

# EVS

## FINANCIALS 2006

France · Paris | Italy · Milan | UK · London | Hong Kong | China · Beijing | USA · New York | UAE · Dubai | Belgium · Liège



# TABLE OF CONTENTS

<b>STATUTORY AUDITOR'S REPORT</b> .....	<b>4</b>
<b>IFRS CONSOLIDATED FINANCIAL STATEMENTS</b> .....	<b>5</b>
IFRS CONSOLIDATED INCOME STATEMENT .....	5
IFRS CONSOLIDATED BALANCE SHEET .....	6
IFRS CONSOLIDATED CASH FLOW STATEMENT .....	8
IFRS CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY .....	9
NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS .....	10
1. Information about the company .....	10
1.1. Identification .....	10
1.2. Public information .....	10
1.3. Object of the company .....	10
2. Summary of the IFRS significant accounting principles .....	10
2.1. Basis of presentation of the financial statements .....	10
2.2. Statement of compliance .....	10
2.3. Provision adopted during the transition to IFRS .....	10
2.4. Consolidation principles .....	10
2.5. Subsidiaries .....	11
2.6. Interests in joint ventures and in associates .....	11
2.7. Summary of significant decisions and estimates .....	11
2.8. Foreign currency translation .....	11
2.9. Intangible assets .....	12
2.10. Goodwill .....	12
2.11. Tangible assets .....	12
2.12. Inventories .....	13
2.13. Trade and other receivables .....	13
2.14. Other current and non current assets .....	13
2.15. Cash and cash equivalents .....	13
2.16. Treasury shares .....	13
2.17. Minority interests .....	13
2.18. Interest-bearing loans and borrowings .....	13
2.19. Provisions .....	13
2.20. Pensions and other post-employment benefits .....	13
2.21. Share-based payment .....	13
2.22. Revenue recognition from ordinary activities .....	14
2.23. Government grants .....	14
2.24. Leases .....	15
2.25. Research and development costs .....	15
2.26. Borrowing costs .....	15
2.27. Income taxes .....	15
2.28. Derivative financial instruments .....	16
2.29. Dividends .....	16
2.30. Segment information .....	16
2.31. Commitments relating to technical guarantee in respect of sales or services already provided .....	16
2.32. Earnings per share .....	16
3. Segment information .....	16
3.1. Business segments 2006 .....	17
3.2. Business segments 2005 .....	18
3.3. Geographical segments 2006 .....	19
3.4. Geographical segments 2005 .....	19
4. List of consolidated companies, joint ventures, associates and representative offices .....	20
5. XDC contributions for 2006 .....	21
6. Investments in joint ventures and associates .....	21
6.1. Interests in joint ventures .....	22
6.2. Investments in associates .....	22
7. Incomes and expenses .....	24
7.1. Other operating incomes / (expenses) .....	24
7.2. Financial incomes / (costs) .....	24
7.3. Non current items and net profit from operations .....	24
7.4. Complementary information about operational charges by nature .....	25
8. Income taxes .....	26
8.1. Tax charge on income .....	26
8.2. Reconciliation of the tax charge .....	26
8.3. Deferred taxes on the balance sheet .....	27

9. Earnings per share .....	27
10. Dividends paid and proposed .....	28
11. Intangible assets .....	29
12. Tangible assets (including finance leases) .....	30
13. Research and development costs .....	32
14. Financial assets .....	32
14.1. Equity redeemable bonds .....	32
14.2. Other financial assets .....	33
15. Inventories .....	33
16. Trade and other receivables .....	33
17. Cash and cash equivalents .....	34
18. Owner's equity .....	34
18.1. Movements in issued capital .....	34
18.2. Issued capital and treasury shares .....	34
18.3. Authorised capital .....	35
18.4. Staff incentive programme .....	35
18.4.1. Warrants scheme .....	35
18.4.2. Profit sharing plan .....	36
18.5. Treasury shares buy back .....	36
18.6. Reserves .....	37
18.7. Translation differences .....	37
19. Interest-bearing loans .....	38
20. Provisions .....	39
21. Trade and other payables .....	39
22. Commitments and contingencies .....	40
22.1. Operating lease commitments .....	40
22.2. Commitments relating to technical guarantee in respect of sales .....	40
22.3. Bank guarantees .....	40
22.4. Guarantees on assets .....	40
23. Related party disclosures .....	41
23.1. Affiliates .....	41
23.2. Board members .....	41
24. Financial risk management policies .....	42
25. Financial instruments .....	42
25.1. Fair values of the financial instruments .....	42
25.2. Foreign currency risk .....	42
26. Events after the balance sheet closing date .....	42
<b>BELGIAN GAAP PARENT COMPANY FINANCIAL STATEMENTS .....</b>	<b>43</b>
STATUTORY MANAGEMENT REPORT .....	43
BELGIAN GAAP STATUTORY INCOME STATEMENT .....	44
BELGIAN GAAP STATUTORY BALANCE SHEET .....	45
APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS .....	47

# STATUTORY AUDITOR'S REPORT

TO THE GENERAL MEETING OF SHAREHOLDERS OF EVS BROADCAST EQUIPMENT S.A. ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

In accordance with the legal requirements, we report to you on the performance of our mandate of Statutory Auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

## **Unqualified opinion on the consolidated financial statements**

We have audited the consolidated financial statements of EVS Broadcast Equipment S.A. and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of KEUR 64.474 and the consolidated statement of income shows a profit for the year, share of the Group, of KEUR 39.425.

## *Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Responsibility of the Statutory Auditor*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2006 give a true and fair view of the Group's financial position as at 31 December 2006 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

## **Additional comments and information**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- The Group lost the control of the subsidiary XDC S.A. on June 27, 2006. The Group retains nevertheless a significant influence on the subsidiary which is consequently integrated in the consolidated financial statements with the use of the equity method since June 27, 2006. In the aim to facilitate the comparison between the consolidated financial statements as at December 31, 2005 and December 31, 2006 without the effect of the XDC S.A.' financial position in the consolidated accounts as at December 31, 2005, the Board of Directors has disclosed in the financial statements (assets and liabilities) and in the cash-flow statements an additional column named "Proforma – Not audited" in which is mentioned financial information simulating the equity accounting of the XDC investment since December 31, 2005. Those "proforma – not audited" columns, whose objective is purely informative, are not IFRS compliant (since XDC was a subsidiary as at December 31, 2005) and are consequently not audited.

Liège, April 27, 2007

Ernst & Young Réviseurs d'Entreprises SCCRL  
Statutory Auditor represented by  
Philippe PIRE, Partner

# IFRS CONSOLIDATED FINANCIAL STATEMENTS

## IFRS CONSOLIDATED INCOME STATEMENT

(in thousands EUR)	Note	2005 Audited <sup>(4)</sup>	2006 Audited
Revenue	3	51.946	85.150
Costs of sales		-7.381	-11.850
<b>Gross Profit %</b>		<b>86%</b>	<b>86%</b>
Selling and administrative expenses		-7.769	-10.278
Research and development expenses	13	-4.448	-5.498
Other revenue	7.1	277	366
Other expenses	7.1	-448	-207
Stock based compensation and ESOP plan	7.3	-147	-564
Depreciation on Tax Shelter rights assets	7.3	-	-235
<b>EBITDA</b>		<b>33.438</b>	<b>58.934</b>
<b>Operating Profit (EBIT)</b>		<b>32.030</b>	<b>56.884</b>
<b>Operating Margin %</b>		<b>62%</b>	<b>67%</b>
Net interest	7.2	243	648
Other net financial incomes / (charges)	7.2	321	-612
Share in the result of the enterp. accounted for using the equity method		115	-581
<b>Profit before taxes (PBT)</b>		<b>32.709</b>	<b>56.339</b>
Income taxes	8	-10.436	-18.485
<b>Net profit for the year from continuing operations</b>		<b>22.273</b>	<b>37.853</b>
Net gain / (loss) associated with the discontinued operation : (1) (2)			
XDC operations contribution to consolidated accounts	5	-3.661	-2.976
Dilution profit on XDC refinancing	5	-	3.368
<b>Net profit for the year</b>		<b>18.612</b>	<b>38.245</b>
Attributable to :			
Minority interests		1.402	1.180
<b>Equity holders of the parent company</b>		<b>20.014</b>	<b>39.425</b>
<b>Net profit from operations – share of the group</b> <sup>(3)</sup>	7.3	<b>20.172</b>	<b>36.901</b>
<b>RESULT PER SHARE</b>		<b>2005 Audited</b>	<b>2006 Audited</b>
<i>(in number of shares and in EUR)</i>			
Weighted average number of subscribed shares for the period less treasury shares	9	13.716.934	13.630.464
Weighted average number of fully diluted number of shares	9	13.939.819	13.801.018
<b>Basic earnings – share of the group per share</b>	9	<b>1,46</b>	<b>2,89</b>
<b>Fully diluted earnings – share of the group per share</b>	9	<b>1,44</b>	<b>2,86</b>
<b>Basic net profit from operations – share of the group per share</b>		<b>1,47</b>	<b>2,71</b>

(1) Until June 27, 2006, XDC was a 60,17% EVS affiliate and has been fully consolidated. From June 27, 2006, XDC has been a 47,20% EVS affiliate and therefore accounted for at equity.

(2) Refer to note 5.

(3) The net profit from operations is the net profit (share of the group) excluding non-recurring results, taking into account tax items. Refer also to note 7.3.

(4) According to IFRS, XDC contribution in the consolidated accounts is presented under a single line called «Net gain / (loss) associated with the discontinued operation».

## IFRS CONSOLIDATED BALANCE SHEET

ASSETS (in thousands EUR)	Note	31.12.05 Audited	31.12.05 Proforma Unaudited <sup>(1)</sup>	31.12.06 Audited
<b>Non-Current Assets :</b>				
Intangible assets	11	584	581	715
Lands and buildings	12	5.499	5.424	5.429
Other tangible assets	12	8.063	1.199	1.099
Investment accounted for using equity method	6	282	2.669	6.174
Other financial assets	14	799	724	258
<b>Total Non-Current Assets</b>		<b>15.227</b>	<b>10.598</b>	<b>13.675</b>
<b>Current Assets :</b>				
Inventories	15	6.012	4.836	7.955
Trade receivables	16	13.015	12.644	11.601
Deferred tax assets	8.3, 16	114	114	160
Other amounts receivable, deferred charges and accrued income	16	1.415	881	2.149
Cash and cash equivalents	17	26.227	22.299	28.935
<b>Total Current Assets</b>		<b>46.783</b>	<b>40.774</b>	<b>50.799</b>
<b>TOTAL ASSETS</b>		<b>62.010</b>	<b>51.372</b>	<b>64.474</b>

(1) As of December 31, 2006, according to IFRS, XDC balance sheet has been recorded at the equity method in the group consolidated balance sheet. For comparison purposes, proforma balance sheet as of December 31, 2005 assumes that XDC was accounted for using the equity method in an additional column named "Proforma – Unaudited" in which is mentioned financial information simulating the equity accounting of the XDC investment since December 31, 2005. This "Proforma – Unaudited" column, whose objective is purely informative, is not IFRS compliant (since XDC was a subsidiary as at December 31, 2005) and are consequently not audited.

<b>EQUITY AND LIABILITIES</b> (in thousands EUR)	<b>Note</b>	<b>31.12.2005</b> <b>Audited</b>	<b>31.12.2005</b> <b>Proforma</b> <b>Unaudited <sup>(1)</sup></b>	<b>31.12.06</b> <b>Audited</b>
<b>Equity :</b>				
<b>Capital</b>	<b>18.1</b>	<b>8.342</b>	<b>8.342</b>	<b>8.342</b>
Reserves	18.6	34.092	34.713	54.402
Interim dividend	10, 18.6	-	-	-6.519
Treasury shares	18.6	-4.220	-4.220	-5.985
<b>Total consolidated reserves</b>		<b>29.872</b>	<b>30.493</b>	<b>41.898</b>
Translation differences	18.7	-36	-36	-112
<b>Equity attributable to equity holders of the parent company</b>		<b>38.179</b>	<b>38.800</b>	<b>50.128</b>
<b>Minority Interests</b>		<b>2.213</b>	<b>4</b>	<b>4</b>
<b>Total Equity</b>		<b>40.392</b>	<b>38.804</b>	<b>50.133</b>
Long term provisions	20	151	151	361
Deferred taxes	8.3	252	252	266
Financial long term debts	19	6.946	2.614	2.323
Government recoverable loans		3.104	881	834
<b>Non-Current Liabilities</b>		<b>10.454</b>	<b>3.898</b>	<b>3.784</b>
Short term portion of long term financial debts	19	1.670	341	364
Trade payables	21	2.408	1.779	1.964
Amounts payable regarding remuneration and social security		2.208	1.805	2.765
Income tax payable		1.097	1.097	2.214
Other amounts payable, advances received, accrued charges and deferred income	21	3.782	3.647	3.250
<b>Current Liabilities</b>		<b>11.165</b>	<b>8.669</b>	<b>10.558</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62.010</b>	<b>51.372</b>	<b>64.474</b>

(1) As of December 31, 2006, according to IFRS, XDC balance sheet has been recorded at the equity method in the group consolidated balance sheet. For comparison purposes, proforma balance sheet as of December 31, 2005 assumes that XDC was accounted for using the equity method in an additional column named "Proforma – Unaudited" in which is mentioned financial information simulating the equity accounting of the XDC investment since December 31, 2005. This "Proforma – Unaudited" column, whose objective is purely informative, is not IFRS compliant (since XDC was a subsidiary as at December 31, 2005) and are consequently not audited.

## IFRS CONSOLIDATED CASH FLOW STATEMENT

(in thousands EUR)	2005 Audited	2006 Audited	2006 <sup>(1)</sup> Proforma Unaudited
<b>Cash flows from operating activities</b>			
Profit before taxation	29.055	56.339	56.339
Adjustment for non cash items :			
- Share in the result of the enterp. accounted for using the equity Method	-115	581	581
- Depreciation on fixed assets	1.494	1.206	1.206
- Foreign exchange result	437	-560	-560
- Provisions and deferred taxes increase/(decrease)	160	63	63
	<b>31.031</b>	<b>57.629</b>	<b>57.629</b>
- Amounts receivable	-1.957	432	864
- Accruals	2.299	-2.776	-2.539
- Trade debts and prepayments	459	1.579	930
- Taxes, remuneration and social security debts	240	2.096	2.077
- Other amounts payable	391	52	-275
- Inventories	-1.082	-2.935	-3.120
<b>Cash generated from operations</b>	<b>31.380</b>	<b>56.077</b>	<b>55.566</b>
Interest received	559	845	845
Income taxes	-10.443	-18.491	-18.491
<b>Net cash from operating activities</b>	<b>21.496</b>	<b>38.431</b>	<b>37.921</b>
<b>Cash flows from investing activities</b>			
Purchase/disposal of intangible assets (including Tax Shelter investments)	-579	-389	-382
Purchase/disposal of property, plant and equipment	-2.512	-3.224	-862
Purchase/disposal of leasing equipment	-5.842	-3.738	-
Purchase/disposal of other financial assets	-45	475	122
Purchase/disposal of short term investments	147	-	-
XDC dilution impact in investing activities	-	-7.665	-
<b>Net cash used in investing activities</b>	<b>-8.831</b>	<b>-14.541</b>	<b>-1.122</b>
<b>Cash flows from financing activities</b>			
Operations with treasury shares	-2.077	-1.508	-1.466
Other net equity variations (including ESOP)	84	-78	-147
Interest paid	-331	-197	-197
Proceeds from long-term borrowings	5.319	2.971	-315
Interim dividend paid in December 2006	-	-5.908	-5.908
Dividends paid	-13.805	-16.462	-16.462
<b>Net cash used in financing activities</b>	<b>-10.810</b>	<b>-21.183</b>	<b>-24.495</b>
<b>Cash from XDC operations up to June 27, 2007</b>			
EVS contribution to XDC share capital increases as of June 27, 2006	-	-	-4.097
Fully consolidated XDC loss as of June 27, 2006	-	-	2.977
Minority share in XDC loss as of June 27, 2006	-	-	-1.180
EVS 60,17% down to 47,20% dilution profit as of June 27, 2006	-	-	-3.368
<b>Net cash from XDC operations up to June 27, 2007</b>	<b>-</b>	<b>-</b>	<b>-5.668</b>
<b>Net increase in cash and cash equivalents</b>	<b>1.854</b>	<b>2.708</b>	<b>6.636</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>24.373</b>	<b>26.227</b>	<b>22.299</b>
<b>Cash and cash equivalents at end of period</b>	<b>26.227</b>	<b>28.935</b>	<b>28.935</b>

(1) For comparison purposes, assuming that XDC was accounted for using equity method as of December 31, 2005 in an additional column named "Proforma – Unaudited". This "Proforma – Unaudited" column, whose objective is purely informative, is not IFRS compliant (since XDC was a subsidiary as at December 31, 2005) and are consequently not audited.

## IFRS CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(in thousands EUR)	Issued capital	Available reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total Net Equity
<b>Balance as per 31 December 2004</b>	<b>8.342</b>	<b>28.632</b>	<b>-2.723</b>	<b>-289</b>	<b>33.962</b>	<b>3.615</b>	<b>37.577</b>
Net profit of the year attributable to the shareholders of the parent company		18.612			18.612		18.612
Operations with treasury shares		-580	-1.497		-2.077		-2.077
Dividends		-13.805			-13.805		-13.805
Currency translation differences				253	253		253
Net profit of the year attributable to the minority interests		1.402			1.402	-1.402	-
Other increase (decrease)		-167			-167		-167
<b>Balance as per 31 December 2005</b>	<b>8.342</b>	<b>34.094</b>	<b>-4.220</b>	<b>-36</b>	<b>38.179</b>	<b>2.213</b>	<b>40.392</b>

(in thousands EUR)	Issued capital	Available reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total Net Equity
<b>Balance as per 31 December 2005</b>	<b>8.342</b>	<b>34.094</b>	<b>-4.220</b>	<b>-36</b>	<b>38.179</b>	<b>2.213</b>	<b>40.392</b>
Increase (decrease) of equity capital resulting from company regrouping		-2.908			-2.908	-2.209	-5.117
Net profit of the year attributable to the shareholders of the parent company		38.246			38.246		38.246
Operations with treasury shares		290	-1.765		-1.475		-1.475
Dividends		-16.462			-16.462		-16.462
Interim dividend		-6.519			-6.519		-6.519
Currency translation differences				-76	-76		-76
Net profit of the year attributable to the minority interests		1.180			1.180		1.180
Other increase (decrease)		-36			-36		-36
<b>Balance as per 31 December 2006</b>	<b>8.342</b>	<b>47.884</b>	<b>-5.985</b>	<b>-112</b>	<b>50.129</b>	<b>4</b>	<b>50.133</b>

# NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

## 1. INFORMATION ABOUT THE COMPANY

### 1.1. Identification

EVS Broadcast Equipment S.A.  
Liege Science Park  
Rue Bois Saint-Jean, 16  
B-4102 Ougrée  
VAT : BE 452.080.178  
National Registered Number : 0452.080.178

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

The consolidated financial statements of EVS Broadcast Equipment S.A. as at 31 December 2006 were established by the Board of Directors of April 24, 2007. The Board of Directors is authorised to amend the consolidated financial statements up until the Annual General Meeting of Shareholders, scheduled to be held on May 15, 2007.

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

### 1.2. Public information

The company's financial statements are filed with the "Banque Nationale de Belgique". Statutes and special reports required by the "Code des Sociétés" can be obtained from the Commercial Court Registry in Liège. These documents, as well as annual statements and any written information to shareholders, are also available at the company's registered office. Financial information is available on the Internet at [www.evs-global.com](http://www.evs-global.com).

### 1.3. Object of the company

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

## 2. SUMMARY OF THE IFRS SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated accounts of the group have been prepared on an historical cost basis, except for the share based payments and derivative financial instruments, which are measured at their fair value.

The consolidated accounts are presented in euros and all the values are rounded figures to the nearest thousand (€000) unless otherwise indicated.

### 2.2. Statement of compliance

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

### 2.3. Provision adopted during the transition to IFRS

The group used the possibility offered by IFRS 1 which consists of:

- not applying IFRS 2 for transactions settled in equity instruments allocated before 7 November 2002 and not tested before this transition date;
- not to apply IFRS 3 to business combinations that occurred before the transition date.

### 2.4. Consolidation principles

The consolidated financial statements include the financial statements of EVS Broadcast Equipment S.A. and of its subsidiaries prepared as at 31 December of each year.

The financial statements of the subsidiaries are prepared on the same date and in accordance with identical accounting principles.

All the intra-group balances, intra-group transactions as well as the income, the expenses and the latent results included in the carrying amount of assets, generated by internal transactions, are eliminated in full.

## **2.5. Subsidiaries**

The subsidiaries are companies in which EVS either directly or indirectly holds over 50% of the voting rights or in which it holds the power, either directly or indirectly, to control the financial and operational policy, with the aim of obtaining benefits from its activities.

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

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

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

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

Joint ventures (in accordance with the alternative processing of IAS 31) as well as associates are recognised according to the equity accounting method.

These investments are carried in the balance sheet at the lowest value between that obtained by the equity method and the recoverable value. The group's share in the profit and loss of the joint ventures and of the associates is entered into the profit and loss account. The financial statements of the joint ventures and of the associates are used by the group in order to apply the equity accounting method. The financial statements of the joint ventures and of the associates are prepared on the same reporting date as the parent company, on the basis of similar accounting principles.

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

### ***Decision***

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

Research & Development costs: the group has considered that it cannot make a clear distinction between the research phase and the development phase of a project developed internally. The group has also considered that the costs incurred consisted of a routine process that does not generate any major innovation but evolutive technologies. Moreover, the group sells products in a market that is subject to rapid technological change, new product development and changing customer needs. Accordingly, the group has concluded that it cannot determine technological feasibility until the development stage of the product is nearly complete. For these reasons, R&D is not capitalised but expensed.

### ***Recourse to estimates***

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

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

## **2.8. Foreign currency translation**

Each entity of the group determines its own functional currency and the elements included in the financial statements of each of the entities are measured by using this functional currency.

The functional currency of EVS Broadcast Equipment S.A. as well as all of the subsidiaries is the euro, except for the EVS Inc. subsidiary, whose functional currency is the US dollar.

The presentation currency of the financial statements of EVS Broadcast Equipment S.A. is the euro.

### ***Financial statements of foreign companies***

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

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

### ***Transactions in foreign currencies***

The transactions in foreign currencies are recognised at the exchange rate in force on the transaction date.

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

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

## 2.9. Intangible assets

Intangible assets acquired other than goodwill are recognised at cost.

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

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

## 2.10. Goodwill

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

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

## 2.11. Tangible assets

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

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

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

• Buildings :	between 10 and 20 years
• Finance leases :	between 5 and 7 years
• Vehicles :	between 3 and 5 years
• IT equipment :	between 3 and 4 years
• Office furniture and equipment :	between 3 and 10 years
• Plant and equipment :	between 3 and 10 years
• Other tangible assets :	between 3 and 4 years

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

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

## **2.12. Inventories**

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

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

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

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

## **2.13. Trade and other receivables**

Receivables are stated in the balance sheet at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## **2.14. Other current and non current assets**

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

## **2.15. Cash and cash equivalents**

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

## **2.16. Treasury shares**

Sums paid or received during the acquisition or sale of the company's treasury shares are recognised directly in the equity. No profit or expense is included in the income statement during the purchase, sale, issuance or cancellation of treasury shares.

The treasury shares are classified under the "treasury shares" heading and are deducted from the total shareholders' equity.

## **2.17. Minority interests**

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

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

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

## **2.19. Provisions**

Provisions are recognised when the group has a present obligation (legal or implicit) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation value. When the group is expecting the repayment of the provision, the repayment is recognised as a different asset but only if this repayment is almost certain.

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

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

The post-employment benefits include pensions.

The group operates one defined contribution pension scheme. The minimum legal contribution is warranted by the insurance company.

The contributions to this defined contribution pension scheme are recognised as an expense in the income statement at the time when they are made.

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

## **2.21. Share-based payment**

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

### ***Equity-settled transactions***

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of "fully diluted" earnings per share. The group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002.

#### ***Cash-settled transactions***

The cost of cash-settled transactions with employees is initially measured by reference to the fair value at the date at which they are granted, and subsequently revalued at the fair value at each closing date.

The cost of cash-settled transactions is recognised, together with a corresponding increase in debt, over the year in which the performance conditions are fulfilled, ending on the average date on which the relevant employees become fully entitled to the award ("Vesting date").

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

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

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

As regards the services provided, revenues are also recognised in line with the work in progress.

Revenues from public subsidies are recognised as an income at the rate of depreciation of the goods for which they have been obtained.

Interest revenue is recognised as interest accrues.

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

#### **2.23. Government grants**

##### ***Recoverable loans by the Walloon region***

The group receives interest free Recoverable Loans from the Walloon Region as a financial grant within the framework of applied research into various projects and whose terms and conditions of repayment depend on the commercial success of the financed projects.

It is likely that the Recoverable Loans of the Walloon Region will be repaid in view of the growing probability of commercialisation of the financed projects and will be, in this respect, considered as long term liabilities.

##### ***European Communities grants***

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

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

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

##### ***Investment grants***

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

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

## **2.24. Leases**

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

### ***Finance leases***

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

### ***Operating leases***

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

## **2.25. Research and development costs**

As the group is unable to make a distinction between the research phase and the development phase of an internal project, all the costs are consequently considered to have been incurred only during the research phase. The group also considers that the costs incurred after the commercial launch consist of a routine process that does not generate a major innovation but evolutive technologies.

Generally speaking, we should note that the period between the end of the research phase of a project and its commercial launch is less than one year.

Consequently, the research and development costs are recognised as expenses when incurred.

## **2.26. Borrowing costs**

Borrowing costs are recognised as expenses when incurred.

## **2.27. Income taxes**

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

### ***Current taxes***

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

### ***Deferred taxes***

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

Deferred tax liabilities are recognised for all temporary differences:

- except when the deferred tax liability arises from the initial recognition of a goodwill or the initial recognition of an asset or a liability in a transaction that is not a business combination and that, on the transaction date, does not affect either the accounting profit or the taxable profit or loss; and
- for the taxable temporary differences linked to interest in subsidiaries, in associates and in joint ventures, except if the date on which the temporary difference is reversed can be checked and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

### **2.28. Derivative financial instruments**

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

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### **2.29. Dividends**

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

### **2.30. Segment information**

The group's primary reporting format is business segments and its secondary format is geographical segments.

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

EVS grants a 2-year technical guarantee on products sold subject to the general conditions of sale.

These guarantees are only recognised when they are precisely quantifiable.

### **2.32. Earnings per share**

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

## **3. SEGMENT INFORMATION**

The sales of the EVS Group are broken down into product and geographical segments.

Business segmentation makes a distinction between the "TV" activity, which covers all of the transactions relating to television production, the "DC" activity relating to the activities of the XDC subsidiary active in digital cinema. As a consequence of EVS dilution in the XDC capital from 60,17% down to 47,20%, the DC segment is therefore reported as a discontinued activity up to June 27, 2006.

Geographical segmentation makes a distinction between the "NALA" region, which reflects the group's turnover on the American continents, the "EMEA" region relating to sales in Europe, the Middle East and Africa, and finally, the "APAC" region, covering sales in Asia and the Pacific Region.

### 3.1. Business segments 2006

(in thousands EUR) - 2006	Continuing operations TV 2006	Net gain / (loss) associated with D-cinema operations (XDC) <sup>(1)</sup>	TOTAL 2006
<b>Revenue</b>			
<b>Sales to external customers</b>	<b>85.150</b>	-	<b>85.150</b>
Gross Profit	73.300	-	<b>73.300</b>
Stock based compensation and ESOP plan	-564	-	<b>-564</b>
Depreciation on Tax Shelter rights assets	-235	-	<b>-235</b>
<b>Operating Profit (EBIT)</b>	<b>56.884</b>	-	<b>56.884</b>
<b>Operating Profit (EBIT) - %</b>	<b>67%</b>		<b>67%</b>
Financial Results	36	-	<b>36</b>
Share in the result of the enterp. accounted for using the equity method	130	-711	<b>-581</b>
Profit before taxes (PBT)	57.050	-711	<b>56.339</b>
Income taxes	-18.485	-	<b>-18.485</b>
Net profit for the year from continuing operations	38.564	-711	<b>37.853</b>
XDC contribution to consolidated accounts	-	-2.976	<b>-2.976</b>
Dilution profit on XDC refinancing	-	3.368	<b>3.368</b>
Minority interests	-	1.180	<b>1.180</b>
Net profit - share of the Group	38.564	861	<b>39.425</b>
<b>Net profit from operations – share of the group</b>	<b>39.363</b>	<b>-2.462</b>	<b>36.901</b>

(in thousands EUR) - 31.12.06	Continuing operations TV	D-cinema (XDC) <sup>(1)</sup>	TOTAL 31.12.06
<b>Assets and liabilities</b>			
Investment accounted for using equity method	400	5.774	<b>6.174</b>
Non-Current Assets	7.500	-	<b>7.500</b>
Cash and cash equivalents	28.935	-	<b>28.935</b>
Other current assets	21.865	-	<b>21.865</b>
<b>Assets</b>	<b>58.700</b>	<b>5.774</b>	<b>64.474</b>
<b>Net assets</b>	<b>44.358</b>	<b>5.774</b>	<b>50.132</b>
Long term provisions	361	-	<b>361</b>
Deferred taxes	266	-	<b>266</b>
Financial debts	2.687	-	<b>2.687</b>
Government recoverable loans	834	-	<b>834</b>
Other current liabilities	10.194	-	<b>10.194</b>
<b>Equity and Liabilities</b>	<b>58.700</b>	<b>5.774</b>	<b>64.474</b>
<b>Other segment information</b>			
Depreciation, provisions and write-offs	2.050	-	<b>2050</b>
EBITDA	58.934	-	<b>58.934</b>
Net acquisitions linked to operations	1.021	-	<b>1.021</b>

(1) EVS share in XDC has decreased to 47,20% from 60,17%, leading to a change in the consolidation method of XDC stake in the consolidated accounts of EVS: XDC 47,20% stake is booked at equity method as from June 27, 2006. For more details, refer to note 5 showing XDC contribution per nature in 2006 income statement.

### 3.2. Business segments 2005

(in thousands EUR) - 2005	Continuing operations TV 2005	Net gain / (loss) associated with D-cinema operations (XDC) <sup>(1)</sup>	TOTAL 2005
<b>Revenue</b>			
<b>Sales to external customers</b>	<b>51.946</b>	-	<b>51.946</b>
Gross Profit	44.565	-	44.565
Stock based compensation and ESOP plan	-147	-	-147
<b>Operating Profit (EBIT)</b>	<b>32.030</b>	-	<b>32.030</b>
<b>Operating Profit (EBIT) - %</b>	<b>62%</b>		<b>62%</b>
Financial Results	564	-	564
Share in the result of the enterp. accounted for using the equity method	115	-	115
Profit before taxes (PBT)	32.709	-	32.709
Income taxes	-10.436	-	-10.436
Net profit for the year from continuing operations	22.273	-	22.273
XDC contribution	-	-3.661	-3.661
Minority interests	-	1.402	1.402
Net profit - share of the group	22.273	-2.259	20.014
<b>Net profit from operations – share of the group</b>	<b>22.419</b>	<b>-2.247</b>	<b>20.172</b>
<b>(in thousands EUR) - 31.12.05</b>			
	Continuing operations TV	D-cinema (XDC) <sup>(1)</sup>	TOTAL 31.12.05
<b>Assets and liabilities</b>			
Investment accounted for using equity method	282	-	282
Non-current assets	7.910	7.035	14.945
Cash and cash equivalents	22.299	3.928	26.227
Other current assets	18.410	2.146	20.556
<b>Assets</b>	<b>48.901</b>	<b>13.109</b>	<b>62.010</b>
<b>Net assets</b>	<b>36.400</b>	<b>3.992</b>	<b>40.392</b>
Long term provisions	151	-	151
Deferred taxes	252	-	252
Financial debts	2.955	5.661	8.616
Government recoverable loans	881	2.223	3.104
Other current liabilities	8.262	1.233	9.495
<b>Equity and Liabilities</b>	<b>48.901</b>	<b>13.109</b>	<b>62.010</b>
<b>Other segment information</b>			
Depreciation, provisions and write-offs	1.408	820	2.228
EBITDA	33.438	-2.808	30.630
Net acquisitions linked to operations	1.677	7.256	8.933

(1) EVS share in XDC has decreased to 47,20% from 60,17%, leading to a change in the consolidation method of XDC stake in the consolidated accounts of EVS: XDC 47,20% stake is booked at equity method as from June 27, 2006.

### 3.3. Geographical segments 2006

The TV activities are split over 3 regions: Asia Pacific ("APAC"), Europe, Middle-East and Africa ("EMEA") and North America and Latin America ("NALA") while XDC business is limited to EMEA.

(in thousands EUR)	APAC	EMEA	NALA	TOTAL 2006
<b>Revenue</b>				
TV sales	16.408	48.104	20.638	85.150
DC sales	-	907	-	907
<b>Segment Revenue</b>	<b>16.408</b>	<b>49.011</b>	<b>20.638</b>	<b>86.057</b>
<b>Evolution versus 2005 - %</b>	153%	58%	44%	<b>66%</b>
Segment Revenue at constant exchange rate	16.408	49.011	20.809	<b>86.228</b>
Variation 2006 vs 2005 (continuing operations)	153%	55%	44%	<b>64%</b>

### 3.4. Geographical segments 2005

(in thousands EUR)	APAC	EMEA	NALA	TOTAL 2005
<b>Revenue</b>				
TV sales	6.492	31.090	14.364	51.946
DC sales	12	1.775	63	1.850
<b>Segment revenue</b>	<b>6.504</b>	<b>32.865</b>	<b>14.427</b>	<b>53.796</b>

The EVS Group has a strong vertical integration located mainly in Belgium. Foreign subsidiaries are distribution and representation subsidiaries, which explains why most of investments and investment expenditure are concentrated in the parent company EVS Broadcast Equipment S.A..

We should also note that the EVS Group has a centralised cash management within Belgium and that only the subsidiaries based in the USA and in Hong Kong directly invoice the end customers for commercial reasons. All customers are invoiced in EUR except the United States of America, in US Dollars.

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

NAME AND ADDRESS	Year of foundation or acquisition	Staff as of 31.12.06	Incorporation method used <sup>(1)</sup>	Part of capital held as of 31.12.05 (in %) <sup>(2)</sup>	Part of capital held as of 31.12.06 (in %) <sup>(2)</sup>	Change in % of capital held
<b>EVS Broadcast Equipment Inc.</b> 9 Law Drive, suite 200, NJ 070046 Fairfield, USA	1997	10	F	100.00	100.00	0.00
<b>EVS France S.A.</b> 32/36 rue de Bellevue, F-92100 Boulogne Billancourt, FRANCE VAT: FR-21419961503	1998	3	F	99.76	99.76	0.00
<b>EVS Italia S.R.L.</b> Via Milano, 2, IT-25126 Brescia, ITALY VAT: IT-03482350174	1999	3	F	95.00	95.00	0.00
<b>EVS Broadcast UK Ltd.</b> 15-19 Cavendish Place, London W1G 0DD, GB VAT : UK-853278896	1999	3	F	100.00	100.00	0.00
<b>EVS Broadcast Equipment Ltd.</b> New Victory House, 15th Floor, 93-103 Wing Lok Street, Sheung Wan, HONG KONG	2002	7	F	99.99	99.99	0.00
<b>EVS China Ltd.</b> 2/F., Henfa Commercial Building, 248-350 Lockhart Rd., Wan Chai, HONG KONG	2005	3	E	20.00	20.00	0.00
<b>EVS Beijing Representative Office</b> Room 702A, Canway Building, 66, Nan Li Shu Lu, 100045 Beijing, CHINA	2005	2	E	N / A	N / A	N / A
<b>EVS Broadcast Equipment Middle East Rep office</b> Office 328, Building 02, 3rd Floor, Dubai, UAE	2006	1	F	N / A	N / A	N / A
<b>FAR S.P.R.L.</b> Rue Poissonrue, 43, B-4500 Huy, BELGIUM VAT: BE-454 521 511	1999	6	E	39.00	39.00	0.00
<b>MECALEC SMD S.A.</b> Rue Nicolas Fossoul, 54, B-4100 Seraing, BELGIUM VAT: BE-467121712	1999	21	E	49.50	49.50	0.00
<b>XDC S.A.</b> Rue Bois Saint-Jean, 16, B-4102 Ougrée, BELGIUM VAT: BE-865818337	2004	42	E	60.17	47.20	-12.97
<b>XDC Inc.</b> 9 Law Drive, suite 200, NJ 070046 Fairfield, USA	2004	1	E	60.17	47.20	-12.97
<b>XDC France S.A.</b> Route de la Noue, 4, F-91190 Gif sur Yvette, FRANCE VAT: FR-32488397076	2005	2	E	39.71	31.15	-8.56

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

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

## 5. XDC CONTRIBUTION FOR 2006

On June 27, 2006, EVS diluted in XDC S.A. from 60,17% down to 47,20% following a non proportional share capital increase of 12,5 million EUR to which EVS contributed 2 million EUR. Based on the amended shareholders agreement, EVS lost its majority in the XDC Board of Directors and does not control XDC anymore as such. One third of the share capital increase has been paid as of December 31, 2006. This leads to a change in the way XDC is reported in EVS accounts: it has been fully consolidated until June 27, 2006 and following EVS loss of control on its affiliate, XDC figures shall be accounted for according to the net equity method. This shall clarify EVS balance sheet and profit and loss accounts which shall only refer to the core broadcast activities. Following the 12,97% dilution, EVS has booked a dilution profit of 3,4 million EUR.

The XDC contribution breaks down as follows:

(in thousands EUR)	2005	1st semestre 2006	2nd semestre 2006	2006
Revenue	1 850	907	1 416	-
Gross Profit	-739	-1 161	-2 706	-
Stock based compensation and ESOP plan	-12	-45	-6	-
<b>Operating Profit (EBIT)</b>	<b>-3 628</b>	<b>-2 898</b>	<b>-1 372</b>	<b>-</b>
<b>Operating Profit (EBIT) - %</b>	<b>-196%</b>	<b>-320%</b>	<b>-97%</b>	<b>-</b>
Financial results	-26	-73	-176	-
Income taxes	-7	-5	9	-
<b>Net profit for the period</b>	<b>-3 661</b>	<b>-2 976</b>	<b>-1 507</b>	<b>-</b>
Part of XDC capital held	60,17%	60,17%	47,20%	-
<b>Net profit - share of the Group</b>	<b>-2 259</b>	<b>-1 796</b>	<b>-711</b>	<b>-2 507</b>
Dilution profit on XDC refinancing	-	3 368	-	3 368
<b>Total contribution</b>	<b>-2 259</b>	<b>1 572</b>	<b>-711</b>	<b>861</b>

## 6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(in thousands EUR)	2005	2006
<b>Investments in associates</b>		
<b>Opening balance as at 1 January</b>	<b>177</b>	<b>282</b>
- Disposals during the year	-	-
- Acquisitions during the year	-	-
- Results	105	-593
- Others	-	6.485
<b>Closing balance as at 31 December</b>	<b>282</b>	<b>6.174</b>

## 6.1. Interests in joint ventures

### ***EVS China***

The group holds a 20% interest in the distribution joint venture EVS China Ltd. via EVS Broadcast Equipment Limited (Hong Kong subsidiary). The latter is active in the distribution of TV equipment in China.

The group considers that its control over this subsidiary cannot be described as "joint control" but only as "significant influence". This interest is therefore recognised according to the equity method within the group's consolidated financial statements.

The group's share in the assets, liabilities, income and expenses of the joint venture is as follows as at 31 December 2006:

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
Current assets	20	35
Non-current assets	-	-
	<b>20</b>	<b>35</b>
Current liabilities	25	9
Equity	-5	26
	<b>20</b>	<b>35</b>
Incomes	33	367
Expenses	-38	-334
<b>Net result</b>	<b>-5</b>	<b>33</b>
<b>Carrying amount of investment</b>	<b>-</b>	<b>33</b>

## 6.2. Investments in associates

### ***MECALEC SMD S.A.***

MECALEC SMD S.A was founded on 21 October 1999 by S.A. MECALEC (50,5%) and EVS (49,5%). Its subscribed capital is 200 thousand EUR and, therefore, the share of EVS in this company amounts to 99 thousand EUR. This company's main activity is the manufacturing and the assembly of electronic boards, using SMD and more sophisticated technologies. The registered office is based in Bonnelles, close to Liege (Belgium). EVS acquired this interest in order to benefit from shorter delivery times on orders for the assembly of electronic boards. Some synergies in R&D and reworking of the production process are possible. In 2006, the net profit of MECALEC SMD for its fifth financial year amounted to 197 thousand EUR compared to the net profit of 2005 amounted to 237 thousand EUR.

The share of EVS in the 2006 results of MECALEC SMD amounts to 98 thousand EUR and the share of EVS in MECALEC SMD equity amounts to 359 thousand EUR. In 2006, MECALEC SMD paid for the second time a dividend to its shareholders and invested in a third assembly line.

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>Share of associate's balance sheet (49,5 % )</b>		
Current assets	396	509
Non-current assets	65	71
Current liabilities	-168	-221
Non-current liabilities	-19	-
<b>Net assets</b>	<b>274</b>	<b>359</b>
<b>Share of associate's revenue and net result (49,5%)</b>		
Revenue	1.015	975
Net result	117	98
<b>Carrying amount of investment</b>	<b>282</b>	<b>367</b>

**FAR S.P.R.L.**

FAR, based in Huy (near Liège, Belgium), designs and sells audio studios for Radio and Television companies or for the Benelux cinema industry.

On 31 December 2006, the EVS stake in FAR amounted to 39% of the capital and its share in the profit for the year 2006 was 24 thousand EUR. The EVS share in the equity capital of FAR amounted to -60 thousand EUR. The accounting value of the FAR participation remaining in the consolidated accounts of EVS is equal to zero.

(in thousands EUR)	31.12.05	31.12.06
<b>Share of associate's balance sheet (39 %)</b>		
Current assets	72	82
Non-current assets	28	23
Current liabilities	-161	-160
Non-current liabilities	-4	-4
<b>Net assets</b>	<b>-65</b>	<b>-60</b>
<b>Share of associate's revenue and net result (39%)</b>		
Revenue	184	299
Net result	-50	25
<b>Carrying amount of investment</b>	<b>-</b>	<b>-</b>

**XDC S.A.**

Created in 2004, notably through the spin-out of "Digital Cinema" activities from EVS to the new company, XDC S.A., based in Liege Science Park, has been a pioneer in the development of digital solutions for the cinema. Based on the expertise of the EVS Group in digital video compression and digital audio processing, XDC is an integrated company – a hub - which provides equipment and high added value services to the cinema industry. First, XDC offers servers, projectors and services to operators, and secondly, XDC enables film distributors to replace the onerous 35mm print with encrypted digital files.

As explained in the note 5 of the present report, on June 27, 2006, EVS diluted in XDC S.A. from 60,17% down to 47,20% following a non proportional share capital increase. This leads to a change in the way XDC is reported in EVS accounts: it had been fully consolidated until June 27, 2006 and following EVS loss of control on its affiliate, XDC figures shall be accounted for according to the net equity method. As of December 31, 2006, XDC share accounted for using equity method amounted to 5.774 thousand EUR. This results from the share of XDC S.A.'s adjusted equity as of December 31, 2006 which is reduced by the balance of subscribed capital still to be paid by EVS, i.e. 1,3 million EUR. Equity is adjusted considering all subscribed capital is paid.

(in thousands EUR)	31.12.06
XDC equity	6.733
Balance of subscribed capital to be paid	8.323
Adjusted equity	15.056
Share of EVS (47,20%)	7.107
Balance of subscribed capital to be paid by EVS	-1.333
<b>Share accounted for using equity method</b>	<b>5.774</b>

(in thousands EUR)	31.12.05	31.12.06
<b>Share of associate's balance sheet (47,20%)</b>		
Current assets	-	6.097
Non-current assets	-	2.840
Current liabilities	-	-3.296
Non-current liabilities	-	-2.453
<b>Net assets</b>	<b>-</b>	<b>3.188</b>
<b>Share of associate's revenue and net result (47,20%)</b>		
Revenue	-	2.065
Net result	-	-2.090
<b>Carrying amount of investment</b>	<b>-</b>	<b>5.774</b>

We should note the loss of cash and cash equivalent after the change in the way XDC is reported in EVS accounts, amounted to 7,6 million EUR as of June 27, 2006.

## 7. INCOME AND EXPENSES

### 7.1. Other operating incomes / (expenses)

<b>(in thousands EUR )</b>	<b>2005</b>	<b>2006</b>
Government grants	-	24
Others operational income	277	342
Other operating expenses	-448	-207
<b>Other operating incomes / (expenses)</b>	<b>-171</b>	<b>159</b>

### 7.2. Financial incomes / (costs)

<b>(in thousands EUR)</b>	<b>2005</b>	<b>2006</b>
Interest charges	-267	-197
Incomes on financial investment	12	-
Interest income on deposits	498	845
Exchange result adjustment	480	-560
Miscellaneous	-159	-52
<b>Financial income / (expenses)</b>	<b>564</b>	<b>36</b>

To limit its exposure to the US Dollar, EVS Group has an active policy to cover the foreign exchange risk, as explained in notes 24 and 25.

### 7.3. Non current items and net profit from operations

The link between the net result of the fiscal period and the current net result appears as follows:

<b>(in thousands EUR)</b>	<b>2005</b>	<b>2006</b>
Net profit for the year	20.014	39.425
Allocation to Employees Profit Sharing Plan (including XDC Plan)	74	476
Stock Option Plan (including XDC Plan)	84	133
Depreciation on Tax Shelter rights assets	-	235
Dilution profit on XDC refinancing	-	-3.368
<b>Net profit from operations</b>	<b>20.172</b>	<b>36.901</b>

This note is not IFRS compliant but interesting, so it is provided for information purpose only.

#### 7.4. Complementary information about operational charges by nature

(in thousands EUR)	2005	2006
Raw materials and consumables used	-5.836	-8.836
Increase / Decrease in stocks of finished goods, work and contracts in progress	1.109	612
Personnel expenses	-8.104	-10.282
- Remunerations	-5.954	-7.267
- Social securities costs	-1.357	-1.617
- ESOP expenses	-147	-564
- Pension defined contributions plan <sup>(1)</sup>	-24	-37
- Other personnel expenses	-622	-797
Average number of employees in FTE <sup>(2)</sup>	125	152
Depreciations	-893	-1.206
- Included in the costs of sales	-197	-207
- (Increase) Decrease in amounts written off (+)	-548	-634
- (Increase) Decrease in amounts written off on stocks (+)	-784	-632
- (Increase) Decrease in amounts written off on trade debtors (+)	236	-2
Operating lease and sublease payments recognised in the income statement	-322	-538

(1) Defined contribution plans are those for which the company pays fixed contributions into a separate entity with the provisions of the plan. Once these contributions have been paid, the company has no further obligation.

(2) The increase of the average number of employees is due to hire of additional staff to reinforce R&D, Sales & Marketing, training and field engineers to pursue its growth.

## 8. INCOME TAXES

### 8.1. Tax charge on income

The tax charge breaks down for 2005 and 2006 as follows:

(in thousands EUR)	2005	2006
<b>Current tax charge</b>		
Effective tax charge	-10.389	-18.254
Adjustments of current tax related to prior years	226	-234
<b>Deferred taxes</b>		
<b>Tax effects of temporary differences</b>	<b>-273</b>	<b>3</b>
- Adjustments for fixed assets depreciation method	24	2
- Government recoverable (taxable) loans	-310	-
- Direct and indirect production costs capitalised in inventories	13	1
<b>Income taxes included in the income statement</b>	<b>-10.436</b>	<b>-18.485</b>

### 8.2. Reconciliation of the tax charge

The effective tax charge of the group obtained by applying the effective tax rate to the pre-tax profit of the group, has been reconciled for 2005 and 2006 with the theoretical tax charge obtained by applying the theoretical tax rate:

(in thousands EUR)	2005	2006
<b>Reconciliation between the effective tax rate and the theoretical tax rate</b>		
Profit before taxes	32.709	57.050
Effective tax charge based on the effective tax rate	-10.436	-18.485
<b>Effective tax rate</b>	<b>32%</b>	<b>32%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect of tax-exempt income and capital gains	-256	-
Tax effect of Tax Shelter	-255	-255
Tax effect of deduction for notional interest	-	-173
Tax effect of non deductible expenditures	72	168
Tax effect of overvaluations and undervaluations related to prior years	-226	234
Other increase (decrease)	-16	256
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-11.117	-18.256
<b>Theoretical tax rate</b>	<b>34%</b>	<b>32%</b>

### 8.3. Deferred taxes on the balance sheet

The sources of deferred taxes are as follows:

(in thousands EUR)	31.12.05		31.12.06	
	Assets	Liabilities	Assets	Liabilities
Depreciation of tangible assets and intangible assets	-	-35	-	-32
Direct and indirect production costs capitalised in inventories	-	-217	-	-217
Miscellaneous	-	-	-	-17
<b>Total</b>	-	<b>-252</b>	-	<b>-266</b>
Depreciation of EVS Inc. tangible assets <sup>(1)</sup>	114		160	
<b>Net booked value <sup>(1)</sup></b>	<b>114</b>	<b>-252</b>	<b>160</b>	<b>-266</b>

(1) According to IFRS, deferred taxes from foreign subsidiaries cannot be balanced with deferred taxes from the parent company.

### 9. EARNINGS PER SHARE

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

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

(in thousands EUR)	2005	2006
Net profit	18.612	38.245
Minority interests	1.402	1.180
<b>Net profit for the year attributable to equity holders of the parent company</b>	<b>20.014</b>	<b>39.425</b>

	2005	2006
Weighted average number of subscribed shares	13.716.934	13.630.464
Dilution effect of the weighted average number of the share options in circulation	222.885	170.554
<b>Weighted average number of fully diluted number of shares</b>	<b>13.939.819</b>	<b>13.801.018</b>
<b>Basic earnings per share (in EUR)</b>	<b>1,46</b>	<b>2,89</b>
<b>Diluted earnings per share (in EUR)</b>	<b>1,44</b>	<b>2,86</b>

The number of treasury shares held as at 31 December 2006 amounted to 272.209 compared to 356.655 as at 31 December 2005, notably because of the cancellation of 200.000 treasury share in June, 2006. The weighted average number of treasury shares held in 2006 amounted to 318.508 against 358.066 in 2005.

## 10. DIVIDENDS PAID AND PROPOSED

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

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>Declared and paid during the year :</b>		
- Final dividend for 2004 (1,00 EUR per share)	13.696	
- Final dividend for 2005 (1,20 EUR per share)		16.462
- Interim dividend for 2006 (0,48 EUR per share)		6.519
	<b>13.696</b>	<b>22.981</b>

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>Proposed for approval at AGM:</b>		
- Final dividend for 2005 (1,20 EUR per share)	16.462	
- Proposed dividend for 2006 (1,68 EUR per share including interim dividend)		22.842
	<b>16.462</b>	<b>22.842</b>

## 11. INTANGIBLE ASSETS

(in thousands EUR)	Software licences	Investments in movies	TOTAL
<b>Acquisition cost</b>			
<b>As of 31 December 2004</b>	<b>339</b>	<b>-</b>	<b>339</b>
- Acquisitions	8	570	578
- Sales and disposals	-6	-	-
<b>As of 31 December 2005</b>	<b>341</b>	<b>570</b>	<b>911</b>
<b>Accumulated depreciation</b>			
<b>As of 31 December 2004</b>	<b>-311</b>	<b>-</b>	<b>-311</b>
- Acquisitions	-21	-	-21
- Sales and disposals	5	-	-
<b>As of 31 December 2005</b>	<b>-327</b>	<b>-</b>	<b>-327</b>
<b>Net carrying amount</b>			
<b>As of 31 December 2004</b>	<b>28</b>	<b>-</b>	<b>28</b>
<b>As of 31 December 2005</b>	<b>14</b>	<b>570</b>	<b>584</b>

(in thousands EUR)	Software licences	Investments in movies	TOTAL
<b>Acquisition cost</b>			
<b>As of 31 December 2005</b>	<b>341</b>	<b>570</b>	<b>911</b>
- Acquisitions	78	300	378
- Sales and disposals	-	-	-
- Variation in consolidation scope	-4	-	-4
<b>As of 31 December 2006</b>	<b>415</b>	<b>870</b>	<b>1.285</b>
<b>Accumulated depreciation</b>			
<b>As of 31 December 2005</b>	<b>-327</b>	<b>-</b>	<b>-327</b>
- Depreciations	-9	-235	-244
- Sales and disposals	-	-	-
- Variation in consolidation scope	1	-	1
<b>As of 31 December 2006</b>	<b>-335</b>	<b>-235</b>	<b>-570</b>
<b>Net carrying amount</b>			
<b>As of 31 December 2005</b>	<b>14</b>	<b>570</b>	<b>584</b>
<b>As of 31 December 2006</b>	<b>80</b>	<b>635</b>	<b>715</b>

### Investments in movies

The Belgian Law known as "Tax Shelter Law" sets out to provide a tax incentive to companies which invest, under certain conditions, a part of their profits in movies produced at least partially in Belgium.

The tax incentive for an investor that signs and finances such a movie production agreement, is the decrease of its taxable profits by 150% of the invested funds. This taxable base decrease may not exceed 750 thousand EUR or 50% of the taxable profits of the period calculated before exemption. It is only granted and maintained if several conditions are followed by the company and by the movie producer.

As in 2004 and in 2005, EVS has decided in 2006 to take advantage of this incentive in order to help the promotion of HDTV and digital cinema in the different stages of filming, post production and projection.

At the end of December 2006, a total cumulated contribution of 1.450 thousand EUR had been made, in 9 movies produced by Belgian companies, under the combined form of both direct investments in co-producer rights (870 thousand EUR) and conditional loans (580 thousand EUR). This explains the increase of the other tangible assets to 300 thousand EUR in 2006.

The rights are depreciated over a period of 3 calendar years following the date of signature of the agreements. To limit its risk, EVS acquired put options to sell some co-producer rights of some movies.

### Intellectual property

Products developed and marketed by EVS Group, as well as technology used, are not covered by patents or licenses. In the future, the company will patent any invention, provided that efficient protection can be ensured and provided that registration of the patent is not likely to assist competitors in using technological data developed by the EVS Group. The company remains convinced that the best protection lies in the continuous technological progress of its products. The speed of development in technology and product ranges in the fields in which EVS operates makes any attempt at copying or imitating a fruitless operation. EVS did, however, register a patent within the European Community or other countries outside Europe for some key brand names.

### 12. TANGIBLE ASSETS (INCLUDING FINANCE LEASES)

(in thousands EUR )	Land and buildings	Plant machinery and equipment	Finance lease	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>						
<b>As of 31 December 2004</b>	<b>7.266</b>	<b>933</b>	<b>-</b>	<b>2.937</b>	<b>36</b>	<b>11.172</b>
- Acquisitions	566	1.028	5.843	939	23	8.399
- Sales and Disposals	-	-	-	-463	-	-463
- Currency translation differences	-	-8	-	-	-	-8
- Others	50	-	-	5	-55	-
<b>As of 31 December 2005</b>	<b>7.882</b>	<b>1.953</b>	<b>5.843</b>	<b>3.418</b>	<b>4</b>	<b>19.100</b>
<b>Accumulated depreciation</b>						
<b>As of 31 December 2004</b>	<b>-1.943</b>	<b>-639</b>	<b>-</b>	<b>-1.912</b>	<b>-</b>	<b>-4.494</b>
- Depreciations	-440	-196	-270	-566	-	-1.472
- Sales and disposals	-	-	-	428	-	428
<b>As of 31 December 2005</b>	<b>-2.383</b>	<b>-835</b>	<b>-270</b>	<b>-2.050</b>	<b>-</b>	<b>-5.538</b>
<b>Net carrying amount</b>						
<b>As of 31 December 2004</b>	<b>5.323</b>	<b>294</b>	<b>-</b>	<b>1.025</b>	<b>36</b>	<b>6.678</b>
<b>As of 31 December 2005</b>	<b>5.499</b>	<b>1.118</b>	<b>5.573</b>	<b>1.368</b>	<b>4</b>	<b>13.562</b>

(in thousands EUR )	Land and buildings	Plant machinery and equipment	Finance lease	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>						
<b>As of 31 December 2005</b>	<b>7.882</b>	<b>1.953</b>	<b>5.843</b>	<b>3.418</b>	<b>4</b>	<b>19.100</b>
- Acquisitions	666	49	-	306	-	1.021
- Sales and disposals	-16	-	-	-586	-	-602
- Variation in consolidation scope (XDC)	-80	-1.416	-5.843	-487	-	-7.826
- Others	4	-	-	-5	-4	-5
<b>As of 31 December 2006</b>	<b>8.456</b>	<b>586</b>	<b>-</b>	<b>2.646</b>	<b>-</b>	<b>11.688</b>
<b>Accumulated depreciation</b>						
<b>As of 31 December 2005</b>	<b>-2.383</b>	<b>-835</b>	<b>-270</b>	<b>-2.050</b>	<b>-</b>	<b>-5.538</b>
- Depreciations	-425	-38	-	-499	-	-962
- Sales and disposals	4	-	-	582	-	586
- Variation in consolidation scope (XDC)	-223	361	270	346	-	754
<b>As of 31 December 2006</b>	<b>-3.027</b>	<b>-512</b>	<b>-</b>	<b>-1.621</b>	<b>-</b>	<b>-5.160</b>
<b>Net carrying amount</b>						
<b>As of 31 December 2005</b>	<b>5.499</b>	<b>1.119</b>	<b>5.573</b>	<b>1.368</b>	<b>4</b>	<b>13.562</b>
<b>As of 31 December 2006</b>	<b>5.429</b>	<b>75</b>	<b>-</b>	<b>1.025</b>	<b>-</b>	<b>6.529</b>
<b>Mortgage and other guarantees</b>						
Net carrying amount of fixed assets given as real guarantees	2.618	-	-	-	-	2.618

The tangible assets decrease of 7,0 million EUR is mainly explained by the variation in XDC consolidation scope, i.e. 7,1 million EUR of tangible assets.

Production of the equipment manufactured and marketed by EVS does not require important tangible investment, as far as the assembly is partially subcontracted, notably to the subsidiary Mecalec SMD S.A.. Whenever possible, specialised work is outsourced (i.e. sheet metalwork and manufacturing of integrated circuits ("ICs")).

The group policy is to own its buildings and to finance them partially with long-term loans. The net value of the land and buildings without deduction of subsidies as of December 31, 2006 amounts to 6,5 million EUR, it includes:

<b>(in thousands EUR )</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>EVS Building I</b> (16, rue Bois Saint-Jean, Ougrée)	1.778	1.939
<b>EVS Building II</b> (18, rue Bois Saint-Jean, Ougrée)	408	384
<b>EVS Building III</b> (6, avenue Pré Aily, Angleur) <sup>(1)</sup>	827	779
<b>EVS Building IV</b> (16, rue Bois Saint-Jean, Ougrée)	3.416	3.229
<b>EVS Building V</b> (3, rue Poissonrue, Huy) <sup>(2)</sup>	133	121
<b>Total</b>	<b>6.562</b>	<b>6.452</b>

(1) Building rented to XDC S.A..

(2) Building rented to FAR S.P.R.L..

Investments in these buildings benefited from subsidies granted by the Walloon Region and the European Community for a gross amount of 2,1 million EUR. In accordance with the group's evaluation rules, the subsidies linked to the buildings are recognised as deduction of the net carrying amount of these assets for a net amount of 1,1 million EUR.

### 13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to 5,5 million EUR in 2006 versus 4,4 million EUR in 2005. R&D does not require any considerable investment, since engineers and programmers work directly on the machines to be sold or on servers for the software development. According to the group's valuation rules, these costs are not capitalised but recognised as expenses when incurred.

### 14. FINANCIAL ASSETS

#### 14.1. Equity redeemable bonds

<b>(in thousands EUR)</b>	<b>2005</b>	<b>2006</b>
<b>Equity redeemable bonds</b>		
<b>Net carrying amount as of 1 January</b>	<b>722</b>	<b>299</b>
- Reimbursements during the year	-423	-299
- Acquisitions during the year	-	-
- Result	-	-
- Others	-	-
<b>Net carrying amount as of 31 December</b>	<b>299</b>	<b>-</b>

At the time of the sale of the subsidiary NETIA, the balance of the loan granted by EVS Broadcast Equipment S.A. to NETIA (750 thousand EUR) was transformed into an equity redeemable bond yielding interest of 5% per annum up to 2009. The balance is going to be reimbursed during the year 2007 by a non-cash commitment on the part of EVS to purchase licenses and other services and as a consequence, as of December 31, 2006, the balance has been transferred in the short term amounts receivable.

## 14.2. Other financial assets

<b>(in thousands EUR)</b>	<b>2005</b>	<b>2006</b>
<b>Other financial assets</b>		
<b>Net carrying amount as of 1 January</b>	<b>22</b>	<b>500</b>
- Reimbursements during the year	-	-380
- Acquisitions during the year	478	213
- Others	-	-75
<b>Net carrying amount as of 31 December</b>	<b>500</b>	<b>258</b>

As explained under the note 11 relating to intangible assets, EVS has decided to benefit from the Belgian "Tax Shelter" law. In this context, the combined conditional loans made to movie production companies in 2006 amounted to 200 thousand EUR as at 31 December 2006.

Most of these amounts, as well as the interests and other incomes, should be recovered within 18 months of the signing of the contracts.

## 15. INVENTORIES

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
Raw materials	3.791	5.329
Finished goods	3.942	4.571
Goods in process	-	1.584
<b>Total at cost</b>	<b>7.733</b>	<b>11.484</b>
<b>Amounts written off at the beginning of the period</b>	<b>-2.048</b>	<b>-2.897</b>
Reversal / use of the amounts written off, net	-849	-632
<b>Amounts written off at the end of the period</b>	<b>-2.897</b>	<b>-3.529</b>
<b>Variation in consolidation scope (XDC)</b>	<b>1.176</b>	<b>-</b>
<b>Total net carrying amount</b>	<b>6.012</b>	<b>7.955</b>

Inventories decreased by 1,2 million EUR notably following the XDC variation in consolidation scope. Write-offs movements on inventories, which were valued at 0,6 million EUR in 2006 and at 0.8 million EUR in 2005, are accounted as charges in the costs of sales. These write-offs concern technologically obsolete stock items.

## 16. TRADE AND OTHER RECEIVABLES

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
Trade receivables	13.015	11.486
Deferred tax assets	114	160
Amounts receivable linked to joint ventures	119	61
Other related parties	35	54
Other amounts receivable	498	1.275
<b>Total</b>	<b>13.781</b>	<b>13.036</b>

The outstanding trade receivables decreased notably by 600 thousand EUR following the XDC variation in consolidation scope. Other debtors increased partially thanks to VAT to be reimbursed as well as with the increase of long term financial assets to be reimbursed within the year.

The EVS Group grants a 2-year technical guarantee on products sold to external customers subject to the general conditions of sale.

Trade receivables are non-interest bearing and are generally on 50-day terms.

## 17. CASH AND CASH EQUIVALENTS

(in thousands EUR)	31.12.05	31.12.06
Cash at bank and in hand	2.568	6.261
Short-term deposits	23.659	22.674
<b>Total</b>	<b>26.227</b>	<b>28.935</b>

The short term deposits run from overnight to less than three months periods according to the group's immediate cash requirements and pay at the different rates of the short term deposits. The stake at equity of XDC caused a reduction of cash of 7,6 million EUR as of June 27, 2006.

## 18. OWNER'S EQUITY

### 18.1. Movements in issued capital

The Company was founded on 17 February 1994 with a capital of 30.987 EUR consisting of 1.000 shares and has developed as follows :

Date	Description	Number of shares	Capital (in EUR)
17.02.94	Constitution	1.000	30.987
25.04.96	Incorporation of reserves	-	90.481
25.04.96	Issuing of 100 shares at 892 EUR per share including a share premium of 771 EUR included in capital	100	12.147
		<b>1.100</b>	<b>210.710</b>
06.06.97	Incorporation of reserves	-	242.440
06.06.97	Issuing of 172 shares, at 4 338 EUR per share, including a share premium of 3 926 EUR	172	70.855
		<b>1.272</b>	<b>1.199.309</b>
<b>25.09.98</b>	<b>Stock split in the proportion of 2 000</b>	<b>2.544.000</b>	<b>1.199.309</b>
14.10.98	Initial Public Offering	+ 200 000	94.284
	Incorporation of share premium		7.342.522
		<b>2.744.000</b>	<b>8.636.115</b>
07.09.99	Issuance of 119 952 shares for exchange with NETIA shareholders	119.952	7.197.120
	Incorporation of reserves		166.765
		<b>2.863.952</b>	<b>16.000.000</b>
25.05.03	Treasury shares cancellation	-63.952	-
		<b>2.800.000</b>	<b>16.000.000</b>
24.02.04	Capital reimbursement	-	-8.137.521
15.03.04	Issuance of 15.000 shares after the exercise of 15.000 warrants	15.000	480.000
		<b>2.815.000</b>	<b>8.342.479</b>
<b>09.05.05</b>	<b>Stock split by 5:1</b>	<b>14.075.000</b>	<b>8.342.479</b>
19.06.06	Treasury shares cancellation	-200.000	-
<b>Capital on</b>	<b>31 DECEMBER 2006</b>	<b>13.875.000</b>	<b>8.342.479</b>

### 18.2. Issued capital and treasury shares

As of 31 December 2006, the issued capital of EVS amounted to 8.342.479 EUR and is represented by 13.875.000 fully paid up shares without designation of nominal value. Most shares are registered or deposited on a securities account. Only 253 thousand shares are materialised at year-end.

The Extraordinary General Meeting of 19 June 2006 decided the cancellation of 200.000 treasury shares, bringing the number of shares representing capital to fourteen million seventy five thousand shares (14.075.000) without designation of nominal value. As of 31 December 2006, 170.900 issued warrants at 20,56 EUR per share are exercisable between March 2008 and April 2011.

### 18.3. Authorised capital

In accordance with the resolutions adopted by the Extraordinary General Meetings of 25 September 1998 and 7 September 1999, the Board of Directors is authorized to increase the share capital in one or more instalments up to a maximum of 8.000.000 EUR, including share premium. The authorisation granted to the Board of 7 September 1999 was renewed for a duration of 5 years as from the publication of the deliberation of the postponed Extraordinary General Meeting of 15 June 2004. These increases in capital can be realised through cash subscriptions, contributions in kind or incorporation of reserves. Within the limits of this authorisation, the Board of Directors will be able to issue bonds convertible into shares or application rights, in observance of the provisions of articles 489 and 496 and in accordance with the "Code des Sociétés" (law for commercial companies) and the Board can limit or withdraw the preferential application rights of shareholders, including those in favour of one or more given persons, according to the procedures to be specified by the Board and, if need be, subject to observance of the provisions of articles 595 and in accordance with the "Code des Sociétés". The Board of Directors is expressly entitled to use the authorised capital under the conditions set down in article 607 of the "Code des Sociétés" in the event of a takeover bid after receipt of the communication made by the Commission for Banking, Finance and Insurance according to which a notice of a takeover bid concerning the company has been referred to it, in so far as this receipt occurs within three years of the holding of the Extraordinary General Meeting of the 15 June 2004.

### 18.4. Staff incentive programme

#### 18.4.1. Warrants scheme

Since December 1999, the company has set up a bi-annual stock options scheme for the group's employees and managers. In accordance with the fiscal legislation in force, the scheme has a minimum scope of 3 to 4 years between the granting and effective exercise of a warrant. This warrant distribution policy has been set up in order to gain the loyalty of the members of personnel and to allow them to participate in the results of the company. EVS hedges this programme through the buy-back of its treasury shares on the stock market. The new scheme has several times been the subject of an 18 month authorisation by the Extraordinary General Meeting of the company. In view of the 170.900 warrants exercisable at the end of 2006 (147.000 at the end of 2005), the dilution effect represents 1,23% of the share capital, this being more than offset by the 272.209 treasury shares, which represent 1,96% of the number of diluted shares. The voting right and the right to the dividend are suspended during such time as the shares are held by the company. The warrants are granted at an underlying share value corresponding to the stock market rate of the eve of the day of the offer. When the warrants are exercised, the Board of Directors may choose to either issue new shares or to grant treasury shares previously acquired by the company. EVS has the intention of continuing with this profit sharing scheme.

During the Extraordinary General Meetings of 7 December 1999 and 16 May 2000, 400.000 warrants (amount recalculated after division of the share) were issued in favour of the personnel of the EVS Group. The Extraordinary General Meeting of 21 May 2002 issued 350.000 additional warrants in order to bring the total number to 750.000. As of 31 December 2006, 558.150 of these warrants had been distributed, 293.500 exercised and 93.750 cancelled following departures or repurchased following sales of subsidiaries, which means that 170.900 can be exercised as of 31 December 2006.

These warrants may be exercised between 1 March 2008 and 30 April 2011, with a weighted average maturity on 28 May 2009. They have an average exercise price of EUR 20,56 per share. In the course of the period, 55.400 warrants were granted, 27.500 were exercised and 4.000 cancelled following the departure of personnel.

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

<b>(After division of the share by 5)</b>	<b>2005 Nb</b>	<b>2005 WAPP in EUR</b>	<b>2006 Nb</b>	<b>2006 WAPP in EUR</b>
<b>In circulation at the beginning of the period</b>	<b>232.250</b>	<b>7,60</b>	<b>147.000</b>	<b>10,50</b>
Granted during the period	3.000	26,22	55.400	37,39
Exercised during the period	-82.500	2,80	-27.500	2,80
Cancelled during the period	-5.750	12,24	-4.000	5,98
<b>In circulation at the end of period</b>	<b>147.000</b>	<b>10,50</b>	<b>170.900</b>	<b>20,56</b>

The warrants in circulation as of 31 December 2006 and exercisable over the next 5 years are as follows:

Expiry date	Average exercise price for the period in EUR	Number 31 Dec-05	Number 31 Dec 06
30 April 2009	12,24	116.500	113.000
30 April 2010	26,22	3.000	3.000
30 April 2011	37,39	-	54.900
<b>Total</b>		<b>119.500</b>	<b>170.900</b>

In accordance with IFRS 2, the warrants are valued on the grant date in order to be charged over the useful life of the warrant. The Black & Scholes model has been used coherently for this valuation, on the basis of volatilities, yield of historical and/or expected dividends. The key parameters in the Black & Scholes model are the volatility of EVS share (between 25% and 30%), the interest rate without risk (taken between 3% and 4%) and the return without risk (taken between 3% and 4%).

#### 18.4.2. Profit sharing plan

In order to thank, develop loyalty and especially encourage the teams of the group and in accordance with the related law, the Extraordinary General Meeting of shareholders of Monday 16 May 2006 approved a profit sharing scheme in the form of a grant of EVS Broadcast Equipment S.A. shares relating to the appropriation of the year 2005. Taking into account tax implications for the company, each employee received a number of shares included between 20 and 70 (net of taxes and proportionally to the hiring date and the time spent for each person), what represented 7.253 shares in total to a maximum of 160 group's employees.

#### 18.5. Treasury shares buy back

Treasury shares buy back was approved by the postponed Extraordinary General Meeting of 19 June 2006 as follows : in accordance with article 620, first paragraph, sections 3 and 4, line 1, 2° of the "Code des Sociétés", the Board of Directors is authorised, without other decision by the General Meeting, within the limits laid down by law and for a period of three years as from 5 July 2006 (date of publication in the appendices to the "Moniteur Belge" of the amendment to the statutes decided by the Extraordinary General Meeting dated 19 June 2006), to acquire, exchange and/or sell on the stock exchange market or in any other manner, the treasury shares of the company in order to avoid serious and imminent damage.

Following the Extraordinary General Meeting of 19 June 2006, authorization to buy back treasury shares has been modified in Article 8b, Paragraph 2, clause 1 of the statutes as follows "The Board of Directors is authorized (...) during eighteen (18) months as from the date of publication in the appendices to the "Moniteur Belge" (5 July 2006) of the decision of the Extraordinary General Meeting dated 19 June 2006 to buy and sell on the stock market a maximum of 10% of the total number of the company's fully paid shares in exchange for the market price according to the conditions of Article 620 of the "Code des Sociétés". The Board of Directors initiated this policy of buying back treasury shares in order to support the market price and to show its confidence in the company's future. The Board considers this buy back a good investment due to the good price earnings compared with short-term deposit.

The number of treasury shares held as of 31 December 2006 was 272.209 compared with 356.655 as of 31 December 2005.

In 2006, the number of treasury shares increased in number (Nb) and in weighted average prices (WAP) as follows:

	2005 Nb	2005 WAP in EUR	2006 Nb	2006 WAP in EUR
<b>Stock at the beginning of the period</b>	<b>379.385</b>	<b>7,18</b>	<b>356.655</b>	<b>11,83</b>
Buy back on the market	79.500	29,03	171.307	38,12
Sales on the market	-	-	-21.000	21,99
Treasury shares cancellation	-	-	-200.000	17,84
Sales linked to the staff incentive programme	-102.230	7,93	-34.753	21,15
<b>Stock at the end of the period</b>	<b>356.655</b>	<b>11,83</b>	<b>272.209</b>	<b>21,99</b>

## 18.6. Reserves

<b>(in thousands EUR)</b>	<b>31.12.05</b>	<b>31.12.06</b>
Legal reserve	838	838
Non taxable reserves for tax shelter	1.425	2.175
Reserves available for distribution	31.829	51.389
Reserves for treasury shares	-4.220	-5.985
Interim dividend	-	-6.519
<b>Reserves</b>	<b>29.872</b>	<b>41.898</b>

### ***Non-taxable reserves for tax shelter***

It corresponds to the non-taxable investment and conditional loans made in the framework of the Belgian provision known as "Tax Shelter" explained in the note 11 of the present report, i.e. 750 thousand EUR for 2006, 750 thousand EUR for 2005 and 675 thousand EUR for 2004.

### ***Reserves for treasury shares***

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

## 18.7. Translation differences

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

## 19. INTEREST-BEARING LOANS

(in thousands EUR)	31.12.05	31.12.06
<b>Long-term financial debts</b>		
Bank loans	2.605	2.314
Long-term finance lease obligations	4.332	-
Other long-term debts	9	9
<b>Amount due within 12 months (shown under current liabilities)</b>		
Bank loans	340	364
Long-term finance lease obligations	1.330	-
Other short-term debts	-	-
<b>Total financial debt (short and long-term)</b>	<b>8.616</b>	<b>2.687</b>
<b>The total financial debt is repayable as follows :</b>		
- within one year	1.670	364
- after one year but no more than five	5.539	1.182
- more than five years	1.407	1.141

The decrease of the financial debts for an amount of 6 million EUR is mainly explained by the XDC variation in consolidation scope, XDC uses long term leasing for the deployment in Europe of digital cinema equipment.

### **Credit lines**

As of 31 December 2006, the group had been granted by its banks 4,4 million EUR potential credit lines which can be used either as cash provisions, as short term fixed advances and as guarantees. 0,6 million EUR of these credit lines were used for bank guarantees, mainly within the framework of state-owned TV stations tender procedures.

### **Bank loans**

The group's policy is to hold its own buildings and to finance them through long term loans. The open long term bank loans as of 31 December 2006 have the following details:

(in thousands EUR)	Nominal value	Maturity	Effective interest rate	Remaining balance	Gross value of building	Guarantee on asset
<b>Bank loans :</b>						
- Building I	248	2008	fixed 4,0%	43	3.021	-
- Building II	980	2015	fixed 3,4%	1.777	1.863	-
- Building IV	2.500	2015	fixed 4,3%	858	4.405	3.250

It is advisable to observe that the financial debts cover only 32 % of the total nominal value of EVS buildings.

## 20. PROVISIONS

(in thousands EUR)	Litigations	Total
<b>Provisions</b>		
As 1 Janvier 2006	151	151
Arising during the year	300	300
Utilised	-60	-60
Reversed	-30	-30
<b>As 31 Decembre 2006</b>	<b>361</b>	<b>361</b>
Current 2005	-	-
Non-current 2005	151	151
Current 2006	-	-
Non-current 2006	361	361

The provisions registered in the consolidated accounts correspond to social and commercial disputes whose outcome is still unknown.

The amounts allocated to the provisions are measured according to the best knowledge of the management with regard to these disputes and their reasonability has been discussed with the group's lawyers.

## 21. TRADE AND OTHER PAYABLES

(in thousands EUR)	31.12.05	31.12.06
Trade payables	2.318	1.920
Other payables	867	2.602
Accrued charges	153	140
Deferred income	2.761	509
Amounts payable linked	25	-
Other related parties	65	44
<b>Total</b>	<b>6.190</b>	<b>5.215</b>

Trade payables are non-interest bearing and are normally settled on 40-day terms.  
Other payables increase notably because of the advances received on contract in progress for an amount of 1,4 million EUR while deferred income decreases because they included some revenues at the end of 2005 relative to the big sports events for 2006 amounting to 1,5 million EUR.

## 22. COMMITMENTS AND CONTINGENCIES

### 22.1. Operating lease commitments

The group holds operating leases on most of the vehicles of its fleet. These leases have an average life time between 3 and 5 years. The expenses relating to these leases amounted to 322 thousand EUR in 2005 and 538 thousand EUR in 2006.

Future minimum rentals payable under operating leases are as follows as of 31 December:

(in thousands EUR)	2005	2006
Within one year	535	593
After one year but no longer than five years	948	1.070
Longer than five years	-	-
	<b>1.483</b>	<b>1.663</b>

In the event of cancellation of the operating leases as at 31 December 2006, a compensation of around 26 thousand EUR should be paid by the group.

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

Generally, EVS Group grants a 2-year technical guarantee on products sold subject to the general conditions of sale.

### 22.3. Bank guarantees

Bank guarantees amounted to 567 thousand EUR as of 31 December 2006 mainly requested as part of international public tenders.

### 22.4. Guarantees on assets

Mortgage proxies amounting 3.250 thousand EUR have been given for the loans financing buildings.

## 23. RELATED PARTY DISCLOSURES

### 23.1. Affiliates

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

The table hereunder provides the total amount of transactions which have been entered into with related parties (for information regarding outstanding balances at year end, refer to notes 16 and 21).

Sales to and purchases from related parties are made at normal market prices and under usual commercial conditions.

Outstanding balances at year end are unsecured and settlement occurs in cash.

(in thousands EUR)		Sale to related parties	Purchases from related parties	Amounts due by related parties	Amounts owed to related parties
<b>Related parties</b>					
<b>Associates :</b>					
MECALEC S.A.	2006	-	-642	-	-37
	2005	-	-470	-	-58
XDC S.A.	2006	81	-4	19	-4
	2005	-	-	-	-
FAR S.A.	2006	1	0	35	-7
	2005	24	-2	35	-7
<b>Joint venture :</b>					
EVS China LTD	2006	250	-35	61	-
	2005	181	-25	119	-25
<b>Total</b>	<b>2006</b>	<b>332</b>	<b>-681</b>	<b>115</b>	<b>-48</b>
	<b>2005</b>	<b>205</b>	<b>-497</b>	<b>154</b>	<b>-90</b>

### 23.2. Board members

Each Director receives a remuneration of 3.000 EUR per year, plus a fixed amount of 300 EUR each time he attends a Board Meeting. All Directors have attended all Board Meetings except Laurent Minguet (0/6), Francis Bodson (5/6) and Laurent Levaux (1/6). Besides a total of 6.250 warrants allotted to a Director with executive functions, none of the Directors benefits of any stock options or any other advantage connected with the company's performances or otherwise. The total amount of remuneration paid in 2006 by the EVS Group to the members of the Board of Directors was 871 thousand EUR and 890 thousand EUR in 2005. This mainly represents the remuneration paid to the Executive and Managing Directors. In 2005, there were no unusual transactions between the Directors and the company.

As of 31 December 2006 based on the last statements received by the company and the latest modification of the shareholders' register, the members of the Board of Directors held, directly or indirectly, 3.563.140 shares of a total of 13.875.000.

## 24. FINANCIAL RISK MANAGEMENT POLICIES

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

The main risk arising from the group's financial instrument is described in note 25.2.

The group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and operating leases, cash and short-term deposits. The purpose of these financial instruments is to raise finance for the group's operations.

The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The group's policy is, and has always been, that no trading in financial instruments shall be undertaken.

Regarding interest rate risk, liquidity risk, credit risk and commodity price risk, the group's exposure to these risks is minimal.

## 25. FINANCIAL INSTRUMENTS

### 25.1. Fair values of the financial instruments

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

### 25.2. Foreign currency risk

Periodically, EVS measures the group's anticipated exposure to transactional exchange risk over one year.

In its current structure, the group's exposure is mainly linked to the EUR/USD risk. The group is "long" in USA, i.e. all of the group's activities generate on the whole, a positive net cash flow in USD.

On the basis of the forecasts and according to the market conditions, a hedging of exchange risks on budgeted flows can be carried out. The financial instruments used are the forward foreign exchange contracts.

During the year 2006, the EVS Group realised foreign exchange contracts of a total amount of 6,0 million USD with maturity dates spread between 22 May 2006 and 16 November 2006.

Foreign exchange contracts are recorded in the balance sheet at their market value and at their negotiation date. Variations of their value communicated by banks are recorded in the income statement.

Costs of these hedging instruments are charged as financial expenses.

EVS does not apply the accounting coverage for its economic hedging instruments considering the administrative cost of this option of accounting process proposed by the standard IAS 39.

The group's hedging policy is the forward sale of dollars according to the market opportunities. Thus, at the end of December 2006, the group held 4 million dollars in forward exchange contracts earmarked to hedge 50% of the future sales in dollars. The conditions of these contracts were as follows:

Sell	Currency	Maturity	Exchange rate	Forward value in EUR
1.000.000	USD	28 June 2007	1,29	777.847
2.000.000	USD	16 October 2007	1,27	1.568.874
1.000.000	USD	17 October 2007	1,27	786.968
<b>4.000.000</b>	<b>USD</b>	<b>18 September 2007</b>	<b>1,28</b>	<b>3.133.688</b>

## 26. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

No other significant event arose after the balance sheet date.

# BELGIAN GAAP PARENT COMPANY FINANCIAL STATEMENTS

These financial statements are related to the figures for the parent company, EVS Broadcast Equipment S.A. (Belgium). These statements are disclosed according to the short version allowed by Article 105 of the "Code des Sociétés" (company law). They are filed at the "Banque Nationale de Belgique" and are available on request at the company's head office. They have been unconditionally attested by Ernst & Young, Auditors S.C.C. (B160), represented by Philippe PIRE, Partner.

## STATUTORY MANAGEMENT REPORT

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

The parent company's financial statements include the figures for the head office in Liege (Belgium): sales, 72.330 thousand EUR, representing 85 % of the consolidated amount.

The profit of the year amounts to 37.162 thousand EUR, i.e. an increase of 14.228 thousand EUR compared to 2005. The balance sheet total amounts to 66.558 thousand EUR.

During 2006, EVS contributed 2,5 million EUR to increase XDC subscribed capital.

In December 2006, EVS Broadcast Ltd. (Hong Kong), paid a dividend to EVS for an amount of 4,8 million EUR.

During the past financial year, the auditor of the parent company, ERNST & YOUNG, Reviseurs d'Entreprises S.C.C. (B160), represented by Philippe PIRE received:

- an amount of 29.676 EUR for its services in its function of Auditor in 2006;
- an amount of 5.000 EUR for an other mission of certification, i.e. auditing the balance sheet situation as of September 30, 2006 for the interim dividend distribution;
- an amount of 15.926 EUR for services not included in its function of Auditor, i.e. participating in audit committees, technical assistance in connection with drawing up the IFRS consolidated accounts and various other services.

In addition, the companies with which the auditor of the parent company has professional links have performed tax advice services for an amount of 2.950 EUR.

No event other than those reported in the consolidated management report has affected the parent company's financial statements.

## BELGIAN GAAP STATUTORY INCOME STATEMENT

(in thousands EUR)	2005	2006
<b>Operating income</b>	<b>49.538</b>	<b>75.476</b>
A. Turnover	47.537	72.330
B. Increase (+) / Decrease (-) in stocks of finished goods, work and contracts in progress	1.070	2.199
C. Other operating income	931	947
<b>Operating charges</b>	<b>-20.895</b>	<b>-25.950</b>
A. Raw materials, consumables and goods for resale	5.839	6.841
1. Purchases	6.233	8.347
2. Increase (-) / Decrease (+) in stocks	-394	-1.506
B. Services and other goods	5.847	9.625
C. Remuneration, social security costs and pensions	5.651	7.001
D. Depreciation of and other amounts written off on formation expenses, intangible and tangible fixed assets	1.468	1.154
E. (+) / (-) in amounts written off on stock and trade debtors	543	632
F. (+) / (-) in provisions for liabilities and charges	803	162
G. Other operating charges	744	535
<b>Operating profit</b>	<b>28.643</b>	<b>49.526</b>
<b>Financial income</b>	<b>5.472</b>	<b>6.258</b>
A. Income from financial assets	4.191	4.803
B. Income from current assets	455	802
C. Other financial income	826	653
<b>Financial charges</b>	<b>-1.107</b>	<b>-1.284</b>
A. Interest and other debt charges	295	233
B. (+) / (-) in amounts written off on current assets	-	-
C. Other financial charges	812	1.051
<b>Profit on ordinary activities before taxes (+,-)</b>	<b>33.008</b>	<b>54.500</b>
Extraordinary income	170	497
Extraordinary charges	-625	-1.011
<b>Result for the period before taxes (+, -)</b>	<b>32.553</b>	<b>53.986</b>
Transfer from deferred taxation	45	37
Income taxes	-9.664	-16.861
<b>Result for the period (+, -)</b>	<b>22.934</b>	<b>37.162</b>
<b>Result for the period available for appropriation (+, -)</b>	<b>22.934</b>	<b>37.162</b>
<b>Appropriation account</b>		
A. Result to be appropriated	22.934	37.162
1. Result for the period available for appropriation	22.934	37.162
B. Transfers from capital and reserves	-	-
1. From reserves	-	-
C. Transfers to capital and reserves	-6.472	-14.204
1. To other reserves	6.472	14.204
D. Distribution of profit	-16.462	-22.958
1. Dividends and other equivalents	16.462	22.958

## BELGIAN GAAP STATUTORY BALANCE SHEET

<b>ASSETS</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>(in thousands EUR)</b>		
<b>Fixed assets</b>	<b>12.253</b>	<b>14.624</b>
<b>Formation expenses</b>	-	-
<b>Intangible assets</b>	<b>580</b>	<b>714</b>
<b>Tangible assets</b>	<b>7.507</b>	<b>7.369</b>
A. Land and buildings	6.562	6.452
B. Plant, machinery and equipment	63	75
C. Furniture and vehicles	878	842
D. Assets under construction and advance payments	4	-
<b>Financial assets</b>	<b>4.166</b>	<b>6.541</b>
A. Affiliated companies	4.067	999
1. Participating interests	3.134	164
2. Amounts receivable	933	835
B. Other companies linked to participating interests	99	5.542
1. Participating interests	99	5.542
<b>Current assets</b>	<b>42.744</b>	<b>51.934</b>
<b>Amounts receivable after more that one year</b>	<b>679</b>	<b>200</b>
A. Other amounts receivable	679	200
<b>Stocks and contracts in progress</b>	<b>4.196</b>	<b>7.317</b>
A. Stocks	4.196	5.733
1. Raw materials and consumables	2.677	4.070
2. Goods in process	-	68
3. Finished goods	1.519	1.595
B. Goods in process	-	1.584
<b>Amounts receivable within one year</b>	<b>11.841</b>	<b>11.932</b>
A. Trade debtors	11.479	10.676
B. Other amounts receivable	362	1.256
<b>Investments</b>	<b>24.638</b>	<b>28.154</b>
A. Treasury shares	4.220	5.985
B. Other investments and deposits	20.418	22.169
<b>Cash at bank and in hand</b>	<b>959</b>	<b>3.504</b>
<b>Deferred charges and accrued income</b>	<b>431</b>	<b>827</b>
<b>TOTAL ASSETS</b>	<b>54.997</b>	<b>66.558</b>

<b>LIABILITIES</b>	<b>31.12.05</b>	<b>31.12.06</b>
<b>(in thousands EUR)</b>		
<b>Capital and reserves</b>	<b>25.585</b>	<b>36.149</b>
<b>Capital</b>	<b>8.342</b>	<b>8.342</b>
A. Issued capital	8.342	8.342
<b>Reserves</b>	<b>16.413</b>	<b>27.049</b>
A. Legal reserve	834	834
B. Reserves not available for distribution	4.220	5.985
1. In respect of treasury shares	4.220	5.985
C. Not taxable reserves	1.425	2.175
D. Reserves available for distribution	9.934	18.054
<b>Investment grants</b>	<b>830</b>	<b>758</b>
<b>Provisions and deferred taxation</b>	<b>1.645</b>	<b>2.196</b>
A. Provision for liabilities and charges	1.218	1.806
B. Deferred taxation	427	390
<b>Creditors</b>	<b>27.767</b>	<b>28.213</b>
<b>Amounts payable after one year</b>	<b>2.614</b>	<b>2.323</b>
A. Financial debts	2.605	2.314
1. Credit institutions	2.605	2.314
B. Other amounts payable	9	9
<b>Amounts payable within one year</b>	<b>22.507</b>	<b>25.399</b>
A. Current portion of amounts payable after one year	340	364
B. Financial debts	-	-
1. Credit institutions	-	-
C. Trade debts	2.331	2.575
1. Suppliers	2.331	2.575
D. Advances received on contract in progress	221	1.614
E. Taxes, remuneration and social security	2.502	3.421
1. Taxes	1.050	1.259
2. Remuneration and social security	1.452	2.162
F. Other amounts payable	17.113	17.426
<b>Accrued charges and deferred income</b>	<b>2.646</b>	<b>491</b>
<b>TOTAL LIABILITIES</b>	<b>54.997</b>	<b>66.558</b>

## APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS

Capital as of December 31, 2006 (in thousands EUR)	Amounts	Number of Shares
<b>A. Share capital</b>		
1. Issued capital	8.342	13.875.000
2. Structure of capital		
2.1. Different categories of shares		
Shares without face value	8.342	13.875.000
2.2. Registered shares and bearer shares		
Registered shares – as of 31 December 2006		2.796.420
Bearer shares – as of 31 December 2006		11.078.580
<b>B. Treasury shares held by the company itself</b>	<b>5.985</b>	<b>272.209</b>
<b>C. Commitments to issue shares</b>		
1. Following the exercise of subscription rights		
- Number of outstanding subscription rights		170.900
- Amount of capital to be issued	3.758	
- Maximum number of shares to be issued		170.900
<b>D. Amount of authorized capital, not issued</b>	<b>8.000</b>	