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Regulated information – Press release interim financial report  
EVS Broadcast Equipment S.A.: Euronext Brussels (EVS.BR), Bloomberg (EVS.BB), Reuters (EVS.BR)

## **EVS REPORTS SECOND QUARTER 2013 RESULTS**

- > **2Q13: in line with expectations despite weak Americas**
  - o Revenue of EUR 29.8 million, -30.4% (-25.4% excl. event rentals and at constant currency)
  - o Strong APAC compensates for temporarily weaker Americas market
  - o EBIT of EUR 9.7 million (32.4% of EBIT margin), EPS of EUR 0.51
- > **Initial EUR 1.5 million minority stake investment in a new strategic technology start-up**
- > **2013: summer order book of EUR 35.4 million at August 28, 2013**
  - o -26.2% vs 2012 record summer order book (-14.7% excl. big events)
  - o Record additional EUR 19.6 million orders to be invoiced in 2014 and beyond
- > **2013 guidance**
  - o As usual, low visibility in a non-big sporting event year
  - o Excluding big events rentals, sales are expected to be stable compared to 2012, i.e. slightly lower than EUR 130 million, assuming an expected rebound in the Americas
  - o Low double digit opex growth, including the investment in a technology start-up

### **KEY FIGURES**

<b>(unaudited)</b>			<b>EUR millions, except earnings per share expressed in EUR</b>	<b>Reviewed</b>		
<b>2Q13</b>	<b>2Q12</b>	<b>2Q13/2Q12</b>		<b>1H13</b>	<b>1H12</b>	<b>1H13/1H12</b>
29.8	42.8	-30.4%	Revenue	62.6	72.9	-14.1%
9.7	23.2	-58.4%	Operating profit – EBIT	24.1	36.8	-34.4%
32.4%	54.2%	-	Operating margin – EBIT %	38.5%	50.4%	-
0.2	0.0	N/A	Contribution from dcinex	0.1	0.0	N/A
6.9	15.9	-56.5%	Net profit – Group share	17.0	24.6	-31.1%
7.7	16.7	-54.1%	Net profit from operations, excl. dcinex – Group share <sup>(1)</sup>	18.1	25.6	-29.3%
0.51	1.18	-56.5%	Basic earnings per share	1.26	1.83	-31.3%
0.57	1.24	-54.2%	Basic earnings per share from operations, excl. dcinex <sup>(1)</sup>	1.34	1.91	-29.5%

(1) The net profit from operations, excl. dcinex, 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.

### **COMMENTS**

“The first half of the year leaves us with mixed feelings,” said Joop Janssen, Managing Director & CEO of EVS. “In an uncertain macro-economic environment, we have realized strong performances and gained market shares in some regions of the world, including Eastern Europe and Asia-Pacific. On the other side, the demand for production servers in Americas and the Mediterranean countries continued to suffer in the second quarter. Once the current market fluctuations are behind us, we are confident that we are on the right way to deliver our medium and long-term ambitious plan. In a few weeks we will showcase, for the first time, our new strategy at the IBC tradeshow in Amsterdam. A great line-up of new products and feature enhancements will be demonstrated for all of our four target markets: Sports, Entertainment, News and Media.”

Commenting on the results and prospects, Jacques Galloy, Director and CFO, said: “As expected, the second quarter of 2013 is slightly weaker than the first quarter with sales of EUR 29.8 million. This is a decrease of 30.4% compared to last year which was record thanks to summer sporting events and a record OB delivery in Russia. The operating profit amounted to EUR 9.7 million, down compared to last year due to the lower sales. This translates into a 32.4% operating margin. This transforming year is on track even if markets are temporarily declining. EVS continues to experience strong momentum in APAC, while Americas are expected to partially recover in the second half of the year. Excluding the big event rentals of 2012 for about EUR 10 million, we think that full year 2013 revenues should reach approximately the same level as last year.”

## Revenue in 2Q13 and 1H13

EVS revenue amounted to **EUR 29.8 million in 2Q13**, a decrease of 30.4% (-25.4% at constant currency and excluding the big event rentals) compared to 2Q12. Sales of solutions in **Sports** decreased by 35.9% (-35.8% at cst currency) to EUR 19.2 million, representing 64.4% of total group sales in 2Q13. **ENM** (Entertainment, News and Media) sales increased by 7.5% in 2Q13 to EUR 10.1 million (+7.7% at cst currency). ENM sales represented 33.8% of total sales in 2Q13. **Big events rentals** amounted to EUR 0.5 million in 2Q13, relating to the Soccer Confederation Cup in Brazil, compared to EUR 3.5 million in 2Q12. They represented 1.8% of total sales in 2Q13.

2Q13	2Q12	%2Q13 / 2Q12	Revenue – EUR millions <sup>(1)</sup>	1H13	1H12	% 1H13/ 1H12
29.8	42.8	-30.4%	Total reported	62.6	72.9	-14.1%
29.9	42.8	-30.3%	Total at constant currency	62.8	72.9	-13.9%
29.3	39.3	<b>-25.4%</b>	<b>Total at constant currency and excluding big event rentals</b>	62.2	69.4	<b>-10.3%</b>

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

EVS revenue amounted to **EUR 62.6 million in 1H13**, a decrease by 14.1% at actual exchange rate (-10.3% at constant currency and excluding the big event rentals) compared to 1H12. In the first half, Sports represented 74.0%, ENM 25.1% and Big events rentals 0.9%.

In the first half of 2013, the macro-economic environment remained uncertain, and market demand continued to fluctuate differently in every region. Over the same period, the broadcast equipment market declined overall by some 10%, and even more in the Americas. EVS seems to continue to benefit best among other suppliers from its strong global reach, competitive position and continued investments in innovation. The enlarged portfolio of products is supporting EVS' successes in our different markets.

Geographically, sales have evolved in 2Q13 as follows:

- Europe, Middle-East and Africa ("**EMEA**"): EUR 17.4 million (-25.8% compared to 2Q12), representing 58.5% of group revenue. Performance in the EMEA market includes different realities, with the Mediterranean market still suffering a lot, but offset by stronger sub-regions such as Eastern Europe and the UK.
- "**Americas**": EUR 3.7 million, compared to a record EUR 12.7 million in 2Q12. The market dynamics in the Americas, and especially in the US, remained below our expectations in 2Q13. After a record 2012 performance, this market digests and EVS consolidates its market share. We have signs of a recovery in the beginning of 2H13.
- Asia & Pacific ("**APAC**"): EUR 8.6 million, or +30.3%. EVS continues to gain market share in this buoyant region which is delivering above expectations.

## Operating results in 2Q13 (compared to a very strong 2Q12)

**Consolidated gross margin was 76.3% for 2Q13**, lower than 2Q12 due to the deleveraging effect of lower sales on fixed operations costs. Operating expenses grew by 12.8%, mainly due to the recruitments made at the end of 2012 (+9.5% in average on the quarter) relating to the acceleration on some strategic R&D projects and some costs (EUR 0.5 million over 2Q13) related to the investment in a start-up company developing a promising new technology. The new EVS management team is now also fully reported under SG&A. This leads to a **2Q13 EBIT margin of 32.4%**, compared to 54.2% last year. dcinex contributed EUR 0.2 million to EVS results in 2Q13. Group net profit amounted to EUR 6.9 million in 2Q13, compared to EUR 15.9 million in 2Q12, while net profit from operations, excluding dcinex, was EUR 7.7 million in 2Q13 (-54.1%). **Basic net profit per share amounted to EUR 0.51 in 2Q13**, compared to EUR 1.18 for 2Q12.

## Operating results in 1H13

**Consolidated gross margin was 77.9% for 1H13**, compared to 79.7% in record 1H12 due to the deleveraging effect of lower sales on fixed operations costs. Operating expenses grew by 15.8%, mainly due to the recruitments made at the end of 2012 relating to the acceleration on some strategic R&D projects and some costs (EUR 0.5 million over 1H13) relating to the investment in a start-up company developing a promising new technology. The new EVS management team is now also fully reported under SG&A. This leads to a **1H13 EBIT margin of 38.5%**, compared to 50.4% last year. dcinex contributed EUR 0.1 million to EVS results in 1H13, compared to a neutral contribution in 1H12. Group net profit amounted to EUR 17.0 million in 1H13, compared to EUR 24.6 million in 1H12, while net profit from operations, excluding dcinex, was EUR 18.1 million in 1H13. **Basic net profit per share amounted to EUR 1.26 in 1H13**, -31.3% compared to EUR 1.83 for 1H12.

## Staff

At the end of June 2013, EVS employed 477 people (FTE), a slight growth of 3% compared to the end of 2012 (463) in line with our plan to reduce our opex growth compared to last years. On average, EVS employed 472 FTE in 2Q13, compared to 431 in 2Q12, a 9.5% increase. The main increase is due to more R&D including a dozen of engineers in a new fully consolidated start-up. One third of EVS' headcount are located outside of Belgium.

## Balance sheet and cash flow statement

Total equity represented 69.3% of total balance sheet at the end of June 2013. At the end of 2011, EVS started the construction of a new integrated building in the same area in Liège, in order to gather all employees of EVS headquarters, split today in 6 different buildings. EUR 23.7 million have been invested by the end of June 2013 (less EUR 3.2 million of subsidies booked at the same date), out of a total budget of around EUR 45 million. That project will be partly financed through financial debt but strong cash generation has allowed the company to finance the investments until now without drawing down on the EUR 14 million credit line put in place earlier in 2012. Inventories amounted to EUR 16.2 million at the end of June, slightly up compared to the end of 2012. It includes around EUR 4.0 million value of own equipment used for own R&D and demos of EVS successful products. In the liabilities, provisions include mainly the provision for technical warranty on EVS products for labor and parts.

The net cash from operating activities amounted to EUR 20.9 million in 1H13. On June 30, 2013, just after the final dividend payment of EUR 19.9 million, the group balance sheet showed **EUR 10.7 million in cash and cash equivalents**, and EUR 0.7 million in long-term financial debts (including short term portion of it).

At the end of June 2013, there were 13,625,000 EVS outstanding shares, of which 133,364 were owned by the company. At the same date, 411.400 warrants were outstanding with an average strike price of EUR 38.57 and an average maturity in 2015.

## Investment in a promising new technology

In May 2013, EVS has signed an agreement with a European technology start-up company whereby EVS commits to invest an initial amount of EUR 1.5 million for a minority stake. The investment shall give EVS future access to a promising network-based technology. That start-up employs a dozen engineers and, given the entire agreement, has to be fully consolidated in the EVS books, i.e. representing an operating expense of EUR 0.5 million over 2Q13 and intangible assets and goodwill of around EUR 1.3 million at June 30, 2013. The company should start generating revenues as from 2014.

## Long-term drivers and strategy

While sport is still a significant part of the total business, less cyclical segments i.e. Entertainment, News and Media are growing more rapidly. In its diversification process, EVS wants to take a leading position in niches that have a high growth potential. Its "Speed to Air" strategy is an answer to TV stations desire to move to new and more efficient production workflows, benefiting from the flexibility of tapeless server technologies. The other main reasons of investments in TV stations are the transition from standard definition (SD) to high definition (HD), the remote production, more TV demand in emerging markets, the look for catching audiences on "second screens", and an increased focus of broadcasters/IPTV and advertisers on large popular sport broadcasts to gain new viewers. More advanced camera and display technologies such as UltraHD (4K) and 3D technologies appear to speed up the conversion to and subsequent upgrades in tapeless production facilities. In the medium to long term, EVS targets stronger growth the Entertainment, News and Media markets, in addition to its historical and expanding sport business. In its strategy review, EVS has revisited industry numbers and estimates the total addressable market for its four different markets to be around EUR 1.6 billion in 2012.

## Outlook 2013

The global **summer order book** (to be invoiced in 2013) at August 28, 2013 amounts to **EUR 35.4 million**, which is 26.2% lower compared to a record EUR 48.0 million on the same date one year ago (-14.7% vs last year, excl. big event rentals). The order book in 2013 does not include any big event rental, while the order book in 2012 included EUR 6.5 million in relation with the summer Olympics. Sports represent 65.8% of the order book.

In addition to this EUR 35.4 million order book to be invoiced in 2013, and at August 28 as well, EVS already has a record level of orders for **EUR 19.6 million that should be invoiced in 2014 and beyond** (including EUR 7.0 million relating to the big sporting events), compared to EUR 8.4 million last year. This is also partly due to the progressive increasing of recurring service revenues.

In Sports, the company defends its market share despite competition and even consolidates its position in that segment. In ENM, EVS continues to gain market share and significant new customers in this promising and more competitive segment.

EVS performance in 1H13 is quite in line with the worldwide market which declined by some 10%, but with strong achievements in APAC and EMEA that offset the lower market beat in both Americas and Mediterranean region. The company experiences a sound transformation which shall reposition itself for further growth. EVS is confident about the long term prospects of the group, underpinned by robust long term growth drivers.

For 2013, sales in the second half of the year should be slightly better than the first half as it should experience a rebound in the Americas, some traction of the big sporting events in 2014 (also in emerging countries) as well as the first impacts of the new strategy. **Excluding EUR 10 million of rental agreements related to the 2012's big sporting events, sales for 2013 should be in line with 2012, i.e. slightly below EUR 130 million.** Operating expenses should grow by a low double digit rate, which shall translate in lower margins. EVS targets small niches where the combination of infrastructure reliability, applications agility and service quality are essential success criteria. The company continues to experience low market visibility mainly due to the current state of the economy in most regions.

**EVS will hold today the following events:**

- A conference call in English will be held at 3:00 pm CET (please contact [corpcom@evs.com](mailto:corpcom@evs.com) to receive the dial-in number and the presentation).

Attended by Joop Janssen, CEO, Jacques Galloy, CFO and Geoffroy d'Oultremont, VP IR.

**Corporate Calendar:**

September 13-17, 2013: IBC tradeshow in Amsterdam (NL)

Tuesday September 24, 2013: postponed Extraordinary General Meeting

Thursday November 14, 2013: 3Q13 earnings

Thursday February 20, 2014: 4Q13 earnings

Thursday May 15, 2014: 1Q14 earnings

**For more information, please contact:**

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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 revolutionised 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 maximise the value of their media content.

The company is headquartered in Belgium and has offices in Europe, the Middle East, Asia and North America. Approximately 477 EVS professionals from 20 offices are selling 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).

dcinex, of which EVS owns 41.3%, is the European leader for Digital Cinema technology and services in Europe with more than 5,500 committed digital screens in Europe, out of which 3,700 have already been deployed. [www.dcinex.com](http://www.dcinex.com).

## Condensed consolidated financial statements

### ANNEX 1: CONDENSED CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Note	1H13 Reviewed	1H12 Reviewed	2Q13 Unaudited	2Q12 Unaudited
Revenue	5.4	62,611	72,866	29,794	42,816
Cost of sales		-13,868	-14,805	-7,053	-8,061
<b>Gross profit</b>		<b>48,743</b>	<b>58,061</b>	<b>22,741</b>	<b>34,755</b>
<b>Gross margin %</b>		<b>77.9%</b>	<b>79.7%</b>	<b>76.3%</b>	<b>81.2%</b>
Selling and administrative expenses		-12,127	-10,101	-6,562	-5,660
Research and development expenses	5.8	-11,447	-10,262	-5,632	-5,154
Other revenue		201	282	105	159
Other expenses		-86	-200	-42	-136
Stock based compensation and ESOP plan		-880	-707	-804	-602
Amortization and impairment on goodwill, acquired technology and IP		-292	-323	-146	-162
<b>Operating profit (EBIT)</b>		<b>24,112</b>	<b>36,751</b>	<b>9,660</b>	<b>23,200</b>
<b>Operating margin (EBIT) %</b>		<b>38.5%</b>	<b>50.4%</b>	<b>32.4%</b>	<b>54.2%</b>
Interest revenue on loans and deposits		95	45	24	-3
Interest charges		-132	-149	-67	-73
Other net financial income / (expenses)	5.9	191	-941	4	107
Share in the result of the enterprise accounted for using the equity method	5.11	102	73	244	-17
<b>Profit before taxes (PBT)</b>		<b>24,369</b>	<b>35,780</b>	<b>9,865</b>	<b>23,215</b>
Income taxes	5.10	-7,575	-11,146	-3,108	-7,295
<b>Net profit from continuing operations</b>		<b>16,793</b>	<b>24,634</b>	<b>6,757</b>	<b>15,920</b>
<b>Net profit</b>		<b>16,793</b>	<b>24,634</b>	<b>6,757</b>	<b>15,920</b>
Attributable to :					
Non controlling interests		180	-	175	-
<b>Equity holders of the parent company</b>		<b>16,973</b>	<b>24,634</b>	<b>6,933</b>	<b>15,920</b>
<b>Net profit from operations, excl dcinex – share of the group (1)</b>	5.3	<b>18,111</b>	<b>25,623</b>	<b>7,676</b>	<b>16,717</b>
<b>EARNINGS PER SHARE (in number of shares and in EUR)</b>	5.7	<b>1H13 Reviewed</b>	<b>1H12 Reviewed</b>	<b>2Q13 Unaudited</b>	<b>2Q12 Unaudited</b>
Weighted average number of subscribed shares for the period less treasury shares		13,474,395	13,444,520	13,474,395	13,447,368
Weighted average fully diluted number of shares <sup>(2)</sup>		13,890,297	13,729,653	13,890,297	13,731,105
<b>Basic earnings – share of the group</b>		<b>1.26</b>	<b>1.83</b>	<b>0.51</b>	<b>1.18</b>
<b>Fully diluted earnings – share of the group <sup>(2)</sup></b>		<b>1.22</b>	<b>1.79</b>	<b>0.50</b>	<b>1.16</b>
<b>Basic net profit from operations, excl. dcinex – share of the group</b>		<b>1.34</b>	<b>1.91</b>	<b>0.57</b>	<b>1.24</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
(EUR thousands)		1H13 Reviewed	1H12 Reviewed	2Q13 Unaudited	2Q12 Unaudited
<b>Net profit</b>		<b>16,793</b>	<b>24,634</b>	<b>6,757</b>	<b>15,920</b>
<b>Other comprehensive income of the period</b>					
Currency translation differences		115	82	-70	160
Other increase/(decrease)		604	276	228	224
<b>Total comprehensive income for the period</b>		<b>17,512</b>	<b>24,992</b>	<b>6,915</b>	<b>16,304</b>
Attributable to :					
Non controlling interests		180	0	176	1
<b>Equity holders of the parent company</b>		<b>17,692</b>	<b>24,992</b>	<b>7,091</b>	<b>16,305</b>

(1) The net profit from operations, excl. dcinex, 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 57.250 warrants that were out of money at the end of June 2013, fully diluted earnings per share in 2Q13 would have been EUR 1.22.

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

ASSETS (EUR thousands)	Note	June 30, 2013 Reviewed	Dec. 31, 2012 Audited
<b>Non-current assets :</b>			
Goodwill	5.12	1,635	610
Acquired technology and IP		472	479
Other intangible assets		623	534
Lands and buildings	5.16	28,994	19,261
Other tangible assets		2,048	1,846
Investment accounted for using equity method	5.11	8,372	7,717
Subordinated loans	5.11	1,330	830
Other financial assets		462	178
<b>Total non-current assets</b>		<b>43,937</b>	<b>31,455</b>
<b>Current assets :</b>			
Inventories		16,202	15,868
Trade receivables		19,849	21,101
Other amounts receivable, deferred charges and accrued income		6,772	5,111
Cash and cash equivalents		10,656	21,426
<b>Total current assets</b>		<b>53,479</b>	<b>63,507</b>
<b>Total assets</b>		<b>97,416</b>	<b>94,962</b>
<b>EQUITY AND LIABILITIES (EUR thousands)</b>			
	Note	June 30, 2013 Reviewed	Dec. 31, 2012 Audited
<b>Equity :</b>			
<b>Capital</b>			
		<b>8,342</b>	<b>8,342</b>
Reserves		63,073	80,861
Interim dividends		-	-15,606
Treasury shares		-5,029	-6,412
<b>Total consolidated reserves</b>		<b>58,044</b>	<b>58,843</b>
Translation differences		196	81
<b>Equity attributable to equity holders of the parent company</b>		<b>66,583</b>	<b>67,266</b>
<b>Non-controlling interest</b>		<b>953</b>	<b>8</b>
<b>Total equity</b>	<b>4</b>	<b>67,535</b>	<b>67,274</b>
Long term provisions		1,191	2,035
Deferred taxes liabilities		947	1,036
Financial long term debts	5.16	454	541
<b>Non-current liabilities</b>		<b>2,592</b>	<b>3,612</b>
Short term portion of financial long term debts		291	291
Trade payables		6,654	6,626
Amounts payable regarding remuneration and social security		7,823	8,899
Income tax payable		4,605	1,367
Other amounts payable, advances received, accrued charges and deferred income		7,915	6,893
<b>Current liabilities</b>		<b>27,288</b>	<b>24,076</b>
<b>Total equity and liabilities</b>		<b>97,416</b>	<b>94,962</b>

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

(EUR thousands)	1H13 Reviewed	1H12 Reviewed
<b>Cash flows from operating activities</b>		
Operating Profit (EBIT)	24,112	36,751
Adjustment for non cash items :		
- Depreciation and write-offs on fixed assets	1,705	1,663
- Foreign exchange result	233	-939
- Stock based compensation and ESOP	880	707
- Provisions and deferred taxes increase (+)/ decrease (-)	-933	95
	<b>25,997</b>	<b>38,277</b>
Increase (+)/decrease (-) of cash flows		
- Amounts receivable	1,252	-6,510
- Inventories	-334	-2,965
- Trade debts	28	486
- Remuneration, social security and taxes debts	2,163	3,115
- Other items of the working capital	-681	407
<i>Cash generated from operations</i>	28,426	32,810
Interest received	95	45
Income taxes	-7,575	-11,146
<b>Net cash from operating activities</b>	<b>20,946</b>	<b>21,709</b>
<b>Cash flows from investing activities</b>		
Purchase (-)/disposal (+) of intangible assets	-768	-291
Purchase (-)/disposal (+) of property, plant and equipment	-11,168	-7,096
Purchase (-)/disposal (+) of other financial assets	-795	127
<b>Net cash used in investing activities</b>	<b>-12,731</b>	<b>-7,260</b>
<b>Cash flows from financing activities</b>		
Operations with treasury shares	1,383	436
Other net equity variations	-216	736
Interest paid	-132	-149
Movements on long-term borrowings	-87	-110
Interim dividend paid	-	-
Final dividend paid	-19,933	-16,130
<b>Net cash used in financing activities</b>	<b>-18,985</b>	<b>-15,217</b>
<b>Net increase (+)/ decrease (-) in cash and cash equivalents</b>	<b>-10,770</b>	<b>-768</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21,426</b>	<b>19,932</b>
<b>Cash and cash equivalents at end of period</b>	<b>10,656</b>	<b>19,163</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, 2011</b>	<b>8,342</b>	<b>54,112</b>	<b>-6,915</b>	<b>127</b>	<b>55,666</b>	<b>8</b>	<b>55,674</b>
Total comprehensive income for the period		24,910		82	24,992		24,992
Share-based payments		707			707		707
Operations with treasury shares			436		436		436
Final dividend		-16,130			-16,130		-16,130
<b>Balance as per June 30, 2012</b>	<b>8,342</b>	<b>63,599</b>	<b>-6,479</b>	<b>209</b>	<b>65,671</b>	<b>8</b>	<b>65,679</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, 2012</b>	<b>8,342</b>	<b>65,255</b>	<b>-6,413</b>	<b>81</b>	<b>67,266</b>	<b>8</b>	<b>67,274</b>
Total comprehensive income for the period		17,573		115	17,688	-180	17,508
Business combination						1,125	1,125
Share-based payments		179			179		179
Operations with treasury shares			1,383		1,383		1,383
Final dividend		-19,933			-19,933		-19,933
<b>Balance as per June 30, 2013</b>	<b>8,342</b>	<b>63,074</b>	<b>-5,029</b>	<b>196</b>	<b>66,583</b>	<b>953</b>	<b>67,535</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 6 months period ended June 30, 2013 are established and presented in accordance with IAS 34, 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 2012 consolidated financial statements. The Company's IFRS accounting policies and methods are available in the 2012 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>1H13</b>	<b>1H12</b>
Net profit for the period – IFRS	16,973	24,634
Allocation to Employees Profit Sharing Plan	755	507
Stock Option Plan	125	200
Amortization and impairment on acquired technology and IP	292	323
Amortization/impairment on Tax Shelter rights assets	6	-
Contribution of dcinex	-40	-41
<b>Net profit from operations, excl. dcinex</b>	<b>18,111</b>	<b>25,623</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, review the operating results and operating plans, and make 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 abovementioned operational organization (which is primarily the translation of a new marketing approach), and is characterized by the strong integration of the activities of the company; only sales are identified following three dimensions: by geographical region, by market and by nature. 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, such as sports, entertainment, news and media. Our customers themselves are often multi-markets. Providing information for each module is therefore not relevant for EVS.

At the level of the geographical information, the activities are divided into the following regions: Asia-Pacific ("APAC"), Europe, Middle East and Africa ("EMEA"), and America ("NALA" or "America's"). This division follows the organization of the commercial

and support services within the group, which operates worldwide. From fiscal year 2013, "NALA" region is renamed "Americas". 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: "Sports", "ENM" (Entertainment, News & Media) and "Big sporting event rentals" for rental contracts relating to the big sporting events of the even years. The former categories "Outside broadcast vans" and the "TV production studios" are spread between these new markets.

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: Sports, ENM (Entertainment, News and Media) and big sporting event rentals. Maintenance and after sale service are included in the complete solution proposed to the clients.

2Q13	2Q12	% 2Q13/ 2Q12	Revenue (EUR thousands)	1H13	1H12	% 1H13/ 1H12
19,206	29,952	-35.9%	Sports	46,343	52,729	-12.1%
10,058	9,358	+7.5%	Entertainment, News Media	15,738	16,632	-5.4%
530	3,506	-84.9%	Big sporting event rentals	530	3,506	-84.9%
<b>29,794</b>	<b>42,816</b>	<b>-30.4%</b>	<b>Total Revenue</b>	<b>62,611</b>	<b>72,866</b>	<b>-14.1%</b>

Historical figures have been slightly reviewed compared to the numbers published on March 15, 2013 during the investor day, following a deeper analysis of the different destinations. In particular, around 10% of former OB sales have been reallocated to ENM and this percentage shall be more accurate as the year goes.

### 4.2.2. Information on sales by geographical information

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

#### 4.2.2.1. Revenue

Revenue for the quarter (EUR thousands)	APAC	EMEA	Americas	TOTAL
<b>2Q13 revenue</b>	<b>8,632</b>	<b>17,428</b>	<b>3,734</b>	<b>29,794</b>
<b>Evolution versus 2Q12 (%)</b>	+30.3%	-25.8%	-70.6%	<b>-30.4%</b>
Segment revenue at constant currency	8,632	17,428	3,803	29,863
Variation versus 2Q12 (%) at constant currency	+30.3%	-25.8%	-70.0%	-30.3%
Variation versus 2Q12 (%) at constant currency and excluding big event rentals	+32.6%	-13.3%	-74.3%	-25.4%
<b>2Q12 revenue</b>	<b>6,623</b>	<b>23,501</b>	<b>12,692</b>	<b>42,816</b>

  

Revenue for the 6-months period (EUR thousands)	APAC	EMEA	Americas	TOTAL
<b>1H13 revenue</b>	<b>18,816</b>	<b>31,647</b>	<b>12,148</b>	<b>62,611</b>
<b>Evolution versus 1H12 (%)</b>	+40.5%	-23.1%	-33.8%	<b>-14.1%</b>
Segment revenue at constant currency	18,816	31,647	-12,304	<b>62,766</b>
Variation versus 1H12 (%) at constant currency	+40.5%	-23.1%	-32.9%	<b>-13.9%</b>
Variation versus 1H12 (%) at constant currency and excluding big event rentals	+41.7%	-16.2%	-35.8%	<b>-10.3%</b>
<b>1H12 revenue</b>	<b>13,392</b>	<b>41,134</b>	<b>18,341</b>	<b>72,866</b>

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 17.8 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.

2Q13	2Q12	% 2Q13/ 2Q12	Revenue (EUR thousands)	1H13	1H12	% 1H13/ 1H12
27,892	40,807	-31.6%	Systems	59,090	69,034	-14.4%
1,902	2,009	-5.3%	Services	3,520	3,832	-8.1%
<b>29,794</b>	<b>42,816</b>	<b>-30.4%</b>	<b>Total Revenue</b>	<b>62,611</b>	<b>72,866</b>	<b>-14.1%</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 21, 2013 approved the payment of a total gross dividend of EUR 2.64 per share, including the interim dividend of EUR 1.16 per share paid in November 2012.

(EUR thousands)	# Coupon	2013	2012
- Final dividend for 2011 (EUR 1.20 per share less treasury shares)	14	-	16,130
- Interim dividend for 2012 (EUR 1.16 per share less treasury shares)	15	-	15,606
- Final dividend for 2012 (EUR 1.48 per share less treasury shares)	16	19,933	-
<b>Total dividends paid</b>		<b>19,933</b>	<b>31,736</b>

### NOTE 6: EQUITY SECURITIES

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

	2013	2012
<b>Number of own shares at January 1</b>	<b>170,053</b>	<b>183,372</b>
Acquisition of own shares on the market	-	-
Sale of own shares on the market	-	-
Allocation to Employees Profit Sharing Plans	-12,239	-11,069
Sales related to Employee Stock Option Plan (ESOP) and other transactions	-24,450	-500
Own shares cancellation	-	-
<b>Number of own shares at June 30</b>	<b>133,364</b>	<b>171,803</b>
<b>Outstanding warrants at June 30</b>	<b>411,400</b>	<b>280,500</b>

In 1H13, the company has not repurchased any share on the stock market. A total of 24,450 shares were used to satisfy the exercise of warrants by employees. The Ordinary General Meeting of shareholders of May 21, 2013 approved the allocation of 12,239 shares to EVS employees (grant of 23 or 46 shares to each staff member) as a reward for their contribution to the group successes. At the end of June 2013, the company owned 133,364 own shares at an average historical price of EUR 37.71. At the end of June 2013, 411,400 warrants were outstanding with an average strike price of EUR 38.57 and an average maturity of December 2015.

### 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:

(EUR thousands)	1H13	1H12
Gross R&D expenses	12,079	10,856
R&D tax credits for current fiscal year	-632	-594
<b>R&amp;D expenses</b>	<b>11,447</b>	<b>10,262</b>

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

(EUR thousands)	1H13	1H12
Exchange results from statutory accounts	210	-167
Exchange results relating to IFRS consolidation methodology	22	-772
Impairment on Tax Shelter investments	-6	-45
Other financial results	-35	43
<b>Other net financial income / (expenses)</b>	<b>191</b>	<b>-941</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:

(EUR thousands)	1H13	1H12
<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	24,267	35,707
Reported tax charge based on the effective tax rate	-7,575	-11,146
<b>Effective tax rate</b>	<b>31.2%</b>	<b>31.2%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect of Tax Shelter	-25	0
Tax effect of deduction for notional interests	-88	-78
Tax effect of non deductible expenditures	203	246
Other increase / (decrease)	328	550
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-7,158	-10,429
<b>Theoretical tax rate (relating to EVS operations, excl. dcinex)</b>	<b>29.5%</b>	<b>29.2%</b>

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

EVS currently owns 41.3% of dcinex SA share capital and has a fully diluted share of 31.2% in the company. In January 2013, EVS bought back EUR 0.5 million subordinated loan associated with warrants in dcinex SA from another former minority shareholder of the company, bringing EVS fully diluted share in dcinex from 30.3% up to 31.2% while the number of shares EVS holds in dcinex SA remains 41.3%.

As of June 30, 2013, dcinex shares accounted for using equity method in EVS consolidated accounts, plus the EVS share of the subordinated bonds issued by dcinex, amounted to EUR 9.0 million.

The dcinex accounts and their contribution into EVS consolidated accounts break down as follows:

<b>(EUR thousands)</b>	<b>1H13</b>	<b>1H12</b>
Revenue	41,808	42,532
EBITDA	14,066	9,979
<b>Net result for the period</b>	<b>97</b>	<b>101</b>
Part of dcinex capital held by EVS	41.3%	41.3%
<b>dcinex contribution – share of EVS</b>	<b>40</b>	<b>42</b>

The cumulated Tax Loss Carry Forward of dcinex SA amounts to EUR 29.5 million on June 30, 2013. Deferred tax assets are being progressively recognized as the business plan materializes. As at June 30, 2013, 60% of deferred tax assets relating to these losses have been recognized.

#### **NOTE 12: GOODWILL**

In May 2013, EVS acquired a minority stake (25.1% of the voting shares) in a private company based in Europe (“the Company”) whose principal activity is the research and development of network-based technology. The principal reason for this investment is to give EVS access to this promising technology.

Based on current and potential future EVS involvement in this Company, it is fully consolidated as from May 2013 and non controlling interest is accounted for 74.9%. The acquisition has been accounted for using the acquisition method.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

<b>(EUR thousands)</b>	<b>Fair value</b>
Intangible assets	185
Cash	800
Receivables	700
Payables	-185
<b>Total net assets</b>	<b>* 1,500</b>
EVS share	25.1%
<b>Total net assets attributable to EVS</b>	<b>375</b>
<b>Fair value of consideration paid</b>	
Cash	-1,500
<b>Total consideration</b>	<b>-1,500</b>
<b>Goodwill</b>	<b>1,125</b>

\* including the amount that EVS is committed to convert in equity during the next years.

In 2Q13, since the acquisition date, the Company has contributed EUR 0 million to EVS revenues and EUR -0.5 million to EBIT, including EUR 0.2 million transaction costs, and EUR -0.2 million to net group profit, including deferred taxes and non-controlling interest. At June 30, 2013, intangible assets and goodwill amount to EUR 1.3 million. The initial accounting of the intangible assets is subject to changes during the assessment period of maximum one year. The Company should start generating revenues in 2014.

#### **NOTE 13: HEADCOUNT**

<b>(in full time equivalents)</b>	<b>At June 30</b>	<b>Quarter average</b>
2013	477	472
2012	435	431
<i>Variation</i>	+9.7%	+9.5%

#### **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 1H	Average 2Q	At June 30
2013	1.3134	1.3061	1.3080
2012	1.2968	1.2825	1.2590
Variation	-1.3%	-1.8%	-3.7%

For 2Q13, the average US dollar exchange rate against the Euro has decreased by 1.8% compared to 2Q12. It had a negative impact of EUR 0.1 million on revenue (-0.2%). This was offset by both the natural hedge (on costs of materials and electronics, foreign operating expenses and foreign taxes) and the financial hedge which covers 50% of EVS net long position on 12 month forward horizon.

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

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 inflows by forward foreign exchange contracts. The relevant hedging results are booked as financial results.

On June 30, 2013, the group held USD 4.0 million and AUD 1.2 million in forward exchange contracts earmarked to hedge 50% of the net future cash-flows in US dollars and 100% in Australian dollars, with an average maturity date of September 30, 2013 and August 15, 2013, respectively, and with an average exchange rate EUR/USD of 1.2694 and EUR/AUD of 1.2756.

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

In order to partially finance its new HQ and operating facilities of around EUR 45 million (EUR 31 million net of the resale value of existing facilities and subsidies), a roll-over straight loan for EUR 14 million has been made available to EVS since July 2012, at an interest rate based on EURIBOR 3 months and associated with a silent pledge on the new building. However, as of June 30, 2013, EVS has financed 100% of capital expenditure of the new building with own cash without drawing this straight loan. The new headquarter shall be inaugurated during autumn 2014.

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

On July 8, 2013, EVS announced the departure of Jacques Galloy, Director & CFO of the Company (see press release issued on July 8). His executive duties shall fade out in 2H13 and he remains a member of the Board of Directors at least until the end of his current mandate in May 2014. The company has started a recruitment process for a new CFO. 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 2013 and 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, 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.

**STATUTORY AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF EVS BROADCAST EQUIPMENT SA  
ON THE REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2013**

**Introduction**

We have reviewed the condensed consolidated interim financial statements of EVS Broadcast Equipment as of 30 June 2013, including the condensed consolidated income statement within the condensed consolidated statement of comprehensive income, the consolidated statement of financial position, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period then ended, as well as the explanatory notes. The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Battice, August 28, 2013

BDO Réviseurs d'Entreprises Soc. Civ. SCRL  
Statutory auditor  
Represented by

Christophe COLSON

## **Certification of responsible persons**

Joop Janssen, Managing Director and CEO  
and Jacques Galloy, Director and CFO

Certify that, based on their knowledge,

- a) the condensed financial statements, prepared in accordance with IAS 34 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 the first half of 2013, 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.