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STATUTORY AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF EVS BROADCAST EQUIPMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER, 31st 2007

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statement.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended December, 31st 2007, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which show a balance sheet total of TEUR 74.976 and a profit for the year of TEUR 39.490.

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

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 International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement, as to whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended December, 31st 2007 give a true and fair view of the group's assets and liabilities, its financial position and the results of its operations and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union.

Additional statement

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statement which does not modify our audit opinion on the consolidated financial statements:

The consolidated Directors' report includes 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 consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its 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.

Liège, 30 April 2008

BDO Atrio Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory Auditor
Represented by
Félix FANK

MANAGEMENT REPORT

CONSOLIDATED KEY FIGURES (EUR MILLIONS)

	2007	2006	2005	2007/2006
Revenue	94.7	85.2	51.9	+11.2%
Gross margin %	87.3%	86.1%	85.8%	-
EBITDA	64.5	58.9	33.4	+9.4%
Operating profit - EBIT	61.9	56.9	32.0	+8.8%
Operating margin (EBIT) %	65.4%	66.8%	61.7%	-1.4 ppt
Contribution from 47% XDC affiliate ⁽¹⁾	-3.0	-2.5	-	-
Exceptional XDC dilution profit ⁽¹⁾	-	3.4	-	-
Income taxes	-19.8	-18.5	-10.4	+7.3%
Net profit – group share ⁽²⁾	39.5	39.4	20.0	+0.2%
Net profit from operations, excl. XDC, groupe share ⁽²⁾	43.6	39.4	20.2	+10.7%
Net profit margin	46.0%	46.2%	38.9%	-0.2 ppt

While it was expected to be a transition year, 2007 turned out to be a growth year, with annual sales topping EUR 94.7 million, which is +22.3% at constant exchange rates and excluding the big events rentals of 2006. The company has pursued the HDTV conversion of Outside Broadcast trucks all over the world and has succeeded in implementing key near-live studio projects. This paves the way for 2008, which will be driven by the Football Euro 2008 and the Olympics. On the longer term, the customers of the company are initiating or pursuing their tapeless transition and the shift towards HDTV production and transmission. EVS clearly benefits from the current HDTV start in Europe and its further penetration in the studio market.

While expanding sales, EVS has strengthened the group by increasing its headcount by 18%, mainly in R&D and field operations, in the 11 countries where the company is present. Operating expenses have grown by 26.9% without damaging the operating margin, which has remained at 65%, despite the weakness of the US dollar. EVS creates new local partnerships or new offices to reinforce its market presence. Product innovation and customer service remain the key drivers. The Board of Directors is pleased to reward the shareholders by proposing a final gross dividend of EUR 2.28 in May 2008, including the gross interim dividend of EUR 0.80 paid out in November 2007.

STRATEGIC PLAN

Executing its “Speed to Air” strategy, EVS serves hundreds of TV stations worldwide with its high-end digital video and audio applications, especially in the field of live sports and near-live studio production where the company has developed leadership positions in various niche markets. The worldwide migration from tape-based operations to integrated tapeless workflows is underway and will certainly gain momentum the next decade. This process is accelerated by the transition from Standard Definition to High Definition television, because new equipment needs to interoperate with digital solutions, which are increasingly High Definition.

Hence, EVS directly benefits from the following long term growth drivers: the increasing number of video distribution channels like IPTV, the transition to tapeless workflows (from 65% tape-based penetration today), the replacement market due to HD format conversion, the launch of new products to address near-live studio production needs, the demand for new “speedclipping” tools to fragment the content to multimedia environments, and an increased focus of broadcasters / IPTV and advertisers on large popular sports broadcasts to gain new viewers. The EVS Board and teams believe that the underlying demand for EVS products will continue to be supported by the transition to HDTV, which will impact the business over a long period of time and will follow usual equipment acquisition wave patterns.

REVENUE

Revenue evolution (EUR millions):

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
2.3	5.0	9.5	21.7	20.3	36.6	34.7	36.4	39.1	49.9	51.9	85.2	94.7

EVS Broadcast revenue reached EUR 94.7 million in 2007, an increase of 14.5% at constant exchange rates, but by 22.3% at constant exchange rate and excluding big events rentals of 2006. Although the group expected some decline in Outside Broadcast sales following a very strong sportive 2006, those sales grew by 5.7%. The group grew the studio sales by 25.7% to EUR 29.2 million, which represented 30.9% of group sales. This proves EVS' lower and lower dependence on large worldwide sporting events as well as the realization of new market opportunities.

EVS Broadcast revenue grew by 36.4% in Asia & Pacific (“APAC”) to EUR 22.4 million. APAC represents 24% of group revenue compared to 19% in 2006. In Japan for instance, EVS instant tapeless technology empowers a growing number of live and near-live shows in both studio and outside productions. Chinese sales represented 20% of APAC sales. HD systems have been sold to OB (Outside Broadcast) vans that shall first be used for Chinese sports coverage before being used during the Olympics.

America's revenue ("NALA") increased by 49.1% (+62.7% at constant exchange rate), thanks not only to the replacement cycle of Outside Broadcast trucks migrating to HDTV, but also to major studio project wins with premium customers. America's sales represented 32% of group sales in 2007, compared to 24% in 2006. The seamless video and audio files transfer between EVS products and leading post-production applications improves its customers' efficiency, thus allowing more valuable time for the creative process. For instance, "TV Bandeirantes", one of the largest television networks in Brazil, has added EVS 6-channel HD XT[2][®] servers and [IP]Directors[®] to its studio for use on its weekday morning news broadcast, the "Datena Show". In 2008, EVS shall attend the large international tradeshows of the industry, and will showcase new products in line with EVS "Speed to Air" strategy.

Europe, Middle-East and Africa ("EMEA") revenue decreased by 13.6% in 2007, compared to a very strong 2006 when most main international sporting events were organized in Europe. The strong performance in the fourth quarter 2007 partially offset the weaker performance of the first nine months. In 2007, besides strong business in the UK, it is important to note that Eastern Europe showed strong growth sustained by EVS innovative solutions which meet broadcasters' needs. EMEA is also confirming further advances into studio production infrastructure with major customer wins. For example, after the success of Roland Garros and the Tour de France, France Television has selected EVS technology for "France 2 Foot", a new and unique TV show aired each Sunday. It presents results and summaries of the Ligue 1 and the Ligue 2 football matches played each weekend, as well as extracts and images of the matches of the on-going season, clips of which need to be "on-line" in a click of a mouse. HD flat screens sales to consumers are booming across Europe, with the homes penetration of HD Ready at up to 20% in some large countries. Many HDTV initiatives are being launched by various broadcasters, IPTV, cable, or satellite players across Europe, which means a real takeoff of HD in EMEA, for which the European Soccer Finals and Beijing 2008 shall be an attraction point.

Sales segments by region (EUR millions):

	2007	2006	2005	Mix	2007/2006
Europe, Middle-East, Africa	41.5	48.1	31.1	43.9%	-13.6%
Americas	30.8	20.7	14.3	32.5%	+49.1%
at constant exchange rate ⁽¹⁾	33.6	20.7	14.5	-	+62.7%
Asia-Pacific	22.4	16.4	6.5	23.6%	+36.4%
TOTAL	94.7	85.2	51.9	100%	+11.2%

(1) Reference exchange rate: 2005.

RESEARCH & DEVELOPMENT

Research and Development expenses in 2007 were EUR 7.0 million, up 27.2%, reflecting the increase of the number of engineers joining EVS over the period.

In 2007, expenditure in R&D was between 7% and 8% of its revenue. In accordance with the group's accounting rules (Belgian and IFRS), these expenses are not capitalised but are expensed in full over the financial year. Today, there are more than 70 high-level engineers working on the conversion of television to all-digital technology. The future of the audio-visual sector will be influenced mainly by the changes in the digital technologies which will offer viewers more choice, better quality and interactivity. Customer satisfaction is at the heart of EVS concerns. The group's strong vertical integration between the sales/support activities at the local level and the centralisation of R&D enables rapid adaptation of products. EVS priority in terms of R&D is to continue the development of "Speed to Air", a tapeless modular production platform with a broad bandwidth which offers producers even more flexibility and quality when broadcasting content to viewers. The R&D efforts have been focused on the fourth generation XT[2][®] platform and content management tools such as Multicam[LSM] v9.0, [IP]Director[®] v5.5 and CleanEdit v3.0. The new staff members are working on the development of new applications for both production vans and studios and the operating methods within television stations. In conclusion, EVS is migrating from a stand-alone hard disk recorder (LSM) to an integrated production platform.

STAFFING

As of 31 December 2007, the group had a total of 188 employees, an increase of 12.6% compared with 31 December 2006. More than 20 engineers and highly qualified individuals were hired during the financial year with a view to strengthening the leadership of the company in its niche markets and preparing for the future. The total salary cost stands at EUR 12.8 million as opposed to EUR 10.3 million in 2006, representing around half of the group's fixed cost base. Throughout 2007, the average number of employees was 180, up 18% over 2006.

Breakdown of personnel according to subsidiaries and departments in full-time equivalents:

	General Services	Research & Development	Sales & Marketing	Production & Operations	Total
31 Dec. 2006	27	65	49	26	167
31 Dec. 2007	30	76	53	29	188

RESULTS AND COST CONTROL

Consolidated gross margin was 87.3% in 2007 (86.1% in 2006, when margins were lower due to the contribution of less profitable big event rental agreements). Despite much higher operating expenses (+26.9% in 2007), and despite the weak USD, the operating margin only slightly decreased to 65.4%, compared to 66.8% in 2006. This is the consequence of both operating leverage and growing software sales. As explained earlier, the group currently invests for future opportunities and strengthens its organization. The EBIT margin decreased by only 1.4 percentage point due to the weaker US dollar which had a EUR 1.7 million negative impact on the EBIT. This was partially offset by the group hedging policy.

The 47.2% affiliate XDC (pioneer in Digital Cinema) is deploying the 3rd generation of dedicated Digital Cinema Advanced servers and negotiating with distributors and exhibitors for the massive roll-out of digital screens. XDC contributed an operating loss of EUR -3.0 million for 2007. A significant one-time non cash provision has been booked in the fourth quarter of 2007 in order to translate future impacts of the 2007 deployment delays. In December 2007, XDC successfully raised an additional EUR 7.5 million from existing shareholders through a subordinated bond.

Net profit for 2007 amounted to EUR 39.5 million, while net profit from operations, excluding XDC, was EUR 43.6 million, or 10.7% higher than 2006. Basic net profit from operations per share, excluding XDC, amounted to EUR 3.21 in 2007, up 11.0% compared to EUR 2.89 in 2006.

Data per share (EUR):

Weighted average number of subscribed shares for the period, less treasury shares	13,587,090	13,630,464	13,716,934	-0.3%
Basic net profit, group share	2.91	2.89	1.46	+0.5%

(1) EVS share in XDC has decreased to 47.20% from 60.17% in June 2006, leading to a dilution profit and a change in the consolidation method of XDC stake in the consolidated accounts of EVS: XDC 47.20% stake is booked at equity method.

(2) The net profit from operations, excl. XDC, is the net profit (share of the group) excluding non operating items (net of tax) and the XDC contribution. Refer to Annex 7.3: use of noon-gaap financial measures.

CASH-FLOW, TREASURY SHARES AND EMPLOYEE PROFIT-SHARING

The net cash-flow from operations amounted to EUR 43.2 million over 2007, +11.5% over 2006. On December 31, 2007, the group balance sheet shows EUR 35.5 million in cash and cash equivalents, and 305,871 own shares whose value is deducted from the net equity, in accordance with IFRS principles. Financial debts amount to EUR 2.3 million. The net cash position at 31 December 2007 amounted to EUR 33.2 million, taking into account the EUR 10.6 million payment for the interim dividend made at the end of November 2007.

The financial risks management policies, including the use of financial instruments and the management of the foreign currency risk, are described in the annexes 25 and 26.2.

The group optimised the return for shareholders with the interim dividend of EUR 0.80 per share paid out at the end of November 2007, a final dividend of EUR 1.48 per share to be paid in June 2008, (representing approximately EUR 20.2 million), and EUR 2.2 million invested in the own share repurchase programme.

At the end of 2007, there were 13,569,129 EVS outstanding shares, i.e. 13,875,000 subscribed shares out of which 305,871 were owned by the company.

During 2007, 1,750 warrants were distributed in favor of certain staff members of EVS Broadcast Equipment S.A. on the basis of an average exercise price of EUR 57.69 per share with an exercise period between March 2011 and April 2012. During 2007, there was no warrant exercised, and 1.500 warrants were lost due to departures from the company. On 31 December 2007, 171,500 warrants were outstanding at an average exercise price of EUR 20.94 and average maturity of 1.4 year. This has a diluting effect of 1.2% on capital and is fully covered by the 305,871 treasury shares held by the company and acquired at an average price of EUR 26.45.

During 2007 and as dictated by market opportunities, the Group acquired 38,775 shares on the stock exchange for an average price of EUR 57.33, and disposed of 5,113 through the profit-sharing scheme for the employees. Indeed, following what was done the previous years, and within the framework of the law of 22 May 2001, the Board of Directors decided on 15 May 2007 to grant its employees a special reward through the profit-sharing scheme ("plan de participation bénéficiaire") similar to the grant of shares of the company up to an amount of approximately EUR 0.3 million.

DISPUTES

As per 31 December 2007, EUR 0.8 million provisions were available to reasonably cover various commercial and social disputes before the courts.

INVESTMENTS

EVS business does not require major investments in equipment, unlike the 47.2% subsidiary XDC which deploys a network of digital rooms. The group's policy is to have its own premises and primarily finance these through shareholders' equity, and in

some cases via long-term bank loans. As per 31 December, the estimated net total resale value of real estate was EUR 8.5 million for the buildings located in Liege. The group policy is to own its buildings that are partly financed by way of mortgage loans. Most of the buildings have benefited from regional or European subsidies.

CAPITAL AND SUBSIDIARIES

The EVS Broadcast Equipment S.A. capital of EUR 8,342,479 keeps unchanged and is represented by thirteen million eight hundred and seventy five thousand shares (13,875,000) without any designation of nominal value.

In the context of the development of EVS activities throughout the world, the company opened representative offices in Dubai (Media City), Spain (Madrid) and Australia (Sydney).

2008 OUTLOOK

As of 22 February 2008 (the date of publication of the 2007 annual results), the global winter order book reaches EUR 36.4 million, incl EUR 1.8 million for big event rentals, compared to EUR 21.8 million on the same date one year ago, or +67.0%. The winter order book is made of:

- The open order book as of January 1, 2008: EUR 18.0 million (vs. EUR 7.5 million as of January 1, 2007)
- Orders intake between January 1, 2008 and February 20, 2008: EUR 18.4 million (vs. EUR 14.3 million last year).
- Studio sales represents 38% of the order book with a longer leadtime.

Even if the visibility remains limited as usual and the weak dollar is not a favorable factor, based on current market conditions, the Board confirms its guidance of 22 February and expects 2008 to be a growth year with a stronger first half supported by big sport events. One should remind that some 2007 equipment sales, e.g. HD vans in China or Alfacam jumbo deal in October, were anticipating on some big events of 2008. The worldwide traction of Beijing Olympics, the launch of HDTV in Europe and the growing presence of EVS inside TV studios are the main growth drivers for 2008 and beyond.

CONFLICT OF INTEREST PROCEDURES

During the year under review, there was no reason to apply the specific procedure provided for under Article 523 of Company Law. The total amount of remuneration and emoluments accorded to members of the Board of Directors by EVS in 2007 amounted to EUR 835 thousand compared with EUR 871 thousand in 2006.

RECENT EVENTS

No significant event arose after the balance sheet date.

PROPOSALS BY THE BOARD TO THE SHAREHOLDERS

As it was proposed since the introduction of the stock exchange in 1998, the Board of Directors has decided to optimise the return for shareholders in the form of a dividend and/or repurchase of own shares. The Board, therefore, recommends a total gross dividend of EUR 2.28 per share (including the interim dividend of EUR 0.80) at the Ordinary General Meeting to be held on 20 May 2008, implying a final gross dividend of EUR 1.48 per share to be paid in June 2008. The Board of Directors proposes to grant shares within the framework of the law relating to profit-sharing schemes.

The group has a policy of repurchasing treasury shares which evidences EVS confidence in its future. Within the limitations of Article 620, Par. 1, Clauses 3 and 4, Sub-Clauses 1, 2° of Company Law, the Extraordinary General Meeting of 11 June 2007 authorised the Board of Directors to exchange and/or dispose of the company's treasury shares on the stock exchange or by any other manner with a view to averting serious and imminent harm to the company. The group intends to pursue its own shares repurchase policy as the market opportunities arise.

RISKS AND UNCERTAINTIES

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

- We may not be able to continue to maintain or increase our profitability and our recent growth rates may not be indicative of our future growth.
- Our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future, which could cause our stock price to decline.
- We face competition and if we are unable to compete effectively, we may experience decreased sales or pricing pressure, which would negatively impact our future operating results.
- We have significant international operations and derive most of our revenues from international customers, which exposes us to significant risks.
- We derive a substantial majority of our revenues from customers in the broadcast industry that use our products for both production and transmission of television content. If we fail to generate continued revenues from this market or if there is a downturn in this market, our revenues could decline.

- Our future financial performance depends on growth in the markets for video servers and digital tapeless solutions. If these markets do not continue to grow at the rate that we forecast, our operating results would be materially and adversely impacted.
- We depend on sales of our XT[2][®] video server products. If market demand for these products does not continue, our future operating results could be harmed.
- Our sales cycle can be lengthy and unpredictable, which may make it difficult to predict sales in any particular quarter.
- Our business may be harmed if our contract manufacturers are not able to provide us with adequate supplies of our products.
- If we experience delays, shortages or quality issues from our component suppliers, our product sales could suffer.
- The average selling price of our products may decrease, which could negatively impact our operating results.
- Our end users require a high degree of product reliability. If we are unable to provide high quality products, our relationships with end users could be harmed.
- If we fail to develop and introduce new products or enhancements to existing products in a timely manner, or if we fail to manage product transitions, we could experience decreased revenues in the future.
- If we fail to respond to technological changes and evolving industry standards, our products could become obsolete or less competitive in the future.
- If our products do not interoperate with other systems, installations could be delayed or cancelled.
- Our products are highly complex and may contain undetected software or hardware errors, which could harm our reputation and future product sales.
- Our future success depends on our ability to attract and retain key personnel, and our failure to do so could harm our ability to grow our business.
- If we fail to manage our growth effectively, our business could be harmed.
- Our use of open source software and other third-party technology and intellectual property could impose limitations on our ability to market our products.
- Failure to protect our intellectual property could substantially harm our business.
- If a third party asserts that we are infringing its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or expensive licenses, which could harm our business.
- We are subject to governmental export controls that could subject us to liability or adversely affect our ability to sell our products in international markets.
- We are subject to environmental and other health and safety regulations that may increase our costs of operations or limit our activities.
- We may expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, result in additional dilution to stockholders or use resources that are necessary to operate other parts of our business.
- The issuance of new accounting standards or future interpretations of existing accounting standards could adversely affect our operating results.
- Maintaining and improving our financial controls and the requirements of being a public company may strain our resources and, divert management's attention or affect our ability to attract and retain qualified board members.
- We or one of our affiliate might require additional capital to support business operations, and this capital might not be available on acceptable terms, or at all.

The Board of Directors

Liège, 24 April 2008

IFRS CONSOLIDATED FINANCIAL STATEMENTS

IFRS CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Annex	2007 Audited	2006 Audited
Revenue	3	94,696	85,150
Costs of sales		-12,041	-11,850
Gross profit		82,655	73,300
Gross Margin %		87.3%	86.1%
Selling and administrative expenses		-13,024	-10,278
Research and development expenses	13	-6,996	-5,498
Other revenue	7.1	557	366
Other expenses	7.1	-197	-207
Stock based compensation and ESOP plan	7.3	-747	-564
Depreciation on Tax Shelter rights assets	7.3	-335	-235
EBITDA		64,503	58,934
Operating profit (EBIT)		61,913	56,884
Operating margin - (EBIT) %		65.4%	66.8%
Net interest	7.2	1,119	648
Other net financial incomes / (charges)	7.2	-784	-612
Share in the result of the enterprise accounted for using the equity method		-2,916	-581
Profit before taxes (PBT)		59,332	56,339
Income taxes	8	-19,841	-18,485
Net profit from continuing operations		39,490	37,854
Net gain / (loss) associated with the discontinued operation: ⁽¹⁾			
XDC operations contribution to consolidated accounts	5	-	-2,976
Dilution profit on XDC refinancing	5	-	3,368
Net profit		39,490	38,246
Attributable to:			
Minority interests (XDC)		-	1,180
Equity holders of the parent company		39,490	39,426
Net profit from operations, excl. XDC – share of the group ⁽²⁾	7.3	43,607	39,408
RESULT PER SHARE		2007 Audited	2006 Audited
<i>(in number of shares and in EUR)</i>			
Weighted average number of subscribed shares for the period less treasury shares	9	13,587,090	13,630,464
Weighted average fully diluted number of shares	9	13,758,092	13,801,018
Basic earnings – share of the group	9	2.91	2.89
Fully diluted earnings – share of the group	9	2.87	2.86
Basic net profit from operations, excl. XDC – share of the group		3.21	2.89

(1) Until 27 June 2006, XDC was a 60.17% EVS affiliate and has been fully consolidated. From 27 June 2006, XDC has been a 47.20% EVS affiliate and therefore accounted for at equity. Also refer to annexes 5 and 6.

(2) The net profit from operations is the net profit (share of the group) excluding non operating items (net of tax) and the XDC contribution. Please also refer to annex 7.3: use of non-gaap financial measures.

IFRS CONSOLIDATED BALANCE SHEET

ASSETS (EUR thousands)	Annex	31.12.07 audited	31.12.06 audited
Non-current assets:			
Intangible assets	11	830	715
Lands and buildings	12	7,493	5,429
Other tangible assets	12	2,118	1,099
Investment accounted for using equity method	6	4,815	6,174
Subordinated bonds	14.1	2,850	-
Other financial assets	14.2	307	258
Deferred tax assets	8.3, 16	94	160
Total non-current assets		18,507	13,835
Current assets:			
Stocks ⁽¹⁾	15	5,594	6,371
Trade receivables	16	14,354	11,601
Other amounts receivable and accrued income	16	1,006	2,149
Cash and cash equivalents	17	35,515	28,935
Total current assets		56,468	49,055
Total assets		74,976	62,890
EQUITY AND LIABILITIES (EUR thousands)	Annex	31.12.07 audited	31.12.06 audited
Equity :			
Capital	18.1	8,342	8,342
Reserves	18.6	73,013	54,402
Interim dividends	10, 18.6	-10,867	-6,519
Treasury shares	18.6	-8,090	-5,985
Total consolidated reserves		54,056	41,898
Translation differences	18.7	-257	-112
Equity attributable to equity holders of the parent company		62,141	50,128
Minority interests		5	4
Total equity		62,146	50,133
Long term provisions	20	761	361
Deferred taxes liabilities	8.3	975	266
Financial long term debts	19	1,989	2,323
Government recoverable loans		546	834
Non-current debts		4,271	3,784
Short term portion of financial long term debts	19	309	364
Trade payables	21	2,679	1,964
Amounts payable regarding remuneration and social security		3,268	2,765
Income tax payable		1,335	2,214
Other amounts payable and accrued charges ⁽¹⁾	21	967	1,666
Current liabilities		8,558	8,974
Total equity and liabilities		74,976	62,890

(1) For comparison purposes, and in accordance with IAS 11 Work in progress at the end of 2006 have been retreated and offset with advances received included in the current liabilities.

IFRS CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands)	2007 audited	2006 audited
Cash flows from operating activities		
Operating profit (EBIT)	61,913	56,884
Adjustment for non cash items :		
- Depreciation on fixed assets	1,132	1,206
- Foreign exchange result	-746	-560
- Stock based compensation and ESOP	472	290
- Provisions and deferred taxes increase/(decrease)	458	63
	63,229	57,883
Increase (+)/decrease (-)		
- Amounts receivable	-1,782	-128
- Accruals	-51	-2,776
- Trade debts and prepayments	-864	2,227
- Taxes, remuneration and social security debts	-377	2,096
- Other amounts payable	-739	52
- Inventories	2,362	-2,935
Cash generated from operations	61,777	56,419
Interest received	1,312	845
Income taxes	-19,841	-18,491
Net cash from operating activities	43,248	38,773
Cash flows from investing activities		
Purchase (-)/disposal (+) of intangible assets (including Tax Shelter investments)	-507	-441
Purchase (-)/disposal(+) of property, plant and equipment	-1,715	-3,224
Purchase (-)/disposal (+) of leasing equipment	-	-3,738
Purchase (-)/disposal (+) of other financial assets ⁽¹⁾	-4,456	475
XDC dilution impact in investing activities ⁽¹⁾	-	-7,665
Net cash used in investing activities	-6,678	-14,593
Cash flows from financing activities		
Operations with treasury shares	-2,105	-1,798
Other net equity variations (including ESOP)	-45	-78
Interests paid	-193	-197
Cash flows from long-term borrowings	-676	2,971
Interim dividends	-10,649	-5,908
Dividends paid	-16,323	-16,462
Net cash used in financing activities	-29,991	-21,473
Net increase in cash and cash equivalents	6,580	2,708
Cash and cash equivalents at beginning of period	28,935	26,227
Cash and cash equivalents at end of period	35,515	28,935

(1) In 2006, the contribution of XDC includes the impact of the dilution profit for about EUR 3.4 million. In 2007, the impact of XDC (mainly subscription to the subordinated bond and paid up capital) is included in the "Purchase (-)/disposal (+) of other financial assets" line.

IFRS CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(EUR thousands)	Issued capital	Available reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total Net Equity
Balance as per 31 December 2005	8,342	34,094	-4,220	-36	38,179	2,213	40,392
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
Final dividend		-16,462			-16,462		-16,462
Interim dividends		-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
Balance as per 31 December 2006	8,342	47,884	-5,985	-112	50,129	4	50,133

(EUR thousands)	Issued capital	Other reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total Net Equity
Balance as per 31 December 2006	8,342	47,884	-5,985	-112	50,129	4	50,133
Increase (decrease) of equity capital resulting from company regrouping					-	1	1
Net profit of the year attributable to the shareholders of the parent company		39,491			39,491		39,491
Operations with treasury shares		472	-2,105		-1,633		-1,633
Final dividend		-16,323			-16,323		-16,323
Interim dividends		-10,867			-10,867		-10,867
Currency translation differences				-145	-145		-145
Building revaluation surplus		1,391			1,391		1,391
Other increase (decrease)		97			97		97
Balance as per 31 December 2007	8,342	62,146	-8,090	-257	62,141	5	62,146

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 (Liège)
VAT: BE 452.080.178
National Registered Number: BE0452.080.178

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 2007 were established by the Board of Directors of 24 April 2008. 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 20 May 2008.

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

1.2. Public information

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

2.2. Statement of compliance

The consolidated accounts of EVS Broadcast Equipment 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 Summary of changes in accounting policies

The accounting rules and methods used for the valuation of buildings that are different from those used in 2006. The management of the company decided to account for the buildings based on the revaluation model, instead of linear depreciation, in order to reflect the market value and hence let appear a fair and real economic value of the buildings. This change is effective as at 1 January 2007.

2.5. 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.

2.6. 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.

2.7. 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.

2.8. 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 scalable 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.

2.9. Foreign currency translation

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

The functional currency of EVS Broadcast Equipment 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 (EUR) at the exchange rate in force on the reporting date, their equity is converted at historical

exchange rate and their income statement is converted at the average exchange rate of the period. Any exchange differences resulting from this conversion are 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.

2.10. 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.

2.11. 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.

2.12. Tangible assets

Land and buildings held for use in the production or supply of goods or services, or for sale and administration purposes, are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to accumulated profits.

The other 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 30 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.

2.13. 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.

2.14. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.15. 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.

2.16. Other current and non current assets

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

2.17. Cash and cash equivalents

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

2.18. Treasury shares

Sums paid or received during the acquisition or sale of the company's treasury shares are 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.

2.19. 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.

2.20. 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.

2.21. 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.

2.22. 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.

2.23. 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 (warrants), which allows them to acquire or receive group shares (equity-settled transactions), or such as payments determined on the value of the share (cash-settled transactions).

Equity-settled transactions

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

The cost of equity-settled transactions is 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").

2.24. 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 related to rental agreements are recognized on a pro rata temporis.

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.

2.25. 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 Union grants

Subsidies from the European Union 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.

2.26. 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.

2.27. 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.

2.28. Borrowing costs

Borrowing costs are recognised as expenses when incurred.

2.29. 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.

2.30. 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.

2.31. 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, they are deducted from the reserves.

2.32. Segment information

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

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

EVS grants a 2-year technical guarantee on products sold subject to the general conditions of sale. These guarantees are only recognised when they are precisely quantifiable.

2.34. Earnings per share

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

3. SEGMENT INFORMATION

3.1. General information

The Company has decided to already apply IFRS 8 ("Operating segments") for the fiscal year ended on 31 December 2007.

From an operational point of view, the company is vertically integrated with the majority of its staff in the headquarters in Belgium, including the R&D, production, marketing and administration departments. This explains why the majority of the investments and costs are located at the level of the Belgian parent company. The foreign subsidiaries are primarily sales and representative offices. Sales relate to products of the same nature and are realized by commercial polyvalent teams.

The company internal reporting is the reflection of the abovementioned operational organisation, and is characterised by the strong integration of the activities of the company; only sales are identified by geographical market in which they are realised.

By consequence, the company is composed of one segment according to the IFRS 8 definition, and the consolidated income statement of the group reflects this unique segment. However, it does not exclude a future evolution of the segmentation according to the development of the company, of its products and of its internal performance indicators.

3.2. Additional information

3.2.1. Information on products and services

Revenue can be presented by destination: the outside broadcast vans and the TV production studios. Maintenance and after sale service are included in the complete solution proposed to the clients.

(EUR thousands)	Outside broadcast vans	TV production studios	TOTAL
2007 revenue	65,450	29,246	94,696
Evolution compared to 2006 (%)	+5.7%	+25.7%	+11.2%
2006 revenue	61,892	23,258	85,150

3.2.2. Geographical information

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

3.2.2.1. Revenue

(EUR thousands)	APAC	EMEA	NALA	TOTAL
2007 revenue	22,373	41,558	30,764	94,696
Evolution versus 2006 (%)	36.4%	-13.6%	49.1%	11.2%
Segment revenue at constant exchange rate	22,373	41,558	33,576	97,508
Variation versus 2006 (%) at constant exchange rate	36.4%	-13.6%	62.7%	14.5%
Variation versus 2006 (%) at constant exchange rate and excluding big event rentals	56.5%	-6.7%	61.1%	22.7%
2006 revenue	16,408	48,104	20,638	85,150

Sales from external clients in Belgium (the country of origin of the company) represent less than 10% of the total annual sales. In 2007, the group realized significant sales to external clients (according to the definition of IFRS 8) in one country: the United States (included in NALA in the above table). Sales in the United States were EUR 26.2 million in 2007, compared to EUR 17.7 million in 2006.

3.2.2.2. Long term assets

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

3.2.3. Information on important clients

No external client of the company represents more than 10% of the annual sales.

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

NAME AND ADDRESS	Year of foundation or acquisition	Staff as of 31.12.07	Incorporation method used ⁽¹⁾	Part of capital held as of 31.12.06 (in %) ⁽²⁾	Part of capital held as of 31.12.07 (in %) ⁽²⁾	Change in % of capital held
EVS Broadcast Equipment Inc. 9 Law Drive, suite 200, NJ 070046 Fairfield, USA	1997	15	F	100.00	100.00	0.00
EVS France S.A. 32/36 rue de Bellevue F - 92100 Boulogne Billancourt, FRANCE VAT: FR-21419961503	1998	3	F	99.76	99.76	0.00
EVS Italia S.R.L. Via Milano, 2, IT-25126 Brescia, ITALY VAT: IT-03482350174	1999	3	F	95.00	95.00	0.00
EVS Broadcast UK Ltd. 15-19 Cavendish Place, London W1G 0DD, UNITED KINGDOM VAT: UK-853278896	1999	3	F	100.00	100.00	0.00
EVS Broadcast Equipment Iberica SL Avda de Europa 12, Edificio Monaco Parque Empresarial la Moraleja Alcobendas, Madrid, SPAIN CIF: B85200236	2007	2	F	0.00	100.00	100.00
EVS Broadcast Equipment Ltd. New Victory House, 15th Floor 93-103 Wing Lok Street, Sheung Wan HONG KONG	2002	8	F	99.99	99.99	0.00
EVS China Ltd. 2/F., Henfa Commercial Building 248-350 Lockhart Rd., Wan Chai, HONG KONG	2005	3	E	20.00	20.00	0.00
EVS Beijing – Representative office Room 702A, Canway Building 66, Nan Li Shu Lu, 100045 Beijing, CHINA	2005	2	F	N / A	N / A	N / A
EVS Broadcast Equipment Middle East LTD Representative office Dubai Studio City Boutique Studio 10 2 nd Floor, Office 202 Dubai UNITED ARAB EMIRATES	2006	1	F	N / A	N / A	N / A
EVS Australia Pty Ltd Suite 901, Level 9 130 Elizabeth Street Sydney NSW 2001 AUSTRALIA	2007	1	F	0.00	99.99	99.99
FAR S.P.R.L. Rue Poissonrue, 43, B-4500 Huy, BELGIUM VAT: BE0454 521 511	1999	7	E	39.00	39.00	0.00
MECALEC SMD S.A. Rue Nicolas Fossoul, 54, B-4100 Seraing, BELGIUM VAT: BE0467 121 712	1999	24	E	49.50	49.50	0.00
XDC S.A. Rue Pré Aily, 6, B-4031 Angleur (Liège), BELGIUM VAT: BE0865 818 337	2004	45	E	47.20	47.20	0.00
XDC INC. 9 Law Drive, suite 200, NJ 070046 Fairfield USA	2004	1	E	47.20	47.20	0.00
XDC France S.A. Route de la Noue, 4, F - 91190 Gif sur Yvette, FRANCE VAT: FR-32488397076	2005	3	E	31.15	31.15	0.00

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

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

5. DISCONTINUED OPERATIONS

On 27 June 2006, EVS diluted in XDC S.A. from 60.17% down to 47.20% following a non proportional share capital increase of EUR 12.5 million to which EVS contributed EUR 2.0 million. Based on the amended shareholders agreement, EVS lost its majority in the XDC Board of Directors and does not control XDC anymore as such. The entire share capital increase has been paid. This leads to a change in the way XDC is reported in EVS accounts: it has been fully consolidated until 27 June 2006 and following EVS loss of control on its affiliate, XDC figures are since then accounted for according to the net equity method. In 2006, following the 13.0% dilution, EVS has booked a dilution profit of EUR 3.4 million. On December 18, 2007, EVS subscribed to a subordinated bond of EUR 7.5 million issued by XDC that yields 5% interest maturing in December 2010 for a counter-value of EUR 2.9 million. As part of that subscription, EVS has received warrants in order to subscribe to 38% of new XDC shares within 3 years, what would dilute EVS interest in XDC down to 44.9%.

The XDC contribution breaks down as follows:

(EUR thousands)	2007	1 st half 2006	2 nd half 2006	2006 ⁽¹⁾
Revenue	2,488	907	1,416	2,323
EBITDA	-3,115	-1,681	-1,102	-2,783
Net result for the period	-6,431	-2,976	-1,507	-4,483
Part of XDC capital held	47.20%	60.17%	47.20%	N/A
Net result – share of EVS	-3,035	-1,796	-711	-2,507
Dilution profit on XDC refinancing	-	3,368	-	3,368
Total contribution	-3,035	1,572	-711	861

(1) 60.17% up to 27 June 2006 and 47.20% afterwards.

The cumulated Tax Loss Carry Forward of XDC S.A. amounts to EUR 17.8 million on December 31, 2007. As the last XDC business plan lets appear a break-even after 5 years and given the current business outlook, 20% of deferred tax assets relating to these losses has been recognized, increasing XDC net equity by EUR 0.7 million as of January 1, 2007 and reducing 2007 net loss by EUR 0.5 million.

6. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR thousands)	2007	2006
Investments in associates		
Opening balance as at 1 January	6,174	282
- Disposals during the year	-	-
- Acquisitions during the year	-	-
- Results	-2,915	-593
- Accounting of XDC according to the net equity method and paid up capital for XDC	1,333	6,485
- Others	223	-
Closing balance as at 31 December	4,815	6,174

6.1. Interests in joint ventures

EVS China LTD

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:

(EUR thousands)	31.12.07	31.12.06
Current assets	185	31
Non-current assets	-	-
	185	31
Current liabilities	157	8
Equity	28	23
	185	31
Incomes	1,090	387
Expenses	-1,059	-357
Net result	31	30
Carrying amount of investment	61	30

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 EUR 200 thousand and, therefore, the share of EVS in this company amounts to EUR 99 thousand. This company's main activity is the manufacturing and the assembly of electronic boards, using SMD 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 2007, the net profit of MECALEC SMD for its fifth financial year amounted to EUR 186 thousand compared to the net profit of EUR 220 thousand in 2006.

The share of EVS in the 2007 results of MECALEC SMD amounts to EUR 92 thousand and the share of EVS in MECALEC SMD equity amounts to EUR 412 thousand. In 2007, MECALEC SMD paid for the third time a dividend to its shareholders in 2007.

(EUR thousands)	31.12.07	31.12.06
Share of associate's balance sheet (49.5 %)		
Current assets	519	509
Non-current assets	91	71
Current liabilities	-197	-221
Non-current liabilities	-	-
Net assets	412	359
Share of associate's revenue and net result (49.5%)		
Revenue	1,194	975
Net result	92	98
Carrying amount of investment	410	367

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 2007, the EVS stake in FAR amounted to 39% of the capital and its share in the profit for the year 2007 was EUR 20 thousand. The EVS share in the equity capital of FAR amounted to EUR -80 thousand. The accounting value of the FAR participation remaining in the consolidated accounts of EVS is equal to zero.

FAR rents a building owned by EVS and located in Huy, as mentioned in the annex 12.

(EUR thousands)	31.12.07	31.12.06
Share of associate's balance sheet (39%)		
Current assets	53	82
Non-current assets	26	23
Current liabilities	-140	-160
Non-current liabilities	-19	-4
Net assets	-80	-60
Share of associate's revenue and net result (39%)		
Revenue	207	299
Net result	-20	25
Carrying amount of investment	-	-

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 35 mm print with encrypted digital files.

As explained in the annex 5 of the present report, on 27 June 2006, EVS diluted in XDC S.A. from 60.17% down to 47.20% following a non proportional share capital increase. As a result, XDC is accounted for according to the net equity method. As of 31 December 2007, XDC share accounted for using equity method amounted to EUR 4.3 million. This results from the 47.20% share in the XDC S.A.'s equity as of 31 December 2007. In addition, EVS holds a subordinated bond associated with warrants exercisable in 2008 for a value of EUR 2.9 million.

(EUR thousands)	31.12.07	31.12.06
XDC equity	9,212	6,733
Balance of subscribed capital to be paid	-	8,323
Adjusted equity	9,212	15,056
Share of EVS (47.20%)	4,348	7,107
Balance of subscribed capital to be paid by EVS	-	-1,333
Share accounted for using equity method	4,348	5,774
Share of associate's balance sheet (47.20%)		
Current assets	5,133	6,097
Non-current assets	9,260	2,840
Current liabilities	-2,602	-2,453
Non-current liabilities	-7,443	-3,296
Net assets	4,348	3,188
Share of associate's revenue and net result (47.20%)		
Revenue	1,174	1,096
Net result	-3,035	-2,090
Carrying amount of investment at the beginning of the period	5,774	6,485
Paid up capital by EVS	1,333	-
Net result	-3,035	-711
Net equity adjustments	272	-
Carrying amount of investment at the beginning of the period	4,344	5,774

⁽¹⁾ Until 27 June 2006, XDC was a 60.17% EVS affiliate. From 27 June 2006, XDC has been a 47.20% EVS affiliate and therefore accounted for at equity. 2006 and 2007 accounts are presented accordingly.

7. INCOME AND EXPENSES

7.1. Other operating incomes / (expenses)

(EUR thousands)	2007	2006
Government grants	-	24
Others operational income	557	342
Other operating expenses	-197	-207
Other operating incomes / (expenses)	360	159

7.2. Financial incomes / (costs)

(EUR thousands)	2007	2006
Interest charges	-192	-197
Interest income on deposits	1,311	845
Exchange result adjustment	-746	-560
Miscellaneous	-38	-52
Financial income / (expenses)	335	36

To limit its exposure to the US Dollar, EVS Group has an active policy to cover the foreign exchange risk, as explained in annexes 25 and 26.

7.3. Non current items and net profit from operations

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

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

(EUR thousands)	2007	2006
Net profit for the year – IFRS	39,490	39,425
Allocation to Employees Profit Sharing Plan	569	476
Stock Option Plan	178	133
Depreciation on Tax Shelter rights assets	335	235
Contribution of XDC	3,035	2,507
Dilution profit on XDC refinancing	-	-3,368
Net profit from operations, excluding XDC	43,607	39,408

7.4. Complementary information about operational charges by nature

(EUR thousands)	2007	2006
Raw materials and consumables used	-7.792	-8.836
Increase / Decrease in stocks of finished goods, work and contracts in progress	298	612
Personnel expenses	-12.813	-10.282
- Remunerations	-8.934	-7.267
- Social securities costs	-1.938	-1.617
- ESOP expenses	-747	-564
- Pension defined contributions plan ⁽¹⁾	-71	-37
- Other personnel expenses	-1.123	-797
Average number of employees in FTE ⁽²⁾	180	152
Depreciations	-1.132	-1.206
- Included in the costs of sales	-167	-207
- (Increase) Decrease in amounts written off (+)	-1.058	-634
- (Increase) Decrease in amounts written off on stocks (+)	-1.078	-632
- (Increase) Decrease in amounts written off on trade debtors (+)	20	-2
Operating lease and sublease payments recognised in the income statement	-648	-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 results

The tax charge breaks down for 2006 and 2007 as follows:

(EUR thousands)	2007	2006
Current tax charge		
Effective tax charge	-19,833	-18,254
Adjustments of current tax related to prior years	30	-234
Deferred taxes		
Tax effects of temporary differences	-38	3
- Adjustments for fixed assets depreciation method	-68	2
- Direct and indirect production costs capitalised in inventories	30	1
Income taxes included in the income statement	-19,841	-18,485

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 2006 and 2007 with the theoretical tax charge obtained by applying the theoretical tax rate:

(EUR thousands)	2007	2006
Reconciliation between the effective tax rate and the theoretical tax rate		
Profit before taxes and share in the result of the enterprise accounted for using the equity method	62,247	56,920
Effective tax charge based on the effective tax rate	-19,841	-18,485
Effective tax rate	31.9%	32.5%
Reconciliation items for the theoretical tax charge		
Tax effect of Tax Shelter	-255	-255
Tax effect of deduction for notional interest	-287	-173
Tax effect of non deductible expenditures	192	168
Tax effect of overvaluations and undervaluations related to prior years	-	234
Other increase (decrease)	271	256
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-19,920	-18,256
Theoretical tax rate (relating to EVS operations, excl. XDC)	32.0%	32.1%

8.3. Deferred taxes on the balance sheet

The sources of deferred taxes are as follows:

(EUR thousands)	31.12.07		31.12.06	
	Assets	Liabilities	Assets	Liabilities
Depreciation of tangible assets and intangible assets	-	-2	-	-32
Direct and indirect production costs capitalised in inventories	-	-187	-	-217
Buildings revaluation	-	-786	-	-
Miscellaneous	-	-	-	-17
Total	-	-975	-	-266
Depreciation of EVS Inc. tangible assets ⁽¹⁾	94	-	160	-
Net booked value ⁽¹⁾	94	-975	160	-266

(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 (warrants).

(EUR thousands)	2007	2006
Net profit	39,490	38,245
Minority interests	-	1,180
Net profit for the year attributable to equity holders of the parent company	39,490	39,425
(EUR thousands)	2007	2006
Weighted average number of subscribed shares, excluding treasury shares	13,587,090	13,630,464
Dilution effect of the weighted average number of the share options in circulation	171,002	170,554
Weighted average number of fully diluted number of shares	13,758,092	13,801,018
Basic earnings per share (EUR)	2.91	2.89
Diluted earnings per share (EUR)	2.87	2.86

The number of treasury shares held as at 31 December 2007 amounted to 305,871 compared to 272,209 as at 31 December 2006. The weighted average number of treasury shares held in 2007 amounted to 287,910 against 318,508 in 2006.

10. DIVIDENDS PAID AND PROPOSED

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

(EUR thousands)	2007	2006
Declared and paid during the year:		
- final dividend for 2005 (EUR 1.20 per share excluding treasury shares)	-	16,462
- interim dividend for 2006 (EUR 0.48 per share excluding treasury shares)	-	6,519
- final dividend for 2006 (EUR 1.20 per share excluding treasury shares)	16,323	-
- interim dividend for 2007 (EUR 0.8 per share excluding treasury shares)	10,867	-
	27,190	22,981
(EUR thousands)	2007	2006
Proposed for approval by the OGM :		
- proposed dividend for 2006 (EUR 1.68 par share excluding own shares and including interim dividend)	-	22,824
- proposed dividend for 2007 (EUR 2.28 per share excluding own shares and including interim dividend)	31,280	-
	31,280	22,824

11. INTANGIBLE ASSETS

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

(EUR thousands)	Software licences	Investments in movies	TOTAL
Acquisition cost			
As of 31 December 2006	415	870	1.285
- Acquisitions	200	300	500
- Sales and disposals	-	-	-
- Variation in consolidation scope	-	-	-
As of 31 December 2007	615	1.170	1.785
Accumulated depreciation			
As of 31 December 2006	-335	-235	-570
- Depreciations	-50	-335	-385
- Sales and disposals	-	-	-
- Variation in consolidation scope	-	-	-
As of 31 December 2007	-385	-570	-955
Net carrying amount			
As of 31 December 2006	80	635	715
As of 31 December 2007	230	600	830

Tax Shelter - 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 EUR 750 thousand 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, 2005 and in 2006, EVS has decided in 2007 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 2007, a total cumulated contribution of EUR 1,950 thousand had been made, in 14 movies produced by Belgian companies, under the combined form of both direct investments in co-producer rights (EUR 1,170 thousand) and conditional loans (EUR 780 thousand). This explains the increase of the other tangible assets to EUR 300 thousand in 2007.

The rights are depreciated over a period of 3 calendar years following the date of signature of the agreements. To limit its risk, received from most of the producers, a put option on the rights held on the revenues of the 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)

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Finance lease	Other tangible assets	Assets under construction	TOTAL
Acquisition cost						
As of 31 December 2005	7,882	1,953	5,843	3,418	4	19,100
- 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
As of 31 December 2006	8,456	586	-	2,646	-	11,688
Accumulated depreciation						
As of 31 December 2005	-2,383	-835	-270	-2,050	-	-5,538
- Depreciations	-425	-38	-	-499	-	-962
- Sales and disposals	4	-	-	582	-	586
- Variation in consolidation scope (XDC)	-223	361	270	346	-	754
As of 31 December 2006	-3,027	-512	-	-1,621	-	-5,160
Net carrying amount						
As of 31 December 2005	5,499	1,119	5,573	1,368	4	13,562
As of 31 December 2006	5,429	75	-	1,025	-	6,529
Mortgages and other guarantees						
Net carrying amount of fixed assets given as real guarantees	2,618	-	-	-	-	2,618

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Finance lease	Other tangible assets	Assets under construction	TOTAL
Acquisition cost						
As of 31 December 2006	8,456	586	-	2,646	-	11,688
- Acquisitions	274	78	-	450	1,005	1,801
- Sales and disposals	-	-	-	-71	-	-71
- Revaluations	151	-	-	-	-	151
- Others	-	-	-	-	-	-
As of 31 December 2007	8,881	664	-	3,025	1,005	13,575
Accumulated depreciation						
As of 31 December 2006	-3,027	-512	-	-1,621	-	-5,160
- Depreciations	-662	-52	-	-451	-	-1,165
- Sales and disposals	-	-	-	59	-	59
- Revaluations	2,328	-	-	-	-	2,328
- Others	27	-	-	-	-	-27
As of 31 December 2007	-1,388	-564	-	-2,013	-	-3,965
Net carrying amount						
As of 31 December 2006	5,429	75	-	1,025	-	6,529
As of 31 December 2007	7,493	100	-	1,012	1,005	9,610
Mortgages and other guarantees						
Net carrying amount of fixed assets given as real guarantees	4,742	-	-	-	-	4,742

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 accounting rules and methods used at 31 December 2007 for the valuation of buildings are different from those used at 31 December 2006. The management decided to account for the buildings based on the revaluation model in order to reflect the market value and hence give a better economic value of the buildings (on the basis of a valuation carried on by an independent expert), which results to increase equity as at 1 January 2007 by EUR 1.4 million, and increase 2007 net result by EUR 0.1 million. As buildings are relatively new, their net carrying amount before the application of the revaluation (EUR 7.2 million) is not that far from their market value (EUR 8.5 million). The impact of this modification on the earnings per share is insignificant.

The revaluation has been done on 1st of January 2007, taking into account average rental income by region and a return value of 7.75%.

The group policy is to own its buildings and to finance them partially with long-term loans. The estimated net total resale value (after costs) of the real estate of EVS at 31 December 2007 amounts to EUR 8.5 million and is mainly composed of:

(EUR thousands)	31.12.07
EVS Building I (16, rue Bois Saint-Jean, Ougrée - Liège)	913
EVS Building II (18, rue Bois Saint-Jean, Ougrée - Liège)	449
EVS Building III (6, avenue Pré Aily, Angleur - Liège) ⁽¹⁾	951
EVS Building IV (16, rue Bois Saint-Jean, Ougrée - Liège)	4,742
EVS Building V (3, rue Poissonrue, Huy) ⁽²⁾	448
EVS Building VI (25, avenue Pré Aily, Angleur - Liège)	995
Total	8,498

(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 EUR 2.1 million. 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 EUR 1.1 million.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to EUR 7.0 million in 2007 versus EUR 5.5 million in 2006. 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. Subordinated bonds

(EUR thousands)	2007	2006
Subordinated bonds		299
Net carrying amount as of 1 January	-	-299
- Refundable during the year	-	-
- Acquired during the year	2,850	-
- Result	-	-
- Others	-	-
Net carrying amount as of 31 December	2,850	-

As explained in the annex 6.2 relating to the investments in associates, On December 18, 2007, EVS subscribed to a subordinated bond issued by XDC that yields 5% interest maturing in December 2010 for a counter-value of EUR 2.9 million. As part of that subscription, EVS has received warrants in order to subscribe to 38% of new XDC shares within 3 years, what would dilute EVS interest in XDC down to 44.9%.

14.2. Other financial assets

(EUR thousands)	2007	2006
Other financial assets		
Net carrying amount as of 1 January	258	500
- Refundable during the year	-160	-380
- Acquired during the year	209	213
- Others	-	-75
Net carrying amount as of 31 December	307	258

As explained under the annex 12 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 2007 amounted to EUR 240 thousand as at 31 December 2007.

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

15. INVENTORIES AND CONSTRUCTION CONTRACTS

15.1. Inventories

(EUR thousands)	31.12.07	31.12.06
Raw materials	5,136	5,329
Finished goods	5,063	4,571
Total at cost	10,199	9,900
Amounts written off at the beginning of the period	-3,529	-2,897
Reversal / use of the amounts written off, net	-1,076	-632
Amounts written off at the end of the period	-4,605	-3,529
Total net carrying amount	5,594	6,371

Write-offs movements on inventories, which were valued at EUR 1.1 million in 2007 and at EUR 0.6 million in 2006, are accounted as charges in the costs of sales. These write-offs concern technologically obsolete stock items.

For comparison purposes, and in accordance with IAS 11 Work in progress at the end of 2006 have been retreated and offset with advances received included in the current liabilities.

15.2. Construction contracts

(EUR milliers)	2007	2006
Direct and project related incurred costs	503	361
Noticed profit (+) / loss (-)	1,843	1,223
Value of the orders in progress at the closing date	2,346	1,584
Invoiced advances	2,346	1,584
Gross amounts due by clients for works relating to contracts	-	-

Advances received from customers for construction contracts amounted to EUR 2,346 thousands at 31 December 2007, compared to EUR 1,584 thousands at 31 December 2006.

16. TRADE AND OTHER RECEIVABLES

(EUR thousands)	31.12.07	31.12.06
Trade receivables	14,116	11,486
Amounts receivable linked to joint ventures	174	61
Other related parties	64	54
<i>Total trade receivables</i>	<i>14,354</i>	<i>11,601</i>
Deferred tax assets	94	160
Other amounts receivable	266	1,275
Total	14,714	13,036

The outstanding trade receivables increased notably by EUR 2,630 thousand, primarily due to the revenue increase in 2007. The other amounts receivable decreased partially due to 2006 VAT and corporate tax amounts to be refunded that decreased in 2007. In general, for the sales to third parties, 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 55-day terms.

17. CASH AND CASH EQUIVALENTS

(EUR thousands)	31.12.07	31.12.06
Cash at bank and in hand	2,550	6,261
Short-term deposits	32,965	22,674
Total	35,515	28,935

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.

18. OWNER'S EQUITY

18.1. Movements in issued capital

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

Date	Description	Number of shares	Capital (EUR)
17.02.94	Constitution	1,000	30,987
25.04.96	Incorporation of reserves	-	90,481
25.04.96	Issuing of 100 shares at EUR 892 per share including a share premium of EUR 771 included in capital	100	12,147
		1,100	210,710
06.06.97	Incorporation of reserves	-	242,440
06.06.97	Issuing of 172 shares, at EUR 4,338 per share, including a share premium of EUR 3,926	172	70,855
		1,272	1,199,309
25.09.98	Stock split in the proportion of 2,000	2,544,000	1,199,309
14.10.98	Initial Public Offering	+ 200,000	94,284
	Incorporation of share premium		7,342,522
		2,744,000	8,636,115
07.09.99	Issuance of 119 952 shares for exchange with NETIA shareholders	119,952	7,197,120
	Incorporation of reserves		166,765
		2,863,952	16,000,000
25.05.03	Treasury shares cancellation	-63,952	-
		2,800,000	16,000,000
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
		2,815,000	8,342,479
09.05.05	Stock split by 5:1	14,075,000	8,342,479
19.06.06	Treasury shares cancellation	-200,000	-
Capital on 31 December 2007		13,875,000	8,342,479

18.2. Issued capital and treasury shares

As of 31 December 2007, the issued capital of EVS amounts to EUR 8,342,479 and is represented by 13,875,000 fully paid up shares without designation of nominal value. EVS complies with the legal requirements relating to the capital (articles 581 to 634 of the "Code des Sociétés").

In 2007, the capital of EVS remained unchanged. As of 31 December 2007, 171,150 issued warrants at EUR 20.94 per share are exercisable between March 2008 and April 2012.

18.3. Authorised capital

In accordance with the resolutions adopted by the Extraordinary General Meetings of 25 September 1998, 7 September 1999 and 15 June 2004, the Board of Directors is authorized to increase the share capital in one or more instalments up to a maximum of EUR 8,000,000, including share premium. The authorisation granted to the Board of 15 June 2004 was renewed for a duration of 5 years as from the publication of the deliberation of the postponed Extraordinary General Meeting of 11 June 2007. 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" (Company code) 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 11 June 2007.

18.4. Staff incentive programme

18.4.1. Warrants scheme

Since December 1999, the company has set up a stock options/warrants scheme for the group's employees and managers. In accordance with the fiscal legislation in force, the scheme has a minimum scope of 3 to 4 years between the granting and effective exercise of a warrant. This warrant distribution policy has been set up in order to gain the loyalty of the members of personnel and to allow them to participate in the results of the company. EVS hedges this 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 171,150 warrants exercisable at the end of 2007 (170,000 at the end of 2006), the dilution effect represents 1.23% of the share capital, this being more than offset by the 305,871 treasury shares, which represent 2.18% 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 in 2004) 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 2007, 559,900 of these warrants had been distributed, 293,500 exercised and 95,250 cancelled following departures or repurchased following sales of subsidiaries, which means that 171,150 can be exercised as of 31 December 2007. These warrants may be exercised between 1 March 2008 and 30 April 2012, with a weighted average maturity on 6 June 2009. They have an average exercise price of EUR 20.94 per share. In the course of the period, 1,750 warrants were granted and 1,500 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:

(After division of the share by 5)	2007		2006	
	Nb	WAPP (EUR)	Nb	WAPP (EUR)
In circulation at the beginning of the period	170,900	20.56	147,000	10.50
Granted during the period	1,750	57.69	55,400	37.39
Exercised during the period	-	-	-27,500	2.80
Cancelled during the period	-1,500	20.60	-4,000	5.98
In circulation at the end of period	171,150	20.94	170,900	20.56

The warrants in circulation as of 31 December 2007 and exercisable over the next 5 years are as follows:

Expiry date	Average exercise price (EUR)	Number 31.12.07	Number 31.12.06
30 April 2009	12.24	112,000	113,000
30 April 2010	26.22	3,000	3,000
30 April 2011	37.39	54,400	54,900
30 April 2012	57.69	1,750	-
Total	20.94	171.150	170,900

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 20% and 30%), the interest rate without risk (taken between 3% and 4%) and the dividend return (taken between 2.5% and 4.0%).

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 Ordinary General Meeting of 15 May 2007 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 2006. Taking into account tax implications for the company, each employee received a number of shares included between 25 and 50 (net of taxes and proportionally to the hiring date and the time spent for each person), what represented 5,113 shares in total to a maximum of 117 group's employees, or EUR 0.3 million.

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 11 June 2007, authorisation 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" (9 July 2007) of the decision of the Extraordinary General Meeting dated 11 June 2007 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 2007 was 305,871 compared to 272,209 as of 31 December 2006. The Board of Directors intends to ask for the renewal of this authorisation in 2008.

In 2007, the number of treasury shares increased in number (Nb) and in weighted average prices (WAP) as follows:

	2007		2006	
	Nb	WAP (EUR)	Nb	WAP (EUR)
At the beginning of the period	272,209	21.99	356,655	11.83
Buy back on the market	38,775	57.33	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	-5,113	23.13	-34,753	21.15
At the end of the period	305,871	26.45	272,209	21.99

18.6. Reserves

(EUR thousands)	31.12.07	31.12.06
Legal reserve	838	838
Non taxable reserves for Tax Shelter	2,925	2,175
Reserves available for distribution	69,250	51,389
Reserves for treasury shares	-8,090	-5,985
Interim dividends	-10,867	-6,519
Reserves	54,056	41,898

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 annex 11 of the present report, i.e. EUR 750 thousand for 2007, 2006 and 2005, and EUR 675 thousand 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 (EUR) at the exchange rate in force on the reporting date, capital and reserves are converted at historical exchange rate, and the income statement is converted at the average exchange rate of the period. The translation differences resulting from this conversion are directly recognised under a distinct heading of equity.

19. INTEREST-BEARING LOANS

(EUR thousands)	31.12.07	31.12.06
Long-term financial debts		
Bank loans	1,980	2,314
Long-term finance lease obligations	-	-
Other long-term debts	9	9
Amount due within 12 months (shown under current liabilities)		
Bank loans	309	364
Long-term finance lease obligations	-	-
Other short-term debts	-	-
Total financial debt (short and long-term)	2,298	2,687
The total financial debt is repayable as follows :		
- within one year	309	364
- after one year but no more than five	1,139	1,182
- more than five years	850	1,141

Credit lines

As of 31 December 2007, the group had been granted by its banks EUR 4.4 million potential credit lines which can be used either as cash provisions, as short term fixed advances and as guarantees. EUR 0.6 million of these credit lines were used for bank guarantees, mainly 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 2007 have the following details:

(EUR thousands)	Nominal value	Maturity	Effective interest rate	Remaining balance	Gross value of building	Guarantee on asset
Bank loans :						
- Building I	980	2015	fixed 3.4%	637	1,860	-
- Building IV	2,500	2015	fixed 4.3%	1,342	4,488	3,250

It is advisable to observe that the financial debts cover only 23% of the total nominal value of the estimated net total resale value (after costs) of the real estate of EVS at 31 December 2007.

20. PROVISIONS

(EUR thousands)	Litigations	Other provisions	Total
Provisions			
As 1 January 2006	361	-	361
Arising during the year	400	-	400
Utilised	-	-	-
Reversed	-	-	-
As of 31 December 2007	761	-	761
Current 2006	-	-	-
Non-current 2006	361	-	361
Current 2007	-	-	-
Non-current 2007	761	-	761

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

(EUR thousands)	31.12.07	31.12.06
Trade payables	2,159	1,920
Amounts payable linked	436	-
Other related parties	84	44
<i>Total trade payables</i>	<i>2,679</i>	<i>1,964</i>
Other payables	502	1,017
Accrued charges	51	140
Deferred income	414	509
Total	3,646	3,630

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

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 EUR 648 thousand in 2007 and EUR 538 thousand in 2006.

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

(EUR thousands)	2007	2006
Within one year	642	593
After one year but no longer than five years	1,080	1,070
Longer than five years	-	-
	1,722	1,663

In the event of cancellation of the operating leases as at 31 December 2007, a compensation of around EUR 26 thousand 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 EUR 635 thousand as of 31 December 2007 mainly requested as part of international public tenders.

22.4. Guarantees on assets

Mortgage proxies amounting EUR 3,250 thousand 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 annex 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 annexes 17 and 22).

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

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

(EUR thousands)		Sale to related parties	Purchases from related parties	Amounts due by related parties	Amounts owed to related parties
Related parties					
Associates:					
MECALEC S.A.	2007	1	-590	1	-77
	2006	-	-642	-	-37
XDC S.A.	2007	52	-1	26	-
	2006	81	-4	19	-4
FAR S.A.	2007	1	-	37	-7
	2006	1	-	35	-7
Joint venture:					
EVS China LTD	2007	1,991	-523	174	-436
	2006	250	-35	61	-
Total	2007	2,045	-1,114	238	-520
	2006	332	-681	115	-48

23.2. Board members

Each Director receives a remuneration of EUR 3,000 per year, plus a fixed amount of EUR 300 each time he attends a Board Meeting. All Directors have attended all Board Meetings except Laurent Minguet (2/6), BIP Investment Partners (4/6) and Cytindus (5/6). Besides a total of 9,250 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 2007 by the EVS Group to the members of the Board of Directors was EUR 835 thousand compared to EUR 891 thousand in 2006. This mainly represents the remuneration paid to the Executive and Managing Directors. In 2007, there were no unusual transactions between the Directors and the company.

As of 31 December 2007 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, 3,672,298 shares of a total of 13,875,000, or 26.5% of the capital.

24. AUDITOR

During the past financial year, the Ordinary General Meeting has decided to transfer the mandate of Auditor from ERNST & YOUNG to BDO Atrio. The compensation received by ERNST & YOUNG, Réviseurs d'Entreprises S.C.C. (B160), represented by Philippe PIRE, and its associated companies from January to May 2007 amounted to EUR 12,550 in aggregate for its duties as Auditor (EUR 3,500) and also in addition to these duties (EUR 9,050). Between the date of the General Meeting and 31 December 2007, the fees relating to the function of Auditor of the parent company's auditor, BDO Atrio, Réviseurs d'Entreprises S.C.C. (B-00023), and its network, represented by Felix FANK amount to EUR 17,450. No other fee has been perceived by the Auditor or its associated companies.

25. 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 annexes 25 and 26.2.

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.

26. FINANCIAL INSTRUMENTS

26.1. 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.

26.2. 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 USD, i.e. all of the group's activities generate globally a positive net cash flow in USD.

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

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 2007, the group held USD 10 million in forward exchange contracts earmarked to hedge 50% of the future sales in dollars. The conditions of these contracts were as follows:

Sales	Currency	Maturity	Exchange rate	Forward value (EUR)	Fair value on 31.12.2007 (EUR)
1,000,000	USD	31 January 2008	1.31	763,068	83,766
1,500,000	USD	27 May 2008	1.36	1,104,086	85,133
1,000,000	USD	16 June 2008	1.35	740,466	61,165
2,000,000	USD	26 June 2008	1.44	1,386,362	27,758
2,500,000	USD	19 December 2008	1.43	1,742,925	44,671
2,000,000	USD	2 January 2009	1.47	1,363,884	5,281
10,000,000	USD	26 August 2008	1.41	7,100,791	307,775

27. 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 BDO Atrio, Auditors, represented by Félix Fank, Partner.

STATUTORY MANAGEMENT REPORT

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

The parent company's financial statements include the figures for the head office in Liege (Belgium): revenue, EUR 79,316 thousand, representing 84% of the consolidated amount.

The profit of the year amounts to EUR 42,052 thousand, i.e. an increase of EUR 4,890 thousand compared to 2006. The balance sheet total amounts to EUR 82,068 thousand.

During 2007, EVS contributed EUR 1.3 million to increase XDC subscribed capital. EVS also subscribed to a subordinated bond for an amount of EUR 2.8 million.

In December 2007, EVS Broadcast Ltd. (Hong Kong) paid a dividend to EVS for an amount of EUR 8.0 million.

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

BELGIAN GAAP STATUTORY INCOME STATEMENT

(EUR thousands)	2007	2006
Operating income	81,328	75,476
A. Turnover	79,316	72,330
B. Increase (+) / Decrease (-) in stocks of finished goods, work and contracts in progress	1,218	2,199
C. Other operating income	794	947
Operating charges	-29,797	-25,950
A. Raw materials, consumables and goods for resale	7,692	6,841
1. Purchases	7,444	8,347
2. Increase (-) / Decrease (+) in stocks	248	-1,506
B. Services and other goods	9,528	9,625
C. Remuneration, social security costs and pensions	9,225	7,001
D. Depreciation of and other amounts written off on formation expenses, intangible and tangible fixed assets	1,318	1,154
E. (+) / (-) in amounts written off on stock and trade debtors	1,058	632
F. (+) / (-) in provisions for liabilities and charges	112	162
G. Other operating charges	864	535
Operating profit	51,531	49,526
Financial income	10,535	6,258
A. Income from financial assets	8,002	4,803
B. Income from current assets	1,034	802
C. Other financial income	1,499	653
Financial charges	-2,600	-1,284
A. Interest and other debt charges	166	233
B. (+) / (-) in amounts written off on current assets	2,434	1,051
Profit on ordinary activities before taxes (+,-)	59,466	54,500
Extraordinary income	3	497
Extraordinary charges	-2	-1,011
Result for the period before taxes (+, -)	59,467	53,986
Transfer from deferred taxation	32	37
Income taxes	-17,447	-16,861
Result for the period (+, -)	42,052	37,162
Result for the period available for appropriation (+, -)	42,052	37,162
Appropriation account		
A. Result to be appropriated	42,052	37,162
1. Result for the period available for appropriation	42,052	37,162
B. Transfers from capital and reserves	-	-
1. From reserves	-	-
C. Transfers to capital and reserves	-10,772	-14,204
1. To other reserves	10,772	14,204
D. Distribution of profit	-31,280	-22,958
1. Dividends and other equivalents	31,280	22,958

BELGIAN GAAP STATUTORY BALANCE SHEET

ASSETS (EUR thousands)	31.12.07	31.12.06
Fixed assets	19,606	14,624
Intangible assets	830	714
Tangible assets	8,135	7,369
A. Land and buildings	6,198	6,452
B. Plant, machinery and equipment	101	75
C. Furniture and vehicles	831	842
D. Assets under construction and advance payments	1,005	-
Financial assets	10,641	6,541
A. Affiliated companies	914	999
1. Participating interests	167	164
2. Amounts receivable	747	835
B. Other companies linked to participating interests	9,725	5,542
1. Participating interests	6,875	5,542
2. Amounts receivables	2,850	-
C. Other financial assets	2	-
1. Participating interests	2	-
Current assets	64,113	51,934
Amounts receivable after more than one year	240	200
A. Other amounts receivable	240	200
Stocks and contracts in progress	7,460	7,317
A. Stocks	5,113	5,733
1. Raw materials and consumables	3,652	4,070
2. Goods in process	79	68
3. Finished goods	1,382	1,595
B. Goods in process	2,347	1,584
Amounts receivable within one year	18,606	11,932
A. Trade debtors	18,397	10,676
B. Other amounts receivable	209	1,256
Investments	35,886	28,154
A. Treasury shares	8,090	5,985
B. Other investments and deposits	27,796	22,169
Cash at bank and in hand	1,198	3,504
Deferred charges and accrued income	723	827
TOTAL ASSETS	83,719	66,558

LIABILITIES (EUR thousands)	31.12.07	31.12.06
Capital and reserves	46,858	36,149
Capital	8,342	8,342
A. Issued capital	8,342	8,342
Reserves	37,820	27,049
A. Legal reserve	834	834
B. Reserves not available for distribution	8,090	5,985
1. In respect of treasury shares	8,090	5,985
C. Not taxable reserves	2,925	2,175
D. Reserves available for distribution	25,971	18,054
Investment grants	696	758
Provisions and deferred taxation	2,955	2,196
A. Provision for liabilities and charges	2,596	1,806
B. Deferred taxation	359	390
Creditors	33,906	28,213
Amounts payable after one year	1,989	2,323
A. Financial debts	1,980	2,314
1. Credit institutions	1,980	2,314
B. Other amounts payable	9	9
Amounts payable within one year	31,494	25,399
A. Current portion of amounts payable after one year	309	364
B. Financial debts	1,652	2,575
C. Trade debts	2,828	1,614
1. Suppliers	2,828	2,575
D. Advances received on orders	2,381	3,421
E. Taxes, remuneration and social security	3,444	3,421
1. Taxes	836	1,259
2. Remuneration and social security	2,608	2,162
F. Other amounts payable	20,880	17,426
Accrued charges and deferred income	423	491
TOTAL LIABILITIES	83,719	66,558

APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS

Capital as of 31 December 2007 (EUR thousands)	Amounts	Number of shares
A. Share capital		
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 2007		2,576,517
Bearer shares – as of 31 December 2007		11,298,483
B. Treasury shares held by the company itself	8,090	305,871
C. Commitments to issue shares		
1. Following the exercise of subscription rights		
- Number of outstanding subscription rights		171,150
- Amount of capital to be issued	3,584	
- Maximum number of shares to be issued		171,150
D. Amount of authorized capital, not issued	8,000	