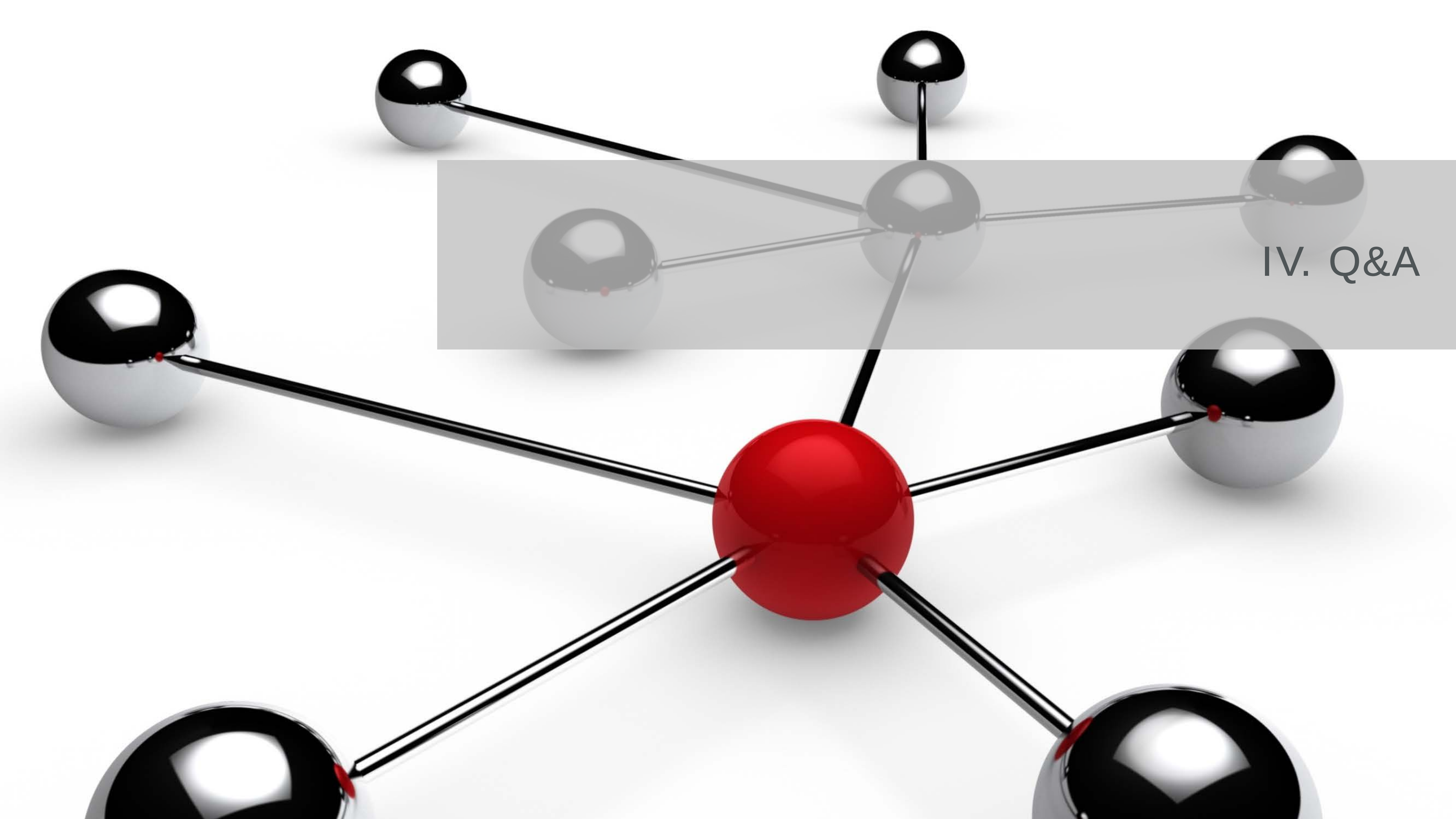
IV. Q&A



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