



years  
of emotions

**Annual  
Review 2018**



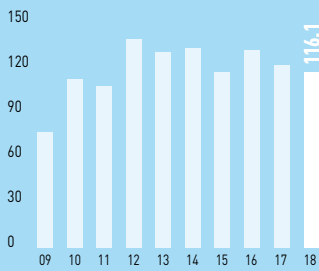


**EUR 116.1**  
**Million sales**  
**in 2018**

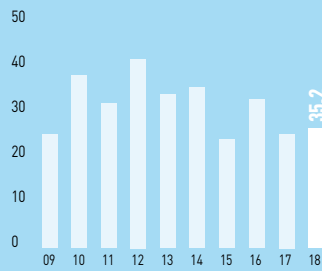
**24.2%**  
**Ebit margin**  
**in 2018**

**4.3%**  
**Dividend yield**  
**in 2018**

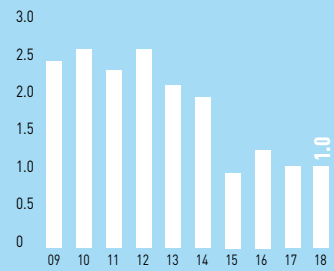
**REVENUE**  
**(EUR MILLIONS)**



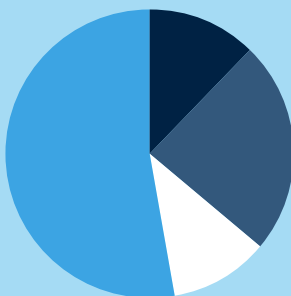
**NET PROFIT**  
**(EUR MILLIONS)**



**GROSS DIVIDEND**  
**PER SHARE (EUR)**

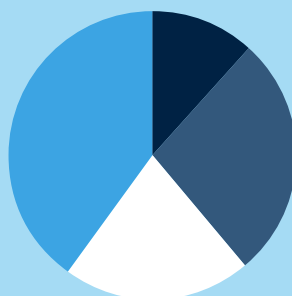


**BREAKDOWN OF STAFF BY DEPARTMENT**  
**(AS OF 31 DECEMBER 2018) (%)**



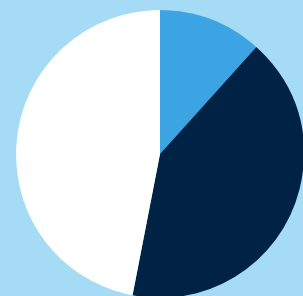
**12.2** SALES & MARKETING  
**23.7** PRODUCTION & OPERATIONS  
**11.1** CORPORATE SERVICES  
**53** R&D

**SPLIT OF 2018 REVENUE**  
**BY REGION (%)**



**11.5** BIG SPORTING EVENT RENTALS  
**27.2** APAC  
**21.2** NALA  
**40.1** EMEA

**SPLIT OF 2018 REVENUE (%)**



**11.5** BIG SPORTING EVENT RENTALS  
**41.5** STUDIOS & OTHERS  
**47.0** OUTSIDE BROADCAST VANS

# Who we are

EVS is a Belgian company, headquartered in Liège with about 20 offices all over the world.

Founded in 1994, the company revolutionized live sports broadcasting thanks to its innovative Live Slow Motion system relying on state-of-the-art technology, and rapidly took a significant position in the broadcast market. With about 500 employees and 5 developments centers spread between Belgium, Germany and France, EVS is today a key player in the broadcast and media technology market. Its different products and solutions are sold in more than 100 countries worldwide. Thanks to its customer intimacy, EVS and its employees developed a unique expertise in live production technology, capabilities of fast innovation that respond to customer needs, but also a high level of unmatched customer support.

Its live production tools, with ultra high level of reactivity, combined with its product range around the live video servers XT and XS, are offering unique level of reliability and performance. These solutions allow producers and directors to transform live video flows into rich and emotional content for viewers across the world.

Since a few years, EVS has started to diversify its revenue streams, and is bringing new innovative solutions to the market, leveraging amongst other, the acceleration of IP technology adoption on the broadcast and media markets, the increase of use cases integrating artificial intelligence capabilities and the multiplication of new platforms to deliver content to viewers.

All new products rely on a new platform of micro-services that sits at the heart of the future ecosystem of the company value proposition, enabling new user experience, creative capabilities and services portals.

## Content

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# 2018: A year of emotions!

Dear shareholder, customer, employee,  
I'm very pleased to introduce this very  
special edition of our Annual Report  
called: "25 years of emotions"  
Indeed, in 2019, we do celebrate the 25 years of EVS!

The small Belgian Start-up that revolutionized the Broadcast industry and nearly invented the concept of Live Sport replay, powered by unique technologies, has become a mature company, with a truly international footprint and a team of nearly 500 people.

It is a time to celebrate and be proud of what the EVS teams have accomplished. But future is what counts most and we will also highlight in this report our directions for the future.

When I joined EVS as Chairman of the Board in January 2018, I knew there would be challenges to address, but I did not expect to have such a year. It was truly a year of emotions with unexpected difficulties and very special actions taken to improve the situation.

Let's go back through the key events of 2018, and let's have a look at all the initiatives we have taken to strengthen the company and position it for the future.

## A very weak first half

First, the broadcast industry has continued to be challenging in 2018. Particularly, the first six months were weak for EVS. Actually, it was the worst first half in the last 5 years, with a combination of soft demand and some delayed orders. We explain the soft demand, first, by longer investment cycles on the customer side in an environment in which their revenue and their competitive positioning continue to be under pressure with the arrival of new entrants in the video landscape. There are also some uncertainties about the timing to move to new technologies, including 4K and IP. Finally, we had delayed orders related to customers waiting for the shipping date of the new XT-Via platform in the summer of this year. As a result, EVS recorded a weak EUR 44.1 million revenue in the first half, and an operating profit of EUR 2.3 million for the same period.

## Departure of the CEO in July 2018

In the same period, we experienced significant tensions in the top management, which could have affected negatively the stability and the efficiency of our management. After a detailed and professional analysis of the situation, the Board and Muriel De Lathouwer (representing Much sprl) mutually agreed to end the term of the office and duties of Mrs De Lathouwer, Managing Director and CEO

of the company. We all thought that it was the best way to improve the team spirit and the efficiency of the company.

As a follow-up decision, the Board has appointed me as Interim CEO of EVS, based on a clear action plan and with the mission to help the management team in place to further improve the positioning of EVS for the future. In this CEO ad interim mission, I have been helped, on daily basis, by Vincent Werbrouck, General Secretary.

We had to act fast and with clear leadership to improve on the difficult situation of 1H 2018.

## Fight-Back Plan

One of our missions was of course to put in place a special plan to realize a strong 2H 2018. This plan, approved by the board, has been called "Fight-Back Plan" (let's win the second half). It is a catalog of common-sense actions to minimize the operating expenses and boost the revenue beyond the commercial plan already in place.

Thanks to a strong commitment and support of the EVS teams, this Fight-Back Plan has been implemented in a smooth and efficient way. On the Opex side, it was a smart exercise where we have better prioritized our investments in projects and processes, and we are convinced that the measures we have taken do not jeopardize the future of the company.

## Best second half in 10 years

As a result of this plan, we are pleased to report that we have delivered the best second half in 10 years, both in terms of revenues, with EUR 72.0 million and profit (EUR 25.7 million), including a very strong fourth quarter. It is a great achievement given the weak first half, but, in the context of a big event year, we can not be fully happy with this performance. Excluding these big event rentals, our revenue decreased by 11.8% in 2018, which highlights the challenges faced by our industry and our clients. Our new products grew significantly, and generated EUR 5.2 million revenue (+51% compared to last year), but are still a small contributor in the total, and did not offset yet the weakness of the server business.



**LET'S CONTINUE TOGETHER TO MAKE EVS BETTER AND TO POSITION OUR COMPANY IN THE BEST WAY TO MAINTAIN AND DEVELOP OUR BUSINESS**

**Find out more online**  
[WWW.EVS.COM](http://WWW.EVS.COM) >

## **Dr. Pierre De Muelenaere**

CHAIRMAN OF THE BOARD OF DIRECTORS & CEO AD INTERIM

### **Strong financial position**

Thanks to our efforts and actions to minimize operating expenses in the second half, we have been able to finish the year with operating expense up by only 0.5% versus 2017 which is much better than what was announced at the beginning of the year (+6-8%). As a consequence, the EBIT margin was kept at a high level of 24.2%. In 2018, we have started to take advantage of the "innovation box" regime in Belgium (with a retroactive effect until July 2016), which allows Belgian companies to deduct taxes for revenue from innovation. Given the highly innovative nature of the activities of EVS in Belgium, more than EUR 10 million of tax deductions (including the impact as from July 2016) have been recorded in 2018 in our P&L.

In 2018, EVS also sold its last large former building in the Liege Science Park.

Given this steady financial performance (in a challenging environment) and the resulting strong net cash position of EVS at the end of the year, the Board is happy to confirm that it will propose at the Ordinary General Meeting of May 2019 the payment of a total gross dividend of EUR 1.00 per share (final gross dividend of EUR 0.50 per share, after the payment of the EUR 0.50 interim dividend paid in November 2018).

### **New dividend policy**

The Board of Directors has decided to change the dividend policy. For the 2018-2021 period, the Board of Directors Intends to pay stable dividends. This decision has been taken to give more clarity to the investors when looking at their investment in EVS. The dividend will continue to be paid in two parts: an interim dividend at the end of November, and the final dividend in May after the approval of the General Meeting. Dividend is expected to be EUR 1.00 for the years 2019, 2020 and 2021, subject to reasonable market conditions.

### **Capital developments**

The weak results of the first half of the year resulted in a strong decrease of our share price. Following this, the Board decided to launch a share buyback program, which confirms its confidence in the future of the company. In October EVS received a transparency notification from Evertz Technologies, a global company in media and entertainment technology solutions, who notified us that they had crossed the 3% threshold in our capital. As with every new declared shareholder, there have been contacts between Evertz and EVS and the Board will continue to actively monitor the situation.

Finally, in December 2018, we announced that both Ackermans & van Haaren and Belfius Insurance acquired a 2.45% stake in EVS. These two renowned institutions clearly reinforce the shareholding structure of EVS. They will also be represented at the Board level and bring their expertise to reinforce again our Board.

### **Preparing for 2019 and beyond**

Looking at the future, we know that 2019 won't be an easy exercise, as there are no large big events during this year, and as we still have a cautious view on the industry. Our new products should continue to grow, and we will take actions to maintain the existing server business.

Taking this into account, our budget for 2019 has been done with a lot of discipline, and our operating expenses are expected to increase by less than 2% compared to last year.

With all this in mind, I would like to thank again all of you, partners of our company who trust us and who encourage us to pursue our efforts despite the challenges faced by our industry and our company. A special thank you to the EVS teams who fought hard in 2018. Let's continue together to make EVS better and to position our company in the best way to maintain and develop our business.

Kind regards

Dr. Pierre De Muelenaere

# Key references in 2018



## Turtle Entertainment - ESL

**What:** XT4K and XT3 live production servers, MultiReview, IPDirector, XFile3 and the DYVI live production switcher.

**Key in this deal:**

- Industry-first replays
- Speed of production
- Configurable workflows with the support of DYVI production switcher
- Highest-quality content

**Customer:**

“Our live programming and our social media content is what engages the fan base. Therefore, we need to be reactive, creating and delivering these supplementary assets as quickly as possible.”



## New Jersey Devils Prudential Center (US)

**What:** 12-channel XT3 server, 2 LSM remote control panels, Dyvi

**Key in this deal:** “Unified Stadium” concept, articulated around the Dyvi production switcher, integrating other technology providers

**Customer:**

“Hockey is a fast sport that’s full of energy so in-arena video content must reflect that, and having DYVI in place ultimately lets us create better tailored content – faster than we’ve been able to previously.”

## Big sporting events

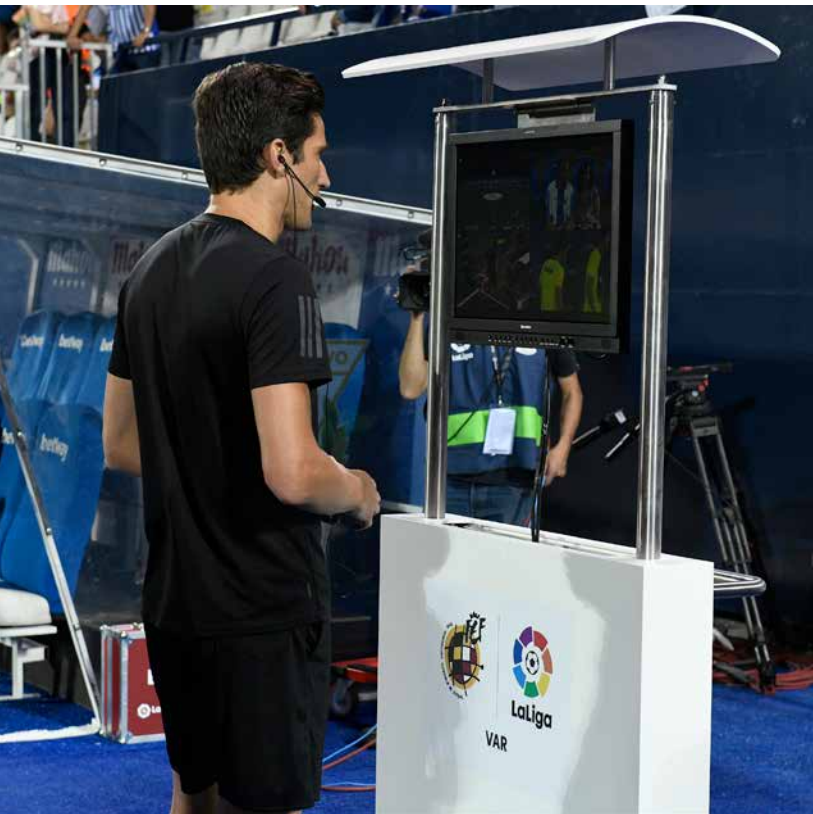
**What:** EVS was at the heart of live production of the big sporting events in 2018

**Key in this deal:**

- Long history of strong relationship between EVS and large sport federations
  - Important innovation showcase for EVS
  - New technologies in 2018 included more UHD-4K productions, remote production, interactions between the venues and the central hubs etc
- This business generated EUR 13.4 million rental revenue this year







## LaLiga (Spain)

**What:** Xeebra (video assistant referee system)

**Key in this deal:**

- The selection by such a prestigious league strengthen the EVS position of leader in the delivery of VAR technology
- Availability of the built-in AI based pitch recognition for offside-line creation.
- Mediapro as key partner with EVS in this deal, opening the door to other markets

**Customer:**

**“We’ve chosen EVS’ Xeebra system for all of these deployments because it provides the reliability and the fast-paced operation that you need to improve football officiating operations.”**



## NEP/Fox Sports (Australia)

**What:** equipment of 2 production hubs in Sydney and Melbourne, including XT4K servers

**Key in this deal:**

- deal that shows the growing adoption of IP infrastructures for the production of tomorrow’s major live events
  - remote production of over 500 events each year taking place in nearly 30 venues around Australia
  - control of nearly 100 live channels being ingested into the hubs for a total of 36 dedicated replay channels
- First live remote productions started successfully in the first half of 2018



## La Chaîne Météo (France)

**What:** Dyvi video switcher, perfectly suited for the production of content for multiple platforms

**Customer:**

**“DYVI’s efficiency has meant that operators within the production team are able to put aside technical challenges. This lets them find more creative ways of working, helping to improve the overall quality of our programming.”**

## NHK (Japan)

**What:** 3 XT-VIA servers in a new mobile production truck

**Key in this deal:** the XT-VIA platform flexibility to produce content in different resolutions and operating environments.

The XT-VIA represents the most significant update to the XT range of servers. It provides six easily-configurable channels of UHD-4K and 12 channels of 1080p (HD) format.

And with support for live HDR operations and the ability to operate in 12G SDI or IP environments, the XT-VIA is the perfect server for users that want to adopt new ways of operating for higher resolutions.



# 25 years of emotions

## 1994

Pierre L'Hoest and Laurent Minguet **founded EVS**, with Michel Counson as key supplier (and later shareholder of the company as well). After two bankruptcies, the risk was still there, but perseverance was stronger !



## 1997-1999

We **opened offices** in Hong-Kong, the US, France, Italy and the UK, to be closer to our customers.

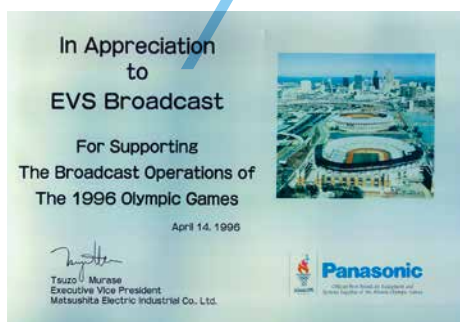
## 2002

We deployed our **new XT platform** at the FIFA World Cup for the first time, networking more than 80 recorders.



## 2008-2009

**Roller coasters**, with the huge exposure of EVS during the Beijing Olympics, followed by the explosion of the financial crisis, which obviously hurt the broadcast industry in 2009.



## 1996

We were in Atlanta with our **new super digital hard disk recorder** developed in partnership with Panasonic, who released the first Super Motion camera (3 times more pictures than a traditional camera) for the Atlanta Olympic Games.



## 1998

In October of that year, EVS listed on the **Brussels stock market**.



## 2005

Our **new XT[2] platform** allowed efficient transition from SD to HD. In 10 years, we became the strong leader in the key customer segment of the outside broadcast vans used for live productions. We started to diversify to studio productions by enabling near-live productions.





## 2016

For the first time since many years, we launch a brand-new product on the market: **the video switcher DYVI**, based on a powerful combination of enterprise-level IT hardware, creative software and a highly intuitive user interface. We also launch the XT4K, new evolution of the XT platform with more 4K capabilities.

## 2013

“Same company, same values, new branding”: EVS refreshed its identity and repositioned the company as a **“Transforming Partner”**



## 2017

We entered the VAR market in 2017 with the launch of **Xeebra**, solution that provides everything referees need to make the right call.

## 2018

We **launch VIA**, a new platform that features modular services and engines at the core of all EVS products and solutions. The XT-VIA is the latest in the series of EVS' industry-leading servers, also launched in 2018.



## 2015

We were located in 6 different buildings and started to have issues of efficiency and still lacking places. The move to the **new headquarters** were a great opportunity to gather all the employees under one unique roof: R&D, assembling, sales, support, corporate functions, etc

## 2018

**X-ONE** is our new all-in-one solution for simplified productions.

**SCORE MASTER**, a live IP flow routing system, completes the range of new products launched by EVS recently.



## 2019

25 years of emotions behind us. Ready for another 25 years !

# Where do we go

EVS core mission is to deliver the heart of live content production ecosystem, reinventing storytelling for always faster highlights, higher creativity and stronger efficiency

## Our analysis of the industry

The broadcast industry has changed. Better image quality, IP network technologies, social networks, OTT platforms: these are some of the changes that are reshaping the industry and creating opportunities for future growth.

### IP network technology

The most important technology transition playing out in the broadcast industry today is the adoption of IP-based technologies, which enables more agile workflows, including a wider use of cloud-based solutions, remote productions and virtualization in private or public cloud. The main benefits of IP in live production are now concrete and include an increased scalability, simpler integration, higher flexibility, cost optimization or uniformity through different workflows thanks to the use of open standards.

### New entrants

The emergence of new players, including OTT platforms such as Netflix, Amazon, DAZN or Apple, puts pressure on the revenue streams of traditional TV channels. Subscribers do have more choices than ever to watch interesting content on different platform that are accessible on all kind of devices. New content, such as e-Sport competitions, uses OTT platforms to have a more direct access to young generations, and advertisers have to balance their spending between a wider number of channels. Traditional TV channels started to reinvent themselves, adapting their strategies to offer complementary content on second screens. And for them, live content is and will remain a key differentiator. And live content is mainly made up of sports (37 out of the top 50 live viewed TV programs in the US in 2017), news bulletins and entertainment shows, which are the core of EVS competencies.





### Image quality - cameras

There are a lot of different technologies that further increase the quality of the images. While high definition has been a dynamic driver over the last decade, the industry has already started to move to Ultra High Definition (UHD). In addition to UHD, High Dynamic Range (HDR: a technique used to reproduce a greater dynamic range of luminosity than is possible with standard techniques) and Higher Frame Rate (HFR: increasing the number of frames per second to magnify the UHD effect) will also require technology evolutions in the broadcast industry, and could drive further equipment upgrades. However, the management of EVS sees these upgrades as part of the usual upgrade cycles. Indeed, the difference in quality between UHD and HD (lower than the move from SD to HD) and the budget constraints are not pushing customers to accelerate their investments.

### Social networks – fan engagement

Today, young generations don't just watch TV. Smartphones have invaded our daily lives, and more than half of TV viewers say they like to keep up with shows so they can join the conversation on social media (source: Nielsen). Broadcasters are looking at new ways to keep audiences engaged longer on "second screens" (smartphones and tablets) in order to capture the flows of revenue that are moving online.

This requires new tools, more integrated in common platforms, and new ways of working in TV studios. This will allow to develop different stories for different screens, without having to redo a parallel digital production.

In the same way, stadium owners are seeking to further enhance the fan experience with appropriate infrastructures and apps that make fans even more engaged.

New types of live shows, such as esports competition, primarily distribute the content through social networks and streaming apps, which clearly create more direct engagement with the fans.



**THE MOST IMPORTANT  
TECHNOLOGY TRANSITION  
PLAYING OUT IN THE  
BROADCAST INDUSTRY TODAY  
IS THE ADOPTION OF IP-BASED  
TECHNOLOGIES**



## Our strategic priorities

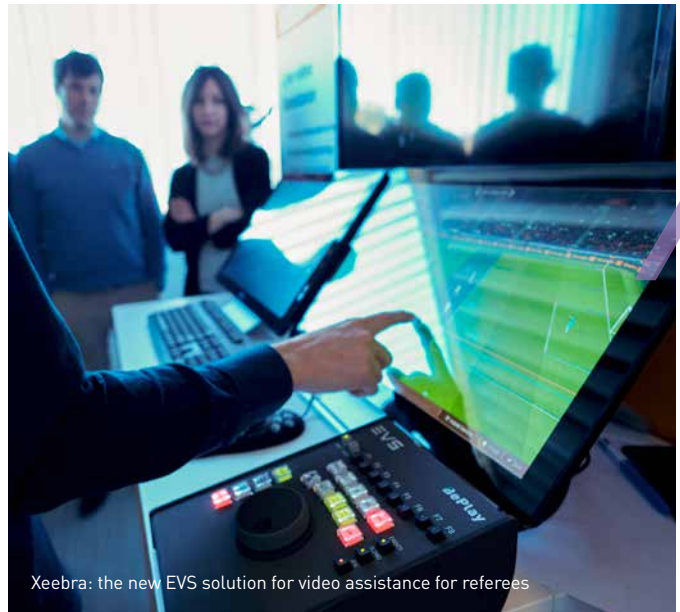
### EVS focus on innovation

#### Maintain leadership on live video production server

Since the creation of the company, the XT hardware platform (including the XS range as well) is the core of the EVS solutions. This server platform has established itself as the fastest, most reliable and most utilized broadcast tool for live production. The close partnerships developed between EVS teams across the globe and the world's leading broadcasters have led to significant developments around its core foundation. Empowering the hardware platform with a multitude of software applications has given broadcasters the ability to manage, control, browse, edit and orchestrate media across a complete network of interconnected technologies. The IP technologies are now fully integrated in the XT and XS platforms and EVS has developed a hybrid approach to assist customers in their step-by-step transition to this new way of working.

#### Extension in other live video products and markets

Aside of the XT ecosystem, EVS developed a new range of products around live production in order to address new needs in live IP workflows with S-CORE MASTER (a solution to control, orchestrate and monitor an IP infrastructure) on one side, and on the other side to enter new markets where EVS was not present but intends to play a role thanks to its innovating approach. EVS recently introduced innovations such as DYVI, a production switcher complementary to the video server, which allows more graphic effect and better scalability thanks to an IT architecture. EVS also launched the Xeebra product, a solution to help referees in their decisions, allowing EVS to address the new arbitrage market and new customers such as sports federations or leagues. Finally, the X-ONE, an all-in-one solution, allows for simple small productions live at low cost, while maintaining a very high standard of quality.



Xeebra: the new EVS solution for video assistance for referees

#### Artificial intelligence: EVS as a pioneer

Artificial intelligence and deep learning are gaining momentum in many technology industries. EVS partially uses artificial intelligence in its products as a catalyst to answer to new customer needs. The artificial intelligence system automates certain tasks to allow our customers to do more, faster and let the operators focus on creativity. For example, artificial intelligence will help operators to prepare their work, which they will just have to validate and/or adjust. This can translate into greater speed and responsiveness while optimizing costs.





## Different solutions for different contexts

### Live productions

For over 20 years EVS has been leading broadcast technology advancements with solutions designed specifically for live production. In 1994 we pioneered tapeless live replays, effectively revolutionizing sports broadcasting. Our solutions are based on the most reliable, proven technologies available and provides users with the ability to take advantage of high-speed, real-time content ingest, editing and enrichment. EVS' commitment to futureproof solutions means users can easily adopt 1080p and UHD/4K technologies and take advantage of our pragmatic approach for the adoption of IP workflows. Recognized as a trusted partner to broadcasters and content producers globally, EVS continues to build on its reputation for quality and reliability. We enable our partners to enhance their live coverage of sports, entertainment, music festivals and major cultural events. EVS knows the importance of live. It's in its DNA.

### Broadcast centers

EVS provides maximum efficiency for demanding productions where deadlines are extremely tight. Our integrated solutions offer a robust and blazing fast method to record, edit and play back countless hours of content for news and sports productions. Intuitive tools enable all content to be logged, tagged and stored, allowing any producer or editor instant access to all online and nearline media through browse and search tools. EVS systems can be tailored to specific workflow needs, integrating other departments for the repurposing or post-production of any type of content at any given time. In addition, second-screen multimedia content packages can be created and distributed efficiently to your connected viewers.

### Multicam studio production

The rise of live TV shows and reality programming requires the near real-time interactivity and ultra-fast turnaround first pioneered by live sports and news. Studio and on-site productions are fast adopting tailored, open entertainment workflows for the flexibility they provide. Our advanced server-based solutions provide concerts, stage shows, reality TV, talk and game shows and TV series with ultra-reliable playback and recording, and the tools to enable the efficient ingest, editing and enrichment of content in a highly collaborative, integrated environment.

### Multimedia distribution

Sports and entertainment fans want to know more about the action. They want to see it from every available angle, be able to analyze it themselves as well as hear from experts, and they want the statistics to back up their thinking. Linking excellent coverage to social networks, and allowing viewers to watch at any location, on any device – at home, at the game or anywhere else – is now the norm. This increases loyalty and opens new revenue avenues for right owners. EVS platform approach allows to create different stories for different screens from a single platform without the need to have separate teams working on different tools.



## MARKET APPROACH

### CUSTOMERS



### MULTIPLE CONTENT TYPES



### MULTIPLE PLATFORMS



# Our key products

## Our core product portfolio

Building live workflow around XT server



### Replay and effects

Tools designed to enrich live production content and ease exchange, review, transcoding, storytelling graphics and collaboration.



### Content management

Advanced workflow tools enabling teams to ingest, create, edit and manage enhanced content with the expanding range of assets of today's production.

VIA. EMPOWERING SMART LIVE CREATION



### Production servers

The new EVS XT-VIA has six configurable channels of UHD-4K or 12+ channels of Full HD 1080p, and is HDR ready. While continuing to support SDI environments, XT-VIA offers native support for SMPTE 2110 allowing for a smooth transition to IP workflows and laying the foundations for future productions.



### Shared storage

High performance and reliability are the backbone of a powerful media storage solution suitable for multiple production workflows.



## Product portfolio extension

### Build around live video production



### DYVI

#### Live production switcher

The DYVI live production switcher advances the way people implement a switching system, going far beyond the limits of the classic switchers. Its GPU-enabled platform unlocks a new world of creativity and flexibility, while its distributed series of 2RU processing modules scales with operators' needs and allows them to position their switching infrastructure at the edges in any multi-studio facility. The DYVI panel is completely customizable to suite any production and operator need.



### XEEBRA

#### Live video Assistance

Using an intuitive touchscreen, referees can review every angle in detail quickly, efficiently and in complete synchronization. With the touchscreen or a dedicated controller, users can pilot dynamic layout browsing, instantly zoom directly (from 16 to 4, 2 views), and mark and label the most important situations for review and export. An AI engine that automatically calibrates the field of play ensures the highest reliability for accurate graphics such as an offside line for soccer.

VIA is a new platform that features modular services and engines at the core of all new EVS products and solutions. Built for a changing media world, VIA is a representation of EVS' commitment to enabling the evolution to a powerful, modular architecture of microservices.



### S-CORE

#### Live IP flow routing system

S-CORE MASTER is a live IP flow routing system for IP-based live media production workflows. The system uses SDN control methods to better manage latency-sensitive live media. S-CORE MASTER gives engineers better visibility across a network as well as the ability to communicate with the entire IP infrastructures at once.



### X-ONE

#### All-in-one Production solution

X-ONE is an all-in-one system that combines the industry leading speed and reliability of EVS technology with a foundation of software-defined technology to deliver a smart, live production system for small and mid-sized events. The system allows a single operator to create replays, control audio, cut together a live feed with a built-in video switcher and even add graphics to live programming which is output in the highest broadcast-standard quality.

# The world of EVS

In 2019, we celebrate 25 years of emotions.

These years have been marked by many successes, and this is also what we are celebrating this year.

These successes, we owe them to all the people who played a role in our history. But it is especially to our employees that we want to pay tribute here. Since 25 years, they have made of EVS a key player in the live video production industry; people who are passionate and proud of what they do every day for their customers around the world.

And they are here, ready to take on new challenges for the next years.



Hardware Integration Team



R&D Team



EVS Iberica



Vincent, Kristel, Pierre



Project QC Team



EVS Management Team (EMT)



EVS Toulouse



Delivery Team



EVS Darmstadt



EVS Deutschland



EVS Italy



EVS INC



R&D Team



Facility & Procurement Team



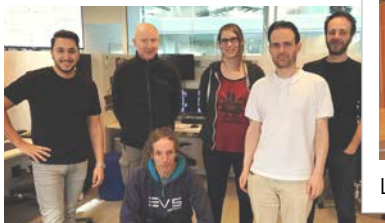
EVS Mexico



Platform Team



HR Team



System Team



Legal Team



EVS Australia

Los Angeles

Mexico

New-York

London

Liege

Paris

Madrid

São Paulo





EVS UK



Tier 3 Support Team



Project Team



EVS Dubai



EVS Beijing



Product Management Team



Tier 2 Support Team



R&D Team



EVS Hong Kong



Innovation Team



R&D Team

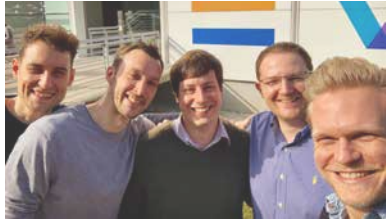


Marketing & Training Team



EVS Paris





Agile Coaching Team



EVS Brussels



Assembling Team



R&D Team



Production Team



R&D Team



System Integration Team



Sales Team



R&D Team



R&D Team



Finance Team



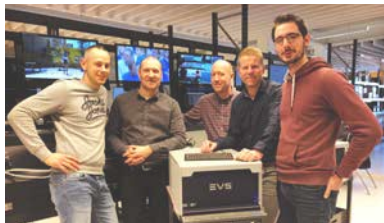
Warehouse Team



Shipping Team



IT Team



Production Team



Delivery Team



EVS Russia



R&D Team



R&D Team



EVS Singapore

# Our corporate social responsibility

There are many ways for a company to put its values into practice and demonstrate its commitment to the environment, its employees and the community in which it operates. This long term commitment is an integral part of EVS' culture and values since the company creation.

## The employees

Employees are the main assets of EVS. They develop high quality solutions, offer them to customers throughout the world, install them and provide the necessary training and maintenance. Therefore, the management of the company puts special attention to offer employees a working environment based on personal development and respect for the individual.

### An attractive workplace

The headquarter of the company is located near Liège (Belgium), in a wooded environment close to the university of Liège, and together with lots of other technology companies. The building, currently hosting around 350 people is a modern and recent facility, open and luminous, and has been designed to accommodate all necessary activities of the company, with open spaces allowing development or project teams to have fast and efficient discussions, a large number of meeting rooms to answer increasing needs for short and interactive meetings or training and demo rooms to serve EVS' existing or future customers, operators and other interested parties. The basement includes the assembling lines of the different products, the packaging and the loading dock, starting point for the transport of EVS' know how to customers worldwide.

The building also includes all kind of facilities that make EVS' employees happy at work: a cordial company cafeteria with a sunny terrace, dressing rooms for people who do sports during lunch time in the neighborhood, social places (coffee corners, table tennis, baby foot, etc) and a rest room with a few relaxing seats.

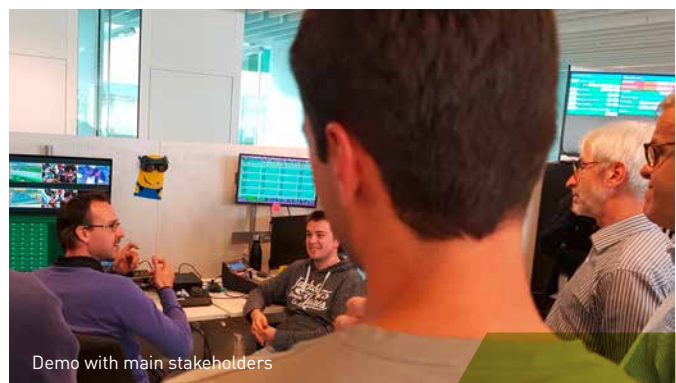
### Agile and more

EVS started to implement Agile methods (mainly Scrum framework) more than 4 years ago, but the adoption by a larger

number of teams accelerated since two years given the good results. Agile methods are groups of project management and piloting practices, They are based on an iterative, incremental and adaptive development cycle and must respect four fundamental values, broken down into twelve principles, forming the basis of common or complementary practices. Thanks to Agile methods, the applicant obtains better visibility of work management than with a conventional method. A better involvement of the client in the process also allows teams to obtain regular feedback so that the necessary changes can be applied directly.

Scrum is the most popular Agile framework and one of the most recognized. It is an iterative, holistic framework that focuses on common goals by delivering products of the greatest value in a productive and creative way. This method aims to accelerate the development of software. In addition, it ensures the realization of a functional software throughout the duration of its creation.

Today most of the development teams at EVS already work using these methods.







EVS photovoltaic installation on the roof of HQ building in Liège

## Dynamic people management

Over the years, EVS has developed different strategies to attract and retain talents. It goes through a very wide spectrum of initiatives and policies, including:

- **Welcome** of new people with a complete program of internal trainings;
- **Internal communication:** use every occasion and tool to reinforce the communication between the people in the organization. Since two years, "Les Midis de l'arena" (open information sessions) gather employees for sharing knowledge on all kind of topics. Yammer (professional social network solution of Microsoft) is deployed since 2017 and rapidly became the ideal platform for sharing successes and news from customers and people on the field. This is an "open windows to the world" for a lot of employees, and it gives a concrete aspect to their daily job.
- **Well-being:** numerous activities organized by a group of employees ("Ed-Force One") aimed at building the team spirit, such as departmental incentives, various company events (such as a Santa Claus event for the staff's children);
- **A competitive global remuneration package** in relation to the skills and experience of each person, accompanied by company profit sharing programs.

This policy is important and reinforces a sense of belonging.

The average age of the company's employees is young (36 years).

## The environment

Since its creation in 1994, EVS has been mindful of its impact on the environment. Over the years, decisions have been taken in order to honor this commitment. The headquarters and innovation center, located in a wooded environment near Liège gathers, since 2015, all employees who were in the past split in six different buildings in the same area. It provides them with an improved working environment, increasing efficiency and better internal communication. It uses many energy-saving methods, such as "free cooling" to cool premises subject to major temperature variations, low-energy lighting, thermally activated systems (cold water circulated in the slab, at the basis of the air-conditioning system), recuperation of the heat generated by the servers (at the basis of the heating), photovoltaic panels, or external blinds (ensuring a better protection against the heat of the sun).

”

**THROUGH DIFFERENT INITIATIVES, EVS REDUCED ITS ELECTRIC POWER CONSUMPTION BY 16% BETWEEN 2016 AND 2018, IN ITS HEADQUARTER IN LIÈGE**



HBS (the host broadcaster of the football world cup) has organized a training session for women only around live sport production

Through its activities, EVS also further helps reducing the environmental footprint of the broadcast industry. As an example, EVS develops solutions to allow its clients to produce or access the video content from a remote location, allowing operators to dramatically reduce their travel. For instance, during major sporting events, broadcast production tools favour image sharing between the event venue and the television channel. This greatly reduces air travel for a large number of people.

## The community

There are many ways for a company to put its values into practice and demonstrate its commitment to the environment, its employees and the community in which it operates.

This long term commitment is an integral part of EVS' culture and values since the company creation.

EVS has a strong regional anchor and tries to participate in the development of the communities where its offices are located. The company concentrates its efforts on a few areas that has been clearly identified.

### Build local partnerships

EVS tries to build partnerships with local suppliers as much as possible, hence reinforcing its local anchorage. It covers various aspects of the EVS activities, such as all matters relating to the management of the facilities, business consultants and partners, but also taking an active role in the development of a network between the companies of the Liege science park.

### Support employees' engagement in their communities

Through a unique "sponsorship program" where the sponsoring budget is granted by the employees, EVS actively supports more than 80 social or cultural projects per year, encouraging employees to be ambassadors of the company in their own communities.

### Support targeted initiatives in three areas: sport, education to technology and diversity

Since a few years, EVS has identified three areas where the company want to invest and support initiatives: Sport, education to technology and diversity and amongst other:

- EVS supports the **Risingtrack** crowdfunding platform, which aims at financially supporting sport athletes in punctual projects
- EVS also actively supports the **HBS (Host Broadcast Services SAS) broadcast academy**, which delivers training programs to TV professionals in more than 20 countries all over the world, in order to share knowledge and experience of best practices in the industry. EVS is providing them with a Live TV Simulator (a unique, itinerant live broadcast training tool that teaches broadcast professionals on the field)
- For many years, EVS supports the video production of the **paralympic** games. In 2019, EVS will also collaborate in the production of a book about personal stories of paralympic athletes from all over the world
- **CoderDojo** is a global movement of free, volunteer-led, community-based computer programming clubs for young people. EVS and its employees actively supports that initiative, and its development in the French part of Belgium.
- EVS also supports the **Foundation for Future Generations** in Belgium and its HERA (Higher Education and Research Awards for Future Generations) awards - "sustainable IT". This initiative aims to support those - students and researchers - who integrate the transversal approach of a sustainable development into their thesis. It encourages them to think and act at 360 degrees, taking into account the people, the planet, the prosperity and the participation.

# Shareholders' information

## EVS shares

EVS capital is represented by 14,327,024 shares without nominal value. Since December 15, 2011, EVS shares are either registered or dematerialized (and must be registered in a securities account).

### Stock market and listing

EVS shares are listed on the continuous Euronext Brussels market under the ISIN code BE0003820371. They were listed in October 1998 at a price of EUR 7.44 (EUR 37.20 before split). The share was split into five on June 5, 2005. EVS is part of the Next150 and BelMid indices.

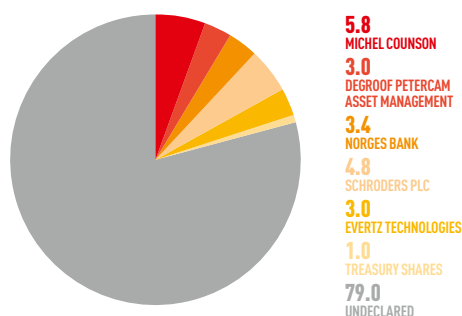
As of December 31, 2018, EVS was also eligible for the Equity Savings Plan for Small and Medium Size Enterprises in France ("plan PEA-PME").

During 2018, the maximum value reached by the stock price was EUR 33.15 on January 16 and the minimum value of EUR 15.44 was reached on October 24. EVS had a market

capitalization of EUR 332.4 million at December 31, 2018 with a share price of EUR 23.20. In 2018, the EVS shares decreased by 21.9%.

During 2018, the standard velocity was around 86.0%. An average of 45,645 shares were traded daily on Euronext and the other trading platforms, which represents EUR 1.1 million. Adjusted for an average free float of 93.9%, EVS had a velocity of 91.6% during 2018.

EVS SHAREHOLDERS (IN %)



### THE EVS SHARE OVER THE LAST 10 YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of shares issued (average)	13,636,540	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,736,111
Number of shares issued (31/12)	14,327,024	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000
Average number of shares, excl. own shares	13,531,196	13,514,301	13,501,815	13,490,812	13,513,053	13,480,715	13,449,081	13,465,244	13,511,048	13,554,643
Average free float	93.9%	93.9%	93.5%	93.5%	93.5%	93.5%	93.5%	88.5%	82.8%	80.9%
Annual volume <sup>(1)</sup>	11,730,794	8,017,152	10,191,122	11,809,385	17,242,611	14,884,293	8,758,751	16,614,717	13,166,859	15,990,689
Average daily volume (number of shares) <sup>(1)</sup>	45,645	31,195	39,654	46,130	66,574	58,600	34,348	63,904	51,034	62,463
Average daily volume [EUR] <sup>(1)</sup>	1,053,033	1,040,358	1,228,090	1,326,711	2,459,901	2,888,959	1,383,196	2,726,774	2,154,676	2,318,011
Standard velocity <sup>(2)</sup>	86.0%	58.8%	74.8%	86.7%	126.6%	109.2%	64.3%	121.9%	96.6%	116.4%
Adjusted velocity - Average free float <sup>(3)</sup>	91.6%	62.7%	80.0%	92.7%	135.3%	116.8%	68.8%	137.8%	116.8%	144.0%
Average annual share price [EUR]	23.07	33.35	30.97	28.76	36.95	49.30	40.27	42.67	42.22	37.11
Closing share price [EUR]	23.20	29.71	33.20	29.00	29.89	46.99	44.40	39.49	47.90	44.80
Highest share price [EUR]	33.15	38.75	36.50	36.40	47.97	57.19	46.00	48.30	49.49	53.24
Lowest share price [EUR]	15.44	26.75	24.89	21.06	23.52	39.88	34.97	34.10	31.97	21.22
Market capitalization (average, EUR millions)	314.6	454.4	422.0	391.9	503.4	671.7	548.7	581.4	575.2	509.7
Market capitalization (Dec. 31, EUR millions)	332.4	404.8	452.4	395.1	407.3	640.2	605.0	538.1	652.6	610.4
Gross dividend [EUR]	1.00	1.00	1.30	1.00	2.00	2.16	2.64	2.36	2.64	2.48
Net dividend [EUR]	0.70	0.70	0.93	0.74	1.50	1.62	1.98	1.77	1.98	1.86
Dividend yield (gross dividend on average share price)	4.3%	3.0%	4.2%	3.5%	5.4%	4.4%	6.6%	5.5%	6.3%	6.7%
Share buyback/share	0.11	0.00	0.00	0.00	0.36	0.00	0.00	0.17	0.27	0.05
Basic EPS [EUR]	2.60	1.77	2.43	1.76	2.63	2.52	3.10	2.38	2.82	1.88
Payout ratio (gross dividend on basic EPS)	38.5%	56.5%	53.5%	56.8%	76.0%	85.7%	85.2%	99.2%	93.6%	131.9%
Price/earnings ratio <sup>(4)</sup>	8.9	18.8	12.7	16.3	14.0	19.6	13.0	17.9	15.0	19.7

<sup>(1)</sup> Source: volumes according to Euronext until 2008; as from 2009, the source is Fidessa, which also includes the exchanges made on alternative platforms.

<sup>(2)</sup> Standard velocity represents the annual volume traded on the stock market expressed as a percentage of the total number of the company's shares.

<sup>(3)</sup> Adjusted velocity represents the annual volume traded on the stock market expressed as a percentage of the average free float.

<sup>(4)</sup> The price/earnings ratio is the average share price for the year divided by the EPS over the same period.



## Dividend

Since its IPO in 1998, EVS has always paid a dividend to its shareholders. For the 2018-2021 period, the Board of Directors intends to pay stable dividends. This decision has been taken to give more clarity to the investors when looking at their investment in EVS. The dividend will continue to be paid in two parts: an interim dividend at the end of November, and the final dividend in May after the approval of the General Meeting. Dividend is expected to be EUR 1.00 for the years 2019, 2020 and 2021 subject to reasonable market conditions. For the 2018 fiscal year, the Board of Directors will propose to the shareholders, at the Ordinary General Meeting of May 21, 2019, the approval of the distribution of a gross dividend per share of EUR 1.00, of which EUR 0.50 was paid as an interim dividend in November 2018. If approved by the Ordinary General Meeting, the remaining gross dividend of EUR 0.50 (or EUR 0.35 net of Belgian withholding tax of 30%) will be paid on May 29, 2019 against coupon #28 (ex-date: May 27, 2019; record date: May 28, 2019). The Board proposal for 2018 represents a payout ratio of 38.5% and a dividend yield of 4.3% (on 2018 average share price).

## Shareholding

Shareholders have an obligation to report the percentage of EVS shares they hold when this percentage crosses upwards and downwards the threshold of 3% (a condition imposed by the articles of association) and for any multiple of 5% (a requirement of the Companies Code).

The percentage of shares held must be calculated based on the number of shares outstanding (14,327,024 shares at the end of 2018).

At December 31, 2018, the shareholding of EVS Broadcast Equipment was as in the graphic on page 21 (from recent statements received by the company and the position of treasury shares at December 31, 2018).

For more details about the shareholding, please refer to the Statement of Corporate Governance in the second part of the annual report.

## General meetings

EVS holds its Ordinary General Meeting on the third Tuesday of May. Shareholders are invited to participate in this meeting. All instructions are published one month before the meeting.

To promote interaction between the company and its shareholders, but also to know them better and to serve them better, EVS requires, under article 24 of its Statutes, the proxies for participation in its General Meetings to be signed by the final effective economic beneficiary.

Proxies by a custodian or sub-custodian must therefore be accompanied by another power of attorney duly signed by the final effective economic beneficiary allowing it to exercise its rights. In the interest of good governance, this provision is strictly applied and results at each meeting, a few non-compliant discharges of proxies, including those from stakeholders.

## Financial service

Dividends are payable at ING BANK SA, which is the sole paying agent in the Euroclear Belgium "E.S.E.S." dematerialized system.

ING BANK SA  
Avenue Marnix, 24  
1000 Bruxelles  
Belgique

## Information accessibility

The group website ([www.evs.com](http://www.evs.com)) gives general information on the company and its products, as well as financial information, the Corporate Governance rules and annual reports.

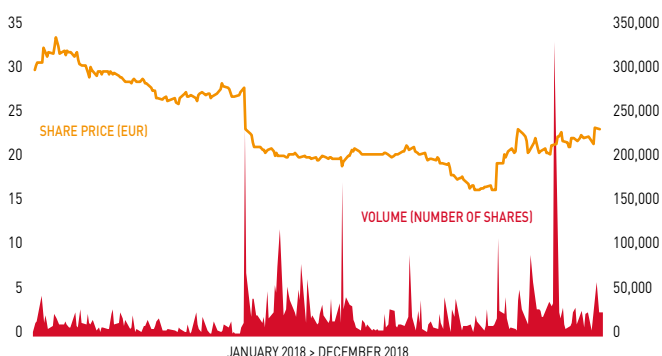
A page is also dedicated to the financial analysts who monitor the stock.

All legal documents are available at the company head office or on its website.

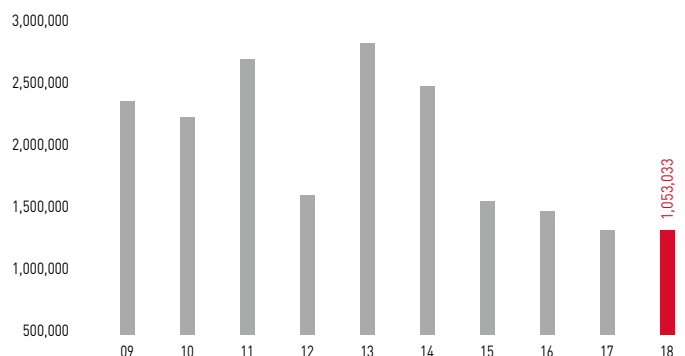
EVS has adopted a "quiet period" policy, which limits communication with investors during sensitive periods to basic, historic and non-time specific information. This quiet period begins one month before the publication of the earnings and continues until the earnings release date.

EVS appreciates the interest of its shareholders in the company and believes that this policy enables the company to balance the needs of a business along with communicating with both new and potential investors in the company.

SHARE PRICE AND VOLUME



LIQUIDITY – AVERAGE DAILY VOLUME ON THE STOCK MARKET (EUR)



# Shareholders' calendar

**May 9, 2019**

first quarter 2019 trading update

**May 21, 2019**

Ordinary General Meeting

**May 27, 2019**

final dividend: ex-date

**May 28, 2019**

final dividend: record-date

**May 29, 2019**

final dividend: payment date

**August 29, 2019**

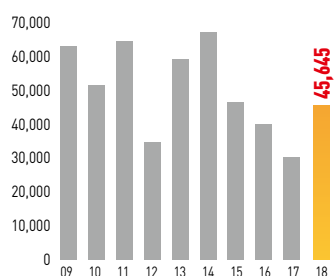
first half 2019 results

**November 14, 2019**

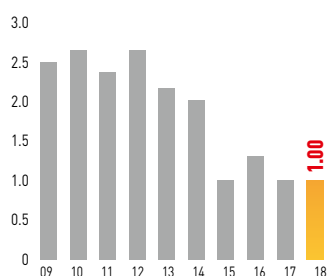
third quarter 2019 trading update



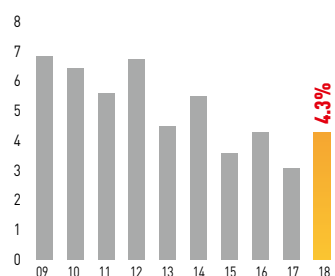
LIQUIDITY – AVERAGE DAILY VOLUME ON THE STOCK MARKET (NUMBER OF SHARES)



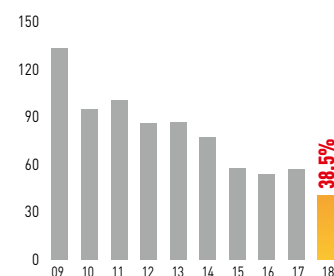
GROSS DIVIDEND PER SHARE AFTER SPLIT (EUR)



DIVIDEND YIELD (%)



PAYOUT RATIO (% OF BASIC EPS)



## CONSOLIDATED KEY FIGURES – IFRS (EUR MIO)

	2018	2017	2016	2018/2017
Revenue	116.1	118.8	130.8	-2.3%
Operating profit - EBIT <sup>(1)</sup>	28.1	34.9	46.2	-19.7%
Net profit (group share)	35.2	23.9	32.8	47.1%
Investments	1.3	1.7	-0.2	-25.0%
Cash generated from operations	33.3	27.3	60.7	22.2%
Total equity before profit allocation (31/12)	141.3	105.3	97.4	34.2%
Net cash position (31/12) <sup>(2)</sup>	58.5	24.8	32.1	135.7%
Net working capital (31/12) <sup>(3)</sup>	40.7	42.9	34.7	-5.2%
Number of employees in FTE (31/12)	477	493	481	-3.2%

## DATA PER SHARE (EUR)

	2018	2017	2016	2018/2017
Average number of shares excl. treasury shares	13,531,196	13,514,301	13,501,815	0.1%
Basic net profit (group share) <sup>(4)</sup>	2.60	1.77	2.43	46.9%
Gross dividend (interim + final dividend)	1.00	1.00	1.30	0.0%
Equity per share	9.93	7.79	7.22	27.5%

## RATIOS (%)

	2018	2017	2016	2018/2017
Gross margin (%)	71.1%	73.7%	74.3%	-
EBIT margin (%) <sup>(1)</sup>	24.2%	29.4%	35.3%	-
Net margin <sup>(5)</sup>	30.3%	20.1%	25.1%	-
Payout ratio (gross dividend/net profit)	38.5%	56.5%	53.5%	-
Dividend yield (gross dividend/average share price)	4.3%	3.0%	4.2%	-
Return on equity – ROE <sup>(6)</sup>	33.4%	24.5%	42.0%	-
Return on capital employed – ROCE <sup>(7)</sup>	54.7%	36.3%	50.3%	-

<sup>(1)</sup> EBIT means "Earnings Before Interests and Taxes" and corresponds to the operating result before interests and taxes. The EBIT margin is the EBIT divided by the revenue.

<sup>(2)</sup> The net cash position is the cash and cash equivalents less the financial liabilities and the other long term debts (incl. their short term portion).

<sup>(3)</sup> The net working capital = stocks + trade receivables - trade payables

<sup>(4)</sup> Calculated based on the number of shares excluding treasury shares and warrants.

<sup>(5)</sup> The net profit margin is the net profit (group share) divided by the revenue.

<sup>(6)</sup> This return is the result of the net profit (group share) divided by (the shareholders' equity at the beginning of the year less the final dividend decided during the Ordinary General Meeting of May).

<sup>(7)</sup> Net profit (group share), (goodwill + intangible and tangible assets + stocks).

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Version française disponible sur demande.  
The Annual Report (management report, accounts and notes)  
is available on the EVS website ([www.evs.com](http://www.evs.com)).  
A paper copy can be obtained on request.





years  
of emotions

**Annual  
financial  
report 2018**



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# MANAGEMENT REPORT

## FINANCIAL REPORT

### 1. CONSOLIDATED KEY FIGURES – IFRS (EUR MILLIONS)

	2018	2017	2016	2018/2017
Revenue	116.1	118.8	130.8	-2.3%
Gross margin %	71.1%	73.7%	74.3%	-
Operating profit - EBIT	28.1	34.9	46.2	-19.5%
<b>Operating margin (EBIT) %</b>	<b>24.2%</b>	<b>29.4%</b>	<b>35.3%</b>	-
Income taxes	7.1	-9.6	-13.1	-26.0%
Net profit, group share	35.2	23.9	32.8	+47.3%
Net profit (%)	30.3%	20.1%	25.1%	-

### 2. HIGHLIGHTS

2018 was a special year for EVS, with a continued challenging environment, some management changes (with the departure of the CEO in July), corporate and capital developments in the second half of the year, a high volatility in the business with a weak first half and a strong acceleration of the business in the second half. We have actually booked a record second half in term of revenue and profit. We have been helped by our new product introductions and, thanks to our commercial actions, we have won key references, including a EUR 4 million contract with Gravity Media Group, an important production company that has made significant investment in our new XT-VIA and Multicam 16 products. For 2019, we expect that core business to remain under pressure as we don't expect to see major improvements in the industry dynamics. In this context, our new products and new developments strategies will be very important to reach our targets.

Regarding the financial performance, 2018 was split in two, with a weak first half and an expected acceleration of the business in the second half. This situation required special efforts of our teams (under a Fight-Back plan designed by the EVS Management Team) in the second half of 2018. Gross margin remained solid above 70%. Our cost reduction initiatives allowed us to limit the operating expenses increase to 0.5% in 2018 yoy (a much better performance than the guidance communicated in February 2018). These costs management efforts will continue in 2019, allowing us to forecast an opex increase below 2% in 2019. Based on our Order Book and the pipeline analysis, we are in a position to announce a revenue guidance for 2019 of EUR 100-120 million.

### 3. STRATEGY AND LONG TERM GROWTH DRIVERS

EVS' core mission is to provide premium technologies to enrich and manage live video productions, in order to create unique stories from every live event.

This mission translates into a clear strategy focused on innovation and a targeted approach that answers to different needs. This strategy is further detailed in the "Annual review" document.

### 4. REVENUE

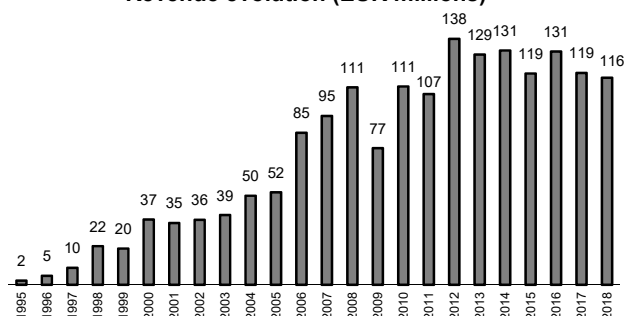
EVS revenue amounted to EUR 116.1 million in FY18, a decrease by 2.3% compared to 2017 (-10.9% at constant currency and excluding the big event rentals). Sales of solutions in Outside Broadcast vans decreased by 20.3% to EUR 54.6 million, representing 47.0% of total group sales in FY18. Studio & others sales decreased by 0.3% in FY18 to EUR 48.1 million, representing 41.5% of total sales. Big events rentals amounted to EUR 13.4 million in FY18 (mainly relating to the World Cup in Russia and the Winter Olympics in South Korea), compared to EUR 2.3 million in FY17. They represented 11.5% of total sales in FY18.

In 2018, in Europe, Middle-East and Africa ("EMEA"), sales (excl. big event rentals) amounted to EUR 46.5 million (-17.1% compared to 2017), representing 40.1% of group revenue.

Sales (excl. big event rentals) in Americas ("NALA") were EUR 24.6 million (-21.5% at constant currency).

In Asia & Pacific ("APAC"), sales (excl. big event rentals) were EUR 31.6 million (+14.5% at constant currency).

Revenue evolution (EUR millions)



## Sales by region (EUR millions)

	2018	2017	Mix 2018	2018/2017
Europe, Middle-East, Africa (EMEA)	46.5	56.1	40.1%	-17.1%
Americas (NALA)	24.6	32.8	21.2%	-24.9%
<i>at constant exchange rate</i>	25.7	32.8	-	-21.5%
Asia-Pacific (APAC)	31.6	27.6	27.2%	+14.5%
Big event rentals	13.4	2.3	11.5%	+480.6%
<b>TOTAL</b>	<b>116.1</b>	<b>118.8</b>	<b>100%</b>	<b>-2.3%</b>

## 5. RESEARCH AND DEVELOPMENT

Research and Development ("R&D") expenses in 2018 were EUR 25.4 million, +1.7% compared to 2017. These expenses represent 21.9% of revenue. In accordance with the group's accounting rules (Belgian and IFRS), these expenses are fully expensed in the P&L over the financial year. At the end of 2018, there were 253 employees working in 5 European sites. The group's strong vertical integration between the sales/support activities at the local level and the R&D enables rapid adaptation of products to ever changing customer needs. EVS priority in terms of R&D is to continue the development of efficient tapeless modular production platforms, which offer producers even more flexibility and quality when producing and broadcasting content to viewers.

Since 4Q10, EVS benefits from a withholding tax exemption given since 2006 by the Belgian government to companies paying or allocating compensation to individual researchers who are engaged in collaborative R&D programs according to some criteria defined under section 273 of the Code of income tax in Belgium. From 2011, in the presentation of the accounts, the amount relating to the current year comes as a deduction of R&D charges.

Since 2015, EVS also benefits from tax credits relating to R&D in France. This amount also comes in deduction of the R&D expenses. Since 2015, EVS also makes use of the investment deduction ("IPD") for part of its investments in R&D in accordance with sections 68 to 77 of the Belgian Income Tax Code. The tax benefit that this measure provides is recognized in income taxes. For more information on R&D expenses, please refer to note 6.3.

## 6. STAFFING

### Breakdown of personnel by department (in full-time equivalents):

	Corporate Services	Research & Development	Sales & Marketing	Production & Operations	Total
Dec. 31, 2016	62	238	60	121	481
Dec. 31, 2017	58	258	59	118	493
Dec. 31, 2018	53	253	58	113	477

As of December 31, 2018, EVS had a total of 477 employees (full-time equivalents, including 5 managers ("membres du personnel de direction"), 458 employees and 14 consultants, advisors and temporary), a decrease by 3.2% compared with end of year 2017. The total salary cost stands at EUR 37.0 million in 2018 as opposed to EUR 36.9 million in 2017. Throughout 2018, the average number of employees was 496, up 3.1% over 2017 (481).

## 7. RESULTS

### 7.1. 2018 key figures per quarter

IFRS - EUR million, except earnings per share, expressed in EUR	1Q18 : unaudited	2Q18 : unaudited	1H18 Reviewed	3Q18 : unaudited	4Q18 : unaudited	2H18 unaudited	2018 audited
Revenue	22.8	21.2	44.1	29.6	42.3	72.0	116.1
Gross margin	15.7	13.8	29.5	20.4	32.6	53.0	82.5
Gross margin %	68.8%	64.8%	66.9%	68.8%	77.1%	73.6%	71.1%
Operating profit – EBIT	1.9	0.5	2.3	7.5	18.2	25.8	28.1
Operating margin – EBIT %	8.1%	2.3%	5.3%	25.4%	42.9%	35.8%	24.2%
Net profit – Group share	2.1	8.4	10.6	7.4	17.2	24.6	35.2
Basic earnings per share	0.16	0.62	0.78	0.54	1.27	1.82	2.60

### 7.2. Comments on the results

Consolidated gross margin was 71.1% for FY18, compared to 73.7% in FY17 due to a less favorable product mix. Operating expenses grew by 0.5% yoy, and remain under control thanks to strict cost management and recruitment. The "Other income" in FY17 included the reversal of a debt booked for the earn out portion of the acquisition of SVS at the end of 2014. The FY18 EBIT margin was 24.2%. Income taxes were positive in FY18 (EUR 7.0 million), mainly due to the effect of the implementation of the innovation box regime in Belgium (that included a one-time tax deduction of EUR 6.6 million in relation with 2H16 and FY17). Group net profit amounted to EUR 35.2 million in FY18, compared to EUR 23.9 million in FY17. Basic net profit per share amounted to EUR 2.60 in FY18, compared to EUR 1.77 in FY17.



### 7.3. Data per share (EUR)

	2018	2017	2016	2018/2017
Weighted average number of subscribed shares for the period, less treasury shares	13,531,196	13,514,301	13,501,815	+0.1%
<b>Basic net profit, group share</b>	<b>2.60</b>	<b>1.77</b>	<b>2.43</b>	<b>+46.9%</b>

### 8. BALANCE SHEET, CASH-FLOW, OWN SHARES AND EMPLOYEE PROFIT SHARING

At the end of 2018, total equity represented 80.1% of total balance sheet. Inventories amounted to EUR 15.1 million. Lands and building mainly include the new headquarters in Liège. Depreciation on the building approximately amount to EUR 2.1 million on a full year basis. Liabilities include EUR 9.9 million of financial debt (including long term and short term portion of it), mainly relating to the new building. The company already started to repay it in 2015 with installment of around EUR 5.2 million reimbursement per year.

Net cash flow from operating activities reached EUR 32.0 million in 2018. At 31 December 2018, the Group's balance sheet showed EUR 68.5 million in cash and cash equivalents. This is a strong increase compared to the end of 2017, following the continued strong cash generation from the business, combined with the EUR 14.9 million capital increase realized on December 26, 2018 and the EUR 3.3 million from the sale of one of the building held for sale on December 18, 2018.

At the end of 2018, the capital was represented by 14,327,024 shares, of which 151,721 were owned by the company (at an average historical cost of EUR 31.31).

In 2018, the company repurchased 58,580 shares on the stock market (under a share buyback program started on October 25, 2018). No shares were used to satisfy the exercise of warrants by employees. 12,627 shares were allocated to staff members under the profit-sharing program. In fact, as in previous years and within the framework of the law of 22 May 2001, the Ordinary General Meeting of May 15, 2018 decided to grant an exceptional advantage to its staff members through the profit-sharing program, equivalent to the grant of shares of the company up to EUR 0.4 million.

In 2018, no new warrants were granted, there were no exercises and 49,400 warrants were cancelled. As of December 31, 2018, 183,500 warrants were outstanding with an average strike price of EUR 30.74 and an average maturity of April 2022. However, none of these warrants were exercisable at the end of December 2018 and in-the-money (with an exercise price below the share price as of December 31). The 183,500 existing warrants have a theoretical potential diluting effect of 1.28% on capital. This is partially covered by the 151,724 treasury shares.

### 9. PROVISIONS FOR RISKS AND CHARGES

As per December 31, 2018, EUR 1.3 million provisions were available to reasonably cover technical warranties.

### 10. RISK MANAGEMENT

EVS is exposed to many exogenous and endogenous risks detailed in the annexes of the annual financial report and in the paragraph 5.1 of the Corporate Governance statement. The management, the Audit Committee and the Board of Directors conduct regular analyses of the company's risk and take actions to minimize or neutralize the potentially negative effects.

Financial instruments used by the company are identified in the balance sheet and booked at fair value.

More information on the use of the financial instruments by the company, the objectives and policies relating to financial risks management and the risks the company is exposed to, can be found in the Corporate Governance Statement (point 5.1) and in the "Risks and uncertainties" chapter. The foreign currency risk is treated separately in the note 27.2.

### 11. INVESTMENTS

EVS business does not require major investments in equipment. The group's policy is to own its premises in Belgium and primarily finance them through shareholders' equity and long term bank loans. As per December 31, 2018, the net book value of lands and buildings was EUR 44.8 million, and there were no Assets held for sale any more. The sale of the biggest building (still classified in Assets held for sale at the end of September 2018) has been closed in December 2018, with a cash inflow of EUR 3.3 million in 4Q18. A loss of EUR 0,2 million has been accounted for in the profit and loss statement. The last small remaining building that was classified in Assets held for sale at the end of September 2018 for a value of EUR 0.4 million has been reclassified in Lands and Buildings, as the company decided to stop the sale process for this one as well. Following the reclassification, EUR 0.04 million has been recorded as a depreciation adjustment in 4Q18.

## 12. CAPITAL AND SUBSIDIARIES

The EVS Broadcast Equipment SA capital of EUR 8,772,323 is represented by fourteen million three hundred and twenty-seven thousand and twenty-four shares (14,327,024) without any designation of nominal value. The number of shares increased by 702,024 in 2018 (see more information in note 19.1).

## 13. OUTLOOK 2019

During the last few months, through the different discussions we had with many investors, we have gathered interesting feedback and we decided to take different decisions:

### 2019 financial guidance

We have decided to anticipate the issuance of a revenue guidance for fiscal years, by giving it in already February instead of May as done until now. This will increase transparency and give analysts and investors a better view on the quality of the business, earlier in the year.

The order book (to be recognized in revenue in 2019) on February 15, 2019 amounts to EUR 26.7 million, which is -28.8% compared to EUR 37.5 million last year, which included EUR 10.6 million of big event rentals (-0.7% excl. big event rentals). In addition to this order book to be invoiced in 2019, EVS already has EUR 5.4 million of orders to be invoiced in 2020 and beyond.

The management gives the following guidance for 2019:

- revenue will be in the EUR 100 million to EUR 120 million range (with H2 stronger than H1)
- Opex is expected to grow by less than 2%

### Change in quarterly financial reporting

Given the high quarterly volatility of the business of EVS, the company has decided to limit its quarterly publications (Q1 and Q3) to a trading update. The Board of Directors is convinced that it will help reducing the volatility of the share price of EVS following the quarterly publications, while continuing to give key business information on a quarterly basis. This will be implemented as from the first quarter of 2019 (published on May 9, 2019).

## 14. SUBSEQUENT EVENTS

Significant events that arose after the balance sheet date are:

- The information communicated in the 2018 annual results released on February 21, 2019;
- Under the share buyback program started on October 25, 2018, the company has continued to acquire EVS shares in 2019. Regular updates are published on the EVS website.

## 15. PROPOSALS BY THE BOARD TO THE SHAREHOLDERS

The Board of Directors has decided to change the dividend policy. For the 2018-2021 period, the Board of Directors Intends to pay stable dividends. This decision has been taken to give more clarity to the investors when looking at their investment in EVS. The dividend will continue to be paid in two parts: an interim dividend at the end of November, and the final dividend in May after the approval of the General Meeting. Dividend is expected to be EUR 1.00 for the years 2019, 2020 and 2021 subject to reasonable market conditions.

For 2018, the Board of Directors has decided to propose a total gross dividend of EUR 1.00 per share at the May 21, 2019 Ordinary General Meeting, including the interim dividend of EUR 0.50 per share paid in November 2018. This leads to a final gross dividend of EUR 0.50 per share, for digital coupon # 28, to be paid on May 29, 2019. The Board of Directors also proposes to grant around 14.605 shares in total to the employees within the framework of the law relating to profit-sharing schemes.

# CORPORATE GOVERNANCE STATEMENT

This section of the annual report summarizes the rules and principles of good corporate governance established by EVS, in accordance with Belgian Code of Companies (and the law of April 6, 2010), articles of incorporation and the Charter of Corporate Governance. It also focuses on activities related to the year 2018.

## 1. CORPORATE GOVERNANCE CHARTER

Already in 2006, the Board of Directors of EVS Broadcast Equipment approved a Corporate Governance Charter ("Charter"), which has been updated in 2016. Today, this Charter is based on the 2009 Belgian Code on Corporate Governance ("The 2009 Code"). The Board still reviews this Charter whenever needed. This document is fully available on the group's website ([www.evs.com](http://www.evs.com)).

The Charter adopted by the Board of Directors meets EVS most points in the 2009 Code. However, the Board considered that exceptions to the 2009 Code were justified given the specificities of EVS. The last section of this chapter shows the differences with the 2009 Code, and explains the reasons for the exemptions.

## 2. BOARD OF DIRECTORS

The members of the Board of Directors are appointed for a term between 1 and 4 years. On December 31, 2018, the Board of Directors was made up of 7 members. Decisions are taken by a majority vote. In the event of a tie, the Chairman or his representative has a casting vote. In the case of a conflict of interest, the people involved do not take part in the debates and in the vote.

When one or several positions of Director become vacant as a consequence of death, resignation or for any other reason, the remaining Directors are entitled to fill the vacancy temporarily. In such a case, the General Meeting shall make the definitive appointment at its next session.

On July 10, 2018, the Board of Directors and Muriel De Lathouwer mutually agreed to end the term of the office and duties of Muriel De Lathouwer, Managing Director and CEO of the company (mandates and functions exercised mainly through her company Much sprl). This included her mandate as Member of the Board of Directors.

The members are provided with various documents at each Board meeting or enclosed with the notification of the meeting. These documents include reports, financial results, investment documents and other papers relating to the items on the agenda.

In 2018, the Board met 10 times and notably discussed the following matters: strategic review, changes in management, R&D and product developments, monitoring subsidiaries, liquidity management, 2018 business updates, the 2019 budget, examining acquisition and partnership projects, preparing press releases and preparation of General Meetings, management of Directors' mandates and evaluation of the functioning of the Board.

## 3. SPECIALIZED COMMITTEES ATTACHED TO THE BOARD

The Board of EVS has set up an Audit Committee, a Remuneration Committee and a Strategy Committee to conduct reviews on specific matters and advise on them. The final decision remains a collective responsibility of the Board of Directors.

### 3.1. Audit Committee

The Audit Committee is composed of two non-executive independent directors and one executive Director. This committee assumes the missions described in the Article 526bis of the Belgian "Code des sociétés". More generally, it assists the Board of Directors in its responsibilities concerning the integrity of the financial information relating to the company and, in particular, supervising the financial reports, the internal audit function, the external audit function and the relations between the company and its shareholders. The Audit Committee met 2 times in 2018 in the presence, for most of the topics, of the CFO and the company's Auditor.

Vincent Werbrouck (civil Engineer, Executive Master in Management and more than 10 years of experience in executive functions at Magotteaux), Chantal De Vrieze (Certificate in law, and many years of experience in executive functions, incl. in the Altran and Econocom groups) and Yves Trouveroy (two Certificates in Law, 30 years of experience in the banking sector and in private equity) have the competencies in accounting and audit.

### 3.2. Remuneration Committee

The Remuneration Committee is composed of the CEO ad interim (invited) and three non-executive independent directors. This committee assumes the mission described in the article 526quater of the Belgian "Code des Sociétés". More generally, it assists the Board of Directors in its responsibilities concerning the setting of remuneration for the company's executives and managers. The members of this committee met 7 times in 2018.

### 3.3. Strategy Committee

The Strategy Committee is composed of the CEO, of one or more directors and also uses external consultants depending on topics and issues. It aims to assist Executive Management in all matters related to the company's strategy. In 2018, the Strategy Committee members met 3 times.

On December 31, 2018, the Board of Directors was made up as follows:

		Director since	Audit Committee	Remuneration Committee	Strategy Committee	Term of mandate	Activities in 2018	
							Attendance Board meetings	Attendance Committees
<b>Michel COUNSON</b>	Managing Director	1994			Member	May 2020	10	3
<b>Pygargue sprl, represented by Pierre De MUELENAERE *</b>	Managing Director	15/01/2018		Invited	Chairman	May 2022	9	10
<b>Innoconsult bvba, represented by Martin DE PRYCKER</b>	Independent Director	2016		Chairman	Member	May 2020	10	10
<b>7 Capital sprl, represented by Chantal De VRIEZE***</b>	Independent Director	2017	Member	Member	Member	May 2021	10	11
<b>MMBu, represented by Patricia LANGRAND</b>	Independent Director	2017		Member	Member	May 2021	10	10
<b>Yves TROUVEROY</b>	Independent Director	2011	Chairman		Member	May 2019	10	5
<b>W7 sprl, represented by Vincent WERBROUCK *</b>	Executive Director	15/01/2018	Member		Member	May 2022	10	5
<b>Directors who had responsibilities in 2018 but were not any more a member of the Board on December 31, 2018:</b>								
<b>Much sprl, represented by Muriel DE LATHOUWER</b>	Managing Director	2013				July 10, 2018	4	-

\* Pygargue sprl and W7 sprl were appointed as Director of EVS on January 15, 2018. Following the departure of Much sprl on July 10, 2018, they both took executive functions.

\*\* On July 10, 2018, the Board of Directors and Muriel De Lathouwer mutually agreed to end the term of the office and duties of Muriel De Lathouwer, Managing Director and CEO of the company (mandates and functions exercised mainly through her company Much sprl). This included her mandate as Member of the Board of Directors.

#### Michel COUNSON (1960)

CTO Hardware of the company since it was founded in 1994, Michel COUNSON graduated as an Engineer in electronics from the Institut Supérieur Industriel Liégeois in 1982. He started his career as a Hardware Engineer with TECHNIQUES DIGITALES VIDEO S.A. in 1983 before founding his own company, VIDEO SYSTEM ENGINEERING S.P.R.L. in 1986, which used to work in partnership with EVS on numerous projects. The two companies merged in 2000. He manages the Hardware Department of EVS.

#### Pierre DE MUELENAERE (1958)

Pierre De Muelenaere has been appointed independent Director and Chairman of the Board of Directors of EVS in January 2018. He is President, Managing Director and CEO ad interim of the company since the departure of the previous CEO in July 2018. Until 31 August 2015, Pierre De Muelenaere was President and CEO of I.R.I.S. (Image Recognition Integrated Systems), a company he co-founded in 1987 (with Jean-Didier Legat) to commercialize the results of his PhD. He has more than 30 years of experience in Imaging and Artificial Intelligence. He has accumulated solid experience in technology company management, R&D management and setting up international partnerships with US and Asian companies. He is also a member of the Board of directors of Proximus, Pairi Daiza and Guberna and served for seven years as a director on the Board of BSB, an insurance and banking software company. Mr. De Muelenaere holds a Civil Engineering degree in Microelectronics from the Université Catholique de Louvain (UCL) and received his PhD in Applied Sciences in 1987.

#### Martin DE PRYCKER (1955)

Martin De Prycker is Managing Partner at Qbic Fund (an interuniversity fund supporting spin-off companies in Belgium). Between 2009 and 2013, he was Founder & CEO of Caliopa (a startup in silicon photonics). Between 2009 and 2014, he was Founder & CEO of Caliopa (a startup in silicon photonics). Between 2002 and 2009, he was CEO of Barco, a publicly quoted international technology company. Prior to that, he was CTO and member of the Executive Committee of Alcatel-Lucent. Before becoming CTO of Alcatel-Lucent, he was responsible for establishing Alcatel-Lucent's worldwide market leadership in the broadband access market. He is a member of the Board of Directors of Proximus. Mr De Prycker holds a Ph.D in Computer Sciences, a M.Sc. in Electronics from the University of Ghent, as well as a MBA from the University of Antwerp.

#### Chantal DE VRIEZE (1961)

Chantal De Vrieze (permanently representing 7 Capital sprl) is Managing Director of Econocom Belux, and member of the Executive Committee of Econocom Group. She started her career in 1984 at AGFA, then Banque Van Breda, where she gained a solid background in Sales and Marketing. Between 2003 and 2015, she successively served as Sales Director, Managing Director of Econocom Benelux (European provider of B2B digital solutions). In June 2015, she became Country Manager of Altran Belgium (international consulting group for innovation and advanced engineering), then CEO of Altran Belgium and Luxembourg



between 2016 and 2018. She is graduated in law from the University of Ghent. She is also a member of the Board of Directors of Colruyt, Picanol, Axa Belgium and Guberna (Belgian Institute of Directors), and a member of the FEB Strategic Committee.

#### **Patricia LANGRAND (1963)**

Patricia Langrand (permanently representing MMBu) is currently Managing Director of her own consulting firm MMBu. She started her career with France Telecom, where she held several positions including Strategic Marketing Director. From 1996 to 1999, she was Assistant Director of Consumer Electronics, Audiovisual, Networks and Telecom for the Ministry of Economy, Finance and Industry. In 1999, she became Chief Digital Officer & Chief Technical Officer of Canal + Group. At the end of 2002, she joined the Executive Committee of Orange as CEO of the Group's Digital Media & Entertainment activities. From 2009 to 2015, she was Executive Vice-President of Steria Group (leading European Digital Services Company), in charge of innovation, business development, marketing and communication. She is graduated from Ecole Polytechnique (X- Paris) and Telecom ParisTech. She is also a member of the Audit Committee of "Paris 2024 Summer Olympics", and member of several boards including Eurovision Services one.

#### **Yves TROUVEROY (1961)**

Yves Trouveroy is Partner at E-Capital Equity Management, the management company of the private equity funds E-Capital I (1999), E-Capital II (2007) and E-Capital III (2011) that invest in Belgian small and medium-sized companies. Before 1999, he practiced as Lawyer at De Bandt, van Hecke & Lagae (now Linklaters) and then served as executive in the International Trade & Project Finance and Corporate Investment Banking departments of Generale Bank (now BNP Paribas Fortis). He holds a Law degree and a Political Science degree from the Université Catholique de Louvain and a Masters of Laws (LLM) from New York University.

#### **Vincent WERBROUCK (1964)**

Vincent Werbrouck is currently Executive Director of EVS, since the departure of the previous CEO in July 2018. He is also a member of the Board of Directors of Sapristic (IT and services in Belgium). Between 2000 and 2014, he held various positions at Magotteaux Group (expert in grinding processes and wear mechanisms), including Chief Sales and Marketing Officer, and Chief Innovation Officer. He served as Independent Director of BSB (an insurance and banking software company) between 2007 and 2014. He holds a Civil Engineering degree in Mechanics from the Université Catholique de Louvain (UCL) and an Executive Master in Management from Solvay Business School (Brussels).

## **4. DAY-TO-DAY MANAGEMENT**

The Board of Directors has delegated day-to-day management to two Managing Directors and an Executive Committee.

### **4.1. Executive Committee**

On December 31, 2018, the Executive Committee was composed of:

- Pygargue sprl, represented by Pierre DE MUELENAERE, Managing Director and CEO ad interim
- Yvan ABSIL, CFO
- Axel BLANCKAERT, CTO
- Benoît QUIRYNEN, Chief Market Officer
- W7 sprl, represented by Vincent WERBROUCK

Michel Counson is also Managing Director but is not part of the Executive Committee, per his own request.

The Executive Committee coordinates the monitoring and development of the company and its affairs. Its members are in permanent contact, receive information on the group's financial situation, sales and projects, and the Committee takes operational decisions such as appointing or dismissing staff and concluding contractual agreements. It is the decision-making body of the group.

The company, conscious of the importance of ensuring a certain diversity in its staff, also continued to work on the diversity of age, educational and professional background as well as geography of its executive committee and EVS management team in general, including the diversity of professional skills in particular. In 2018, our EVS management team is diversified from several angles: Its size, extended to 18 members with an increase in skills in management, transformation, technologies, software and services as well as a diversity of geography and an international exposure of its members.

### **4.2. Operational management of subsidiaries**

The Executive Committee delegates the necessary powers to its subsidiaries to ensure their operational functioning. The commercial and support subsidiaries are easy to control as their activities are entirely dependent on EVS Broadcast Equipment SA, based in Liège (Belgium): delivery of promotional materials, presence at trade fairs, supply of machines or exchange parts, and accounts. The Board of Directors of these subsidiaries are mainly composed by the headquarters' Managing Directors, the Head of Finance and Administration and local managers. The subsidiaries are spread over geographical regions (America, Europe/Africa/Middle East, Asia/Pacific). This type of organization enables very efficient distribution of information at the group level as well as rapid decision making. The group's commercial policy is coordinated by the parent company, and each region has different level of operational autonomy which allows creating an optimal contact with the market.

## 5. CONTROL OF THE COMPANY

### 5.1. Internal control and risk management systems

The management strives to provide the level of risk control that is as adequate as possible. The various risks are identified in this financial annual report. The most important characteristics of internal controls and risk management systems are:

- The assessment, with the auditor, of his audit reports and, if necessary, the request of additional information and clarifications, and the set-up of corrective actions;
- The assessment, with the auditor and the Audit Committee, of the processes that are at risk in the preparation and remediation of the financial statements;
- The ongoing monitoring of activities, operating results and financial risks of the company (including the financial position of the company, the exchange rate risks), including within the various subsidiaries of the group;
- Monitoring the price of components and of relationships with suppliers;
- Managing the information systems;
- Monitoring of rules for the prevention of market abuse, compliance with these rules and any violations;
- Monitoring regulations and laws, including the monitoring of potential litigation, and possible financial implications thereof;
- The process for the preparation of the consolidated accounts is centralized at the group's financial function level. All information necessary for this process come from widely used software in the market. Control procedures are in place to ensure that it is thoroughly mastered.

### 5.2. External audit

Since the Ordinary General Meeting of May 17, 2016, the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA is carried out by Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU (A-01729), Belgian Réviseur d'Entreprise. The mandate of the Auditor is for three years (ending in May 2019). EVS will propose to renew the mandate for a period of three years at the Ordinary General Meeting of May 2019.

In 2018, all fees related to the Auditor of the parent company, Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU and its associates, amounted to EUR 56,030 in aggregate for their duties as Auditor.

## 6. SHAREHOLDING (AS OF DECEMBER 31, 2018)

The situation as it appears from the last official ownership statements received by the company and the situation of treasury shares as of December 31, 2018 is as follows:

Shareholder	Number of shares	% statutory basic <sup>(1)</sup>	% statutory diluted <sup>(2)</sup>
Michel Counson	835,906	5.8%	5.8%
Treasury shares EVS	151,724	1.1%	1.0%
Degroof Petercam Asset Management	436,746	3.0%	3.0%
Schroders Plc	681,021	4.8%	4.7%
Norges Bank	484,128	3.4%	3.3%
Evertz Technologies	429,060	3.0%	3.0%
Undeclared	11,308,439	78.9%	77.9%
<b>Total</b>	<b>14,327,024</b>	<b>100.0%</b>	
<b>Total excl. Treasury shares</b>	<b>14,175,300</b>		
Outstanding warrants as of Dec. 31	183,500		1.3%
Total diluted	14,510,524		100.0%
Total diluted, excl. treasury shares	14,358,800		

<sup>(1)</sup> As % of the number of subscribed shares, including the treasury shares.

<sup>(2)</sup> As % of the number of subscribed shares, including the outstanding warrants and the treasury shares.

Since December 26, 2018, the capital of EVS is currently represented by 14,327,024 shares. There is only one category of shares, having the same rights. More information on the EVS capital is available in the note 19 of the consolidated accounts. On December 31, 2018, EVS had 151,724 own shares. According to Euroclear and the EVS Shareholders Register, there were 1,617,710 registered shares of which 811,528 are owned by Michel Counson (who also own 24,378 dematerialized shares), 0 by EVS, 66,247 by the EVS employees under the profit sharing scheme and the remaining balance by 14 shareholders. In the EVS accounts at Euroclear, there were 12,709,314 dematerialized shares.

Shareholders must declare their ownership in EVS shares as soon as their shareholding passes over/under the 3% threshold (required by the company Statutes) and any multiple of 5% thresholds (required under Belgian law). The shareholding percentage must be computed on the basic number of outstanding shares (i.e. 14,327,024 shares at the end of 2018).

## 7. GENERAL MEETINGS

Each year, EVS holds its Ordinary General Meeting on the third Tuesday of May. In 2018, it was held at the company's headquarters on May 15. Overall, 151 shareholders were present or represented, representing 4,668,102 shares, or 34.3% of the share capital of EVS. All resolutions were approved at an average rate of 98.5% votes in favor.

For any proposal to amend the articles of associations, the company must invite its shareholders to attend an Extraordinary General Meeting. This assembly can validly cast only if 50% of shares are present or represented. If this is not the case, a second Extraordinary General Meeting shall be convened and will be able to vote, regardless of the percentage of shares present or represented. Decisions will be made to the majorities prescribed by law. No Extraordinary General Meeting was held in 2018.

In order to encourage the interactions between the company and its final shareholders, but also in order to better know them (and serve them), EVS requires, according to the article 24 of its articles of association, the proxies for a general meeting to be signed by the final effective beneficial owner. Hence, proxies signed by a custodian or sub-custodian must be accompanied by another proxy, duly signed by the final effective beneficial owner, allowing him to exercise its rights.

## 8. DIVIDENDS AND PROFIT ALLOCATION POLICY

The Board of Directors examines the results of the previous financial year and proposes at its Ordinary General Meeting that these profits be distributed in the best interest of the company and its shareholders. Bearing in mind the legal restrictions on profit distribution, the Board of Directors can propose a dividend policy that takes into consideration the company's investment and acquisition requirements. Since its IPO in 1998, the company paid dividends. The company initiated in 2006 the payment in November of an interim dividend.

The Board of Directors has decided to change the dividend policy. For the 2018-2021 period, the Board of Directors Intends to pay stable dividends. This decision has been taken to give more clarity to the investors when looking at their investment in EVS. The dividend will continue to be paid in two parts: an interim dividend at the end of November, and the final dividend in May after the approval of the General Meeting. Dividend is expected to be EUR 1.00 for the years 2018, 2019, 2020 and 2021, subject to reasonable market conditions.

Dividends are payable at the following financial institution:  
ING BANK SA ("Single ESES Paying Agent Euroclear")  
Avenue Marnix 24, 1000 Brussels, Belgium

## 9. RESPECT OF THE BELGIAN CODE ON CORPORATE GOVERNANCE

EVS has adopted the Belgian Code on Corporate Governance (2009) as reference code. In line with the "comply-or-explain" principle of the code, the Company concluded that the best interests of the Company and its shareholders are served by variance from the Code in a limited number of specific cases. These variances are explained below:

- An independent internal audit function is put in place (item 5.2./17 of 2009 Code): the internal audit function is fulfilled by the existing team within the finance department and the actions of the Audit Committee. The Board took this decision in view of the size of EVS, the risks and the existing control systems in the company.
- The audit committee should meet at least four times a year (point 5.2/28 of the 2009 Code): in 2017, the Audit Committee met 2 times, which seems enough given the size and the structure of the company.
- The executive management should include, at least, all executive directors (point 6.2): upon his own request, Michel Counson is not a member of the Executive Committee of the company. He prefers to focus on his role of CTO Hardware.
- Under the lead of its chairman, the board should regularly (e.g. at least every two to three years) assess its size, composition, performance and those of its committees, as well as its interaction with the executive management (point 4.11): there hasn't been any evaluation of the Board of Directors in 2016. This evaluation has been performed at the beginning of 2018, with the support of Guberna.
- The board shall set up an audit committee composed exclusively of non-executive directors (point 5.2./1 of 2009 Code): W7 sprl (represented by Vincent Werbrouck) is a member of the Audit Committee. But after the departure of Much sprl in July 2018, he became an Executive Director. The decision to ask Vincent Werbrouck to become an Executive has been taken in the best interest of all shareholders, and is temporary, until the appointment of a new CEO in 2019.

# REMUNERATION REPORT

## 1. THE DIRECTORS

### 1.1. Remuneration policy

Non-executive Directors receive an annual fixed amount, eventually on a pro rata basis. This fixed amount includes the participation to 6 meetings per year. The non-executive Directors also receive, as remuneration for the execution of their mandate, a fixed amount for each Board meeting (above 6 meetings per year) and special committee meeting attended. The Chairman, if he is non-executive, receives a higher fixed amount per meeting than the other members.

The Company and its subsidiaries do not provide any personal loans, guarantees and such to the members of the Board of Directors or the Executive Team. If Directors are charged with special tasks or projects, they are entitled to receive an appropriate remuneration for those activities, which is notably the case for the Executive Directors.

The policy and the remuneration of the Directors are approved by the Ordinary General Meeting. The Ordinary General Meeting of May 2016 unanimously approved the increase of the remuneration of the Board of Directors, proposed based on comparisons made with comparable companies, and with the aim of professionalizing even more the governance of the company.

### 1.2. Remuneration in 2018

Since the Ordinary General Meeting of May 2016 (with effect as of January 1, 2016), the remuneration is fixed as follows:

- Fixed annual remuneration of EUR 20,000 per Director (resp. EUR 40,000 for the Chairman of the Board of Directors), covering up to 6 meetings per year.
- Above 6 meetings for a full year of presence, a variable fee of EUR 1,500 per attendance to a Board meeting for each non-executive Director.
- Fixed annual remuneration of EUR 2,000 for the Chairman of a Committee.
- Variable fee of EUR 1,000 per attendance to a Committee meeting (Audit, Remuneration or Strategy) for each non-executive Director.
- The fixed amounts are adjusted pro rata temporis according to the appointment/resignation date during the year.

No termination compensation is provided for non-executive Directors at the end of their mandate. Non-executive directors do not receive any shares, warrants or stock options.

In 2018, Directors received the following compensation for the execution of their mandate:

		Fixed amount		Variable amount linked to attended meetings		Other	TOTAL 2018
		Board of Directors	Special committees	Board of Directors	Special committees		
<b>Non-executive</b>							
Innoconsult bvba, represented by Martin DE PRYCKER	Independant Director	20,000	2,000	6,000	10,000	500	38,500
7 Capital sprl, represented by Chantal DE VRIEZE	Independant Director	20,000	-	6,000	11,000	1,000	38,000
MMBu, represented by Patricia LANGRAND	Independant Director	20,000	-	6,000	10,000	1,500	37,500
Yves TROUVEROY	Independant Director	20,000	2,000	6,000	5,000	-	33,000
<b>Executive</b>							
Michel COUNSON	Managing Director	20,000	-	-	-	-	20,000
Pygargue sprl, represented by Pierre DE MUELENAERE <sup>(1)</sup>	Managing Director & CEO ad interim	40,000	-	4,500	10,000	-	54,500
MucH sprl, represented by Muriel DE LATHOUWER <sup>(2)</sup>	Managing Director	10,466	-	-	-	-	10,466
W7 sprl, represented by Vincent WERBROUCK <sup>(1)</sup>	Executive Director	20,000	-	6,000	5,000	-	31,000
<b>TOTAL</b>							<b>262,946</b>

(1) Including the remuneration received as Independent Directors until July 10, 2018 and Executive Directors since then.

(2) Until the end of her mandate on July 10, 2018. This remuneration is included in the amounts mentioned in 2.2.1.

As of December 31, 2018, based on the last statements received by the company and the latest modification of the shareholders' register, the members of the Board of Directors held, directly or indirectly, 835,906 shares of a total of 14,327,024, or 5.8% of the capital.



## 2. THE CEO AND THE OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

### 2.1. Remuneration policy

#### 2.1.1. Fixed and variable remuneration

The remuneration policy aims to attract, maintain and motivate competent and professional employees. For this reason, the amount of the remuneration is determined as a function of the individual tasks and responsibilities. The Remuneration Committee assesses annually the total remuneration and organizes additional meetings when needed. The level of remuneration is also compared to external references, either through studies or through external counsels.

The contribution made by the members of the executive management to the development of the activities and the results of the group are a substantial part of the remuneration policy.

In order to align the interests of the members of the executive management with the interests of the company and its shareholders, a part of the remuneration is linked to the results of the Company and another part to the individual performance.

The results of the Company are based on sales and operational result of the past financial year. These criteria, as proposed by the Remuneration Committee, are evaluated by the Board of Directors annually and adapted when necessary.

The individual performance is based on a clearly defined evaluation system based on the achievement of specific measurable objectives, the realization of important key figures and the respect of core values which are important for the Company. All goals should be in line with the group strategy, the key values and the guidelines. The individual goals are determined annually during individual appraisals at the beginning of the financial year. There is no provision of formal right of recovery of the variable compensation awarded on the basis of erroneous financial information, for the benefit of the Company. The evaluation period is the last fiscal year, and the variable compensation amount is determined at the end of the first quarter of the next year.

The potential contributions for pensions and insurances are linked to the fixed remuneration.

As remuneration for his/her services, the CEO receives, as approved by the Ordinary General Meeting of May 2015 and amended by the General Meeting of May 2017:

- a fixed remuneration,
- a variable remuneration according to annual criteria mentioned above (EBIT)
- a fixed amount for recurring costs (company car, insurance).

Since July 10, 2018 and until the end 2018, the interim CEO receives a fixed remuneration set by the Remuneration Committee and approved by the board of Directors.

For the other members of the executive management, metrics used for the variable remuneration include sales, EBIT, opex control and progress on the multi-year strategic growth plan approved by the Board. The variable incentive scheme is capped. Most of them also have a company car at their disposal and are covered by a group insurance plan (see also note 6.3.1). For the coming years, the remuneration policy will be consistent with the one followed until now.

#### 2.1.2. Other elements of the remuneration

Since approximately ten years, regularly, there is a grant of warrants for some members of the staff. A rigorous process supervised by the Remuneration Committee manages the grant, promotes loyalty, ensuring balance and fair distribution.

The warrants and options are granted at no-cost and are not linked to the performances of the Company, but to the level of responsibility and the added value of the people. They can be exercised, for one-third, for the first time one year after the date of the offer of the warrants. The warrants are granted according to the provisions identified in the law of 26 March 1999 concerning the Belgian action plan for job opportunities 1998. The exercise of warrants could result in the subscription of new shares in the event of a capital increase unless the Board of Directors decides to distribute shares that were purchased by the Company (warrants qualified as "sui generis"), which was often the case.

Since 2018, the CFO, the CTO and the CMO receive a bonus with objectives on 2 years.

#### Severance pay

In the case that severance pay amounts to more than 12 months of the fixed and variable remuneration (or more than 18 months based on a motivated decision by the Remuneration Committee), the allotment of this remuneration will be presented for approval to the General Meeting. For the members of the executive management, no severance pay conditions exceeding 12 months have been agreed. In the case of any potential severance, the remuneration will be determined based on applicable current employment laws and practice.

## 2.2. Compensation received in 2018

### 2.2.1. CEO

The Board of Directors and Much sprl (Muriel De Lathouwer) have mutually agreed on the terms of termination of the contract of Much sprl (Muriel De Lathouwer), Managing Director and CEO of the company and all her related office and duties, with effect as from July 10, 2018. For the year 2018 Much sprl received a total of EUR 168,080 for its executive functions. Much sprl and her permanent representative Muriel De Lathouwer also received EUR 46,467 to cover recurring costs (company car, insurance) and for her mandates of Director. In 2018, a variable compensation of EUR 36,289 was also attributed to Much sprl. In addition, it received in 2018 a termination indemnity of EUR 271,425, on the basis of the terms of its management service agreement.

Pygargue sprl, represented by Pierre De Muelenaere was appointed as interim CEO on July 10, 2018. He received as compensation for this a total amount of EUR 78,215. He also received compensation for his Director mandate as mentioned in section 1.2.

### 2.2.2. Other members of the executive management

For fiscal year 2018, the other members of the executive management were:

- Yvan ABSIL, Chief Financial Officer
- Benoît QUIRYNEN, Chief Market Officer
- Axel BLANCKAERT, Chief Technology Officer
- Bernard ESCOYEZ, Chief People Officer (from January 8, 2018 until July 20, 2018)
- NBIC Watch sprl, represented by Ervan POULIQUEN, Chief Customer Officer (until December 3, 2018, date on which its contract has been terminated and for which it has received a termination indemnity of EUR 200,000 on the basis of its contract).
- W7 sprl, represented by Vincent Werbrouck, CCO ad interim (from July 10<sup>th</sup> 2018)

The other members of the executive management received, in 2018, on a prorata basis of their presence in the executive management: a fixed global compensation of EUR 1,048,154 (total company cost), a global variable compensation of EUR 122,309 (total company cost), a contribution for pension of EUR 64,575 (see more details on the plan in note 6.3.1) and other benefits for EUR 96,062 (including medical insurance and company cars).

Stock options are awarded to the CEO and the other members of the executive management after the Board of Directors' approval upon the recommendation of the Remuneration Committee. In 2018, the CEO and the other members of the executive management didn't receive any warrant.

## 3. CONFLICT OF INTEREST PROCEDURES

During the year under review, there was a conflict of interest according to the specific procedure provided for under Articles 523 and 524 of Company Law for Pygargue sprl (Pierre De Muelenaere) and W7 sprl (Vincent Werbrouck) during the meeting of the board of directors of 28 August 2018 during which the contracts of Pygargue sprl (Pierre De Muelenaere) and W7 sprl (Vincent Werbrouck) and their respective terms have been discussed. They have neither attended nor voted this matter further to which the above-mentioned contracts have been entered into taking into account the services corresponding to the needs of the company that they will provide on this basis. The economic consequences of the related contracts have been mentioned under 2.2.1 and 2.2.2.

# RISKS AND UNCERTAINTIES

Investing in the stock of EVS Broadcast Equipment (“EVS”) involves risks. As requested by the EU Regulations and the Belgian law (Company Code and Royal Decree of 14 November 2007), you and any investor should carefully consider the following risk factors and all other information contained in this annual report before purchasing our common stock. If any of the following risks occurs, our business, financial condition or results of operations could be seriously harmed. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

We distinguish primary and secondary risks.

## 1. PRIMARY RISKS

- We face competition and if we are unable to compete effectively, we may experience decreased sales or pricing pressure, which would negatively impact our future operating results.
- We derive a substantial majority of our revenues from customers in the broadcast industry that use our products for both production and transmission of television content. If we fail to generate continued revenues from this market or if there is a downturn in this market, our revenues could decline.
- We depend on sales of our XT and XS video server products. If market demand for these products does not continue, our future operating results could be harmed.
- Our business may be harmed if our contract manufacturers are not able to provide us with adequate supplies of our products.
- If we experience delays, shortages or quality issues from our component suppliers, our product sales could suffer.
- Our future success depends on our ability to attract and retain key personnel, and our failure to do so could harm our ability to grow our business.
- The average selling price of our products may decrease, which could negatively impact our operating results.
- Our end users require a high degree of product reliability. If we are unable to provide high quality products, our relationships with end users could be harmed.
- If we fail to develop and introduce new products or enhancements to existing products in a timely manner, or if we fail to manage product transitions, we could experience decreased revenues in the future.
- If we fail to respond to technological changes and evolving industry standards, our products could become obsolete or less competitive in the future.
- If our products do not interoperate with other systems, installations could be delayed or cancelled.
- Our products are highly complex and may contain undetected software or hardware errors, which could harm our reputation and future product sales.
- If we fail to manage our growth effectively, our business could be harmed.

## 2. SECONDARY RISKS

- We may not be able to continue to maintain or increase our profitability and our recent growth rates may not be indicative of our future growth.
- Our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future, which could cause our stock price to decline.
- We have significant international operations and derive most of our revenues from international customers, which exposes us to significant risks, including risks relating to currency fluctuations.
- Our future financial performance depends on growth in the markets for video servers and digital tapeless solutions. If these markets do not continue to grow at the rate that we forecast, our operating results would be materially and adversely impacted.
- Investment processes of our clients can be lengthy and unpredictable, which may make it difficult to predict sales in any particular quarter.
- Our use of open source software and other third-party technology and intellectual property could impose limitations on our ability to market our products.
- Failure to protect our intellectual property could substantially harm our business.
- If a third party asserts that we are infringing its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or expensive licenses, which could harm our business.
- We are subject to governmental export controls that could subject us to liability or adversely affect our ability to sell our products in international markets.
- We are subject to environmental and other health and safety regulations that may increase our costs of operations or limit our activities.
- We may expand through acquisitions of, or investments in, other companies, each of which may divert our management’s attention, result in additional dilution to stockholders or use resources that are necessary to operate other parts of our business.

- The issuance of new accounting standards or future interpretations of existing accounting standards could adversely affect our operating results.
- Maintaining and improving our financial controls and the requirements of being a public company may strain our resources and divert management's attention.
- We or one of our affiliate might require additional capital to support business operations, and this capital might not be available on acceptable terms, or at all.

**The Board of Directors**

Liège, April 4, 2019



## CERTIFICATION OF RESPONSIBLE PERSONS

Pierre De Muelenaere, Managing Director and CEO ad interim  
Yvan Absil, Senior Vice President, CFO

certify that, based on their knowledge,

- a) the annual financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, fairly present in all material respects the financial condition and results of operations of the issuer and the companies included in the consolidation;
- b) the Directors' report fairly presents the evolution of the business, the results and the situation of the issuer and the companies included in the consolidation, as well as a description of the main risks and uncertainties.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Notes	2018 Audited	2017 Audited
Revenue	3	116,059	118,784
Cost of sales	6.2	-33,540	-31,207
<b>Gross profit</b>	<b>6.2</b>	<b>82,519</b>	<b>87,577</b>
<b>Gross margin %</b>		<b>71.1%</b>	<b>73.7%</b>
Selling and administrative expenses	6.4	-27,949	-28,085
Research and development expenses	6.3	-25,424	-25,008
Other income	6.6, 18	50	1,320
Other expenses		-343	-269
Profit-sharing plan and warrants	6.4	-789	-589
<b>Operating profit (EBIT)</b>		<b>28,064</b>	<b>34,945</b>
<b>Operating margin (EBIT) %</b>		<b>24.2%</b>	<b>29.4%</b>
Interest revenue on loans and deposits	6.5	66	57
Interest charges	6.5	-363	-388
Other net financial income / (expenses)	6.5	123	-1,194
Share in the result of the enterprise accounted for using the equity method	5	223	124
<b>Profit before taxes</b>		<b>28,112</b>	<b>33,543</b>
Income taxes	7	7,042	-9,645
Net profit from continuing operations		<b>35,155</b>	<b>23,898</b>
<b>Net profit</b>		<b>35,155</b>	<b>23,898</b>
Attributable to :			
Non controlling interest			
<b>Share of the group</b>		<b>35,155</b>	<b>23,898</b>
<b>EARNINGS PER SHARE (in number of shares and in EUR)</b>	<b>8</b>	<b>2018 Audited</b>	<b>2017 Audited</b>
Weighted average number of subscribed shares		13,531,196	13,514,301
Weighted average fully diluted number of shares		13,531,196	13,514,301
<b>Basic earnings – share of the group</b>		2.60	1.77
<b>Fully diluted earnings – share of the group <sup>(1)</sup></b>		2.60	1.77

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands)	2018 Audited	2017 Audited
<b>Net profit</b>	<b>35,155</b>	<b>23,898</b>
<b>Other comprehensive income of the period</b>		
Currency translation differences	122	-450
Other increase/ (decrease)	-174	40
<b>Total of recyclable elements</b>	-52	-410
<b>Total comprehensive income for the period</b>	<b>35,103</b>	<b>23,488</b>
Attributable to :		
Non controlling interest		
<b>Share of the group</b>	<b>35,103</b>	<b>23,488</b>

(1) Diluted earnings per share equals basic earnings per share because the 183,500 warrants outstanding at the end of December 2018 were not exercisable as their exercise prices were higher than the average market price of EVS shares during 2018.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

ASSETS (EUR thousands)	Notes	Dec 31, 2018 Audited	Dec. 31, 2017 Audited
<b>Non-current assets :</b>			
Goodwill	10	1,125	1,125
Other intangible assets	11	443	291
Lands and buildings	12	44,836	45,812
Other tangible assets	12	2,765	2,897
Investment accounted for using equity method	5	1,282	1,091
Other amounts receivables	15	2,324	1,759
Deferred tax assets	7.3	5,428	3,297
Financial assets	13	287	273
<b>Total non-current assets</b>		<b>58,489</b>	<b>56,546</b>
<b>Current assets :</b>			
Inventories	14	15,113	15,667
Trade receivables	15	30,489	33,144
Other amounts receivable, deferred charges and accrued income	15	3,642	3,820
Financial assets	16	129	236
Cash and cash equivalents	17	68,482	39,423
<b>Total current assets</b>		<b>117,855</b>	<b>92,291</b>
Non-current assets classified as held for sale	18	-	<b>4,016</b>
<b>Total assets</b>		<b>176,344</b>	<b>152,853</b>
<b>EQUITY AND LIABILITIES (EUR thousands)</b>			
<b>Equity</b>			
<b>Capital</b>	<b>19</b>	<b>8,772</b>	<b>8,342</b>
Reserves	19.6	136,601	100,453
Treasury shares	19.5	-4,750	-4,038
<b>Total consolidated reserves</b>		<b>131,851</b>	<b>96,415</b>
Translation differences	19.7	713	590
<b>Equity, share of the group</b>		<b>141,336</b>	<b>105,347</b>
<b>Non-controlling interest</b>		-	-
<b>Total equity</b>		<b>141,336</b>	<b>105,347</b>
<b>Non-current liabilities</b>			
Provisions	21	2,105	1,212
Deferred taxes liabilities	7.3	44	-
Financial debts	20	4,426	9,300
Other debts	20	68	59
<b>Non-current liabilities</b>		<b>6,642</b>	<b>10,572</b>
<b>Current liabilities</b>			
Financial debts	20	5,493	5,250
Trade payables	22	4,897	5,870
Amounts payable regarding remuneration and social security		7,442	8,513
Income tax payable		2,519	8,851
Other amounts payable, advances received, accrued charges and deferred income	22	8,015	8,451
<b>Current liabilities</b>		<b>28,366</b>	<b>36,935</b>
<b>Total equity and liabilities</b>		<b>176,344</b>	<b>152,853</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	2018 Audited	2017 Audited
<b>Cash flows from operating activities</b>			
Net profit, share of the group		35,155	23,897
<b>Adjustment for:</b>			
-Other income		125	-
- Depreciation and write-offs on fixed assets	11, 12	3,060	3,549
- Stock based compensation and ESOP	6.4	789	589
- Provisions	21	893	92
- Income tax expenses	7	-7,042	9,645
-Interests expense (+) / Income (-)	6.5	174	1,526
-Share of the result of entities accounted for under the equity method		-223	-124
<b>Adjustment for changes in working capital items:</b>			
-Inventories	14	554	-2,118
-Trade receivables	15	2,043	-7,806
-Other amounts receivable, deferred charges and accrued income	15	175	-68
-Trade payables	22	-1,270	2,149
-Amounts payable regarding remuneration and social security		-887	-353
-Other amounts payable, advances received, accrued charges and deferred income		-313	-1,964
-Conversion differences		99	-131
<i>Cash generated from operations</i>		33,331	28,882
Income taxes paid	7	-1,371	-17,372
<b>Net cash from operating activities</b>		<b>31,960</b>	<b>11,510</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-290	-297
Purchase of tangible assets (lands and building and other tangible assets)	12	-1,309	-1,746
Disposal of tangible assets		3,401	47
Other financial assets		43	55
<b>Net cash used in investing activities</b>		<b>1,845</b>	<b>-1,940</b>
<b>Cash flows from financing activities</b>			
Reimbursement of borrowings	20	-5,369	-5,250
Proceeds from new borrowings	20	738	-
Interests paid	6.5	-358	-388
Interests received	6.5	66	57
Dividend received from investee		-	-
Dividend paid - interim dividend	9	-6,749	-6,760
Dividend paid - final dividend	9	-6,758	-9,446
Other allocation		-399	-480
Acquisition (-) / sale (+) of treasury shares	19.5	-1,194	-
Increase in shareholders' equity		14,892	-
<b>Net cash used in financing activities</b>		<b>-5,131</b>	<b>-22,268</b>
Net increase in cash and cash equivalents		28,674	-12,698
Net foreign exchange difference		385	-1,030
<b>Cash and cash equivalents at beginning of period</b>		<b>39,423</b>	<b>53,150</b>
<b>Cash and cash equivalents at end of period</b>		<b>68,482</b>	<b>39,423</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, share of the group	Non-controlling interest	Total equity
<b>Balance as at January 1, 2017</b>	<b>8,342</b>	<b>92,611</b>	<b>-4,547</b>	<b>1,040</b>	<b>97,446</b>	<b>-</b>	<b>97,446</b>
Total comprehensive income of the period		23,938		-450	23,488		23,488
Share-based payments		589			589		589
Acquisition/sale of treasury shares			509		509		509
Final dividend		-9,446			-9,446		-9,446
Interim dividend		-6,760			-6,760		-6,760
Other allowance		-478			-478		-478
<b>Balance as at December 31, 2017</b>	<b>8,342</b>	<b>100,453</b>	<b>-4,038</b>	<b>590</b>	<b>105,347</b>	<b>-</b>	<b>105,347</b>

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, share of the group	Non-controlling interest	Total Equity
<b>Balance as at January 1, 2018 (reported)</b>	<b>8,342</b>	<b>100,452</b>	<b>-4,038</b>	<b>590</b>	<b>105,347</b>	<b>-</b>	<b>105,347</b>
Change in accounting policies		-34			-34		-34
<b>Balance as at January 1, 2018 (restated)</b>	<b>8,342</b>	<b>100,418</b>	<b>-4,038</b>	<b>590</b>	<b>105,313</b>	<b>-</b>	<b>105,313</b>
Total comprehensive income of the period		34,981		122	35,103		35,103
Acquisition of non-controlling interests	430	14,462			14,892	-	14,892
Share-based payments		645			645		645
Acquisition/sale of treasury shares			-712		-712		-712
Final dividend		-6,758			-6,758		-6,758
Interim dividend		-6,749			-6,749		-6,749
Other allowance		-399			-399		-399
<b>Balance as per December 31, 2018</b>	<b>8,772</b>	<b>136,601</b>	<b>-4,750</b>	<b>713</b>	<b>141,336</b>	<b>-</b>	<b>141,336</b>

# NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

## 1. INFORMATION ABOUT THE COMPANY

### 1.1. Identification

EVS Broadcast Equipment SA  
Liege Science Park  
Rue Bois Saint-Jean, 13  
B-4102 Seraing  
VAT: BE 0452.080.178  
National Registered Number: BE0452.080.178  
www.evs.com

EVS Broadcast Equipment SA was incorporated for an unlimited period on February 17, 1994 in the form of a public limited company governed by Belgian law. EVS Broadcast Equipment SA is a company whose shares are publicly traded. It has its head office in Belgium.

The consolidated financial statements of EVS Broadcast Equipment SA as at December 31, 2018 were established by the Board of Directors of April 4, 2019. The Board of Directors is authorized to amend the consolidated financial statements up until the Annual General Meeting of Shareholders, scheduled to be held on May 21, 2019.

The financial year starts on January 1 and ends on December 31 of each year. The consolidated financial statements are reported in euros (EUR).

### 1.2. Public information

The company's financial statements are filed with the "Banque Nationale de Belgique". Corporate by-laws and special reports required by the "Code des Sociétés" can be obtained from the Commercial Court Registry in Liège and from the Belgian Official Bulletin "Moniteur Belge" and its related website ("<http://www.ejustice.just.fgov.be/tsv/tsvf.htm>"). These documents, as well as annual statements and any written information to shareholders, are also available at the company's registered office. Financial information is available on the Internet at [www.evs.com](http://www.evs.com).

### 1.3. Corporate purpose of the company

The corporate purpose of the company is the "development, marketing and exploitation of audiovisual equipment as well as, more generally, any operations of a general, commercial, industrial, financial, fixed or movable property nature, in Belgium or elsewhere, directly or indirectly relating to the processing of pictures and sound, in whatever possible form. The company may have interests in any manner in any kind of businesses, firms or companies with identical, analogous, similar or connected aims or which could further the development of its activities, supply it with raw materials or facilitate outlets for the company's services".

## 2. SUMMARY OF THE IFRS SIGNIFICANT ACCOUNTING PRINCIPLES

### 2.1. Basis of presentation of the financial statements

The consolidated accounts of the group have been prepared on an historical cost basis, except for the share based payments, buildings and derivative financial instruments, which are measured at their fair value. The consolidated accounts are presented in euros (EUR) and all the values are rounded figures to the nearest thousand unless otherwise indicated.

### 2.2. Statement of compliance

The consolidated accounts of EVS Broadcast Equipment SA and of its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

### 2.3. New norms, interpretations and amendments

During the current financial year, the group applied all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on January 1, 2018. The group has not applied any new IFRS requirements that have been published but that are not yet effective.

The nature and the impact of each of those norms, amendments and/or interpretations are shown below :

#### ***IFRS norms, amendments or interpretations adopted as of 2018***

The Group has adopted IFRS 9 and IFRS 15 as of 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

- IFRS 9 Financial instruments. IFRS 9 covers the three aspects of the financial instruments recognition project: the classification and measurement, the impairment and the hedge accounting. It is applicable for annual periods beginning on or after 1 January 2018.
  - Classification and measurement  
The implementation of IFRS 9 did have a significant impact on the financial situation or equity of EVS. This is because as of the first-time application date trade receivables represented the biggest portion of EVS's financial assets and in accordance with IFRS 9 trade receivables are generally held to collect contractual cash flows and it

is expected that those cash flows represent solely payments of principal and interests. Consequently, trade receivables have been categorized as financial assets at amortized cost under IFRS 9.

- Impairment  
The standard imposes EVS to recognize expected credit losses on its trade receivables. The group decided to apply the simplified approach and to recognize the expected credit loss on the total of its trade receivables. EVS collected historical statistical data about credit losses over the previous financial years and adapted its IT systems. The impact of this change in accounting policies on the shareholders' equity opening balance in 2018 amounted to EUR 34 thousand. The amount of impairment loss recognized as of Dec 31, 2018 amounts to EUR 119 thousand.
- Hedge accounting  
Currently, EVS does not apply hedge accounting. If this should be implemented in the future, EVS will then apply IFRS 9.
- IFRS 15 - Revenue from Contracts with Customers, also including IFRS 15 amendments. This standard provides a principle based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of the performance obligations in a contract and requires that revenue be recognized when such obligations are satisfied. The Group has adopted the new standard on the required effective date using the transitional modified retrospective method. During the implementation, the group identified the different types of contracts and has analyzed the potential consequences of the new requirements on its revenue recognition practice. As part of the project, the Group performed certain analysis and reached the following conclusions:
  - Sale of equipment  
The group considers that this type of contract usually includes a single performance obligation for which the revenue recognition occurs at a point in time when the transfer of ownership happens, usually at the delivery of the equipment. This is in line with the accounting treatment which was applied under the legacy IFRS thus no impact has been determined on this type of transactions.
  - WIP ("Work in progress") contracts  
This category of contracts includes contracts with a value of more than 500 K€ and with 3 months duration at least. As they require substantial time to be completed, the Group was accounting for these contracts similar to construction contracts and recognized work-in-progress during the performance of the contract. In line with IFRS 15, the Group determined that these contracts still represent one single performance obligation and as its promises under the contracts relates to the creation of an asset for the customer the revenue should be recognized over time. Therefore, the accounting treatment did not change following the adoption of the standard.
  - Other services  
In certain contracts, EVS agrees to perform other services, which can be sold separately or in combination with other equipment sale. These services are considered as a distinct performance obligation and when the services is sold in combination with the sale of the equipment, the transaction price is allocated based on the relative stand-alone selling price which is in general the separate price determined in the contract. In most cases, the revenue recognition occurs over time as the customer simultaneously receives and consumes the benefits provided by the group. The group therefore did not determine any impact following the application of IFRS 15.
  - Warranties  
The company offers warranties on the products delivered but those are mostly assurance-type warranties and will continue to be recognized in accordance with IAS 37.

As a result of the analysis and implementation, the standard did not have a significant impact on the revenue recognized by the Group.

#### ***IFRS norms, amendments or interpretations issued but not yet effective as of 2018***

- IFRS 16 Leases. This standard provides a basis for the accounting of leasing contracts by lessees and lessors and represent a major change compared to IAS 17 in the area of lessee accounting. The standard will be applicable for annual periods beginning on or after 1 January 2019 and EVS will adopt it on the required effective date using the modified retrospective approach. The new standard impacts approximately 300 company car rental contracts and the rental agreements for the rent of offices in various foreign countries. EVS foresees to apply for the two recognition exemptions for lessees: leases of "low-value" assets and short-term leases. The group has reviewed all its leasing arrangements over the last year and has come up with the following conclusions:
  - The standard will affect primarily the accounting for the group's operating leases;
  - At reporting date, the group had operating lease commitments of EUR 5.2 million (see note 23.1);
  - For those leases, the group expects to recognize right-of-use assets and lease liabilities for an amount of approximately EUR 9 million as of 1 January 2019;
  - For the financial year 2019, the group does not expect that the net profit after tax will be significantly impacted following the adoption of IFRS 16. However, we expect that operating cash flow will increase and financing cash flows will decrease by approximately EUR 2 million;
  - Conversely, the group does not expect any impact on its activities as a lessor as those are not material;
- IFRIC 23 Uncertain tax positions (applicable for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 Financial instruments – prepayment features with negative compensation and modification of financial liabilities (applicable for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 Long-term interests in associates and joint ventures (applicable for annual periods beginning on or after 1 January 2019);

- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable for annual periods beginning on or after 1 January 2020);
- Amendments to the guidance of IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020);
- Amendments to the definition of material in IAS 1 and IAS 8 (applicable for annual periods beginning on or after 1 January 2020);
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019)

At the exception of the comments made relating to IFRS 16, it is not expected that the application of the above mentioned IFRS standards, interpretations and amendments will have a significant impact on the financial statements.

#### **2.4. Summary of changes in accounting policies**

The Company consistently used the same accounting policies throughout all periods presented in its IFRS financial statements. There is no impending change in accounting policy, at the exception of the accounting treatment of the post-employment benefits (see note 6.4.1.) and the first implementation of new norms, interpretations and amendments as described in note 2.3.

#### **2.5. Consolidation principles**

The consolidated financial statements include the financial statements of EVS Broadcast Equipment SA and of its subsidiaries prepared as at December 31 of each year. The financial statements of the subsidiaries are prepared on the same date and in accordance with identical accounting principles. All the intra-group balances, intra-group transactions as well as the income, the expenses and the latent results included in the carrying amount of assets, generated by internal transactions, are eliminated in full.

#### **2.6. Subsidiaries**

The subsidiaries are companies controlled by EVS, for which the following are met: (a) EVS has the power (legally or de facto) over the investee; (b) EVS is exposed or entitled to variable returns from its involvement with the investee; and (c) EVS's ability to use its power over the investee to affect the amount of returns it gets.

The subsidiaries are consolidated as from the acquisition date, which corresponds to the date on which the group took over control and up until such date as the exercise of this control ceases.

All companies over which control is exercised directly or indirectly are fully consolidated.

When a change occurs in the controlling power within a subsidiary, the consolidated accounts integrate the profit and loss up to the date which EVS Broadcast Equipment SA loses the control.

#### **2.7. Interests in joint ventures and in associates**

Joint ventures (in accordance with the processing prescribed by IFRS 11) as well as associates are recognized according to the equity accounting method.

These investments are carried in the balance sheet at the lowest value between that obtained by the equity method and the recoverable value. The group's share in the profit and loss of the joint ventures and of the associates is entered into the profit and loss account, in a distinct line "Share in the result of the enterprise accounted for using the equity method".

The financial statements of the joint ventures and of the associates are used by the group in order to apply the equity accounting method.

The financial statements of the joint ventures and of the associates are prepared on the same reporting date as the parent company, on the basis of similar accounting principles.

#### **2.8. Summary of significant decisions and estimates**

##### **2.8.1. Decisions**

To prepare financial statements in accordance with the group's accounting methods, management has made assumptions, in addition to those that call for recourse to estimates, some of which have a significant effect on the amounts recognized in the financial statements:

Research and Development costs: the group has considered that it cannot make a clear distinction between the research phase and the development phase of a project developed internally. Moreover, the group sells products in a market that is subject to rapid technological change, new product development and changing customer needs. Accordingly, the group has concluded that it cannot determine technological feasibility until the development stage of the product is nearly complete. For these reasons, R&D is expensed, not capitalized.

##### **2.8.2. Recourse to estimates**

In order to prepare the financial statements in accordance with the IFRS standards, it is up to management to establish a certain number of estimates and assumptions in order to determine the amounts reported in the financial statements and their notes. The estimates carried out on each reporting date reflect the conditions in force on these dates (for example: market price, interest rates and exchange rates).

Although these estimates are based on the best knowledge of management of the existing events and of the actions that the group could undertake, the real results may differ from these estimates.



The use of estimates is particularly applicable when performing goodwill impairment tests and evaluating any additions to the purchase price of past business combinations, determining the fair value of share-based payments, the evaluation of the deferred tax position and the determination of the percentage of completion of construction works.

## 2.9. Foreign currency translation

Each entity of the group determines its own functional currency and the elements included in the financial statements of each of the entities are measured by using this functional currency. The functional currency of EVS Broadcast Equipment SA as well as all of the subsidiaries is the euro, except for the EVS Inc. subsidiary, whose functional currency is the US dollar. The presentation currency of the financial statements of EVS Broadcast Equipment SA is the euro.

### 2.9.1. Financial statements of foreign companies

For all the subsidiaries, except for EVS Inc., transactions in foreign currencies are initially recorded in the functional currency at the exchange rate in force on the transaction date. On the reporting date, the monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate in force on the reporting date. The non-monetary items in foreign currency that are measured at the historical cost are converted at the exchange rates in force on the initial transaction dates. All the exchange differences are recognized in consolidated income statement.

For the EVS Inc. subsidiary that operates in USD, on the reporting date, the assets and liabilities are converted into the functional currency of the group (EUR) at the exchange rate in force on the reporting date, their equity is converted at historical exchange rate and their income statement is converted at the average exchange rate of the period. Any exchange differences resulting from this conversion are recognized directly under a different heading of the shareholders' equity.

### 2.9.2. Transactions in foreign currencies

The transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. The monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the reporting date. The exchange gains or losses resulting from monetary transactions and the conversion of monetary assets or liabilities are recognized in the income statement.

The non-monetary assets and liabilities are converted at the exchange rate of the foreign currency in force on the transaction date.

### 2.9.3. Exchange rates used

USD / EUR exchange rate	Twelve months average	At December 31 (closing rate)
2018	1.1810	1.1450
2017	1.1296	1.1993
Variation	-6.3%	-7.9%

## 2.10. Business combinations and goodwill

Business acquisitions are accounted using the purchase method. The counterpart, transferred in connection with a business combination, is measured at fair value, which is calculated as the sum of the fair values at the acquisition date of the assets transferred by the group, the liabilities incurred by the group in favor of the former owners of the acquired company and the part of equity issued by the group in exchange for control of the acquired company. The acquisition-related costs are generally recognized in profit or loss as incurred.

When consideration transferred by the group as part of a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value at the acquisition date and included in consideration transferred under the business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustment to goodwill. The adjustments of evaluation periods result from additional information about facts and circumstances that existed at the date of acquisition obtained during the "evaluation period" (maximum of one year from the acquisition date).

Changes resulting from events after the acquisition date, such as the achievement of an earnings target, are not measurement period adjustments. In this case, the changes in fair value of contingent consideration meeting the definition of a financial liability are recognized in net income.

Goodwill is the difference between the cost of an acquisition and the share of the acquirer's interest in the net fair value of the identifiable assets, certain liabilities and eventual liabilities. The goodwill is not depreciated but must be reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, in accordance with IAS 36.

If the share held by the company in the net fair value of the identifiable assets, liabilities and eventual debts of the acquired company exceeds the cost of the combination, the surplus is immediately recognized in the profit and loss account.

## 2.11. Intangible assets

Intangible assets acquired other than goodwill are recognized at cost.

Intangible assets with a finite useful life are depreciated on a straight-line basis over the duration of their economic utility (3 years for software, between 3 and 5 years for the other intangible assets) and reviewed for impairment testing each time there is a sign of impairment in the intangible asset.

The depreciation duration and method are reviewed every year. The carrying amounts of the intangible assets are reviewed for impairment when events or changes indicate that the carrying amount may not be recoverable.

## 2.12. Tangible assets

The buildings are recorded at cost. Their value is reduced with depreciation and is not subject to fair value revaluation. The cost includes fees and costs and capitalized borrowing. Subsidies that have been collected to finance the construction of the buildings are deducted from the cost of acquisition (see rules on capital subsidies).

Since the commissioning of the building in 2015, the cost of the building, less estimated residual value, is amortized over the estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period of the financial information.

The other tangible assets are recognized in the balance sheet at cost price, less accumulated depreciations and impairment losses.

The depreciation is calculated on straight-line basis over the estimated useful life of the asset. The useful life is examined on an annual basis.

The estimated useful lives of the tangible assets are as follows:

- Buildings: between 10 and 30 years
- Vehicles: between 3 and 5 years
- IT equipment: between 3 and 4 years
- Office furniture and equipment: between 3 and 10 years
- Plant and equipment: between 3 and 10 years
- Other tangible assets: between 3 and 4 years

The depreciation is calculated from such time as the asset is available for use. The carrying amounts of the tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If anything points to such a situation, and if the carrying amounts exceed the estimated recoverable value, the assets or the cash generating units are depreciated to be brought back to their recoverable value. Impairment losses are recognized in the profit and loss account.

A tangible asset is no longer recognized in the accounts from such time as it is sold or no future economic benefit is expected from the asset. Any gain or loss generated at the time of the sale (calculated as the difference between the sale price and the net carrying amount of the element) is recognized in the course of the period during which it was sold.

## 2.13. Non-current assets held for sale

Non-current assets and groups supposed to be sold are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continued use. This condition is fulfilled only when the asset (or group held for sale) is available for immediate sale in its present condition, only subject to terms that are usual and customary for sales of such assets (or group held for sale) and that its sale is highly probable. Management must be committed to the sale and must expect that the sale qualifies for recognition as a completed sale within one year from the date of its classification.

Non-current assets (and groups held for sale) classified as held for sale are measured at the lower of their carrying amount and fair value less sale costs. They are not depreciated any more.

## 2.14. Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing stocks to the right place in the appropriate conditions are recognized as follows for both the current and previous year:

- the cost of the raw materials is determined using the weighted average price method;
- the cost of the finished goods and work-in-progress is the full cost, which covers all the direct costs (materials and labor) and a portion of the indirect production costs necessary to take the stock to completion on the reporting date, excluding the borrowing costs.

The net realizable value is the estimated sale price at the normal rate of the activity, less the estimated costs for the completion of the goods and the estimated costs necessary to realize the sale.

## 2.15. Trade and other receivables

Receivables are stated in the balance sheet at original invoice and subsequently are subject to impairment. For the trade receivables, EVS applies the simplified approach in calculating the impairment in accordance with the expected credit loss method which requires measuring the impairment based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.16. Other current and non-current assets

The other current and non-current assets are recognized at the depreciated cost.

## **2.17. Cash and cash equivalents**

The cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of less than three months. All the investments are recognized at their nominal value in the financial statements.

## **2.18. Treasury shares**

Sums paid or received during the acquisition or sale of the company's treasury shares are recognized directly in the equity. No profit or expense is included in the income statement during the purchase, sale, issuance or cancellation of treasury shares. The treasury shares are classified under the "treasury shares" heading and are deducted from the total shareholders' equity.

## **2.19. Non-controlling interests**

Non-controlling interests represent the share of the net profit and loss from the operations and the net assets of a subsidiary that are allocated to interests not held by the group, whether directly or indirectly via subsidiaries.

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

All loans and borrowings are initially recognized at the fair value of the amount received, less the transaction costs to be allocated directly if they are significant. After the initial recognition, interest-bearing loans and borrowings are measured at the depreciated cost, using the effective interest rate method. The profits and losses are recognized in the results when the liabilities are derecognized and via the depreciation process.

## **2.21. Provisions**

Provisions are recognized when the group has a present obligation (legal or implicit) as a result of a past event, if 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 of the obligation value. When the group is expecting the repayment of the provision, the repayment is recognized as a different asset but only if this repayment is almost certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## **2.22. Pensions and other post-employment benefits**

The post-employment benefits include pensions.

The group operates defined contribution pension schemes. The minimum legal contribution is partially warranted by the insurance company.

However 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.

IAS 19 requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Therefore, pension provisions are set up. The obligations are measured on a discounted basis because they are settled many years after the employees render the related service.

## **2.23. Share-based payment**

The group's employees and management receive a remuneration in the form of a share-based payment, such as a non-transferable stock option plan (warrants), which allows them to acquire or receive group shares (equity-settled transactions), or such as payments determined on the value of the share (cash-settled transactions).

### **2.23.1. Equity-settled transactions**

The cost of the stock option plans (warrants) is determined by reference to the fair value of the equity instruments granted, measured on the grant date. The fair value is determined using the Black & Scholes model, taking into account the characteristics and conditions governing the granting of the instruments.

The cost of equity-settled transactions is recognized as an expense and is offset by a corresponding increase in shareholder's equity over a period that ends on the date on which the beneficiary becomes creditor of the grant.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of "fully diluted" earnings per share but only when they have a dilutive effect when the exercise price is below the average share price of EVS ordinary shares during the fiscal year.

## **2.24. Revenue recognition from ordinary activities**

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

As far as the sale of goods is concerned, revenues are recognized as soon as the company has transferred the significant risks and benefits inherent to the ownership of the goods to the buyer. Sales are recognized when there is clear evidence of an agreement, when the delivery has taken place, when the remuneration is determined and determinable and when it is probable that the payment will be received.

As regards the services provided, revenues are also recognized in line with the work in progress. The completion level of the projects is determined on a quarterly basis, depending on the effective level of completion of the specifications. This is the result of a dialogue between the Business Controller, the Project Manager, the legal department and the customer.

Revenues from public subsidies are deducted from the depreciation charge at the rate of depreciation of the goods for which they have been obtained.

Interest revenue is recognized as interest accrues.

The dividends that are received from subsidiaries are recognized when the group has a right to receive that payment.

## **2.25. Leases (EVS as lessor)**

The existence of a lease within an agreement is reported on basis of the substance of the agreement. Lease agreements are classified depending if the risks and rewards associated with owning the asset are with the lessee or the lessor.

### **2.25.1. Finance leases**

A lease agreement is classified as financial lease if it transfers substantially to the lessee the risks and rewards inherent to ownership of the asset. When assets are leased out under a finance lease, these assets are derecognized and the present value of the future lease payments is recognized as an earned product (within trade receivables). The difference between the gross total receivable (lease and financing) and the value of the receivable is recognized as unearned finance income.

### **2.25.2. Operating leases**

A lease agreement is classified as operating lease if it doesn't transfer substantially to the lessee the risks and rewards inherent to ownership of the asset. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognized over the term of the lease on a straight-line basis.

## **2.26. Government grants**

### **2.26.1. European Union grants**

Subsidies from the European Union are recognized at their fair value where there is reasonable assurance that they will be received and that all the conditions will be satisfied.

When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is deducted from the carrying value of the related assets.

### **2.26.2. Investment grants**

Investment grants are recognized when there is reasonable assurance that they will be received and that all the conditions attached will be satisfied.

Investment grants are recognized after deduction from the assets concerned and they are automatically deducted in the income statement from the depreciations of these assets.

## **2.27. Leases (EVS as lessee)**

The existence of a lease within an agreement is reported on basis of the substance of the agreement.

### **2.27.1. Finance leases**

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant reimbursement on the remaining balance of the liability. Finance charges are directly recognized in the income statement.

### **2.27.2. Operating leases**

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

## **2.28. Research and development costs**

Research and development costs are expensed when incurred except for the research and developments costs related to new products or new technologies which are capitalized if those assets are subject to generate future economic benefits and if the recognition criteria of IAS 38 are met.

The markets in which EVS operates and which are characterized by a rapid evolution of used technologies and the impossibility to predict future benefits that on-going developments are likely to generate, lead the Board of Directors conclude that the criteria of IAS38.57 were not met. Consequently, development costs incurred in 2018 cannot be capitalized.

## **2.29. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets are part of the cost of the asset. Other borrowing costs are recognized in the income statement for the year in which they occurred.



## **2.30. Income taxes**

Income taxes for the period include both current and deferred taxes. They are recognized in the income statement except where they relate to items recognized directly in equity, in which case, they are also directly recognized in the equity.

### **2.30.1. Current taxes**

Taxes due for the period are calculated on the income statement of the group's companies and are calculated according to the rules laid down by the local tax authorities.

### **2.30.2. Deferred taxes**

Deferred taxes are recognized using the variable carry-forward method, for all temporary differences on the reporting date between the tax base of the assets and liabilities and their carrying amount on the balance sheet.

Deferred tax liabilities are recognized for all temporary differences:

- except when the deferred tax liability arises from the initial recognition of a goodwill or the initial recognition of an asset or a liability in a transaction that is not a business combination and that, on the transaction date, does not affect either the accounting profit or the taxable profit or loss; and
- for the taxable temporary differences linked to interest in subsidiaries, in associates and in joint ventures, except if the date on which the temporary difference is reversed can be checked and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if 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 liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax assets and liabilities due and if these deferred taxes concern the same taxable entity and the same tax authority.

## **2.31. Derivative financial instruments**

EVS uses derivative financial instruments such as forward exchange rate contracts or interest rate swaps to hedge its risks of foreign currency fluctuations on its foreign currency transactions and its risks of interest rate fluctuations. Such derivative financial instruments are stated at fair value as these contracts are not deemed to be hedging contracts within the meaning of the IFRS.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of the interest rate swaps is subject to a valuation by the counterparty.

The method of determining the fair value of these instruments is therefore of "level 2" type according to IFRS 13 "Evaluation of fair value".

## **2.32. Dividends**

The dividends proposed by the Board of Directors are not recognized in the financial statements as long as they have not been approved by the shareholders during the Ordinary Annual General Meeting. In case of interim dividends, they are deducted from the reserves.

## **2.33. Commitments relating to technical guarantee in respect of sales or services already provided**

EVS grants a 2-year technical guarantee on products sold subject to the general conditions of sale. In order to hedge that risk, EVS has recorded on the balance sheet a provision to cover the probable costs on 2 years relating to these technical guarantees.

## **2.34. Earnings per share**

The group calculates both the basic earnings per share and the diluted earnings per share in accordance with IAS 33. The basic earnings per share are calculated on the basis of the weighted average number of ordinary shares in circulation during the period. The diluted earnings per share are calculated on the basis of the average number of ordinary shares in circulation during the period plus the potential dilutive effect of the warrants and stock options in circulation during the period.

### 3. SEGMENT INFORMATION

#### 3.1. General information

The company applies IFRS 8 ("Operating segments") since the fiscal year ended on December 31, 2007.

From an operational point of view, the company is vertically integrated with the majority of its staff in the headquarters in Belgium, including the R&D, production, marketing and administration departments. This explains why the majority of the investments and costs are located at the level of the Belgian parent company. The foreign subsidiaries are primarily sales and representative offices. The Chief Operating Decision Maker, being the Executive Committee, reviews the operating results and operating plans, and makes resource allocation decisions on a company-wide basis. Sales relate to products of the same nature (digital broadcast production equipment) and are realized by commercial polyvalent teams. The company's internal reporting is the reflection of the above mentioned operational organization (which is primarily the translation of a new marketing approach), and is characterized by the strong integration of the activities of the company; only sales are identified following three dimensions: by geographical region, by market and by nature.

By consequence, the company is composed of one segment according to the IFRS definition. However, it does not exclude a future evolution of the segmentation following the development of the company, its products and its internal performance indicators.

The company provides only one type of solution: solutions based on tapeless workflows with a consistent modular architecture. This is the product of EVS. There are no other significant classes of business, either singularly or in aggregate. Indeed, identical modules can meet the needs of different markets. Our customers themselves are often multi-markets. Providing information for each module is therefore not relevant for EVS.

At the level of the geographical information, the activities are divided into the following regions: Asia-Pacific ("APAC"), Europe, Middle East and Africa ("EMEA"), and America ("NALA" or "Americas"). This division follows the organization of the commercial and support services within the group, which operates worldwide. A fourth region is dedicated to the worldwide events ("Big sporting events").

The company provides additional information with a presentation of the revenue by destination: "Outside broadcast vans", "Studio and others" and "Big sporting event rentals" for rental contracts relating to the big sporting events of the even years.

Finally, sales are presented by nature: systems and services.

#### 3.2. Additional information

##### 3.2.1. Information on sales by destination

Revenue can be presented by destination: Outside broadcast vans, Studio & others and Big sporting event rentals. Maintenance and after sale service are included in the complete solution proposed to the clients.

Revenue (EUR thousands)	2018	2017	% 2018/2017
Outside broadcast vans	54,588	68,482	-20.3%
Studio & others	48,113	47,976	+0.3%
Big sporting event rentals	13,359	2,326	+474.5%
<b>Total</b>	<b>116,059</b>	<b>118,784</b>	<b>-2.3%</b>

##### 3.2.2. Information on sales by region

Activities are divided in three regions: Asia-Pacific ("APAC"), Europe, Middle East and Africa ("EMEA") and Americas ("NALA").

###### 3.2.2.1. Revenue

Revenue for 12 months (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event Rentals	TOTAL
2018 revenue	31,601	46,502	24,598	13,359	116,059
Evolution versus FY17 (%)	+14.6%	-17.1%	-24.9%	+474.3%	-2.3%
Variation versus FY17 (%) at constant currency	+14.6%	-17.1%	-21.5%	+474.5%	-1.3%
2017 revenue	27,565	56,126	32,767	2,326	118,784

Revenue realized in Belgium (the country of origin of the company) with external clients represent less than 5% of the total revenue in the period. In the last 12 months, the group realized significant sales to external clients (according to the definition of IFRS 8) in one country: the US (Americas, EUR 19.7 million in the last 12 months).

###### 3.2.2.2. Long term assets

Considering the explanations given in 3.1, all long term assets are located in the parent company EVS Broadcast Equipment SA in Belgium.

### 3.2.3. Information on products and services

Revenue can be presented by nature: systems and services.

Revenue (EUR thousands)	2018	2017	% 2018/2017
Systems	102,484	107,884	-5.0%
Services	13,575	10,899	+24.6%
<b>Total Revenue</b>	<b>116,059</b>	<b>118,784</b>	<b>-2.3%</b>

Services include advices, installations, project management, training, maintenance, distant support that are literally included in the invoices.

### 3.2.4. Information on important clients

In 2018, one external customer of the company accounted for more than 10% of turnover: NEP Group, which represented 11.7% of total revenue.

## 4. CONSOLIDATED COMPANIES, JOINT VENTURES, ASSOCIATES AND REPRESENTATIVE OFFICES

NAME AND ADDRESS	Year of foundation or acquisition	Staff as of 31.12.18	Incorporation method used <sup>(1)</sup>	Part of capital held as of 31.12.17 (in %) <sup>(2)</sup>	Part of capital held as of 31.12.18 (in %) <sup>(2)</sup>	Change in % of capital held
<b>EVS Broadcast Equipment Inc.</b> 700 US 46 East Flor 3 NJ 07004 Fairfield, USA	1996	30	F	100,00	100,00	0,00
<b>EVS Broadcast México, SA de CV</b> World Trade Center, Cd. De México, Montecito N° 38, Piso 23, Oficina 38, Col. Nápoles, Delegación Benito Juárez, D.F. 03810 México, MEXIQUE RFC: EBM 1106152TA	2011	2	F	100,00	100,00	0,00
<b>EVS France SARL</b> Avenue André Morizet, 62bis F-92100 Boulogne-Billancourt, FRANCE TVA: FR-21419961503	1998	8	F	100,00	100,00	0,00
<b>EVS France Développement SARL</b> Avenue André Morizet, 62bis F-92100 Boulogne-Billancourt, FRANCE TVA: FR-53514021476	2009	6	F	100,00	100,00	0,00
<b>EVS Toulouse SAS</b> 6, rue Brindejonc des Moulinais, Bât. A, F-31500 Toulouse Cedex 5, FRANCE TVA: FR-83449601749	2010	20	F	100,00	100,00	0,00
<b>EVS Italia S.R.L.</b> Via Milano 2, IT-25126 Brescia, ITALIE TVA: IT-03482350174	1998	3	F	100,00	100,00	0,00
<b>EVS Broadcast UK Ltd.</b> Ashcombe House, The Crescent 5, Leatherhead, Surrey KT22 8DY, ROYAUME-UNI TVA: UK-853278896	1999	9	F	100,00	100,00	0,00
<b>EVS Broadcast Equipment Iberica SL</b> Avda de Europa 12-2C, Edificio Monaco, Parque Empresarial la Moraleja 28109 Alcobendas, Madrid, ESPAGNE CIF: B85200236	2007	2	F	100,00	100,00	0,00
<b>EVS Nederland BV</b> Solebaystraat 97 HS 1055 ZP Amsterdam PAYS-BAS	2008	1	F	100,00	100,00	0,00
<b>EVS Deutschland GmbH <sup>(3)</sup></b> Feringastrasse 12B 85774 Unterföhring (Munich), ALLEMAGNE TVA: DE-266077264	2009	0	F	100,00	0,00	-100,00
<b>EVS International (Swiss) SARL</b> Rue des Arsenaux 9, 1700 Fribourg, SUISSE TVA: CH-21735425482	2009	1	F	100,00	100,00	0,00
<b>EVS Broadcast Equipment Ltd.</b> Room A, @Convoy, 35/F 169 Electric Road, North Point, HONG-KONG	2002	12	F	100,00	100,00	0,00
<b>EVS Broadcast Equipment Singapore PTE. Ltd.</b> Level 8-9, The Metropolis Tower 2 11 North Buona Vista Drive 138589 SINGAPORE	2015	3	F	100,00	100,00	0,00
<b>EVS Australia Pty Ltd.</b> Level 8, 261 George Street Sydney NSW 2000, AUSTRALIE	2007	3	F	100,00	100,00	0,00

<b>EVS Deutschland GmbH (former Scalable Video Systems)</b> <sup>(3)</sup> Mina-Rees Stra. 8, 64295 Darmstadt, ALLEMAGNE VAT: DE-289 460 223	2013	26	F	100,00	100,00	0,00
<b>EVS Pékin - Bureau de Représentation</b> 2805 Building One, Wanda Plaza, N°93 Jianguo Road 100026 Beijing, CHINE	2005	6	F	N/A	N/A	N/A
<b>EVS Broadcast Equipment Middle East Ltd - Bureau de Représentation</b> Shatha Tower, Office 09, 32 <sup>nd</sup> Floor, Dubai Media City, Dubai, EMIRATS ARABES UNIS	2006	5	F	N/A	N/A	N/A
<b>EVS Americas Los Angeles – Bureau de représentation</b> 101 South First Street, Suite #404 Burbank, CA 91504, USA	2006	2	F	N/A	N/A	N/A
<b>MECALEC SMD SA</b> Rue Nicolas Fossoul 54, B-4100 Seraing, BELGIQUE N° d'entreprise: BE0467 121 712	1999	26	E	49,50	49,50	0,00
<b>Network and Broadcast Systems Limited (NBS)</b> Subsidiary under liquidation	2010	0	F	100,00	100,00	0,00

(1) F: Full Consolidation, E: Equity method.

(2) Proportion of capital of those companies held by the companies included in the consolidated accounts and persons acting in their own name on behalf of these companies.

(3) EVS Deutschland GmbH and Scalable Video Systems merged in 2018 with a retroactive effect on January 1<sup>st</sup> 2018 and the company SVS has been renamed into "EVS Deutschland".

## 5. INVESTMENT IN JOINT-VENTURES AND ASSOCIATES

(EUR thousands)	2018	2017
<b>Investment in associates</b>		
<b>Opening balance as at January 1</b>	<b>1,091</b>	<b>954</b>
- Disposals during the year	-	-
- Acquisitions during the year	-	-
- Results	223	124
- Others	-32	13
<b>Closing balance as at December 31</b>	<b>1,282</b>	<b>1,091</b>

### 5.1. Investments in associates

#### 5.1.1. MECALEC SMD SA

MECALEC SMD SA was founded on October 21, 1999 by SA MECALEC (50.5%, not directly or indirectly linked to EVS) and EVS (49.5%). Its subscribed capital is EUR 200 thousand and, therefore, the share of EVS in this company amounts to EUR 99 thousand. This company's main activity is the manufacturing and the assembly of electronic boards, using SMD technology. The registered office is based in Bonnelles, close to Liège (Belgium), 5 km from EVS. EVS acquired this interest in order to benefit from shorter delivery times on orders for the assembly of electronic boards. There can be some synergies in R&D and reworking of the production process. The net profit of MECALEC SMD in 2018 amounted to EUR 0.5 million. EVS represented 14% of MECALEC SMD's turnover in 2018.

The share of EVS in the 2018 results of MECALEC SMD amounts to EUR 223 thousand and the share of EVS in MECALEC SMD equity amounts to EUR 1,282 thousand.

(EUR thousands)	Dec. 31, 2018	Dec. 31, 2017
Current assets	2,839	2,526
Non-current assets	114	68
Current liabilities	-363	-390
Non-current liabilities	-	-
<b>Net assets</b>	<b>2,590</b>	<b>2,204</b>
<b>Share of associate's balance sheet (49.5%)</b>	<b>1,282</b>	<b>1,091</b>
Turnover	3,193	2,474
Net result	450	250
<b>Share of associate's revenue and net result (49.5%)</b>	<b>223</b>	<b>124</b>
<b>Carrying amount of investment</b>	<b>1,282</b>	<b>1,091</b>

## 6. INCOME AND EXPENSES

### 6.1. Use of non-GAAP financial measures

EVS uses performance measures to supplement the measures defined by IFRS in order to clarify the company's financial performance:

- Gross margin and gross margin rate ;
- Operating result (EBIT) and operating result rate.

These indicators are aggregates that result directly from our presentation of the consolidated income statement as subtotals. We believe these measures are important indicators in our industry, and are widely used by investors, analysts and other audiences.

## 6.2. Gross margin

(EUR thousands)	2018	2017
Revenue	116,059	118,784
Cost of sales	-33,540	-31,207
<b>Gross margin</b>	<b>82,519</b>	<b>87,577</b>
<b>Gross margin %</b>	<b>71.1%</b>	<b>73.7%</b>

The consolidated gross margin was 71.1% in 2018, compared to 73.7% in 2017, mainly due to lower sales (the cost of sales include a fixed portion that is not directly correlated to the level of sales) and a less favorable mix (lower sales in the outside broadcast vans, which on average have a higher margin).

## 6.3. Research and development expenses

Research and development expenses amounted to EUR 25.4 million in 2018 versus EUR 25.0 million in 2017. R&D does not require any considerable investment, since engineers and programmers work directly and mainly on the machines to be sold or on servers for the software development. Moreover, the markets in which EVS operates and which are characterized by a rapid evolution of used technologies and the impossibility to predict future benefits that on-going developments are likely to generate, lead the Board of Directors conclude that the criteria of IAS38.57 were not met. Consequently, development costs incurred in 2018 cannot be capitalized.

Since the fourth quarter of 2010, EVS takes into account a withholding tax exemption given since 2006 by the Belgian government to companies paying or allocating compensation to individual researchers who are engaged in collaborative R&D programs according to some criteria defined under section 273 of the Code of income tax in Belgium. In the presentation of the accounts, this amount comes as a deduction of R&D charges.

Since 2015, EVS also benefits from tax credits relating to R&D in France. This amount also comes in deduction of the R&D expenses. In 2018, it amounted to EUR 0.4 million.

The detail of the R&D expense is as follows:

(EUR thousands)	2018	2017
Gross R&D expenses	27,937	27,111
Benefits relating to R&D expenses	-2,513	-2,103
<b>R&amp;D expenses, net</b>	<b>25,424</b>	<b>25,008</b>

## 6.4. Complementary information about operating charges by nature

(EUR thousands)	2018	2017
Raw materials and consumables used	-17,569	-19,161
Increase (+)/decrease (-) in stocks of finished goods, work and contracts in progress	-1,623	-3,168
Personnel expenses	-37,029	-36,908
- Remunerations and salaries	-29,522	-28,491
- Social security costs	-7,024	-6,853
- Other personnel expenses	-483	-1,564
Of which the ones included in:		
- Cost of Sales	-8,428	-8,354
- S&A costs	-11,006	-10,896
- R&D costs	-16,806	-17,069
- Profit sharing plan and warrants	-789	-589
Average number of employees in FTE	496	481
Depreciations	-3,060	-3,292
Of which the ones included in:		
- Costs of sales	-811	-846
- S&A costs	-1,204	-1,414
- R&D costs	-1,045	-1,032
Increase (-)/decrease (+) in amounts written off	-3,783	-2,057
- Increase (-)/decrease (+) in amounts written off on stocks	-3,070	-1,588
- Increase (-)/decrease (+) in amounts written off on trade debtors	-713	-469
Operating lease and sublease payments recognized in the income statement (vehicles)	-2,697	-2,501



#### 6.4.1. Post-employment benefit

Since April 1, 2002, EVS has implemented a defined contribution pension plan in accordance with the sectoral pension plan regulations for employees in the metallic manufacturing sector ("commission paritaire 209"). It foresees the payment of an annual premium equal to a percentage of the gross salary (submitted to national office of social security) for each employee. This premium is exclusively paid by the employer. The premium rate is set by the sector's collective agreements. Premiums have evolved as follows:

In %	Contribution rate
2007	1.00%
2008 to 2010	1.10%
2011	1.77%
2012	1.87%
2013 to 2018	1.97%

The plan is managed by "l'Integrale". The financing policy is outlined in its annual report.

In addition, since, January 1, 2012, employees of EVS in Belgium are automatically affiliated to a second pension plan subscribed with AG Insurance. EVS contributes in this plan (including management fee, life insurance, disability, and risk waiver insurance premiums) at a rate of 3% of gross annual salary.

Until 2015 included, both pension plans were treated as defined contribution plans, and the contributions to this defined contribution pension schemes were recognized as an expense in the income statement as incurred.

However, on December 18, 2015, the Belgian legislation has been updated and clarification was provided on the minimum guaranteed rate of return. Before December 31, 2015, the minimum guaranteed rate of return on employer and participant contributions were 3.25% and 3.75% respectively. From 2016 onwards, the rate decreased to 1.75% and is annually recalculated based on a risk free rate of 10-year government bonds. According to IAS19, Belgian-defined contribution plans that guarantee a specified return on contributions should be assimilated to 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 EVS are financed through group insurance contracts. The contracts are benefiting from a contractual interest rate granted by the insurance company. When there is underfunding, this will be covered by the financing fund and in case this is insufficient, additional employer contributions will be requested.

IAS 19 requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Therefore, pension provisions are set up. The obligations are measured on a discounted basis because they are settled many years after the employees render the related service. A qualified actuary has determined the present value of the defined benefit obligations and the fair value of the plan assets except for the multi-employer plan. These assets are held by an insurance company. The projected unit credit method was used to measure the obligations and costs. Assumptions were included on demographic and financial variables. The result of this calculation has then been extrapolated to the multi-employer plan based on the contributions paid.

C

changes booked in 2018 in the Belgian defined benefit obligation and fair value of plan assets were as follows:

In thousands of EUR	2018			2017		
	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>As of January 1</b>	<b>4,631</b>	<b>-4,581</b>	<b>50</b>	<b>3,790</b>	<b>-3,710</b>	<b>80</b>
Service cost	845	-	845	880	-	880
Administrative costs		22	22		20	20
Net interest expenses	81	-88	-7	68	-75	-7
<b>Sub-total included in profit or loss</b>	<b>926</b>	<b>-66</b>	<b>860</b>	<b>948</b>	<b>-55</b>	<b>893</b>
Benefits paid	-123	123	-	-124	124	-
Return on plan assets	-	-31	-31	-	-16	-16
Actuarial changes (assumptions) of which :						
<i>Arising from changes in demographic assumptions</i>	-	-	-	-	-	-
<i>Arising from changes in financial assumptions</i>	-16	-	-16	17	-	17
<i>Arising from changes in methodology</i>	-	-	-	-	-	-
<i>Arising from experience adjustments</i>	221	-	221	-	-	-
<b>Sub-total included in OCI</b>	<b>206</b>	<b>-31</b>	<b>175</b>	<b>17</b>	<b>-16</b>	<b>1</b>
Contributions by employer	-	-1,026	-1,026	-	-925	-925
<b>As of December 31</b>	<b>5,640</b>	<b>-5,581</b>	<b>59</b>	<b>4,631</b>	<b>-4,581</b>	<b>50</b>

The fair value of plan assets are fully invested in insurance policies.

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

In %	2018	2017
Discount rate	1.94%	1.77%
Future salary increases (incl. consumer price increases)	2.00%	2.00%

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.

(EUR thousands)	2018
<b>Discount rate</b>	
0.25% decrease	-18
0.25% increase	+12
<b>Future salary evolution</b>	
0.25% decrease	+9
0.25% increase	+1

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in one key assumption occurring at the end of the reporting period, 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 expected contributions to the plan for the next annual reporting period amounts to EUR 1,027 thousands. The average duration of the defined benefit plan obligation is 21.7 years.

The following payments are the expected benefit payments from the plan assets:

(EUR thousands)	2018
Within the next 12 months	0
Between 2 and 5 years	81
Between 5 and 10 years	231
<b>Total expected payments</b>	<b>312</b>

No other post-employment benefit is provided to the personnel.

## 6.5. Financial revenues/(costs)

(EUR thousands)	2018	2017
Interest charges	-363	-388
Interest income on deposit	66	57
Exchange result	80	-1,231
Other financial results	43	36
<b>Other financial income/(expenses)</b>	<b>-174</b>	<b>-1,526</b>

To limit its exposure to the US dollar, the EVS Group has an active policy to cover the foreign exchange risk, as explained in notes 26 and 27.

## 6.6. Other income and expenses

In 2017, other operating income mainly included the reversal of a contingent consideration (potential earn-out following the acquisition of SVS at the end of 2014). Please refer to note 20.3.

In 2018, other operating income included various other income partially offset by a loss on the sale of one the building held for sale (EUR 0.2 million).

## 7. INCOME TAXES

### 7.1. Tax charge on results

The tax charge for 2018 and 2017 is mainly made of:

(EUR thousands)	2018	2017
<b>Current tax charge</b>		
Effective tax charge	-2,208	-8,767
Adjustments of current tax related to prior years	7,175	-85
<b>Deferred taxes</b>		
<b>Tax effects of temporary differences</b>	<b>2,075</b>	<b>-793</b>
- Fixed assets depreciation, including reevaluation of buildings	597	-227
- Intangibles (R&D investment deductions) *	-52	-763
- Adjustments for IAS 19	3	-15
- Adjustments for the carry-over taxation for gains on building disposals	-397	55
- Adjustments for IFRS 9	22	-
- Direct and indirect production costs capitalized in inventories	-	-
- Reported tax losses	1,921	157
- Others	-19	-
<b>Income taxes included in the income statement</b>	<b>7,042</b>	<b>-9,645</b>

\* see also paragraph 5 in the financial report, on deductions relating to R&D investments.

The variation in taxes on the balance sheet at December 31, 2018 compared to December 31, 2017, results in a net increase in deferred tax position of EUR 2,087 thousand.

A deferred tax asset has been recorded on the recoverable tax loss in our German subsidiary SVS limited to the expected result over the next five years, i. e. a loss amount of EUR 850 thousand. The related deferred tax asset amounts to EUR 261 thousand.

## 7.2. Reconciliation of the tax charge

The effective tax charge of the group obtained by applying the effective tax rate to the pre-tax profit of the group, has been reconciled for 2017 and 2018 with the theoretical tax charge obtained by applying the theoretical tax rate:

(EUR thousands)	2018	2017
<b>Reconciliation between the effective tax rate and the theoretical tax rate</b>		
Profit before taxes and share in the result of the enterprise accounted for using the equity method	27,890	33,420
Effective tax charge based on the effective tax rate	7,042	-9,645
<b>Effective tax rate</b>	<b>-25.3%</b>	<b>28,9%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect due to the carry-over taxation for gains on buildings disposals in the statutory accounts		-
Impact of earn-out debt reversal	-	-391
Tax effect of deduction for notional interest	-29	-58
Tax effect on R&D investment deductions	-1,219	-1,359
Tax effect of non-deductible expenditures	344	351
Tax effect due to the usage of tax losses	-153	-
Tax effect on innovation deduction	-4,782	-
Tax effect on innovation deduction (catch-up from previous years)	-6,553	-
Tax effect of previous years adjustments	-779	342
Other increase/(decrease)	-481	456
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-6,609	-10,304
<b>Theoretical tax rate</b>	<b>23.7%</b>	<b>30,8%</b>

In 2018, the income taxes paid amounted to EUR 1,4 million, much lower than the EUR 17,4 million in 2017. This can be explained by lower profit before tax, lower corporate income tax rates in the countries where EVS operates and the new R&D innovation deduction regime in Belgium.

## 7.3. Deferred taxes on the balance sheet

The sources of deferred taxes are as follows:

(EUR thousands)	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Other tangible assets	-	28	-	47
Buildings revaluation	-	1,054	-	1,632
R&D Intangibles	5,375	-	5,427	-
Defined benefit plan provision	15	-	12	-
Accounts receivables impairment	35	-	-	-
Carry-over taxation for gains	-	1,017	-	620
Recoverable tax loss	2,077	-	157	-
Deferred income / Accrued charges	-	19	-	-
Provisions for risks and charges	-	-	-	-
<b>Total</b>	<b>7,502</b>	<b>2,118</b>	<b>5,596</b>	<b>2,299</b>
<b>Net booked value</b>	<b>5,428</b>	<b>44</b>	<b>3,297</b>	<b>-</b>

Deferred taxes are booked "net" in accordance with the valuation rules of the group because they relate to income taxes levied by the same taxation authority and the authority allows the compensation.

## 8. EARNING PER SHARE

The basic earnings per share are calculated by dividing the net profit and loss of the period attributable to the ordinary shares, less the treasury shares, by the weighted average number of ordinary shares in circulation during the year.

The diluted earnings per share are calculated by dividing the net result of the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation at the rate of the period, adjusted by the diluting effects of the share options (warrants).

(EUR thousands)	2018	2017
Net profit	35,155	23,898
- attributable to non-controlling interests	-	-
<b>- attributable to equity holders of the parent company</b>	<b>35,155</b>	<b>23,898</b>

	2018	2017
Weighted average number of subscribed shares, excluding treasury shares	13,531,196	13,514,301
Dilution effect of the weighted average number of the share options in circulation	-	-
<b>Weighted average number of fully diluted number of shares</b>	<b>13,531,196</b>	<b>13,514,301</b>
<b>Basic earnings per share (EUR)</b>	<b>2.60</b>	<b>1.77</b>
<b>Diluted earnings per share (EUR)</b>	<b>2.60</b>	<b>1.77</b>

Diluted earnings per share is equal to basic earnings per share because the 183,500 warrants outstanding at the end of December 2018 were not exercisable as their exercise prices were lower than the average market price of EVS shares during 2018. The number of treasury shares held at 31 December 2018 was 151,724 compared to 105,771 at 31 December 2017. The weighted average number of treasury shares held in 2018 was 105,344 compared to 110,699 in 2017.

## 9. DIVIDENDS PAID AND PROPOSED

Dividends are paid for issued shares less treasury shares at the payment date.

(EUR thousands, gross amount)	Coupon #	Declaration date	2018	2017
<b>Paid during the year :</b>				
- Final dividend for 2016 (EUR 0.70 per share excl. treasury shares)	24	Mai 2017	-	9,446
- Interim dividend for 2017 (EUR 0.50 per share excl. treasury shares)	25	Nov. 2017	-	6,760
- Final dividend for 2017 (EUR 0.50 per share excl. treasury shares)	26	Mai 2018	6,758	-
- Interim dividend for 2018 (EUR 0.50 per share excl. treasury shares)	27	Nov. 2018	6,749	-
<b>Total paid dividends</b>			<b>13,507</b>	<b>16,206</b>
<b>(EUR thousands)</b>				
<b>Proposed for approval at the OGM :</b>				
- Total dividend for 2017 (EUR 1.00 per share incl. interim dividend)			-	13,519
- Proposed dividend for 2018 (EUR 1.00 per share incl. interim dividend)			13,498	-
<b>Total</b>			<b>13,498</b>	<b>13,519</b>

## 10. GOODWILL

(EUR thousands)	TOTAL
<b>Acquisition cost</b>	
<b>As of December 31, 2017</b>	<b>1,945</b>
- Acquisitions	-
- Sales and disposals	-
<b>As of December 31, 2018</b>	<b>1,945</b>
<b>Accumulated impairment</b>	
<b>As of December 31, 2017</b>	<b>820</b>
- Impairment	-
- Sales and disposals	-
<b>As of December 31, 2018</b>	<b>820</b>
<b>Net carrying amount</b>	
<b>As of December 31, 2017</b>	<b>1,125</b>
<b>As of December 31, 2018</b>	<b>1,125</b>

Goodwill is the difference between the cost of an acquisition and the share of the acquirer's interest in the net fair value of the identifiable assets, certain liabilities and eventual liabilities. The goodwill is not depreciated but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The value in use of the Cash Generating Unit (CGU) is calculated from the present value of the cash flows included in the business plan of SVS, in accordance with IAS 36.

### 10.1. SVS

In May 2013, EVS acquired a minority stake (25.1% of the voting shares) in SVS GmbH, a private company based in Germany ("SVS") whose principal activity is the research and development of network-based technology.

In December 2014, EVS acquired the remaining 74,9% it didn't own in SVS, for an amount of EUR 1.0 million paid in cash, and a possible future earn out based on the performance over the 2015-2020 period.

At December 31, 2014, goodwill amounted to EUR 1.1 million and has not changed after the acquisition of the remaining shares due to the fact EVS has already the global effective control with the first acquisition of the minority share in 2013.



The main factors leading to the recognition of goodwill were:

- The presence of certain intangible assets, such as the knowhow of the staff acquired, which do not qualify for separate recognition;
- Expected synergies and other benefits from combining the assets and activities of SVS with those of the group.

Goodwill has been subject to an impairment test that didn't reveal the necessity to act a write-off on December 31, 2018. The basis on which the value of the cash generating unit was determined is the value in use. The cash flows have been projected over a period of 5 years and are exclusively based on long-term forecasts developed by the management and more specifically on the sale of SVS products. Beyond this 5-years period, a perpetual growth of 0% has been considered and a rate of 7.8% corresponding to the weighted average cost of capital of the company has been used to discount those flows.

A reasonable change of the discount rate used wouldn't generate any write-off to be recognized.

## 11. OTHER INTANGIBLE ASSETS

(EUR thousands)	Technology (DWESAB and OpenCube)	Software licenses	TOTAL
<b>Acquisition cost</b>			
<b>As of December 31, 2016</b>	<b>2,581</b>	<b>2,582</b>	<b>5,163</b>
- Acquisitions	-	40	40
- Sales and disposals	-	-	-
- Transfers	-	89	89
- Other	-	-4	-4
<b>As of December 31, 2017</b>	<b>2,581</b>	<b>2,707</b>	<b>5,288</b>
<b>Accumulated depreciation</b>			
<b>As of December 31, 2016</b>	<b>-2,581</b>	<b>-2,196</b>	<b>-4,777</b>
- Depreciations	-	-135	-135
- Sales and disposals	-	-	-
- Transfers	-	-89	-89
- Other	-	4	4
<b>As of December 31, 2017</b>	<b>-2,581</b>	<b>-2,416</b>	<b>-4,997</b>
<b>Net carrying amount</b>			
<b>As of December 31, 2016</b>	<b>-</b>	<b>386</b>	<b>386</b>
<b>As of December 31, 2017</b>	<b>-</b>	<b>291</b>	<b>291</b>

(EUR thousands)	Technology (DWESAB and OpenCube)	Software licenses	TOTAL
<b>Acquisition cost</b>			
<b>As of December 31, 2017</b>	<b>2,581</b>	<b>2,707</b>	<b>5,288</b>
- Acquisitions	-	290	290
- Sales and disposals	-	-	-
- Transfers	-	52	52
- Other	-	3	3
<b>As of December 31, 2018</b>	<b>2,581</b>	<b>3,052</b>	<b>5,633</b>
<b>Accumulated depreciation</b>			
<b>As of December 31, 2017</b>	<b>-2,581</b>	<b>-2,416</b>	<b>-4,997</b>
- Depreciations	-	-190	-190
- Sales and disposals	-	-	-
- Transfers	-	-	-
- Other	-	-3	-3
<b>As of December 31, 2018</b>	<b>-2,581</b>	<b>-2,609</b>	<b>-5,190</b>
<b>Net carrying amount</b>			
<b>As of December 31, 2017</b>	<b>-</b>	<b>291</b>	<b>291</b>
<b>As of December 31, 2018</b>	<b>-</b>	<b>443</b>	<b>443</b>

## 12. TANGIBLE ASSETS (LANDS AND BUILDINGS, AND OTHER TANGIBLE ASSETS)

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>					
<b>As of December 31, 2016</b>	<b>50,088</b>	<b>2,613</b>	<b>12,749</b>	<b>66</b>	<b>65,516</b>
- Acquisitions	414	7	1,216	110	1,747
- Sales and disposals	-	-	-79	-	-79
- Variation in consolidation scope	-	-	-	-	-
- Transfers	-	-	-	-	-
- Other	-8	-2	-23	-	-33
<b>As of December 31, 2017</b>	<b>50,494</b>	<b>2,618</b>	<b>13,863</b>	<b>177</b>	<b>67,151</b>
<b>Accumulated depreciation</b>					
<b>As of December 31, 2016</b>	<b>-3,311</b>	<b>-2,129</b>	<b>-9,875</b>	-	<b>-15,315</b>
- Depreciations	-1,489	-326	-1,343	-	-3,158
- Sales and disposals	-	-	32	-	32
- Variation in consolidation scope	-	-	-	-	-
- Transfers	-	-	-	-	-
- Other	-	-	-	-	-
<b>As of December 31, 2017</b>	<b>-4,800</b>	<b>-2,455</b>	<b>-11,186</b>	-	<b>-18,441</b>
<b>Net carrying amount</b>					
<b>As of December 31, 2016</b>	<b>46,777</b>	<b>484</b>	<b>2,874</b>	<b>66</b>	<b>50,201</b>
<b>As of December 31, 2017</b>	<b>45,694</b>	<b>163</b>	<b>2,677</b>	<b>177</b>	<b>48,710</b>
<b>Mortgages and other guarantees</b>					
Net carrying amount of fixed assets given as real guarantees	<b>45,694</b>	-	-	<b>177</b>	<b>45,871</b>

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>					
<b>As of December 31, 2017</b>	<b>50,494</b>	<b>2,618</b>	<b>13,863</b>	<b>177</b>	<b>67,152</b>
- Acquisitions	70	121	1,085	33	1,309
- Sales and disposals	-7,821	-	-1	-	-7,822
- Variation in consolidation scope	-	-	-	-	-
- Transfers	4,050	-20	109	-177	3,962
- Other	5	-	8	-	13
<b>As of December 31, 2018</b>	<b>46,798</b>	<b>2,719</b>	<b>15,064</b>	<b>33</b>	<b>64,614</b>
<b>Accumulated depreciation</b>					
<b>As of December 31, 2017</b>	<b>-4,800</b>	<b>-2,455</b>	<b>-11,186</b>	-	<b>-18,441</b>
- Depreciations	-1,491	-196	-1,182	-	-2,869
- Sales and disposals	4,296	-	1	-	4,297
- Variation in consolidation scope	-	-	-	-	-
- Transfers	-	-	-	-	-
- Other	-	-	-	-	-
<b>As of December 31, 2018</b>	<b>-1,995</b>	<b>-2,651</b>	<b>-12,367</b>	-	<b>-17,013</b>
<b>Net carrying amount</b>					
<b>As of December 31, 2017</b>	<b>45,694</b>	<b>163</b>	<b>2,677</b>	<b>177</b>	<b>48,710</b>
<b>As of December 31, 2018</b>	<b>44,803</b>	<b>68</b>	<b>2,697</b>	<b>33</b>	<b>47,601</b>
<b>Mortgages and other guarantees</b>					
Net carrying amount of fixed assets given as real guarantees	<b>44,803</b>	-	-	<b>33</b>	<b>44,836</b>

Following the rapid growth of the Belgian teams spread into six different buildings in the Liège Science Park, EVS started to build a new facility at the end of 2011 near the existing site (finished in 2015). Investments for this new building were made since 2011 until the end of 2018 for an amount of EUR 57,3 million in total (excluding subsidies), of which EUR 0.1 million were made in 2018.

The acquisition value of the building has been analyzed by component and specific useful lives and residual values were applied to each of them. Depreciation by component is provided for lifetimes ranging between 3 and 30 years with a total residual value for the building of about 37% of the gross value excluding subsidies.

The old buildings owned by EVS were the object of an active plan to sell them and were presented according to IFRS 5 on a separate line in the balance sheet "Non-current assets classified as held for sale" as of 31 December 2017. At the end of December 2018, the Group did not present "Non-current assets classified as held for sale" any more because the sale of the biggest building has been finalized in December 2018, with a cash inflow of EUR 3.3 million in 4Q18. A loss of EUR 0,2 million has been accounted for in the profit and loss statement. The last remaining building that was classified as Non-current assets held for sale at the end

of September 2018 with a carrying amount of EUR 0.4 million has been reclassified in Lands and Buildings, as the company decided to stop the sale process for this one as well. Following the reclassification, EUR 0.04 million has been recorded as a depreciation adjustment in 4Q18 (also see note 18).

Production of the equipment manufactured and marketed by EVS does not require important tangible investment, as far as the assembly is partially subcontracted, notably to MECALEC SMD SA. Whenever possible, specialized work is outsourced (i.e. sheet metalwork and manufacturing of integrated circuits).

The group policy is to finance its buildings through equity and through long term loans (see note 20).

### 13. LONG TERM FINANCIAL ASSETS

(EUR thousands)	Subordinated loans	Other financial assets	TOTAL
<b>Net carrying amount as of Dec. 31, 2016</b>	-	341	341
- Refunded/converted during the year	-	-68	-68
- Acquired during the year	-	-	-
- Result	-	-	-
- Others	-	-	-
<b>Net carrying amount on Dec. 31, 2017</b>	-	273	273
<b>Net carrying amount as of Dec. 31, 2017</b>	-	273	273
- Refunded/converted during the year	-	-	-
- Acquired during the year	-	14	14
- Result	-	-	-
- Others	-	-	-
<b>Net carrying amount on Dec. 31, 2018</b>	-	287	287

### 14. INVENTORIES

(EUR thousands)	December 31, 2018	December 31, 2017
Raw materials	15,724	15,630
Finished goods	21,036	19,330
Goods purchased for resale	859	-
<b>Total at cost</b>	<b>37,619</b>	<b>34,960</b>
<b>Cumulated amounts written off at the beginning of the period</b>	<b>-19,293</b>	<b>-18,056</b>
Reversal/use of the amounts written off, net	-3,070	-1,588
Exchange rate difference	-143	351
<b>Cumulated amounts written off at the end of the period</b>	<b>-22,506</b>	<b>-19,293</b>
<b>Total net carrying amount</b>	<b>15,113</b>	<b>15,667</b>

Write-offs movements on inventories, which were valued at EUR 3.1 million in 2018 and at EUR 1.6 million in 2017, are accounted as charges in the costs of sales. These write-offs concern technologically obsolete stock items.

### 15. TRADE AND OTHER RECEIVABLES

(EUR thousands)	December 31, 2018	December 31, 2017
Trade receivables	29,852	31,425
Finance lease receivables	4,731	4,593
Amounts receivable linked to joint ventures	-	-
Other related parties	-	-
Write offs on receivables	-1,769	-1,115
<i>Net trade receivables</i>	<i>32,814</i>	<i>34,903</i>
Other amounts receivable	2,311	2,246
Deferred charges and accrued income	1,331	1,574
<b>Total</b>	<b>36,456</b>	<b>38,723</b>

Trade receivables are non-interest bearing and are generally on 90-day terms. According to the group terms and conditions, the unpaid invoices at their term could result in a 1.50% monthly interest rate.

For receivables overdue with more than 90 days, the group recognizes a portion of these receivables in doubtful accounts based on an estimate from past experience of default of payment of the customer and its financial situation. These doubtful accounts are booked in the "Selling and Administrative expense" line.

As of December 31, 2018, an amount of EUR 4.0 million (EUR 3.9 million on 31/12/2017) within trade receivables was overdue with more than 90 days from which EUR 1.8 million are subject of write-downs following credit quality of trade receivables. Movements of write-offs in 2017 and 2018 are as follows:

(EUR thousands)	2018	2017
<b>Write-offs on trade receivables</b>		
<b>Value as of January 1</b>	<b>1,115</b>	<b>686</b>
- Write-offs during the year	712	647
- Releases of write-offs during the year	-	-177
- Amounts paid down during the year	-	-
- Other	-58	-41
<b>Value as of December 31</b>	<b>1,769</b>	<b>1,115</b>

According to IFRS 9, the following provision matrix has been used to calculate the amount of impairment allowance as of 31 December 2018.

(EUR thousands)	Trade receivables					Total
	Current	<31 days	31-60 days	61-90 days	>91 days	
<b>Write-offs on trade receivables</b>						
<b>Expected credit loss rate</b>	<b>0.06%</b>	<b>0.30%</b>	<b>0.94%</b>	<b>1.65%</b>	<b>1.40%</b>	
Total gross carrying amount	19,571	8,978	1,243	485	4,305	34,582
<b>Expected credit loss</b>	<b>12.0</b>	<b>27.1</b>	<b>11.7</b>	<b>8.0</b>	<b>60.3</b>	<b>119.1</b>

#### 15.1. Finance lease receivables

(EUR thousands)	2018	2017
<b>Gross receivable – future lease payments under finance lease</b>		
Within one year (current finance lease)	2,594	2,979
After one year but no longer than five years (non-current finance lease)	2,576	1,824
Less: unearned finance income	-439	-210
<b>Present value of future lease payments</b>		
Within one year (current finance lease)	2,407	2,834
After one year but no longer than five years (non-current finance lease)	2,324	1,759

The group enters into finance leasing arrangements for some of its equipment. The term of finance leases entered into is maximum four years.

The value of the conditional purchase options of the assets leased under finance leases is estimated at EUR 0.2 million.

The interest rate inherent in the finance leases is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at December 31, 2018 is 5.3%.

The financial revenues generated by the finance leases are booked in the interest revenues, as explained in note 6.5.

#### 15.2. Contract balances

(EUR thousands)	December 31, 2018	December 31, 2017
Contract assets	2,035	4,962
Contract liabilities	2,523	5,132

Invoiced advances for construction contracts amounted to EUR 2.5 million at December 31, 2018, compared to EUR 5.1 million at the end of 2017. Revenues relating to work in progress during 2017 amounted to EUR 2.0 million (EUR 5.0 million in 2017). The difference between these two amounts, EUR 0.5 million, is booked in the balance sheet.

#### 16. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets relate to options contracted to hedge commitments to staff under the Fund Option Plan proposed by ING. These options have an average maturity of one year and are valued at fair value (in the income statement).

## 17. CASH AND CASH EQUIVALENTS

(EUR thousands)	December 31, 2018	December 31, 2017
Cash at bank and in hand (not remunerated)	20,652	3,466
Short-term deposits and remunerated cash accounts	47,830	35,956
<b>Total</b>	<b>68,482</b>	<b>39,423</b>

The short term deposits run from overnight to less than six months periods according to the group's immediate cash requirements and pay at the different rates of the short term deposits. EVS also receives interests on some of its cash accounts.

## 18. NON CURRENT ASSETS HELD FOR SALE

These assets were the old buildings sold over the last years on the Seraing/Angleur site. Indeed, given the move to the new building in 2015, all other existing buildings on the Seraing/Angleur site had been put up for sale already in 2014 and reclassified as "No-current assets classified as held for sale" on the balance sheet.

At the end of December 2018, there were no Non-current assets held for sale any more.

## 19. OWNER'S EQUITY

### 19.1. Movements in issued capital

The company was founded on February 17, 1994 with a capital of EUR 30,987 consisting of 1,000 shares and has developed as follows:

Date	Description	Number of shares	Capital (EUR)
17.02.1994	Constitution	1,000	30,987
25.04.1996	Incorporation of reserves	-	90,481
25.04.1996	Issuing of 100 shares at EUR 892 per share, including a share premium of EUR 771 included in capital	100	12,147
		<b>1,100</b>	<b>210,710</b>
06.06.1997	Incorporation of reserves	-	242,440
06.06.1997	Issuing of 172 shares, at EUR 4,338 per share, including a share premium of EUR 3,926	172	70,855
		<b>1,272</b>	<b>1,199,309</b>
<b>25.09.1998</b>	<b>Stock split by 2,000:1</b>	<b>2,544,000</b>	<b>1,199,309</b>
14.10.1998	Initial Public Offering	+ 200,000	94,284
	Incorporation of share premium		7,342,522
		<b>2,744,000</b>	<b>8,636,115</b>
07.09.1999	Issuance of 119,952 shares for exchange with NETIA shareholders	119,952	7,197,120
	Incorporation of reserves		166,765
		<b>2,863,952</b>	<b>16,000,000</b>
25.05.2003	Treasury shares cancellation	-63,952	-
		<b>2,800,000</b>	<b>16,000,000</b>
24.02.2004	Capital reimbursement	-	-8,137,521
15.03.2004	Issuance of 15,000 shares after the exercise of warrants	15,000	480,000
		<b>2,815,000</b>	<b>8,342,479</b>
<b>09.05.2005</b>	<b>Stock split by 5:1</b>	<b>14,075,000</b>	<b>8,342,479</b>
19.06.2006	Treasury shares cancellation	-200,000	-
12.06.2009	Treasury shares cancellation	-250,000	-
26.12.2018	Issuance of 702,024 shares	702,024	429,844
<b>Capital on</b>	<b>December 31, 2018</b>	<b>14,327,024</b>	<b>8,772,323</b>

### 19.2. Issued capital and treasury shares

On December 26, 2018, EVS announced the realization of a capital increase within the framework of the authorized capital pursuant to which Ackermans & van Haaren NV and Belfius Insurance, have each subscribed to 351,012 newly issued shares (representing a participation of 2.45% by new shareholder) at a price corresponding to the average closing price of the last 30 days (e.g. EUR 21.2133 per EVS share).

As a result, and as of December 31, 2018, the issued capital of EVS amounts to EUR 8,772,323 and is represented by 14,327,024 fully paid up shares without designation of nominal value. EVS complies with the legal requirements relating to the capital (articles 581 to 634 of the "Code des Sociétés").

As of December 31, 2018, 183,500 issued warrants with an average exercise price of EUR 30.74 per share are exercisable until December 2022. From time to time, the company uses a portion of the capital for staff retention and motivation through a plan of warrants.



The management estimates that the level of capital of EVS is sufficient, as shareholders' equity represents 80.1% of the total balance sheet at the end of 2018.

The EVS Group strives to maintain a strong liquidity position and not to rely excessively on external financing. In addition, the Group has a dividend distribution policy allowing its shareholders to be remunerated in a significant manner, without compromising the Group's cash position and its financial independence. In its decisions to finance or decide on the distribution of dividends, EVS considers the overall level of its shareholders' equity. Compared to 2017, shareholders' equity increased by EUR 36.0 million and the ratio of financial independence (total equity compared with the total financial position of the group) stands at 80.1% compared to 68.9% at the end of 2017.

### 19.3. Authorized capital

In accordance with the resolution adopted by the Extraordinary General Meetings of December 4, 2017, the Board of Directors is authorized to increase the share capital in one or more installments up to a maximum of EUR 1,600,000, including share premium. This authorization is valid for a duration of 5 years as from the publication of the deliberation of the postponed Extraordinary General Meeting of December 4, 2017. These increases in capital can be realized through cash subscriptions, contributions in kind or incorporation of reserves. Within the limits of this authorization, the Board of Directors will be able to issue bonds convertible into shares or application rights, in observance of the provisions of articles 489 and 496 and in accordance with the "Code des Sociétés" (Company code) and the Board can limit or withdraw the preferential application rights of shareholders, including those in favor of one or more given persons, according to the procedures to be specified by the Board and, if need be, subject to observance of the provisions of articles 595 and in accordance with the "Code des Sociétés".

### 19.4. Staff incentive program

#### 19.4.1. Warrants scheme

Since December 1999, the company has set up a stock options/warrants scheme for the group's employees and managers. In accordance with the fiscal legislation in force, the scheme has a minimum scope of 3 to 4 years between the granting and effective exercise of a warrant. This warrant distribution policy has been set up in order to gain the loyalty of the members of personnel and to allow them to participate in the results of the company. EVS hedges this program through the buy-back of its treasury shares on the stock market. The Board has the authorization from the Extraordinary General Meeting to proceed to these buy-backs. In view of the 183,500 warrants outstanding at the end of 2018 (232,900 at the end of 2017), the dilution effect represents 1.3% of the share capital, this being partially offset by the 151,724 treasury shares, which represent 1.0% of the number of diluted shares. The voting right and the right to the dividend are suspended during such time as the shares are held by the company. The warrants are granted at an underlying share value corresponding to the average share price of the last 30 days preceding the grant. When the warrants are exercised, the Board of Directors may choose to either issue new shares or to grant treasury shares previously acquired by the company (for this reason, warrants are qualified as "sui generis").

During the Extraordinary General Meetings of September 7, 1999 and May 16, 2000, 400,000 warrants (amount recalculated after the share split in 2004) were issued in favor of the personnel of the EVS Group. The Extraordinary General Meeting of May 21, 2002 issued 350,000 additional warrants, the EGM of June 7, 2010 issued 250,000 warrants, the EGM of December 5, 2011 issued 350,000 warrants, the EGM of September 24, 2013 issued 25,000 warrants and cancelled 70,000 warrants and the EGM of December 4, 2017 issued 250,000 warrants, in order to bring the total number to 1,555,000. As of December 31, 2018, 1,309,650 of these warrants had been distributed, 626,350 exercised and 499,800 cancelled following departures or repurchased following sales of subsidiaries, which means that 183,500 can be exercised as of December 31, 2018. As a result, 245,350 warrants are still available for distribution by the Board of Directors. The weighted average maturity is April 2022. These warrants may be exercised between now and December 2022. They have an average exercise price of EUR 30.74 per share. In the course of 2018, no warrants were distributed, no warrants were exercised and 49,400 were cancelled following the departure of personnel. The Board of Directors determines the grant, withholding and exercise conditions of the warrants, either through issuance of new shares or by allocation of existing shares (warrants are qualified as "sui generis").

The following table illustrates the number and the weighted average price of the period (WAPP) of the warrants in the scheme:

	2018		2017	
	Number	WAPP (EUR)	Number	WAPP (EUR)
<b>In circulation at the beginning of the period</b>	<b>232,900</b>	<b>35.53</b>	<b>211,050</b>	<b>40.71</b>
Granted during the period	-	-	142,000	28.90
Exercised during the period <sup>(1)</sup>	-	-	-250	37.11
Cancelled during the period	-49,400	53.53	-119,900	37.58
<b>In circulation at the end of period</b>	<b>183,500</b>	<b>30.74</b>	<b>232,900</b>	<b>35.53</b>

<sup>(1)</sup> The average share price (closing) during the exercise period in 2018 was EUR 23.07.

The warrants in circulation as of December 31, 2018 and exercisable over the next years are as follows:

Expiry date	Exercise prices (EUR)	Number on December 31, 2018	Number on December 31, 2017
2018	Between 54.30 and 68.77	-	45,900
2019	Between 36.81 and 45.71	41,500	45,000
2022	28.90	142,000	142,000
<b>Total</b>	<b>Between 28.90 and 68.77</b>	<b>183,500</b>	<b>232,900</b>

In accordance with IFRS 2, the warrants are valued on the grant date in order to be charged over the useful life of the warrant (a vesting period, which is usually 3 years). The Black & Scholes model has been used coherently for this valuation, on the basis of volatilities, yield of historical and/or expected dividends. The key parameters in the Black & Scholes model are the volatility of EVS share (calculated in 400 days with Bloomberg, between 20% and 40%, between 2006 and 2016), the interest rate without risk (taken between 0% and 5%) and the dividend return (taken between 2.5% and 7.0%). The economic value (IFRS) of the options according to this calculation method is between 12% and 30% of the underlying share.

With regards to the warrants distributed during the year, the Black & Scholes model has been used for the valuation with updated volatility assumptions based on the latest available information, i.e. a volatility of approximately 27% calculated over a 3 years period. The interest rate applied is the rate of the Belgian state bonds with a maturity of 5 years (OLO), i.e. 0,05% and the dividend yield has been calculated at 3,5%. The fair value of the options granted in 2017 amounts then to approximately 14% of the value of the underlying share at grant date.

#### 19.4.2. Profit sharing plan

In order to thank, develop loyalty and especially encourage the teams of the group and in accordance with the related law, a profit sharing scheme will be proposed the Ordinary General Meeting of May 21, 2019 approved a profit sharing scheme in the form of a grant of EVS Broadcast Equipment SA shares relating to the appropriation of the year 2018. Taking into account tax implications for the company, this grant relates to 47 shares (net of taxes) for all employees hired by the group before January 1, 2019, proportionally to the effective time performance (or assimilated) in 2018. This represents around 14,605 shares in total to maximum 340 group's employees.

The cost relating to the profit sharing plan is included in the "Stock based compensation and ESOP plan" account in the consolidated income statement.

#### 19.5. Treasury shares

During the Extraordinary General Meeting of December 4, 2017, the authorization to buy back own shares has been modified in Article 10, Paragraph 2, clause 1 of the statutes as follows "According to article 620, section 1, paragraphs 1 to 4 of the Companies Code, the Board of Directors is authorized (...) to acquire up to 10% of the outstanding shares of the company at a minimum unit price that will not be below 20% the lowest share price of the last 12 months, and at a maximum unit price not higher than 20% above the highest closing stock market price of the company's shares on Euronext Brussels during the 20 trading days preceding such acquisition. Such authorization is granted for a period of 5 years as from the day of the publication in the Appendices of the Official Belgian Gazette of the decision of the Extraordinary General Meeting of December 4, 2017 and extends to the acquisition of shares of the company by its direct subsidiaries, as such subsidiaries are defined by legal provisions on acquisition of shares of the parent company by its subsidiaries."

On October 24, 2018, EVS announced the launch of a share buyback program of a maximum EUR 10 million. Between October 25, 2018 and December 27, 2018, EVS has bought 58,580 shares at an average price of EUR 20.3729, representing in total EUR 1,193,445.

Aside of the share buyback program, no shares were used to satisfy the exercise of warrants by employees. The Ordinary General Meeting of shareholders of May 15, 2018 approved the allocation of 12,627 shares to EVS employees (grant of 42 shares to each staff member in proportion to their effective or assimilated time of occupation in 2017) as a reward for their contribution to the group successes.

After aforementioned transactions the total number of own shares amounts to 151,724 shares (including 93,144 shares already held by the company) as of December 31, 2018 (at an average historical price of EUR 31.31) compared to 105,771 as of December 31, 2017.

In 2018, the number of treasury shares moved in number and in weighted average prices (WAP) as follows:

	2018		2017	
	Number	WAP (EUR)	Number	WAP (EUR)
<b>At the beginning of the period</b>	<b>105,771</b>	<b>38.18</b>	<b>119,111</b>	<b>38.18</b>
Buy back on the market	58,580	20.38	-	
Sales on the market	-		-	
Treasury shares cancellation	-		-	
Sales linked to the staff incentive program	-12,627	38.18	-13,340	38.18
<b>At the end of the period</b>	<b>151,724</b>	<b>31.31</b>	<b>105,771</b>	<b>38.18</b>

In addition, 13,416 shares have been bought back on December 28 and December 31, 2018, with a settlement in 2019.

## 19.6. Reserves

(EUR thousands)	December 31, 2018	December 31, 2017
Legal reserves	956	956
Reserves available for distribution	135,645	99,497
Reserves for treasury shares	-4,750	-4,038
<b>Reserves</b>	<b>131,851</b>	<b>96,414</b>

### 19.6.1. Reserves for treasury shares

In accordance with the group's evaluation rules, the sums paid or obtained during the acquisition or sale of the company's treasury shares are recognized directly in the shareholders' equity attributable to the company's shareholders. No profit or expense is included in the income statement for the purchase, sale, issue or cancellation of treasury shares.

## 19.7. Translation differences

In accordance with the group's evaluation rules, for the EVS Inc. subsidiary which operates in USD, at the closing date, the assets and liabilities are converted into the group's reporting currency (EUR) at the exchange rate in force on the reporting date, capital and reserves are converted at historical exchange rate, and the income statement is converted at the average exchange rate of the period. The translation differences resulting from this conversion are directly recognized under a distinct heading of equity.

## 20. LOANS

(EUR thousands)	December 31, 2018	December 31, 2017
<b>Long term financial debts</b>		
Bank loans	4,050	9,300
Long term finance lease obligations	376	-
Other long term debts	68	59
<b>Amount due within 12 months (shown under current liabilities)</b>		
Bank loans	5,250	5,250
Long term finance lease obligations	243	-
Other short term debts	-	-
<b>Total financial debt (short and long-term)</b>	<b>9,987</b>	<b>14,609</b>
<b>The total financial debt is repayable as follows :</b>		
- within one year	5,493	5,250
- after one year but no more than five	4,494	9,359
- more than five years	-	-

### 20.1. Credit lines

As of December 31, 2018, the group had been granted by its banks EUR 5.4 million available credit lines (excl. building financing), which can be used either as cash provisions, as short term fixed advances and as guarantees. EUR 0.6 million of these credit lines were used for bank guarantees, mainly for international public tenders, or as security deposit.

### 20.2. Bank loans relating to buildings

The group's policy is to hold its own buildings and to finance them, through equity or long term loans. The open long term bank loans as of December 31, 2018 have the following details:

(EUR thousands)	Bank	Nominal value	Maturity	Effective interest rate	Remaining balance	Net book value	Guarantee on asset
<b>Bank loans :</b>							
- New headquarter	BELFIUS	5,400	2020	Fixed 0.61%	2,700	44,900	5,400
- New headquarter	ING	5,400	2020	Fixed 0.83%	2,700	44,900	6,598
- New headquarter	ING	6,000	2019	EUR 6M + 1,05%	1,200	44,900	-
- New headquarter	BNP	5,400	2020	Fixed 0.80%	2,700	44,900	6,600
<b>TOTAL</b>		<b>22,200</b>			<b>9,300</b>		

On November 14, 2013, a total of EUR 24 million of long-term borrowings over 7 years was subscribed by the company with 3 major banks (the European Investment Bank for 50% through the GFI initiative, ING 25%) and BNPPF (25%), in order to partially finance its new headquarters and operations under construction, all of which had been drawn. EVS began repaying these loans, and will continue to do so gradually until 2020. In 4Q16, EVS benefited from low interest rates to reorganize (without change in the aggregate amount and without associated costs) and to simplify some of its credit lines relating to the financing of the new head office. Following this, EVS now has 3 loans of EUR 5.4 million at Belfius, ING and BNP Paribas Fortis, all of which expire in 2020. The lines at Belfius and ING are hedged by interest rate swap contracts to set the interest rate until maturity in 2020. In 2018, EUR 5.2 million were repaid.

EVS granted a mortgage mandate on the new building to the banks for a total amount of EUR 19 million. The credit is amortized and may be repaid before its final maturity without significant penalty.

Conventions for these bank loans contain certain covenants that are monitored by the management of EVS. On December 31, 2018 they were fully met.

### 20.3. Other long term debt

On the EVS balance sheet as of December 31, 2014, an amount of EUR 2.2 million had been recognized in "other long term debts", to reflect the best current estimate of the contingent consideration at the acquisition date incurred in connection with the acquisition of SVS. The best estimate of the future "earn out" was calculated taking into account the probabilities of 3 possible scenarios on the evolution of future business plan related to the sale of products developed by SVS. The liability of EUR 2.2 million corresponded to the estimated discounted future payments based on the operating income associated with this activity, according to the probabilities of the scenarios.

As of December 31, 2018, EVS has performed a remeasurement of the liability based on an updated business plan and associated updated financial assumptions. This remeasurement confirms that the recognition of the contingent consideration is not justified anymore.

### 20.4. Liabilities from financing activities

In thousands of Euro	Non-cash changes				31 December 2017
	1 January 2017	Cash flows	Foreign exchange movements	Other	
Long-term borrowings	14,550	-5,250	-	-	9,300
Short-term borrowings	5,250	-	-	-	5,250
Lease liabilities	-	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>19,800</b>	<b>-5,250</b>	-	-	<b>14,550</b>

In thousands of Euro	Non-cash changes				31 December 2018
	1 January 2018	Cash flows	Foreign exchange movements	Other	
Long-term borrowings	9,300	-5,250	-	-	4,050
Short-term borrowings	5,250	-	-	-	5,250
Lease liabilities	-	619	-	-	619
<b>Total liabilities from financing activities</b>	<b>14,550</b>	<b>-4,631</b>	-	-	<b>9,919</b>

## 21. PROVISIONS

(EUR thousands)	Litigations	Technical warranty	Total
<b>Provisions</b>			
As of January 1, 2018	-	1,212	1,212
Arising during the year	831	62	893
Utilized	-	-	-
Reversed	-	-	-
Others	-	-	-
<b>As of December 31, 2018</b>	<b>831</b>	<b>1,274</b>	<b>2,105</b>
Current 2017	-	-	-
Non-current 2017	-	1,274	1,274
Current 2018	-	-	-
Non-current 2018	831	1,274	2,105

The litigation provisions are registered in the consolidated accounts and correspond to disputes mainly in relation with commercial or people related matters, whose outcome is still unknown. The amounts allocated to the provisions are measured according to the best knowledge of the management with regard to these disputes and their reasonability is discussed with the group's lawyers.

A provision is booked since 2012 to cover two-year technical standard warranties on the equipment sold as from the delivery, as stated in our general terms and conditions. This provision, with an undefined term, has been reevaluated quarterly, based on a historical analysis of the costs incurred over the years to cover two years of costs associated with these warranties. The end 2018 estimate represented an amount of EUR 1.3 million.

## 22. TRADE AND OTHER PAYABLES

(EUR thousands)	December 31, 2018	December 31, 2017
Trade payables	4,897	5,870
Amounts payable linked	-	-
Other related parties	-	-
<i>Total trade payables</i>	<i>4,897</i>	<i>5,870</i>
Other payables	866	2,124
Accrued charges	1,462	1,121
Deferred income	5,688	5,206
<b>Total</b>	<b>12,913</b>	<b>14,321</b>

Trade payables are non-interest bearing and are normally settled on 45-day terms.

## 23. COMMITMENTS AND CONTINGENCIES

### 23.1. Operating lease commitments

The group holds operating leases on most of the vehicles of its fleet. These leases have an average life time between 3 and 5 years. The expenses relating to the rental part of these leases amounted to EUR 2.7 million in 2018.

Future minimum rentals (excl. VAT) payable under operating leases are as follows as of 31 December:

(EUR thousands)	2018	2017
Within one year	2,017	2,558
After one year but no longer than five years	3,168	3,008
Longer than five years	-	-
<b>Total</b>	<b>5,185</b>	<b>5,566</b>

In the event of cancellation of the operating leases as at December 31, 2018, a compensation of around EUR 137 thousand should be paid by the group.

### 23.2. Commitments relating to technical guarantee in respect of sales

Generally, EVS Group grants a 2-year technical guarantee on products sold subject to the general conditions of sale. We should note that, at the end of 2018, a provision of EUR 1.3 million is booked in relation with this warranty, as explained in the note 21.

### 23.3. Bank guarantees

Bank guarantees amounted to EUR 0.6 million as of December 31, 2018 mainly requested as part of international public tenders, or as security deposit.

### 23.4. Contractual guarantees

Contractual guarantees were established for the benefit of contracting persons/partners for a maximum potential amount of EUR 1.0 million at December 31, 2018.

### 23.5. Guarantees on asset

Mandates from mortgage with banks were granted for EUR 19 million for the loan of EUR 19.8 million (available to partially fund the new headquarters of the group, under construction as explained in note 20.2).

### 23.6. Other guarantees and contingencies

No guarantee to be mentioned.

## 24. RELATED PARTY DISCLOSURES

### 24.1. Affiliates

The consolidated financial statements include the financial statement of EVS Broadcast Equipment SA and the subsidiaries consolidated according to the fully consolidation method listed in note 4. They are representation and distribution subsidiaries for the products developed by EVS.

The table hereunder provides the total amount of transactions which have been entered into with related parties that are not fully consolidated (for information regarding outstanding balances at year end, refer to notes 15 and 22).

Sales to and purchases from related parties are made at normal market prices and under usual commercial conditions. Outstanding balances at year end are unsecured and settlement occurs in cash.

(EUR thousands)		Sales to related parties	Purchases from related parties	Amounts due by related parties	Amounts owed to related parties
<b>Related parties</b>					
<b>Associates :</b>					
MECALEC SA	2018	-	-441	-	-
	2017	-	-378	-	-56
<b>Total</b>	<b>2018</b>	<b>-</b>	<b>-441</b>	<b>-</b>	<b>-</b>
	<b>2017</b>	<b>-</b>	<b>-378</b>	<b>-</b>	<b>-56</b>

### 24.2. Executives

There were no significant related party transactions in 2018, other than the ones that are mentioned in the remuneration report, on page 13 and following.

## 25. AUDITOR

Since the Ordinary General Meeting of May 17, 2016, the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA to Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU (A-01729), Belgian Réviseur d'Entreprise. The mandate of the Auditor is for three years (ending in May 2019). EVS will propose to renew the mandate for a period of three years at the Ordinary General Meeting of May 2019.

In 2018, all fees related to the Auditor of the parent company, Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU and its associates, amounted to EUR 56,030 in aggregate for their duties as Auditor.

## 26. FINANCIAL RISK MANAGEMENT POLICIES

The group enters into derivative transactions, principally forward currency contract. The purpose is to secure its purchases and its sales in foreign currencies against negative variations of these currencies. Indeed, the group has transactional currency exposures. Such exposure arises from sales or purchases by operating entities in currencies other than the group's functional currency.

The main risk arising from the group's financial instrument is described in note 27.2. The group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and operating leases, cash and short-term deposits. The purpose of these financial instruments is to raise finance for the group's operations.

The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The group's policy is, and has always been, that no trading in financial instruments shall be undertaken.

## 27. FINANCIAL INSTRUMENTS

### 27.1. Fair values of the financial instruments

The estimated fair values of the financial assets and liabilities are equal to their fair book value in the balance sheet considering (i) their short maturity or (ii) the fact that the interest rate applicable is in line with market conditions.

### 27.2. Foreign currency risk

Periodically, EVS measures the group's anticipated exposure to transactional exchange risk over six months to one year. In its current structure, the group's exposure is mainly linked to the EUR/USD risk. The group invoices all clients in Euro, except the United States (in USD), while a lot of operational and fiscal expenses are libeled in USD. As a result, the group is "long" in USD, i.e. all of the group's activities generate globally a positive net cash flow in USD.

On the basis of the forecasts and according to the market conditions, the group hedges up to 50% of the exchange rate risk on estimated net future flows, mainly through forward foreign exchange contracts (in USD). EVS does not apply hedge accounting according to IAS 39 for those transactions.

Foreign exchange contracts are revalued at each closing at their market value. The generated exchange rate profit or loss is recorded in the "Other net financial income/(charges) account in the consolidated income statement.



The valuation techniques used are mainly based on spot rates, forward rates and interest rate curves.

At the end of December 2018, the group had no outstanding forward exchange contracts.

### **27.3. Credit risk**

Credit exposure is controlled and reviewed regularly by the management.

Trade receivables consist of a large number of customers, spread across many geographical areas. The evolution of the credit risk is monitored permanently. As of December 31, 2018, it is assumed that the carrying amounts of those trade receivables are the most appropriate estimate to the fair value of those assets.

The credit risk on financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

In addition, as explained in the note 23.3, the group is exposed to credit risk in relation with bank guarantees. As of December 31, 2018, the maximum amount the group could have to pay if these guarantees are called on is EUR 0.6 million.

### **28. EVENTS AFTER THE BALANCE SHEET CLOSING DATE**

Significant events that arose after the balance sheet date are:

- The information communicated in the 2018 annual results released on February 21, 2019;
- Under the share buyback program started on October 25, 2018, the company has continued to acquire EVS shares in 2019. Regular updates are published on the EVS website.

# STATUTORY AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE GENERAL MEETING OF EVS BROADCAST EQUIPMENT SA FOR THE YEAR ENDED DECEMBER 31, 2018

As required by law and the Company's articles of association, we report to you as statutory auditor of EVS Broadcast Equipment SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at December 31, 2018, the consolidated statement of the realized and un-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2018, and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of May 17, 2016, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending December 31, 2018. We performed the audit of the Consolidated Financial Statements of the Group during 3 consecutive years.

## Report on the audit of the Consolidated Financial Statements

### Unqualified opinion

We have audited the Consolidated Financial Statements of EVS Broadcast Equipment SA, which consists of the consolidated statement of the financial position as at December 31, 2018, the consolidated statement of the realized and un-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended and the disclosures, which show a consolidated balance sheet total of € 176.344 thousands and of which the consolidated income statement shows a profit for the year of € 35.155 thousands.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at December 31, 2018, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and 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 reporting 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 consequently we do not provide a separate opinion on these matters.

#### Revenue recognition – complex contracts

Description of the key audit matter:

As of December 31, 2018, the Group's turnover amounts to € 116.059 thousands, of which a portion relates to contracts that are generally spread over several months. Because the revenue recognition process is manual and not automated, there is a risk that revenues are not be recognized according to the contract terms and that revenues are recognized in the wrong financial period.

This matter is considered as a key audit matter due to importance of amounts involved, the diversity of contracts as well as the level of judgment required for complex contracts.

- Summary of audit procedures performed :

We performed the following procedures :

- We assessed the revenue recognition process as well as the operational effectiveness of internal controls.
- We performed analytical procedures comparing revenues with those of the previous year and with the budget. Variances were discussed with management.
- We used data analysis tools including all accounting entries to identify revenues that are not recognized through trade receivables as well as trade receivables that are cleared via an account other than cash. We also used this tool to test unusual or unexpected entries.
- Based on a statistical sample, we performed cutoff testing by analysing deliveries and receptions close to the closing date.
- We analyzed significant and complex contracts. We discussed and analyzed the revenue recognition principles adopted by the Group based on contractual terms.
- We checked and discussed the manual entries booked in revenue.
- We assessed the adequacy of notes 2.24 and 3.2 of the Consolidated Financial Statements.

#### Development costs

- Description of the key audit matter:

At December 31, 2018, the Group recognizes € 25.424 thousands as research and development costs in the income statement.

IAS 38 provides that costs resulting from development has to be capitalized as intangibles assets if and only if the entity can demonstrate that all of the following criteria are met : (i) the technical feasibility of completing the intangible asset for the purpose of using it or selling it ; (ii) its intention and ability to complete the asset and to put it into service or to sell it ; (iii) how economic and future benefits will be

generated ; (iv) the availability of sufficient resources (technical, financial and other) to complete the project and (v) its ability to reliably estimate the costs attributable to the intangible asset.

During the year ended December 31, 2018, the Group did not capitalize development costs, given that the current year's expenses are continuous and incremental improvements to existing products and not costs related to the development of new products. Moreover, it is not possible to reliably estimate development costs related thereto. Therefore, criteria (iii) and (v) of the standard are not met.

This matter is considered as a key audit matter due to significant amount expensed for research and development ("R&D") in 2018 (€ 25.424 thousands) and for the technological environment in which the Group operates in which development costs are usually capitalized in intangible assets.

R&D expenses are disclosed in note 6.3 of the Consolidated Financial Statements.

- Summary of audit procedures performed :

We performed the following audit procedures :

- Based on discussions, we analyzed the hours performed by the R&D department to confirm that these costs are not related to the activities for the purpose of developing, producing and eventually marketing new or substantially improved products or services.
- We had discussions with management and business controlling regarding the justification of the assumptions used for the non-activation.
- We checked that the accounting for R&D expenses complies with the criteria of IAS 38.

### **Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

### **Our responsibilities for the audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective 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;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or 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 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 audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements 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 within the Board of Directors, 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 report, unless the law or regulations prohibit this.

## Report on 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 Board of Director's report.

### Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report, as well as to report on these matters.

### Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, being:

- Profile
- Message to the shareholders
- 2018 highlights
- Strategic priorities
- Key products
- Corporate social responsibility
- Shareholders' information
- Presence in the world

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide reasonable assurance regarding the Board of Directors' report and other information included in the annual report.

### Independence matters

Our auditor's office and our network have not performed any services that are not compatible with the statutory audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the statutory audit of the Annual Accounts as referred to in article 134 of the Belgian Companies Code were duly itemized and valued in the notes to the Annual Accounts.

### Other communications

This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Liège, April 18, 2019

Ernst & Young Bedrijfsrevisoren BCVBA  
Statutory auditor  
Represented by

Marie-Laure Moreau  
Partner\*  
\*Acting on behalf of a SPRL

# BELGIAN GAAP PARENT COMPANY FINANCIAL STATEMENTS

These financial statements are related to the figures for the parent company, EVS Broadcast Equipment SA (Belgium). These statements are disclosed according to the short version allowed by Article 105 of the “Code des Sociétés” (company law). They are filed at the “Banque Nationale de Belgique” and are available on request at the company’s head office, but also on the company website ([www.evs.com](http://www.evs.com) ). They have been unconditionally attested by EY, Auditors, represented by Marie-Laure MOREAU, Partner.

## STATUTORY MANAGEMENT REPORT

As foreseen by the Law, the consolidated management report has been drawn up to also be used as the management report on the parent company’s financial statements. The management report on the parent company’s financial statements is therefore similar to the consolidated management report, except for the following notes:

- The parent company’s financial statements include the figures for the head office in Liege (Belgium): revenue of EUR 90,504 thousand, representing 78.0% of the consolidated amount.
- The profit of the year amounts to EUR 28,253 thousand, compared to EUR 19,753 thousand in 2017. The balance sheet total amounts to EUR 166,413 thousand.
- In 2018, EVS Broadcast Ltd. (Hong Kong) paid dividends to its parent company EVS for a total amount of EUR 7.7 million.
- In accordance with the article 96 of the Belgian Company Code, within the Audit Committee Vincent Werbrouck (civil Engineer, Executive Master in Management and more than 10 years of experience in executive functions at Magotteaux), Chantal De Vrieze (Certificate in law, and many years of experience in executive functions, incl. in the Altran and Econocom groups) and Yves Trouveroy (two Certificates in Law, 30 years of experience in the banking sector and in private equity) have the competencies in accounting and audit..
- Since 2016, research expenses can no longer be included in the balance sheet. Only the development costs can be capitalized in the balance sheet. Research expenses incurred in previous years remain subject to the previous regime. In 2018, EVS incurred an amount of EUR 19.4 million for R&D expenses, which were amortized immediately and fully in accordance with the new valuation rules in this area.
- No event other than those reported in the consolidated management report has affected the parent company’s financial statements.

## BELGIAN GAAP STATUTORY INCOME STATEMENT

(EUR thousands)	2018	2017
<b>Operating income</b>	<b>115,961</b>	<b>120,766</b>
A. Turnover	90,504	98,153
B. Increase (+)/decrease (-) in stocks of finished goods, work and contracts in progress	1,438	2,187
C. Capitalized production	19,377	18,759
D. Other operating income	4,642	1,667
E. Non-recurring income	-	-
<b>Operating charges</b>	<b>-101,376</b>	<b>-105,332</b>
A. Raw materials, consumables and goods for resale	-17,699	-19,246
1. Purchases	-18,891	-20,198
2. Increase (+)/decrease (-) in stocks	1,192	952
B. Services and other goods	-28,073	-28,860
C. Remuneration, social security costs and pensions	-27,620	-26,139
D. Depreciation of and other amounts written off on formation expenses, intangible and tangible fixed assets	-23,750	-29,419
E. (+)/(-) in amounts written off on stock and trade debtors	-3,105	-1,403
F. (+)/(-) in provisions for liabilities and charges	-893	-92
G. Other operating charges	-236	-170
H. Non-recurring charges	-0.3	-3
<b>Operating profit</b>	<b>14,585</b>	<b>15,434</b>
<b>Financial income</b>	<b>8,930</b>	<b>12,941</b>
A. Income from financial assets	7,739	11,797
B. Income from current assets	0.9	2
C. Other financial income	1,190	1,142
<b>Financial charges</b>	<b>-1,563</b>	<b>2,377</b>
A. Interest and other debt charges	-329	-362
B. Write-offs on current assets other than stocks, work in progress and trade receivables (+, -)	-427	-379
C. (+)/(-) in amounts written off on current assets	-806	-1,636
<b>Profit on ordinary activities before taxes (+,-)</b>	<b>21,953</b>	<b>25,998</b>
Transfer and withdrawal from deferred taxation	-497	50
Income taxes	6,797	-6,295
<b>Result for the period (+, -)</b>	<b>28,253</b>	<b>19,753</b>
Transfers from not taxable reserves	130	70
Transfers to not taxable reserves	1,782	-744
<b>Result for the period available for appropriation (+, -)</b>	<b>26,602</b>	<b>19,079</b>
<b>Appropriation account</b>		
A. Result to be appropriated	27,765	19,079
B. Transfers from reserves	-	-
C. Transfers to reserves	-	-4,000
D. Profit / Loss to be carried forward	-13,976	-1,163
E. 1. Dividends	-13,395	-13,519
E. 2. Other equivalents	-394	-397



## BELGIAN GAAP STATUTORY BALANCE SHEET

ASSETS (EUR thousands)	31.12.18	31.12.17
<b>Fixed assets</b>	<b>55,446</b>	<b>59,289</b>
Intangible assets	382	245
Tangible assets	47,427	51,359
A. Land and buildings	44,748	48,429
B. Plant, machinery and equipment	141	185
C. Furniture and vehicles	1,806	2,545
D. Leased assets	676	
E. Other tangible assets	23	23
F. Assets under construction and advance payments	33	177
Financial assets	7,637	7,685
A. Affiliated companies	7,455	7,507
1. <i>Participating interests</i>	5,072	5,072
2. <i>Amounts receivable</i>	2,383	2,435
B. Other companies linked to participating interests	99	99
1. <i>Participating interests</i>	99	99
2. <i>Amounts receivables</i>	-	-
C. Other financial assets	83	79
1. <i>Participating interests</i>	-	-
2. <i>Receivable and cash guarantee</i>	83	79
<b>Current assets</b>	<b>110,967</b>	<b>84,435</b>
Amounts receivable after more that one year		1,342
A. Trade debtors		1,342
Stocks and contracts in progress	13,561	13,849
A. Stocks	13,561	13,849
1. <i>Raw materials and consumables</i>	9,720	10,411
2. <i>Goods in process</i>	-	-
3. <i>Finished goods</i>	3,360	3,438
4. <i>Goods for resale</i>	481	-
B. Goods in process	-	-
Amounts receivable within one year	34,956	32,239
A. Trade debtors	28,879	31,795
B. Other amounts receivable	6,077	444
Investments	8,650	8,355
A. Treasury shares	3,520	3,091
B. Other investments and deposits	5,130	5,264
Cash at bank and in hand	52,677	27,285
Deferred charges and accrued income	1,123	1,365
<b>TOTAL ASSETS</b>	<b>166,413</b>	<b>143,724</b>

<b>LIABILITIES (EUR thousands)</b>	<b>31.12.18</b>	<b>31.12.17</b>
<b>Capital and reserves</b>	<b>120,516</b>	<b>91,582</b>
<b>Capital</b>	<b>8,772</b>	<b>8,342</b>
A. Issued capital	8,772	8,342
<b>Share premium</b>	<b>14,462</b>	<b>-</b>
<b>Reserves</b>	<b>78,841</b>	<b>77,189</b>
A. Legal reserve	834	834
B. Reserves not available for distribution	3,520	3,091
1. <i>In respect of treasury shares</i>	3,520	3,091
C. Not taxable reserves	4,498	2,846
D. Reserves available for distribution	69,988	70,418
<b>Profit / Loss carried forward</b>	<b>13,976</b>	<b>1,163</b>
<b>Investment grants</b>	<b>4,465</b>	<b>4,888</b>
<b>Provisions and deferred taxation</b>	<b>3,133</b>	<b>1,752</b>
A. Provision for liabilities and charges	2,105	1,212
B. Deferred taxation	1,028	540
<b>Creditors</b>	<b>42,764</b>	<b>50,391</b>
<b>Amounts payable after one year</b>	<b>4,435</b>	<b>9,309</b>
A. Financial debts	4,426	9,300
1. <i>Debts from leasing agreements</i>	376	-
2. <i>Credit institutions</i>	4,050	9,300
B. Other amounts payable	9	9
<b>Amounts payable within one year</b>	<b>34,641</b>	<b>38,322</b>
A. Current portion of amounts payable after one year	5,493	5,250
B. Financial debts	-	-
C. Trade debts	9,340	10,339
1. <i>Suppliers</i>	9,340	10,339
D. Advances received on orders	722	615
E. Taxes, remuneration and social security	12,021	14,936
1. <i>Taxes</i>	6,368	8,519
2. <i>Remuneration and social security</i>	5,653	6,417
F. Other amounts payable	7,065	7,182
<b>Accrued charges and deferred income</b>	<b>3,688</b>	<b>2,759</b>
<b>TOTAL LIABILITIES</b>	<b>166,413</b>	<b>143,724</b>

## APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS

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<b>Capital as of December 31, 2018 (EUR thousands)</b>	<b>Amounts</b>	<b>Number of shares</b>
<b>A. Share capital</b>		
1. Issued capital	8.772	14,327,024
2. Structure of capital		
2.1. Different categories of shares		
Shares without face value	8.772	14,327,024
2.2. Registered shares and bearer shares		
Registered shares – as of December 31, 2018		1,617,710
Dematerialized shares – as of December 31, 2018		12,709,314
<b>B. Treasury shares held by the company itself</b>	<b>3,520</b>	<b>151,724</b>
<b>C. Commitments to issue shares</b>		
1. Following the exercise of subscription rights		
- Number of outstanding subscription rights		183,500
- Amount of capital to be issued	5,641	
- Maximum number of shares to be issued		183,500
<b>D. Amount of authorized capital, not issued</b>	<b>1,170</b>	