

Publication on February 20, 2020, before market opening  
Regulated information – Press release annual results  
EVS Broadcast Equipment S.A.: Euronext Brussels (EVS.BR), Bloomberg (EVS BB), Reuters (EVSB.BR)

## **EVS reports 2019 results**

### *Strong profitability despite lower revenues*

#### > **FY19 performance**

- Revenue of EUR 103.4 million, within the range of the guidance (-10.9% YoY or -2.3% YoY excluding big events rentals and at constant currency)
- Operating expense declining 5.3% YoY
- Net profit of EUR 19.6 million (-44.2% compared to FY18 mainly due to exceptional tax deductions in relation with the innovation box regime in 2018)
- Slow APAC region due to political and trade relations resulting in delayed investment decision

#### > **H2 performance**

- Strong 2H19, with EUR 62.4 million revenue (-13.3% or -8.8% excluding big event rentals and currency impact vs. 2H18)
- Strong gross margin thanks to favorable product mix and lower inventory write-offs
- Decrease of the operating expenses (-3.6% in 2H19 compared with 2H18)
- EBIT margin of 31.4%, net profit of EUR 15.9 million

#### > **Guidance**

- 2020 financial outlook
  - > Order book of EUR 33.4 million on December 31, 2019 (to be recognized in revenue in 2020), +87.3% vs last year (+18.3%, excl. big event rentals)
  - > Additional EUR 4.4 million orders to be invoiced in 2021 and beyond
  - > Revenue is expected to be in the EUR 100 million to EUR 120 million range in 2020, taking into account a shift from a capex model to a multi year recurring revenue stream
  - > Opex is expected to be flat compared to prior year
- Maintain dividend policy established in 2018
  - > Deliver a total gross dividend of EUR 1.00 for 2020 and 2021, subject to market condition.
  - > Deliver a total gross dividend of EUR 1.00 for 2019 (incl. EUR 0.50 interim dividend paid in November 2019) proposed to the Ordinary General Meeting of May 2020
- Change in information given by revenue destination
  - > From 2020 onwards, in order to clarify and better reflect market transformation and EVS evolutions, EVS will change the structure of the revenue pillars from “OB vs Studio” to distinguish “LAB” (Live Audience Business) revenues and “LSP” (Live Service Providers) revenues while maintaining “Big Events Rentals” pillar to reflect the non-yearly revenues linked to the calendar of certain big sport events.

## **KEY FIGURES**

Unaudited			EUR millions, except earnings per share expressed in EUR	Audited		
2H19	2H18	2H19/2H18		FY19	FY18	FY19/FY18
62.4	72.0	-13.3%	Revenue	103.4	116.1	-10.9%
45.5	53.0	-14.2%	Gross profit	74.1	82.5	-10.2%
72.9%	73.7%	-	Gross margin %	71.6%	71.1%	-
19.6	25.7	-23.8%	Operating profit – EBIT	23.0	28.1	-17.9%
31.4%	35.7%	-	Operating margin – EBIT %	22.3%	24.2%	-
15.9	24.6	-35.2%	Net profit (Group share)	19.6	35.2	-44.2%
1.14	1.81	-37.1%	Basic earnings per share (Group share)	1.40	2.60	-46.2%

**COMMENTS**

Serge Van Heck, CEO said: *“Since I joined EVS in early September, I had the opportunity to meet team members, customers and business partners all over the world. I saw passion, commitment and strong recognition of EVS expertise and reliability. I am really happy of the transition support I did get from Pierre De Muelenaere who has finished his mission as CEO ad interim as planned end December.*

*We finished the year with a good second half and a strong order book as we enter 2020 even if transition to UHD (4K) is slower than anticipated.*

*We have won key references, including a large contract with Game Creek, an important US based production company that has made significant investment in our new XT-Via and Multicam 16 products to expand their HDR capabilities. We have also won a key reference with a football league in APAC where our unified production solution around X-One will be used for their productions. For 2020, we expect core business to remain under pressure as we don't expect to see major improvements in the industry dynamics. We also expect APAC to continue to be impacted by a slowdown of the market. We have been revising and improving our plans for the future - PLAYForward project - for which we expect financial impact as of 2021”*

Commenting on the results and prospects, Yvan Absil, CFO, said: *“Our second half reflects the continued volatility of the business. The environment remained challenging in this second part of the year as we continued our actions to keep our costs under control. We are particularly pleased with the results of our cost control initiatives, which allowed us to reduce our operating expenses by more than 5% in 2019 YoY. These cost management efforts will continue this year, allowing us to forecast a stable opex in 2020 vs 2019. Our strong order book of EUR 33.4 million (including big event rentals) does not hide the slow business as customers remains under cost pressure. Taking also into account that an increasing part of our sales will be shifting from a capex model to a multi year recurring revenue stream, we announce a revenue guidance for 2020 of EUR 100-120 million.”*

**Revenue in 2H19 and FY19**

2H19	2H18	%2H19 /2H18	Revenue – EUR millions	FY19	FY18	% FY19/ FY18
62.4	72.0	-13.3%	Total reported	103.4	116.1	-10.9%
61.6	72.0	-14.4%	Total at constant currency	101.6	116.1	-12.4%
<b>60.8</b>	<b>66.7</b>	<b>-8.8%</b>	<b>Total at constant currency and excluding big event rentals</b>	<b>100.3</b>	<b>102.7</b>	<b>-2.3%</b>

EVS revenue amounted to EUR 62.4 million in 2H19, a 13.3% decrease compared to a record 2H18 (-8.8% at constant currency and excluding big event rentals). Revenue of solutions in Outside broadcast vans represented 53.4% of the total group revenue. Studio & others revenue represented 45.4% of total revenue in 2H19, and Big Event Rentals represented 1.2% of total revenue.

In FY19, EVS revenue reached EUR 103.4 million, a decrease by 10.9% (-2.3% at constant currency and excluding the Big Event Rentals) compared to FY18. Out of the 2019 revenue, Outside Broadcast vans represented 54.1%, Studio & others 44.6% and Big events rentals 1.3%.

Geographically, revenues (excl. big event rentals) are distributed in FY19 as follows:

- Europe, Middle-East and Africa (“EMEA”): EUR 47.7 million
- Americas: EUR 35.4 million
- Asia & Pacific (“APAC”): EUR 18.9 million

**Second half 2019 results**

In 2H19, consolidated gross margin was 72.9%, compared to 73.7% in 2H18. This high gross margin was mainly due to a favorable product mix and low inventory write-offs. Operating expenses decreased by 3.6% vs 2H18, mainly due to lower consulting costs and lower people costs. The 2H19 EBIT margin was 31.4%. Income taxes were EUR 3.7 million. Group net profit amounted to EUR 15.9 million in 2H19, compared to EUR 24.6 million in 2H18. Basic net profit per share amounted to EUR 1.14 in 2H19 compared to EUR 1.81 in 2H18.

## **2019 results**

Consolidated gross margin was 71.6% for FY19, compared to 71.1% in FY18 due to a more favorable product mix. Operating expenses decreased by 5.3% yoy, thanks to strict cost management and careful headcount management. The FY19 EBIT margin was 22.3%. Income taxes in FY19 amounts to 3.3 MEUR, resulting in an effective tax rate of 15%, mainly due to the effect of the innovation box regime in Belgium (2018 included a one-time tax deduction of EUR 6.6 million in relation with 2H16 and FY17) and other R&D tax incentives.

Group net profit amounted to EUR 19.6 million in FY19, compared to EUR 35.2 million in FY18. Basic net profit per share amounted to EUR 1.40 in FY19, compared to EUR 2.60 in FY18.

## **Staff**

At the end of 2019, EVS employed 464 people (FTE). This is a decrease by 13 people compared to the end of 2018, lower than anticipated thanks to strict management of resources and the timing of some recruitments. Average FTE in 2019 was 465 vs 496 in 2018.

## **Balance sheet and cash flow statement**

Total equity represents 77.4% of the total balance sheet as of the end of 2019. Inventories amount to EUR 16.8 million. This is an expected increase compared to the end of December 2018, reflecting the preparation of the big sporting events in 2020. In the liabilities, provisions include mainly the provision for technical warranty on EVS products for labor and parts.

Lands and building mainly include the headquarters in Liège. Annual depreciation on this building is approximately EUR 2 million. Liabilities include EUR 12.8 million of financial debt (including long term and short-term portion of it), mainly relating to the building (EUR 4.0 million) and the lease liabilities following IFRS 16 implementation (EUR 8.4 million). The company repays approximately EUR 5.2 million per year. Full details about IFRS 16 impact on the consolidated financial statements can be seen in note 5.2 and 5.12.

The net cash from operating activities amounts to EUR 18.5 million in FY19. On December 31, 2019, cash and cash equivalents total EUR 59.0 million. This is a decrease compared to the end of 2018, following negative cash flows from financing activities and more specifically from the share buyback (EUR 5.2 million) in excess of the cash flows generated from the operating activities.

At the end of December 2019, there were 14,327,024 EVS shares outstanding, of which 400,180 were owned by the company. At the same date, 138,999 warrants were outstanding with an average exercise price of EUR 28.90 and an average maturity of December 2022.

## **Share buyback update**

On October 24, 2018, EVS announced the launch of a share buyback program of a maximum EUR 10 million. Since the beginning of the program and until December 31, 2019, EVS has bought 321,532 shares at an average price of EUR 20.9738, representing in total EUR 6,743,732, the vast majority of which being bought in 2019. After aforementioned transactions the total number of own shares amounts to 400,180 shares (including 93,144 shares already held by the company) as of December 31, 2019.

## **New President ad Interim of the Board**

Following the departure as anticipated, of Dr. Pierre De Muelenaere, as Director and President of the Board, the board has decided to appoint Philippe Mercelis as President ad interim until a new President is appointed. The search is currently progressing with the help of a headhunter. EVS expects to announce a new president for its Board of Director in the coming months.

Following the departure of two directors announced early January 2020, the Board has decided that it will not replace these 2 directors for the time being. A re-assessment of the situation will be done once a new president is appointed.

## **Change in information given by revenue destination**

From 2020 onwards, EVS will change the structure of the revenue pillars from “OB vs Studio” to distinguish “LAB” (Live Audience Business) revenues and “LSP” (Live Service Providers) revenues while maintaining the “Big Events Rental” pillar to reflect the non-yearly revenues linked to the calendar of big sport events.

Due to the increasing significance of remote production and more convergent solutions between sports, news and entertainment, the production functions are not necessarily linked anymore to a mobile (OB) or fixed location (Studio and others). Volatility of usage and production functions of EVS products and solutions are more linked to the profile of the customer than to the actual location where it is deployed.

As a result, EVS will now provide information on the following revenue pillars:

- LAB – “Live Audience Business” gathers the customers using EVS products and solutions to create content for their own audience.

LAB customers require solutions more than individual products, especially when replacing their infrastructure to face the industry transformation. They are most of time located within fixed facilities, requiring elasticity and dynamic resource allocation. LAB typically have longer sales cycle than LSP.

- LSP – “Live Service Providers” gathers customers buying EVS products and solutions to serve “LAB” customers.

LSP customers are “service providers” still buying more products than solutions to support their rental and service offerings – fixed or mobile – towards different LAB players, possibly at different times of the day.

- Big Events Rental – Information on “Big Events Rental” revenues remain the same as before to highlight the non-yearly revenue base.

Please refer to note 5.3.1 for 2018 and 2019 revenue breakdown between LAB and LSP.

That new revenue segmentation is expected to provide a better understanding of different market dynamics and help understand EVS evolution in these markets.

## **2020 financial outlook**

As already previously announced, EVS will be supporting major summer events, implementing innovative solutions and workflows in 2020. These revenues build the “Big Events Rental” revenue pillar.

Nor for LAB neither for LSP, we expect a major acceleration of the transition to UHD.

LSP continue to transition their infrastructure to UHD at a slower pace than initially anticipated and we do not expect major upgrades ahead of the big sporting events this summer.

LAB continue their transformation to face the media industry disruption, looking for broader and more flexible solutions and require more support. While EVS continues to capitalize on this - offering broader solutions, we don't expect a major increase of revenue in this market segment as customers remain under cost pressure.

The order book (to be recognized in revenue in 2020) amounts to EUR 33.4 million as of Dec 31st 2019, which is +87.3% compared to EUR 17.8 million last year at the same date (Dec 31st), and which includes EUR 12.3 million of big event rentals (+18.3% excl. big event rentals). In addition to this order book to be invoiced in 2020, EVS already has EUR 4.4 million of orders to be invoiced in 2021 and beyond.

It is our intention to increase our recurring revenues by shifting some of our ‘capex’ sales to long term recurring revenue sales.

The management gives the following guidance for 2020:

- revenue will be in the EUR 100 million to EUR 120 million range
- Opex is expected to remain flat YoY

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

The Statutory Auditor Ernst & Young Réviseurs d'Entreprises SCCRL confirmed that their audit work on the annual consolidated financial statements, which is substantially complete, 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 **4.00 pm CET (Attention change of time)** 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 7192 8501 (United Kingdom), +32 (0)2 401 70 35 (Belgium), +1 917 720 0181 (United States)  
Conference call ID: 8387739

## Corporate Calendar:

May 14, 2020: 1Q20 trading update  
May 19, 2020: Ordinary General Meeting  
August 27, 2020: 1H20 results  
November 19, 2020: 3Q20 trading update

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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 is globally recognized as the leader in live video technology for broadcast and new media productions. Our passion and purpose are to help our clients craft immersive stories that trigger the best return on emotion. Through a wide range of products and solutions, we deliver the most gripping live sports images, buzzing entertainment shows and breaking news content to billions of viewers every day – and in real-time. The company is headquartered in Belgium with offices in Europe, the Middle East, Asia and North America, and provides sales and technical support to more than 100 countries. EVS is a public company traded on Euronext Brussels: EVS, ISIN: BE0003820371. For more information, please visit [www.evs.com](http://www.evs.com).

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## Condensed Interim Consolidated financial statements

### ANNEX 1: CONDENSED CONSOLIDATED INCOME STATEMENT

(EUR thousands)		FY19	FY18	2H19	2H18
	Annex	Audited	Audited	Unaudited	Unaudited
Revenue	5.3	103,400	116,059	62,378	71,984
Cost of sales		-29,316	-33,540	-16,879	-18,944
<b>Gross profit</b>		<b>74,085</b>	<b>82,519</b>	<b>45,499</b>	<b>53,040</b>
<b>Gross margin %</b>		<b>71.6%</b>	<b>71.1%</b>	<b>72.9%</b>	<b>73.7%</b>
Selling and administrative expenses		-27,926	-27,949	-13,935	-14,311
Research and development expenses		-22,603	-25,424	-11,926	-12,511
Other income		93	50	1	-119
Other expenses		-89	-343	49	-171
Stock based compensation and ESOP plan		-530	-789	-74	-202
<b>Operating profit (EBIT)</b>		<b>23,030</b>	<b>28,064</b>	<b>19,614</b>	<b>25,726</b>
<b>Operating margin (EBIT) %</b>		<b>22.3%</b>	<b>24.2%</b>	<b>31.4%</b>	<b>35.7%</b>
Interest revenue on loans and deposits		38	66	20	29
Interest charges		-604	-363	-341	-186
Other net financial income / (expenses)	5.6	295	123	268	418
Share in the result of the enterprise accounted for using the equity method		169	223	58	161
<b>Profit before taxes (PBT)</b>		<b>22,928</b>	<b>28,112</b>	<b>19,620</b>	<b>26,148</b>
Income taxes	5.7	-3,320	7,042	-3,691	-1,575
<b>Net profit</b>		<b>19,608</b>	<b>35,155</b>	<b>15,929</b>	<b>24,573</b>
Attributable to :					
Non controlling interest					
<b>Equity holders of the parent company</b>		<b>19,608</b>	<b>35,155</b>	<b>15,929</b>	<b>24,573</b>
<b>EARNINGS PER SHARE</b> (in number of shares and in EUR)		<b>FY19 Audited</b>	<b>FY18 Audited</b>	<b>2H19 Unaudited</b>	<b>2H18 Unaudited</b>
Weighted average number of subscribed shares for the period less treasury shares		14,016,921	13,531,196	13,963,343	13,539,743
Weighted average fully diluted number of shares		14,016,921	13,531,196	13,963,343	13,539,743
<b>Basic earnings – share of the group</b>		<b>1.40</b>	<b>2.60</b>	<b>1.14</b>	<b>1.81</b>
<b>Fully diluted earnings – share of the group <sup>(1)</sup></b>		<b>1.40</b>	<b>2.60</b>	<b>1.14</b>	<b>1.81</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
(EUR thousands)		FY19 Audited	FY18 Audited	2H19 Unaudited	2H18 Unaudited
<b>Net profit</b>		<b>19,608</b>	<b>35,155</b>	<b>15,929</b>	<b>24,573</b>
<b>Other comprehensive income of the period</b>					
Currency translation differences		54	122	38	60
Other increase/(decrease)		-592	-174	-595	-174
<b>Total of recyclable elements</b>		<b>-537</b>	<b>-52</b>	<b>-556</b>	<b>-114</b>
<b>Total comprehensive income for the period</b>		<b>19,071</b>	<b>35,103</b>	<b>15,373</b>	<b>24,459</b>
Attributable to :					
Non controlling interest		-	-	-	-
Group share		19,071	35,103	15,373	24,459

(1) The diluted earnings per share are equal to the basic earnings per share as the 138,999 warrants outstanding at the end of 2019 were not exercisable given the exercise prices were above the share price. The 138,999 warrants have an average maturity of December 2022.

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

ASSETS (EUR thousands)	Notes	Dec. 31, 2019 Audited	Dec. 31, 2018 Audited
<b>Non-current assets :</b>			
Goodwill		1,125	1,125
Other intangible assets		173	443
Lands and buildings	5.11	49,365	44,836
Other tangible assets		4,344	2,765
Investment accounted for using equity method		1,421	1,282
Other long term amounts receivables		959	2,324
Deferred tax assets		6,570	5,428
Other financial assets		353	287
<b>Total non-current assets</b>		<b>64,309</b>	<b>58,489</b>
<b>Current assets :</b>			
Inventories		16,823	15,113
Trade receivables		36,582	30,489
Other amounts receivable, deferred charges and accrued income		6,071	3,642
Other financial assets		238	129
Cash and cash equivalents		59,010	68,482
<b>Total current assets</b>		<b>118,724</b>	<b>117,855</b>
<b>Total assets</b>		<b>183,033</b>	<b>176,344</b>
<b>EQUITY AND LIABILITIES</b> (EUR thousands)	Notes	Dec. 31, 2019 Audited	Dec 31, 2018 Audited
<b>Equity :</b>			
<b>Capital</b>	5.4	<b>8,772</b>	<b>8,772</b>
Reserves		142,149	136,601
Treasury shares		-9,927	-4,750
<b>Total consolidated reserves</b>		<b>132,221</b>	<b>131,851</b>
Translation differences		767	713
<b>Equity attributable to equity holders of the parent company</b>		<b>141,761</b>	<b>141,336</b>
<b>Non-controlling interest</b>		-	-
<b>Total equity</b>	5.4	<b>141,761</b>	<b>141,336</b>
Long term provisions		1,636	2,105
Deferred taxes liabilities		19	44
Financial long term debts	5.11	6,070	4,426
Other long term debts		692	68
<b>Non-current liabilities</b>		<b>8,418</b>	<b>6,642</b>
Short term portion of financial debts	5.11	6,725	5,493
Trade payables		4,870	4,897
Amounts payable regarding remuneration and social security		8,302	7,442
Income tax payable		4,282	2,519
Other amounts payable, advances received, accrued charges and deferred income		8,675	8,015
<b>Current liabilities</b>		<b>32,855</b>	<b>28,366</b>
<b>Total equity and liabilities</b>		<b>183,033</b>	<b>176,344</b>

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

(EUR thousands)	Notes	FY19 Audited	FY18 Audited
<b>Cash flows from operating activities</b>			
<b>Net profit, group share</b>		<b>19,608</b>	<b>35,155</b>
<b>Adjustment for:</b>			
- Other income		-592	125
- Depreciation and write-offs on fixed assets		5,483	3,060
- Stock based compensation and ESOP	5.4	530	789
- Provisions		-469	893
- Income tax expense (+) / Gain (-)		3,320	-7,042
-Interests expense (+) / Income (-)		270	174
-Share of the result of entities accounted for under the equity method		-169	-223
<b>Adjustment for changes in working capital items:</b>			
-Inventories		-1,709	554
-Trade receivables		-4,726	2,043
-Other amounts receivable, deferred charges and accrued income		-1,122	175
-Trade payables		-72	-1,270
-Amounts payable regarding remuneration and social security		903	-887
-Other amounts payable, advances received, accrued charges and deferred income		1,244	-313
-Conversion differences		63	99
<i>Cash generated from operations</i>		22,563	33,331
Income taxes paid	5.7	-4,059	-1,371
<b>Net cash from operating activities</b>		<b>18,504</b>	<b>31,960</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-25	-290
Purchase of tangible assets (lands and building and other tangible assets)		-1,352	-1,309
Disposal of tangible assets		1,020	3,401
Other financial assets		-17	43
<b>Net cash used in investing activities</b>		<b>-374</b>	<b>1,845</b>
<b>Cash flows from financing activities</b>			
Reimbursement of borrowings	5.11	-5,250	-5,369
Proceeds from new borrowings		709	738
Payment of lease liabilities		-3,600	-
Interests paid		-609	-358
Interests received		38	66
Dividend received from equity-accounted investee		32	-
Dividend paid - interim dividend		-6,914	-6,749
Dividend paid - final dividend		-6,646	-6,758
Other allocation		-393	-399
Acquisition / sale of treasury shares	4, 5.4	-5,177	-1,194
Increase in shareholders' equity	5.4	-	14,892
<b>Net cash used in financing activities</b>		<b>-27,810</b>	<b>-5,131</b>
<b>Net increase in cash and cash equivalents</b>		<b>-9,679</b>	<b>28,674</b>
<b>Net foreign exchange difference</b>		<b>208</b>	<b>385</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>68,482</b>	<b>39,423</b>
<b>Cash and cash equivalents at end of period</b>		<b>59,010</b>	<b>68,482</b>



**ANNEX 4: CONDENSED STATEMENT OF CHANGE 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, 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 (IFRS 15)		-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 for the period		34,981		122	35,103		35,103
Increase in shareholders' equity	430	14,462			14,892		14,892
Share-based payments		645			645		645
Operations with treasury shares			-712		-712		-712
Final dividend		-6,758			-6,758		-6,758
Interim dividend		-6,749			-6,749		-6,749
Other allocation		-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>

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, group share	Non-controlling interest	Total equity
<b>Balance as at January 1, 2019 (reported)</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>
Change in accounting policies (IFRS 16)		-46			-46		-46
<b>Balance as at January 1, 2019 (restated)</b>	<b>8,772</b>	<b>136,555</b>	<b>-4,750</b>	<b>713</b>	<b>141,290</b>	<b>-</b>	<b>141,290</b>
Total comprehensive income for the period		19,017		54	19,071		19,071
Increase in shareholders' equity	-	-			-	-	-
Share-based payments		530			530		530
Operations with treasury shares			-5,177		-5,177		-5,177
Final dividend		-6,646			-6,646		-6,646
Interim dividend		-6,914			-6,914		-6,914
Other allocation		-393			-393		-393
<b>Balance as per December 31, 2019</b>	<b>8,772</b>	<b>142,149</b>	<b>-9,927</b>	<b>767</b>	<b>141,760</b>	<b>-</b>	<b>141,760</b>

## ANNEX 5: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5.1: BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The full year 2019 and 2018 information in this condensed financial statement on pages 7 to 10 of this financial report is based on EVS Group's consolidated financial statements of EVS Group for the 12 month-period ended December 31, 2019, which have not yet been published. This condensed interim financial statements of the Group were authorized for issue by the Board of Directors on February 14, 2020.

This interim report only provides an explanation of events and transactions that are significant to an understanding of the changes in financial position and reporting since the last annual reporting period, and should therefore be read in conjunction with the full 2019 consolidated financial statements from which these condensed financial statements have been derived and which are planned to be published on EVS Group's website by April 17, 2020.

These condensed interim financial statements have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union. The accounting framework and standards adopted by the European Commission can be accessed through the following link on the website: [http://ec.europa.eu/finance/company-reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/index_en.htm).

## NOTE 5.2: SIGNIFICANT ACCOUNTING POLICIES AND METHODS

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the IASB, and as adopted by the EU. The accounting policies and methods adopted for the preparation of the Company's IFRS consolidated financial statements are consistent with those applied in the 2018 consolidated financial statements. The Company's IFRS accounting policies and methods are available in the 2018 annual report on [www.evs.com](http://www.evs.com), except for the new, amended or revised IFRS standards and IFRIC Interpretations that have been adopted as of January 1, 2019 which are listed hereunder:

- IFRS 16 Leases – effective 1 January 2019
- Amendments to IAS 28 Long-term interests - effective 1 January 2019
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation, effective 1 January 2019
- Amendments to IAS 19 Plan amendments - effective 1 January 2019
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements Cycle - 2015-2017, effective 1 January 2019

The adoption of these new, amended or revised pronouncements did not have significant impact on the consolidated financial statements of the Group, except for:

- As of January 1, 2019 IFRS 16 Leases is applicable. The nature and the effect of these changes were taken into consideration, and the above amendments affected the condensed consolidated interim financial statements as follows:
  - o We adopted IFRS 16 on 1 January 2019, in accordance with the transitional provisions of IFRS 16, using the modified retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of the comparative figures.
  - o On adoption of IFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments and discounted using either the implicit rate of the underlying contract or our incremental borrowing rate as of 1 January 2019. Our weighted average annual incremental borrowing rate applied to the lease liabilities on 1 January 2019 is between 3 and 4,7%.
- The differences between our total operating lease commitments as reported in note 23 of our consolidated financial statements of 31 December 2018 and the total lease liabilities recognized in our statement of financial position as at 1 January 2019 are summarized below.

<b>Operating lease commitments disclosed as at 31 December 2018</b>	<b>5,185</b>
Add: Identification of additional lease agreements	4,573
Add: Impact of extended options reasonably certain	3,282
Less: discounting effect using the lessee's incremental borrowing rate at the date of initial application	-1,713
Less: short-term leases and low-value leases	-
Less: Other	-50
<b>Lease liability recognized as at 1 January 2019</b>	<b>11,277</b>

- The change in accounting policy affected the statement of financial position as at 1 January 2019 as follows:

	01/01/2019
<b>Assets</b>	<b>11,231</b>
Lands and buildings	8,332
Other tangible assets	2,884
Deferred tax assets	15
<b>Equity</b>	<b>-46</b>
Reserves	-46
<b>Liabilities</b>	<b>11,277</b>
Financial long-term debts	8,847
Short term portion of financial debts	2,430

- We applied the following practical expedients, as permitted by IFRS 16, on transition date:
  - o Leases of low-value assets for assets with a value below USD 5.000;
  - o The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Change in accounting policies with effect from 1 January 2019 as a result of the adoption of IFRS 16:
  - o Whereas until the end of 2018, we made a distinction between finance leases (presented on the balance sheet) and operating leases (off-balance sheet commitments), we recognized as from 1 January 2019 right-of-use assets on the balance sheet and corresponding lease liabilities (measured on a present value basis). These liabilities reflect the expected lease payments to be made in the future, estimated at the commencement date of the leases. After initial recognition, these lease liabilities are measured at amortized cost.
  - o The right-of-use assets (mainly comprising the initial lease liability) are measured at cost and depreciated over their useful life on a straight-line basis. The right-of-use assets are presented in the statement of financial position under the fixed assets and the lease liabilities are presented as current and non-current liabilities.
  - o Each lease payment is allocated between the lease liability and financial expenses.

### **NOTE 5.3: SEGMENT REPORTING**

From an operational point of view, the company is vertically integrated with the majority of its staff located 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, operating plans, and makes resource allocation decisions on a company-wide basis. Revenue related to products of the same nature (digital broadcast production equipment) 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.

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. All long term assets are located in the parent company EVS Broadcast Equipment SA in Belgium.

The company provides only one type of solution: integrated solutions based on 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 geographical level, our 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 operate worldwide. A fourth category is dedicated to the worldwide events ("Big event rentals").

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. This presentation will evolve in 2020.

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

### 5.3.1. Information on revenue 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.

2H19	2H18	% 2H19/ 2H18	Revenue (EUR thousands)	FY19	FY18	% FY19/ FY18
33,324	38,529	-13.5%	Outside broadcast vans	55,888	54,588	+2.4%
28,296	28,156	+0.5%	Studio & others	46,166	48,113	-4.0%
758	5,298	-85.7%	Big sporting event rentals	1,346	13,359	-89.9%
<b>62,378</b>	<b>71,984</b>	<b>-13.3%</b>	<b>Total Revenue</b>	<b>103,400</b>	<b>116,059</b>	<b>-10.9%</b>

For information purpose, revenue presented according to the new destination that EVS is introducing: Live Service Provider, Live Audience Business and Big event rentals

Revenue (EUR thousands)	FY19	FY18	% FY19/ FY18
Live Audience Business	55,880	57,113	-2.2%
Live Service Providers	46,175	45,587	+1.3%
Big Event rentals	1,346	13,359	-89.9%
<b>Total Revenue</b>	<b>103,400</b>	<b>116,059</b>	<b>-10.9%</b>

### 5.3.2. Information on revenue 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 a fourth category "Big event rentals".

Revenue for the second half-year (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event rentals	TOTAL
<b>2H19 revenue</b>	10,147	29,425	22,048	758	62,378
<b>Evolution versus 2H18 (%)</b>	-51.8%	-2.7%	+43.2%	-85.7%	-13.3%
Variation versus 2H18 (%) at constant currency	-51.8%	-2.7%	+43.1%	-85.7%	-13.4%
<b>2H18 revenue</b>	21,048	30,243	15,395	5,298	71,984

  

Revenue for the YTD period (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event Rentals	TOTAL
<b>FY19 revenue</b>	18,879	47,744	35,431	1,346	103,400
<b>Evolution versus FY18 (%)</b>	-40.3%	+2.7%	+44.0%	-89.9%	-10.9%
Variation versus FY18 (%) at constant currency	-40.3%	+2.7%	+36.9%	-89.9%	-12.4%
<b>FY18 revenue</b>	31,601	46,502	24,598	13,359	116,059

Revenue realized in Belgium (the country of origin of the company) with external clients represent less than 5% of the total revenue for the period. In the last 12 months, the group realized significant revenue with external clients (according to the definition of IFRS 8) in one country: The United States (Americas, EUR 29.1 million in the last 12 months).

### 5.3.3. Information on revenue by nature

Revenue can be presented by nature: systems and services.

2H19	2H18	% 2H19/ 2H18	Revenue (EUR thousands)	FY19	FY18	% FY19/ FY18
55,204	63,999	-13.7%	Systems	89,790	102,484	-12.4%
7,174	7,985	-10.2%	Services	13,610	13,575	+0.3%
<b>62,378</b>	<b>71,984</b>	<b>-13.3%</b>	<b>Total Revenue</b>	<b>103,400</b>	<b>116,059</b>	<b>-10.9%</b>

Services include advice, installations, project management, training, maintenance, and distant support.

### 5.3.4. Information on important clients

Over the last 12 months, no external client of the company represented more than 10% of the revenue.

### 5.3.5 Other income and assets held for sale

At the end of December 2019, there were no Assets held for sale anymore.

### NOTE 5.4: EQUITY SECURITIES

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

	2019	2018
<b>Number of own shares at January 1</b>	<b>151,724</b>	<b>105,771</b>
Acquisition of own shares on the market	262,952	58,580
Sale of own shares on the market	-	-
Allocation to Employees Profit Sharing Plans	-14,496	-12,627
Sale related to Employee Stock Option Plan (ESOP) and other transactions	-	-
<b>Number of own shares at December 31</b>	<b>400,180</b>	<b>151,724</b>
<b>Outstanding warrants at December 31</b>	<b>138,999</b>	<b>183,500</b>

In 2019, the company repurchased 262,952 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. The Ordinary General Meeting of shareholders of May 21, 2019 approved the allocation of 14,496 shares to EVS employees (grant of 47 shares to each staff member in proportion to their effective or assimilated time of occupation in 2018) as a reward for their contribution to the group successes. As a consequence, at the end of 2019, the company owned 400,180 own shares at an average historical price of EUR 24.81. At the same date, 138,999 warrants were outstanding (no grant, no exercise and 44,501 cancellations in 2019) with an average strike price of EUR 28.90 and an average maturity of December 2022.

### NOTE 5.5: DIVIDENDS

The Ordinary General Meeting of May 21, 2019 approved the payment of a total gross dividend of EUR 1.00 per share, including the interim dividend of EUR 0.50 per share paid in November 2018, leading to a final gross dividend of EUR 0.50 per share, for digital coupon # 28, ex-date May 27 and pay date May 29.

The Board of Directors of November 12, 2019 has decided to pay an interim gross dividend of EUR 0.50 per share (EUR 0.35 per share after 30% withholding tax) for the fiscal year 2019 with November 19 as ex-date, November 20 as record date and November 21 as payment date.

(EUR thousands)	# Coupon	2019	2018
- Final dividend for 2017 (EUR 0.50 per share less treasury shares)	26	-	6,758
- Interim dividend for 2018 (EUR 0.50 per share less treasury shares)	27	-	6,749
- Final dividend for 2018 (EUR 0.50 per share less treasury shares)	28	6,646	-
- Interim dividend for 2019 (EUR 0.50 per share less treasury shares)	29	6,914	-
<b>Total paid dividends</b>		<b>13,560</b>	<b>13,507</b>

### NOTE 5.6: OTHER NET FINANCIAL INCOME / (EXPENSES)

(EUR thousands)	FY19	FY18
Exchange results from statutory accounts	-369	-818
Exchange results relating to IFRS consolidation methodology	549	898
Other financial results	115	43
<b>Other net financial income / (expenses)</b>	<b>295</b>	<b>123</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 note 5.9.

### NOTE 5.7: INCOME TAX EXPENSE

#### 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:

(EUR thousands)	FY19	FY18
<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	22,759	27,890
Reported tax charge based on the effective tax rate	-3,320	7,042
<b>Effective tax rate</b>	<b>14.6%</b>	<b>-25.3%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect of deduction for notional interests	-	-29
Tax effect of non-deductible expenditures	408	344
Tax effect due to the usage of tax losses	-	-153
Tax effect on R&D investment deductions	-1,426	-1,219
Tax effect on innovation deduction	-5,932	-4,782
Tax effect on innovation deduction (catch-up from previous years)	-	-6,553
Tax effect of overvaluations and undervaluations related to prior years	3,034	-779
Other increase / (decrease)	793	-481
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-6,443	-6,609
<b>Theoretical tax rate</b>	<b>28.3%</b>	<b>23.7%</b>

The tax charge for FY2019 includes an adjustment of the tax costs related to prior years for a total amount of EUR 3 million including accruals for uncertainties over income tax treatments according to the new interpretation IFRIC 23, effective 1 January 2019.

#### **NOTE 5.8: HEADCOUNT**

(in full time equivalents)	At December 31	Twelve-months average
2019	464	465
2018	477	496
<i>Variation</i>	-2.7%	-6.3%

#### **NOTE 5.9: 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 2H	At December 31
2019	1.1195	1.1096	1.1234
2018	1.1810	1.1522	1.1450
<i>Variation</i>	+5.2%	+3.7%	+1.9%

For FY19, the average US dollar exchange rate against the Euro increased by 5.2%. It had a positive impact on FY19 revenue of EUR 1.8 million, or +1.5%.

#### **NOTE 5.10: FINANCIAL INSTRUMENTS**

The estimated fair values of the financial assets and liabilities are equal to their fair book values 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 revenue forecasts, EVS hedges future USD net inflows by forward foreign exchange contracts. The change in the fair value of the forward foreign exchange contracts goes directly through the income statement (other financial results) because the Group does not apply hedge accounting on these transactions. On December 31, 2019, the group held USD 2.0 million in hedging contracts, with an average maturity date in March 2020, and an average exchange rate of EUR/USD of 1.1172.

#### **NOTE 5.11: FINANCIAL DEBT**

In order to partially finance its new HQ and operating facilities, EVS has drawn down a total of EUR 30 million loans. EVS already started to pay these loans down, and will gradually do so until 2020, with annual installments of EUR 5.2 million. In 4Q16, EVS

took advantage of the low interest rates to re-organize (with no change of the total amount and at no cost) and simplify some of its credit lines in relation with the financing of the new headquarter. As a result, it now has three credit lines of EUR 5.4 million with Belfius, ING and BNP Paribas Fortis, all maturing in 2020. In FY19, EVS did reimburse EUR 5.2 million.

#### **NOTE 5.12: LEASES**

The impact of IFRS 16 for Leases affected the statement of profit or loss for the twelve months ended 31 December 2019 as follows:

	<b>FY19</b>
Depreciation expense (in Cost of sales)	782
Depreciation expense (in Selling and administrative expenses)	833
Depreciation expense (in Research and Development expenses)	939
Rent expenses (in Cost of sales, sales and R&D expenses)	-2,860
<b>Operating profit</b>	<b>306</b>
Finance costs	-290
Income tax expenses	-15
<b>Profit for the period</b>	<b>1</b>

The carrying amounts of right-of-use assets, lease liabilities and the movements for the twelve months ended 31 December 2019:

<b>(EUR thousands)</b>	<b>Land and buildings</b>	<b>Other tangible assets</b>	<b>Total</b>	<b>Lease liabilities</b>
<b>As at 1 January 2019</b>	<b>8,332</b>	<b>2,528</b>	<b>10,860</b>	<b>10,921</b>
Additions	13	929	942	942
Disposals	-1,020		-1,020	-1,020
Depreciation expenses	-1,363	-1,191	-2,554	-
Interest expenses	-	-	-	290
Conversion differences	96	-	96	96
Payments	-	-	-	-2,860
<b>As at 31 December 2019</b>	<b>6,059</b>	<b>2,266</b>	<b>8,325</b>	<b>8,370</b>

The statement of cash flows for the twelve months ended 31 December 2019 is affected as follows:

	<b>FY19</b>
Net cash flow from operating activities	2,860
Net cash flow from financing activities	-2,860
<b>Net increase in cash and cash equivalents</b>	<b>0</b>

#### **NOTE 5.13: PENSION PLANS**

The employees of EVS Broadcast Equipment SA benefit from a group insurance. In this context, EVS makes a contribution for each employee to the insurance companies. EVS benefits from a minimum return guaranteed by the insurance companies which set up the plans, and this until December 31, 2016 (minimum return requirement of the contributions, as required by law).

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.

This analysis is done annually and recognized in the profit and loss account, if necessary. More information can be found in the note 6.4 of the 2018 annual report.

**NOTE 5.14 SUBSEQUENT EVENTS**

Under the share buyback program started on October 25, 2018, the company has continued to acquire EVS shares in 2020. Regular updates are published on the EVS website.

After the reporting date, the company has also received the payment of overdue accounts receivables that were written off at the reporting date for a total amount of EUR 1.1 million.

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

**NOTE 5.15: RISK AND UNCERTAINTIES**

Investing in the stock of EVS involves risks and uncertainties. The risks and uncertainties relating to the remainder of the year 2020 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)).



## **Certification of responsible persons**

Serge Van Herck, 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 2019, 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.