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Regulated information – Press release annual results

EVS Broadcast Equipment S.A.: Euronext Brussels (EVS.BR), Bloomberg (EVS BB), Reuters (EVS.BR)

## **EVS REPORTS 2015 RESULTS**

### *Strong finish in 2015*

#### > **FY15 highlights**

- Revenue of EUR 118.5 million, -9.8% (-6.2% excl. event rentals and at constant currency), above the EUR 110-115 million guidance, thanks to a stronger than expected finish of 2015
- Growth in Americas and APAC, lower EMEA (but very strong 4Q15)
- Operating expenses increase by 1.6% vs 2014 (-1.6% at constant currency)
- EBIT of EUR 32.6 million (27.6% EBIT margin), net profit of EUR 23.7 million, EPS of EUR 1.76

#### > **4Q15 highlights**

- Record revenue of EUR 42.9 million, +40.4% (+36.3% excl. event rentals and at constant currency), compared to 4Q14, thanks to stronger than expected revenue at the end of the quarter
- Operating expenses increase by 3.7% compared to 4Q14
- EBIT of EUR 18.0 million (42.1 % of revenue), net profit of EUR 13.4 million, EPS of EUR 1.00

#### > **2016 outlook**

- Order book of EUR 50.4 million on February 15, 2016 (to be invoiced in 2016), including EUR 8.8 million for big event rentals
- +41.3% compared to 2015 excl. big event rentals
- Big event year
- Industry still in transition
- Controlled opex growth in 2016

## **KEY FIGURES**

Unaudited			EUR millions, except earnings per share expressed in EUR	Audited		
4Q15	4Q14	4Q15/4Q14		FY15	FY14	FY15/FY14
42.9	30.5	+40.4%	Revenue	118.5	131.4	-9.8%
31.7	22.3	+42.4%	Gross margin	84.2	97.8	-13.9%
74.0%	73.0%	-	Gross margin %	71.1%	74.5%	-
18.0	8.9	+103.1%	Operating profit – EBIT	32.6	46.1	-29.1
42.1%	29.1%	-	Operating margin – EBIT %	27.6%	35.1%	-
13.4	8.3	+62.7%	Net profit (Group share)	23.7	35.5	-33.3%
1.00	0.61	+62.5%	Basic earnings per share (Group share)	1.76	2.63	-33.2%

## **COMMENTS**

Our performance in 2015 was better than forecasted, with a stronger than expected end of year. After a period of high cautiousness, we observed at the end of the year some of our customers releasing budgets that were put on hold during the first part of the year. In 2016, we expect the industry to remain in mutation and technology transitions to continue weighting on investment decisions. Despite these challenging conditions, EVS remains leader and keeps the confidence of its customers, as evidenced by the recent multi-year contract with NEP, a very high order book or our key role in the upcoming big sporting events”, said Muriel De Lathouwer, Managing Director & CEO of EVS. “Aside of the financial performance, we have done a lot to position the company for the future. In 2015, we had a strong focus on cost management and set up a more efficient organization, and the results were above our expectations. In 2016, we will keep a strong focus on cost management, while investing in the future to consolidate our leadership and develop new growth opportunities.”

Commenting on the results and prospects, Yvan Absil, CFO, said: “2015 revenue was slightly above the EUR 110-115 million guidance given in November, thanks to a stronger than expected year-end. EMEA was particularly dynamic in 4Q15, partially offsetting the weakness of the first half. In 2015, our focus on cost management has paid off, with opex down year-on-year at constant currency. The EBIT margin for the year was 27.6%, and the EPS EUR 1.76. For 2016, our visibility on the top line is, as usual, low. We expect around EUR 10 million of rentals from the 2016 big events (mainly Euro football championship and Olympics), and see some controlled opex growth compared to 2015 related to investments in new products and new technologies.”

## Revenue in 4Q15 and FY15

EVS revenue amounted to a record **EUR 42.9 million in 4Q15**, an increase by 40.4% (+36.3% at constant currency and excluding the big event rentals) compared to 4Q14. The finish of the quarter was very strong, positively impacted by server upgrades. 4Q15 sales in **Outside broadcast vans** represented 49.1% of total group sales, and **Studio & others** sales 50.9%.

EVS revenue amounted to **EUR 118.5 million in FY15**, a decrease of 9.8% (-6.2% at constant currency and excluding the big event rentals) compared to FY14. Sales of solutions in **Outside broadcast vans** decreased by 7.2% to EUR 63.7 million, representing 53.8% of total group sales in FY15. **Studio & others** sales increased by 9.2% in FY15 to EUR 52.9 million, representing 44.6% of total sales. **Big events rentals** amounted to EUR 1.9 million in FY15 (relating to the Southeast Asian Games and the Women soccer World Cup), compared to EUR 14.3 million in FY14. They represented 1.6% of total sales in FY15.

4Q15	4Q14	%4Q15/ 4Q14	Revenue – EUR millions <sup>(1)</sup>	FY15	FY14	% FY15/ FY14
42.9	30.5	+40.4%	Total reported	118.5	131.4	-9.8%
41.6	30.5	+36.1%	Total at constant currency	111.6	131.4	-15.1%
41.6	30.5	<b>+36.3%</b>	<b>Total at constant currency and excluding big event rentals</b>	109.8	117.1	<b>-6.2%</b>

(1) Refer to the geographical segmentation in annex 5.4.

Geographically, sales (excl. big event rentals) have evolved in FY15 as follows:

- Europe, Middle-East and Africa (“**EMEA**”): EUR 49.8 million (-20.7% compared to FY14, at constant currency)
- “**Americas**”: EUR 41.2 million (+4.5% compared to FY14, at constant currency)
- Asia & Pacific (“**APAC**”): EUR 25.6 million (+19.9% at constant currency).

## 4Q15 results

**Consolidated gross margin was 74.0% for 4Q15**, higher compared to 4Q14 thanks to higher sales, and despite higher write-offs on inventories and the impact of currency fluctuations. Operating expenses grew by 3.7%, mainly due to the effect of currency fluctuations, IT investments in the group and the impact of the new building, partially offset by some reversals of existing provisions on accounts receivables. This leads to a **4Q15 EBIT margin of 42.1%**, compared to 29.1% last year. Group net profit amounted to EUR 13.4 million in 4Q15, compared to EUR 8.3 million in 4Q14. **Basic net profit per share amounted to EUR 1.00 in 4Q15**, compared to EUR 0.61 for 4Q14.

## FY15 results

**Consolidated gross margin was 71.1% for FY15**, compared to 74.5% in FY14 due to lower sales, higher write-offs on inventories, the impact of the new building and the impact of currency fluctuations. Operating expenses grew by 1.6% (but -1.6% at constant currency), mainly due to the effect of currency fluctuations and the impact of the new building, partially offset by some reversals of existing provisions on accounts receivables. This leads to a **FY15 EBIT margin of 27.6%**, compared to 35.1% in 2014. Group net profit amounted to EUR 23.7 million in FY15, compared to EUR 35.5 million in FY14. **Basic net profit per share amounted to EUR 1.76 in FY15**, -33.2% compared to EUR 2.63 for FY14.

## Staff

At the end of December 2015, EVS employed 485 people (FTE), -5.3% compared to December 2014 (512), mainly due to the closing of the Chengdu office (China) and more selective recruitments. On average, EVS employed 489 FTE in FY15, compared to 503 in FY14, a 2.8% decrease.

## Balance sheet and cash flow statement

Total equity represented 56.4% of total balance sheet at the end of December 2015. Inventories amounted to EUR 15.6 million, including around EUR 3.0 million value of own equipment used for R&D and demos of EVS products. Inventories were slightly up compared to the end of September 2015, following the purchase of components at the end of the year. In the liabilities, provisions include mainly the provision for technical warranty on EVS products for labor and parts.

Lands and building mainly include the new headquarters in Liège. Depreciation on the building started in 2Q15 and will be approximately EUR 2.1 million on a full year basis. At the end of December 2015, EUR 56.1 million have been invested (less EUR 5.6 million of subsidies booked at the same date). A total of EUR 30.0 million has been drawn on available loan facilities to finance it, but the company already started to repay a part of it (EUR 5.2 million).

The net cash from operating activities amounted to EUR 22.9 million in FY15. On December 31, 2015, the group balance sheet showed **EUR 22.6 million in cash and cash equivalents**, and EUR 24.8 million in financial long-term debts (including short term portion of it).

At the end of December 2015, there were 13,625,000 EVS outstanding shares, of which 129,917 were owned by the company. At the same date, 266,800 warrants were outstanding with an average strike price of EUR 40.17 and an average maturity in February 2017.

## **2016 outlook**

The **order book** (to be invoiced in 2016) on February 15, 2016 amounts to **EUR 50.4 million**, which is +69.2% compared to EUR 29.8 million last year (+41.3% excl. the EUR 8.8 million for big events rentals in 2016).

In addition to this order book to be invoiced in 2016, EVS already has EUR 12.2 million of orders to be invoiced in 2017 and beyond.

After a period of high cautiousness, we observed at the end of the year some of our customers releasing budgets that were put on hold during the first part of the year. In 2016, we expect the industry to remain in mutation and technology transitions to continue weighting on investment decisions. In this context, and with limited visibility, as usual at this time in the year, the EVS management remains prudent for 2016. The company expects around EUR 10 million of rentals relating to the big sporting events. In 2016, we will keep a strong focus on cost management, while investing in new products and new technologies. This should result in some controlled opex growth.

## **Status of the control by the Statutory Auditors**

The Statutory Auditor BDO Réviseurs d'Entreprises Soc. Civ. SCRL confirmed that his audit work, which is substantially completed, did not reveal significant matters requiring adjustments to be brought to the historical accounting information presented in the press release.

## **Conference call**

EVS will hold a conference call in English today at 2:30 pm CET for financial analysts and institutional investors. Other interested parties may join the call in a listen-only mode. The presentation used during the conference call will be available shortly before the call on the EVS website.

Dial-in numbers: +44 (0)20 7162 0077 (United Kingdom), +32 (0)2 290 14 07 (Belgium), +1 334 323 6201 (United States)  
Conference call ID: 957288

## **Corporate Calendar:**

Thursday May 12, 2016: 1Q16 results  
Tuesday May 17, 2016: Ordinary General Meeting  
Thursday August 25, 2016: 2Q16 results  
Thursday November 10, 2016: 3Q16 results

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**Forward Looking Statements**

This press release contains forward-looking statements with respect to the business, financial condition, and results of operations of EVS and its affiliates. These statements are based on the current expectations or beliefs of EVS's management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. EVS undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**About EVS**

EVS provides its customers with reliable and innovative technology to enable the production of live, enriched video programming, allowing them to work more efficiently and boost their revenue streams. Its industry-leading broadcast and media production systems are used by broadcasters, production companies, post-production facilities, film studios, content owners and archive libraries around the globe. It spans four key markets – Sports, Entertainment, News and Media. Founded in 1994, its innovative Live Slow Motion system revolutionized live broadcasting. Its reliable and integrated tapeless solutions, based around its market-leading XT server range, are now widely used to deliver live productions worldwide. Today, it continues to develop practical innovations, such as its C-Cast second-screen delivery platform, to help customers maximize the value of their media content. The company is headquartered in Belgium and has 20 offices in Europe, the Middle East, Asia and North America. Around 500 EVS professionals sell its branded products in over 100 countries, and provide customer support globally. EVS is a public company traded on Euronext Brussels: EVS, ISIN: BE0003820371. For more information, please visit [www.evs.com](http://www.evs.com).

## Condensed consolidated financial statements

### ANNEX 1: CONDENSED CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Notes	FY15 Audited	FY14 Audited	4Q15 Unaudited	4Q14 Unaudited
Revenue	5.4	118,511	131,403	42,872	30,526
Cost of sales		-34,261	-33,557	-11,147	-8,250
<b>Gross profit</b>		<b>84,250</b>	<b>97,846</b>	<b>31,725</b>	<b>22,275</b>
<b>Gross margin %</b>		<b>71.1%</b>	<b>74.5%</b>	<b>74.0%</b>	<b>73.0%</b>
Selling and administrative expenses		-26,607	-25,126	-7,141	-6,643
Research and development expenses	5.8	-24,525	-25,214	-6,605	-6,617
Other revenue		285	138	68	86
Other expenses		-222	-193	-39	-67
Stock based compensation and ESOP plan		-527	-1,000	31	-86
Amortization and impairment on goodwill, acquired technology and IP		-	-364	-	-67
<b>Operating profit (EBIT)</b>		<b>32,653</b>	<b>46,087</b>	<b>18,038</b>	<b>8,881</b>
<b>Operating margin (EBIT) %</b>		<b>27.6%</b>	<b>35.1%</b>	<b>42.1%</b>	<b>29.1%</b>
Interest revenue on loans and deposits		68	196	13	66
Interest charges		-491	-331	-130	-85
Other net financial income / (expenses)	5.9	1,132	1,127	704	344
dcinex disposal	5.11	-	1,977	-	1,977
Share in the result of the enterprise accounted for using the equity method	5.11	107	-122	13	-409
<b>Profit before taxes (PBT)</b>		<b>33,468</b>	<b>48,933</b>	<b>18,637</b>	<b>10,774</b>
Income taxes	5.10	-9,754	-14,675	-5,209	-2,872
<b>Net profit</b>		<b>23,714</b>	<b>34,259</b>	<b>13,429</b>	<b>7,902</b>
Attributable to :					
Non controlling interest	5.12		-1,279	-	-354
<b>Equity holders of the parent company</b>		<b>23,714</b>	<b>35,537</b>	<b>13,429</b>	<b>8,256</b>
<b>Net profit from operations – share of the group <sup>(1)</sup></b>	<b>5.3</b>	<b>24,241</b>	<b>35,173</b>	<b>13,398</b>	<b>6,894</b>
<b>EARNINGS PER SHARE (in number of shares and in EUR)</b>	<b>5.7</b>	<b>FY15 Audited</b>	<b>FY14 Audited</b>	<b>4Q15 Unaudited</b>	<b>4Q14 Unaudited</b>
Weighted average number of subscribed shares for the period less treasury shares		13,490,812	13,513,053	13,494,030	13,484,502
Weighted average fully diluted number of shares		13,850,684	13,894,568	13,840,109	13,866,737
<b>Basic earnings – share of the group</b>		<b>1.76</b>	<b>2.63</b>	<b>1.00</b>	<b>0.61</b>
Fully diluted earnings – share of the group <sup>(2)</sup>		<b>1.71</b>	<b>2.56</b>	<b>0.97</b>	<b>0.60</b>
<b>Basic net profit from operations – share of the group</b>		<b>1.80</b>	<b>2.60</b>	<b>0.99</b>	<b>0.51</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands)		FY15 Audited	FY14 Audited	4Q15 Unaudited	4Q14 Unaudited
<b>Net profit</b>		<b>23,714</b>	<b>34,259</b>	<b>13,429</b>	<b>7,902</b>
<b>Other comprehensive income of the period</b>					
Currency translation differences		446	431	138	194
Other increase / (decrease)		-221	-36	-39	450
<b>Total comprehensive income for the period</b>		<b>23,939</b>	<b>34,654</b>	<b>13,527</b>	<b>8,546</b>
Attributable to :					
Non controlling interest	5.12	0	-1,279	0	-354
<b>Equity holders of the parent company</b>		<b>23,939</b>	<b>35,932</b>	<b>13,527</b>	<b>8,900</b>

(1) The net profit from operations is the net profit (share of the group) excluding non-operating items (net of tax) and the dcinex contribution. Refer to Annex 5.3: use of non-gaap financial measures.

(2) Excluding 266,800 warrants that were not exercisable at the end of December 2015, fully diluted earnings per share in FY15 would have been EUR 1.71 (see also note 5.6)

**ANNEX 2: CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(BALANCE SHEET)**

<b>ASSETS (EUR thousands)</b>	<b>Notes</b>	<b>Dec. 31, 2015 Audited</b>	<b>Dec. 31, 2014 Audited</b>
<b>Non-current assets :</b>			
Goodwill		1,125	1,125
Other intangible assets		404	415
Lands and buildings	5.16	48,054	46,088
Other tangible assets		3,586	1,835
Investment accounted for using equity method	5.11	920	836
Bonds (Ymagis)	5.11	-	6,361
Subordinated loans	5.11	-	151
Other financial assets		273	260
<b>Total non-current assets</b>		<b>54,362</b>	<b>57,071</b>
<b>Current assets :</b>			
Inventories		15,568	15,365
Trade receivables		36,254	28,210
Other amounts receivable, deferred charges and accrued income		3,620	5,486
Other financial assets		1,118	1,575
Cash and cash equivalents		22,572	25,556
<b>Total current assets</b>		<b>79,131</b>	<b>76,191</b>
Assets classified as held for sale	5.16	<b>5,051</b>	<b>6,445</b>
<b>Total assets</b>		<b>138,544</b>	<b>139,707</b>
<b>EQUITY AND LIABILITIES (EUR thousands)</b>			
<b>Equity :</b>			
<b>Capital</b>		<b>8,342</b>	<b>8,342</b>
Reserves		80,699	83,650
Interim dividends		-6,747	-13,485
Treasury shares		-4,960	-5,364
<b>Total consolidated reserves</b>		<b>68,993</b>	<b>64,801</b>
Translation differences		816	371
<b>Equity attributable to equity holders of the parent company</b>		<b>78,152</b>	<b>73,514</b>
<b>Non-controlling interest</b>		<b>6</b>	<b>6</b>
<b>Total equity</b>	<b>4</b>	<b>78,157</b>	<b>73,520</b>
Long term provisions		1,132	1,077
Deferred taxes liabilities		1,678	1,627
Financial long term debts	5.16	19,600	24,800
Other long term debts	5.12	1,160	2,151
<b>Non-current liabilities</b>		<b>23,570</b>	<b>29,655</b>
Short term portion of financial debts	5.16	5,200	7,107
Trade payables		4,987	5,225
Amounts payable regarding remuneration and social security		9,879	9,932
Income tax payable		7,658	8,195
Other amounts payable, advances received, accrued charges and deferred income		9,094	6,075
<b>Current liabilities</b>		<b>36,817</b>	<b>36,533</b>
<b>Total equity and liabilities</b>		<b>138,544</b>	<b>139,707</b>

**ANNEX 3: CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(EUR thousands)	Notes	2015 Audited	2014 Audited
<b>Cash flows from operating activities</b>			
Operating Profit (EBIT)		32,653	46,087
Adjustment for non-cash items :			
- Depreciation and write-offs on fixed assets		2,902	2,599
- Stock based compensation and ESOP	1, 4	527	1,000
- Provisions and deferred taxes increase (+) / decrease (-)		106	406
		<b>36,188</b>	<b>50,092</b>
Increase (+) / decrease (-) of cash flows			
- Amounts receivable		-8,044	1,325
- Inventories		-203	828
- Trade debts		-238	-221
- Remuneration, social security and taxes debts		-590	4,240
- Other items of the working capital		5,497	-1,472
<i>Cash generated from operations</i>		<i>32,610</i>	<i>54,791</i>
Interest received		68	196
Income taxes	5.10	-9,754	-14,675
<b>Net cash from operating activities</b>		<b>22,923</b>	<b>40,313</b>
<b>Cash flows from investing activities</b>			
Purchase (-) / disposal (+) of intangible assets		-184	-245
Purchase (-) / disposal (+) of property, plant and equipment		-5,030	-22,445
Purchase (-) / disposal (+) of other financial assets	5.11	6,499	4,797
<b>Net cash used in investing activities</b>		<b>1,285</b>	<b>-17,893</b>
<b>Cash flows from financing activities</b>			
Operations with treasury shares	4, 5.6	404	-335
Other net equity variations		225	-61
Interest paid		-491	-331
Movements on long-term borrowings	5.16	-7,098	21,834
Interim dividend paid		-6,747	-13,485
Final dividend paid	4, 5.5	-13,485	-13,625
SVS cash impact	5.12	-	-1,000
<b>Net cash used in financing activities</b>		<b>-27,192</b>	<b>-7,003</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-2,984</b>	<b>15,417</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>25,556</b>	<b>10,139</b>
<b>Cash and cash equivalents at end of period</b>		<b>22,572</b>	<b>25,556</b>

**ANNEX 4: CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**

(EUR thousands)	Issued capital	Other reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
<b>Balance as per December 31, 2013</b>	<b>8,342</b>	<b>64,745</b>	<b>-5,029</b>	<b>-60</b>	<b>67,998</b>	<b>469</b>	<b>68,466</b>
Total comprehensive income for the period		35,501		431	35,932	-1,279	34,653
Business combination		-3,971			-3,971	816	-3,155
Share-based payments		1,000			1,000		1,000
Operations with treasury shares			-335		-335		-335
Final dividend		-13,625			-13,625		-13,625
Interim dividend		-13,485			-13,485		-13,485
<b>Balance as per December 31, 2014</b>	<b>8,342</b>	<b>70,165</b>	<b>-5,364</b>	<b>371</b>	<b>73,514</b>	<b>6</b>	<b>73,520</b>

(EUR thousands)	Issued capital	Other reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
<b>Balance as per December 31, 2014</b>	<b>8,342</b>	<b>70,165</b>	<b>-5,364</b>	<b>371</b>	<b>73,514</b>	<b>6</b>	<b>73,520</b>
Total comprehensive income for the period		23,493		446	23,939		23,939
Business combination					0		0
Share-based payments		527			527		527
Operations with treasury shares			404		404		404
Final dividend		-13,485			-13,485		-13,485
Interim dividend		-6,747			-6,747		-6,747
<b>Balance as per December 31, 2015</b>	<b>8,342</b>	<b>73,953</b>	<b>-4,960</b>	<b>817</b>	<b>78,151</b>	<b>6</b>	<b>78,157</b>



## **ANNEX 5: NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The consolidated financial statements of EVS Group for the 12 month-period ended December 31, 2015, are established and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union.

### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES AND METHODS**

The accounting policies and methods adopted for the preparation of the Company's IFRS consolidated financial statements are consistent with those applied in the 2014 consolidated financial statements. The Company's IFRS accounting policies and methods are available in the 2014 annual report on [www.evs.com](http://www.evs.com).

### **NOTE 3: USE OF NON-GAAP FINANCIAL MEASURES**

EVS uses certain non-GAAP measures in its financial communication. EVS does not represent these measures as alternative measures to net profit or other financial measures determined in accordance with IFRS. These measures as reported by EVS might differ from similar titled measures used by other companies. We believe that these measures are important indicators of our business and are widely used by investors, analysts and other parties. In the press release, the non-GAAP measures are reconciled to financial measures determined in accordance with IFRS.

The reconciliation between the net profit for the period and the net profit from operations, excl. dcinex is as follows:

<b>(EUR thousands)</b>	<b>FY15</b>	<b>FY14</b>
Net profit for the period – IFRS	23,714	35,537
Allocation to Employees Profit Sharing Plan	377	466
Stock Option Plan	150	534
Amortization and impairment on acquired technology and IP	-	364
Contribution of dcinex	-	248
dcinex disposal	-	-1,977
<b>Net profit from operations, excl. dcinex</b>	<b>24,241</b>	<b>35,173</b>

### **NOTE 4: SEGMENT REPORTING**

#### **4.1. General information**

The company already 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, 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. EVS operates as one segment.

By consequence, the company is composed of one segment according to the IFRS 8 definition, and the consolidated income statement of the group reflects this unique segment. 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 ("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 & 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.

## 4.2. Additional information

### 4.2.1. 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.

4Q15	4Q14	% 4Q15/ 4Q14	Revenue (EUR thousands)	FY15	FY14	% FY15/ FY14
21,030	17,893	+17.5%	Outside broadcast vans	63,717	68,651	-7.2%
21,842	12,599	+73.4%	Studio & others	52,853	48,406	+9.2%
-	34	N/A	Big sporting event rentals	1,941	14,345	-86.5%
<b>42,872</b>	<b>30,526</b>	<b>+40.4%</b>	<b>Total Revenue</b>	<b>118,511</b>	<b>131,403</b>	<b>-9.8%</b>

### 4.2.2. Information on sales by geographical information

Activities are divided by three regions: Asia-Pacific ("APAC"), Europe, Middle East and Africa ("EMEA"), and "Americas". Aside of them, we also identify the "big event rentals".

#### 4.2.2.1. Revenue

Revenue for the quarter (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event rentals	TOTAL
4Q15 revenue	9,227	22,975	10,670	-	42,872
Evolution versus 4Q14 (%)	+55.3%	+35.6%	+39.7%	-	+40.4%
Variation versus 4Q14 (%) at constant currency	+55.3%	+35.6%	+22.5%	-	+36.1%
4Q14 revenue	5,941	16,915	7,636	34	30,526

  

Revenue for 12 months (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event Rentals	TOTAL
FY15 revenue	25,583	49,812	41,174	1,941	118,511
Evolution versus FY14 (%)	+19.9%	-20.7%	+25.1%	-86.5%	-9.8%
Variation versus FY14 (%) at constant currency	+19.9%	-20.7%	+4.5%	-87.3%	-15.1%
FY14 revenue	21,338	62,803	32,917	14,345	131,403

Sales realized in Belgium (the country of origin of the company) with external clients represent less than 5% of the total sales 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 35.9 million in the last 12 months).

#### 4.2.2.2. Long term assets

Considering the explanations given in 4.1., all long term assets are located in the parent company EVS Broadcast Equipment SA in Belgium.

### 4.2.3. Information on systems and services

Revenue can be presented by nature: systems and services.

4Q15	4Q14	% 4Q15/ 4Q14	Revenue (EUR thousands)	FY15	FY14	% FY15/ FY14
40,184	28,254	+42.2%	Systems	109,674	122,428	-10.4%
2,688	2,272	+18.3%	Services	8,837	8,975	-1.5%
<b>42,872</b>	<b>30,526</b>	<b>+40.4%</b>	<b>Total Revenue</b>	<b>118,511</b>	<b>131,403</b>	<b>-9.8%</b>

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

#### 4.2.4. Information on important clients

No external client of the company represents more than 10% of the sales over the last 12 months.

#### NOTE 5: DIVIDENDS

The Ordinary General Meeting of May 19, 2015 approved the payment of a total gross dividend of EUR 2.00 per share, including the interim dividend of EUR 1.00 per share paid in November 2014, leading to a final gross dividend of EUR 1.00 per share, for digital coupon # 20, ex-date May 26 and pay date May 28.

The Board of Directors of November 10, 2015 has decided to pay an interim gross dividend of EUR 0.50 per share (EUR 0.375 per share after 25% withholding tax) for the fiscal year 2015 with November 23 as ex-date, November 24 as record date and November 25 as payment date.

(EUR thousands)	# Coupon	2015	2014
- Final dividend for 2013 (EUR 1.00 per share less treasury shares)	18	-	13,547
- Interim dividend for 2014 (EUR 1.00 per share less treasury shares)	19	-	13,485
- Final dividend for 2014 (EUR 1.00 per share less treasury shares)	20	13,495	-
- Interim dividend for 2015 (EUR 0.50 per share less treasury shares)	21	6,747	-
<b>Total dividends paid</b>		<b>20,242</b>	<b>27,032</b>

#### NOTE 6: EQUITY SECURITIES

The number of treasury shares has changed as follows during the period, together with the outstanding warrants:

	2015	2014
<b>Number of own shares at January 1</b>	<b>140,498</b>	<b>133,364</b>
Acquisition of own shares on the market	-	127,500
Sale of own shares on the market	-	-
Allocation to Employees Profit Sharing Plans	-10,581	-10,166
Sales related to Employee Stock Option Plan (ESOP) and other transactions	-	-110,200
Own shares cancellation	-	-
<b>Number of own shares at December 31</b>	<b>129,917</b>	<b>140,498</b>
<b>Outstanding warrants at December 31</b>	<b>266,800</b>	<b>372,050</b>

In 2015, the company didn't repurchase any share on the stock market. A total of 1,900 shares, which had been transferred from Delta Lloyd to EVS in 3Q15, as a result of the termination of the 2005 EVS stock split process, have been sold in 4Q15 during the final step of the dematerialization process in Belgium. No shares were used to satisfy the exercise of warrants by employees. The Ordinary General Meeting of shareholders of May 19, 2015 approved the allocation of 10,581 shares to EVS employees (grant of 37 shares to each staff member in proportion to their effective or assimilated time of occupation in 2014) as a reward for their contribution to the group successes. At the end of December 2015, the company owned 129,917 own shares at an average historical price of EUR 38.18. At the same date, 266,800 warrants were outstanding with an average strike price of EUR 40.71 (no grant, no exercise and 105,250 cancellation in 2015) and an average maturity of February 2017.

#### NOTE 7: EARNINGS PER SHARE (EPS)

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 less treasury shares. 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 less treasury shares.

**NOTE 8: RESEARCH AND DEVELOPMENT**

Since 4Q10, 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.

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

<b>(EUR thousands)</b>	<b>FY15</b>	<b>FY14</b>
Gross R&D expenses	25,952	26,659
R&D tax credits for current fiscal year	-1,427	-1,445
<b>R&amp;D expenses</b>	<b>24,525</b>	<b>25,214</b>

**NOTE 9: OTHER NET FINANCIAL INCOME / (EXPENSES)**

<b>(EUR thousands)</b>	<b>FY15</b>	<b>FY14</b>
Exchange results from statutory accounts	-502	-22
Exchange results relating to IFRS consolidation methodology	1,551	1,042
Other financial results	83	108
<b>Other net financial income / (expenses)</b>	<b>1,132</b>	<b>1,128</b>

The functional currency of EVS Broadcast Equipment S.A. as well as all of the subsidiaries is the euro, except for the American EVS Inc. subsidiary, whose functional currency is the US dollar. The presentation currency of the consolidated financial statements of EVS Group is the euro. For more information on exchange rates, see also the annex 5.14.

**NOTE 10: INCOME TAX**

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 the two periods with the theoretical tax charge obtained by applying the theoretical tax rate:

<b>(EUR thousands)</b>	<b>FY15</b>	<b>FY14</b>
<b>Reconciliation between the effective tax rate and the theoretical tax rate</b>		
Reported profit before taxes, share in the result of the enterp. accounted for using the equity method	33,361	49,055
Reported tax charge based on the effective tax rate	-9,754	-14,675
<b>Effective tax rate</b>	<b>29.2%</b>	<b>29.9%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect of tax-exempt income on dcinex disposal	-	-672
Tax effect of deduction for notional interests	-229	-170
Tax effect of non-deductible expenditures	306	343
Tax effect due to the carry-over taxation for gains on building disposals	-215	-
Other increase / (decrease)	-316	163
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-10,208	-15,011
<b>Theoretical tax rate (relating to EVS operations, excl. dcinex)</b>	<b>30.6%</b>	<b>30.6%</b>

**NOTE 11: INVESTMENTS IN ASSOCIATES - dcinex SA (formerly XDC SA)**

In 2014, EVS has sold its 41.3% stake in dcinex to Ymagis SA. Until the closing of the transaction, on October 20, 2014, dcinex was accounted using equity method in EVS consolidated accounts with a negative contribution (share of the group) of EUR -0.2 million.

On October 20, 2014, the value of dcinex in the EVS consolidated accounts was EUR 7.3 million. In addition to this, there were also EUR 1.3 million subordinated loans on the EVS balance sheet.

According to the agreement, the transaction has been valued in the EVS accounts at a total of EUR 9.9 million, including:

- EUR 1.6 million in cash (EUR 2.1 million less EUR 0.5 million for all fees and costs associated with the transaction)
- EUR 2.0 million in Ymagis shares (288,851 shares, sold on November 28 at EUR 6.89 per share)
- EUR 6.4 million in Ymagis bonds (OBSA), which had a maximum maturity of 5 years. These bonds were associated with warrants.

At the closing of the transaction, EVS reversed adjustments relating to dcinex that were booked directly in the equity of EVS (as required by IFRS) over the last few years until the disposal date for an amount of EUR 0.6 million. This resulted in a net capital gain of EUR 2.0 million in the EVS consolidated income statement in 4Q14.

At the end of March 2015, Ymagis repaid anticipatively to EVS:

- the EUR 6.4 million obligations associated with warrants.
- the remaining EUR 151,100 subordinated loans to be repaid by dcinex.

These two repayments finalized the dcinex disposal transaction in the EVS accounts.

Therefore, the enterprises accounted for using the equity method only include Mecalec SMD SA.

**NOTE 12: SVS-DYVI Live**

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. Notwithstanding that EVS only held 25.1% of the shares outstanding, the Group considered to have the control of SVS because it had the power on the business decisions and it controlled totally the outflow of the company.

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
- the remaining 5% it didn't own in Dyvi Live SA for a global amount of EUR 0.1 million.

The goodwill amounted to EUR 1.1 million as of May 2013 and has not changed after the acquisition of the remaining shares in December 2014 due to the fact EVS has already the global effective control with the first acquisition of the minority share in 2013. The goodwill has been subject to an impairment test on December 31, 2015. The result is that no impairment charge recognition was deemed necessary.

On the EVS balance sheet as of December 31, 2014, an amount of EUR 2.2 million has been booked in "other long term debts" recognized through the equity of EVS, to reflect the best current estimate of the future earn out at the acquisition date. The liability will be reassessed to fair value based on the business plan evolution at each reporting date until the end of the earn out period. The future changes in estimated fair value will be recognized in the income statement. As of December 31, 2015, an amount of EUR 1.0 million has been transferred in the "Other amounts payable" account to take into account the short term portion of the earn out but there are no changes in the total estimated fair value.

**NOTE 13: HEADCOUNT**

(in full time equivalents)	At December 31	Twelve-months average
2015	485	489
2014	512	503
<i>Variation</i>	-5.3%	-2.8%

Main reason for the staff decrease in 2015 is the closing of the EVS development center in Chengdu (China) in June 2015. It employed 34 people at the time of the closing. Ongoing developments made in China have been transferred in new headquarter in Liège, where 11 people were recruited for these.

#### **NOTE 14: EXCHANGE RATES**

The main exchange rate that influences the consolidated financial accounts is USD/EUR which has been taken into account as follows:

Exchange rate USD / EUR	Average FY	Average 4Q	At December 31
2015	1.1095	1.0953	1.0887
2014	1.3280	1.2496	1.2141
Variation	+19.7%	+14.1%	+11.5%

For FY15, the average US dollar exchange rate against the Euro increased by 19.7%. It had a positive impact on FY15 revenue of EUR 6.9 million, or 5.2%.

#### **NOTE 15: FINANCIAL INSTRUMENTS**

The estimated fair values of the financial assets and liabilities are equal to their fair book value in the balance sheet.

Periodically, EVS measures the group's anticipated exposure to transactional exchange risk over one year, mainly relating to the EUR/USD risk. Given the group has a "long" position in USD and based on sales forecasts, EVS hedges future USD net in-flows by forward foreign exchange contracts. The relevant hedging results are booked as financial results.

On December 31, 2015, the group held USD 3.0 million and exceptionally RUB 4.2 million in forward exchange contracts, with average maturity dates of November 2016 and March 2016, and with average exchange rates of EUR/USD of 1.0892 and EUR/RUB of 81.81.

#### **NOTE 16: FINANCIAL DEBT AND NEW BUILDING INVESTMENT**

In order to partially finance its new HQ and operating facilities, EVS has drawn down a total of EUR 30 million loans:

- a senior debt funding of EUR 24 million over 7 years with 3 major banks (secured in November 2013): European Investment Bank (50%), ING (25%) and BNPPF (25%);
- loan facilities of EUR 6 million over 5 years (secured in May 2014) with ING.

EVS already started to pay these loans down, and will gradually do so until 2020. In 2015, EUR 5.2 million have been reimbursed.

The move to the new headquarter has been totally completed in June 2015.

Given the move into the new building, all the other existing facilities of EVS that are for sale have been reclassified as "Asset classified as held for sale" on the balance sheet. At the end of December, two of the previous buildings have already been sold for a global amount of EUR 1.4 million. A "preliminary sale agreement" ("*compromis de vente*") has been signed in 3Q15 for a third building, and the formal sale of that building is expected in 1Q16, no negative adjustment has to be recognized for that building in the books). There were "Assets classified as held for sale" for an amount of EUR 5.1 million as at December 31, 2015.

#### **NOTE 17: SUBSEQUENT EVENTS**

On January 25, 2016, EVS announced the signature of a multi-year contract (2016-2018) with NEP Group Inc, valued slightly above USD 15 million.

There was no other subsequent event that may have a material impact on the balance sheet or income statement of EVS.

#### **NOTE 18: RISK AND UNCERTAINTIES**

Investing in the stock of EVS involves risks and uncertainties. The risks and uncertainties relating to the remainder of the year 2016 are similar to the risks and uncertainties that have been identified by the management of the company and that are listed in the management report of the annual report (available at [www.evs.com](http://www.evs.com)).

#### **NOTE 19: CONFLICT OF INTEREST – RELATED PARTIES TRANSACTIONS**

During the period under review (4Q15), there was no conflict of interest according to the specific procedure provided for under Articles 523 and 524 of Company Law ("Code des Sociétés").

There were no related party transactions.

There were no changes in the related parties' transactions as described in the last management report ("rapport de gestion").

## **Certification of responsible persons**

Michel Counson, Managing Director, CTO hardware  
Muriel De Lathouwer, Managing Director & CEO  
Yvan Absil, CFO

Certify that, based on their knowledge,

- a) the condensed 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 important events and related parties transactions of 2015, including their impact on the condensed financial statements, and a description of the existing risks and uncertainties for the remaining months of the fiscal year.