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# EVS FINANCIALS



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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, 31<sup>st</sup> 2008.

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, 31<sup>st</sup> 2008, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which show a balance sheet total of TEUR 85,040 and a profit for the year of TEUR 45,205.

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, 31<sup>st</sup> 2008 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, April 30, 2009

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

# MANAGEMENT REPORT

## CONSOLIDATED KEY FIGURES – IFRS (EUR MILLIONS)

	2008	2007	2006	2008/2007
Revenue	110.7	94.7	85.2	+16.9%
Gross margin %	85.8%	87.3%	86.1%	-
Operating profit - EBIT	68.4	61.9	56.9	+10.4%
<b>Operating margin (EBIT) %</b>	<b>61.8%</b>	<b>65.4%</b>	<b>66.8%</b>	-
Contribution from 47% XDC affiliate <sup>(1)</sup>	-2.4	-3.0	-2.5	-
Exceptional XDC dilution profit <sup>(1)</sup>	-	-	3.4	-
Income taxes	-21.6	-19.8	-18.5	+9.1%
Net profit – group share <sup>(2)</sup>	45.2	39.5	39.4	+14.5%
Net profit from operations, excl. XDC, group share <sup>(2)</sup>	48.4	43.6	39.4	+11.0%
Net profit margin (%)	43.7%	46.0%	46.2%	-

<sup>(1)</sup> On 27 June 2006, EVS reduced its participation in XDC S.A. capital, from 60.17% to 47.20%. Following the dilution of 13.0%, EVS reported a dilution profit of EUR 3.4 million in 2006.

<sup>(2)</sup> 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 note 7.4 on use of non-GAAP financial measures.

## HIGHLIGHTS

2008 will leave us with mixed feelings: while the first nine months of the year were so strong, the last quarter was hurt by the economic and financial crisis.

EVS pursue its long term proven strategy. In addition, the company benefits from structural long term growth drivers that have contributed to its success: tapeless transition, higher TV production effectiveness requirements, high definition and more diversified TV sports. In 2009, EVS will focus on accelerating the development of new solutions and products to improve the workflow efficiency of its customers in the studio segment and on optimizing its internal organizational.

EVS achieved a very strong 2008 with sales topping EUR 110 million and net result exceeding EUR 45 million. However, as expected, the 4<sup>th</sup> quarter was weak on the back of both some usual rebalance of the server market following big sporting events and the media industry turbulences associated with the gloomy economic environment and the financial crisis. 2009 is an odd year without any major sporting event while 2010 should be another good year. Whether the economic downturn might affect the business of EVS over time will depend on the depth and length of the downturn. The company Management believes that EVS should become stronger when recovery appears given both its solid balance sheet, its continued investment in R&D and its good market position.

## LONG TERM 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 (SDTV) to high definition (HDTV) 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 development of new thematic TV stations like extreme sports, 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

EVS Broadcast revenue reached EUR 110.7 million in FY08, an increase of 16.9% at actual exchange rates (+19.0% at constant exchange rate). In the outside broadcast segment, sales grew by 5.0% to EUR 68.7 million. The studio sales increased by 43.5% to EUR 42.0 million, which represented 37.9% of total FY08 sales, compared to 30.9% in FY07.

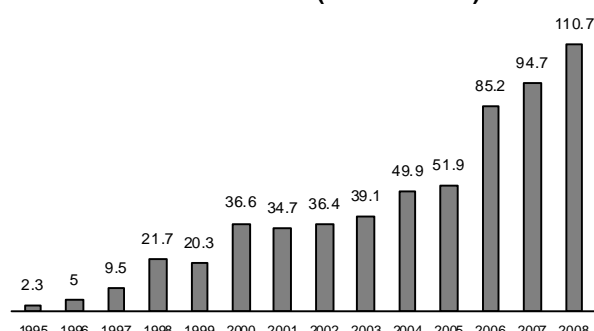
Revenues of EVS in 2008 were very strong in the first nine months of the year, influenced by the following elements:

- the structural long term growth drivers of the company: HD conversion and studio tapeless transition,
- the two major sporting events of the summer: Euro2008 and Olympics,
- the development of new studio products, including the interoperability with the post-production leaders.

As expected following the release of the order book last November, fourth quarter of the year was weaker due to the usual market rebalancing phenomenon following big events, which has been amplified this year with the financial and economic crisis.

**Europe, Middle-East and Africa** (“EMEA”) revenue increased by 42.0% in FY08 to EUR 59.0 million, and represented 53.3% of total group sales. EMEA sales in Eastern Europe were very strong in 2008, including major studio contracts won in Russia with RTR Sports and Channel One. The Scandinavian countries performed well too in 2008, driven by a lot of investment in tapeless workflows, mainly in the OB van market. In Spain, EVS deployed an end-to-end HD tapeless production workflow in studio for Mediapro’s new sport TV station “GOLTV”. In general, the main driver of our revenue in the EMEA region remains the tapeless transition, while some HDTV initiatives launched by various players across Europe in 2008 also supported the increased penetration of our solutions. At last, sales in the EUR driven EMEA region should gain some more market shares in studio thanks to stronger USD.

Revenue evolution (EUR millions)



**America’s** revenue (“NALA”) decreased by 9.3% (-2.7% at constant exchange rate) to EUR 27.9 million, representing 25.2% of group sales in FY08. The replacement cycle of outside broadcast trucks migrating to HDTV was the main sales driver in the U.S. in 2008, together with important studio project won with premium customers, for instance in relation with the Presidential elections early November. EVS also extended its presence in the stadiums and arenas with, for instance, the New-York Yankees purchasing three XT[2] servers, two IPDirector and one XF[2] for their brand new stadium. EVS seems to gain market shares in the middle range studio segment.

EVS revenue increased by 6.4% in **Asia & Pacific** (“APAC”) to EUR 23.8 million. APAC represents 21.5% of group revenue in FY08. This region benefited the most from direct rentals relating to the Olympics. China Central Television (CCTV), the sole provider of Olympics coverage to China during this year’s Summer Games in Beijing, used the EVS’ XT[2] server and related software and hardware to manage the live and near-live production of the Games in HD. Recent major exchange rate swings should help EVS to export more into Japan but makes it more difficult to sell to South Korea for instance.

#### Sales segments by region (EUR millions)

	2008	2007	2006	Mix 2008	2008/2007
Europe, Africa, Middle-East (EMEA)	59.0	41.6	48.1	53.3%	+42.0%
America (NALA)	27.9	30.8	20.7	25.2%	-9.3%
<i>at constant exchange rate<sup>(1)</sup></i>	29.9	30.8	18.8	-	-2.7%
Asia-Pacific (APAC)	23.8	22.4	16.4	21.5%	+6.4%
<b>TOTAL</b>	<b>110.7</b>	<b>94.7</b>	<b>85.2</b>	<b>100%</b>	<b>+16.9%</b>

<sup>(1)</sup> Reference exchange rate : 2007.

## RESEARCH AND DEVELOPMENT

Research and Development expenses in 2008 were EUR 10.2 million, up 45.2%, reflecting the increase of the number of engineers joining EVS over the period. They represent around 9% of revenue. In accordance with the group’s accounting rules (Belgian and IFRS), these expenses are not capitalized but are expensed in full over the financial year. Today, there are around 100 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 centralization of R&D enable rapid adaptation of products. EVS priority in terms of R&D is to continue the development of tapeless modular production platforms with a broad bandwidth which offer producers even more flexibility and quality when broadcasting content to viewers.

The recent innovations include:

- **IPedit**, which offers timeline editing functionalities with unmatched speed performance based on the XT[2] server's reactivity with no rendering process required for playout.
- **XT2web**, solution combining web and broadcast technologies and allowing access to XT[2] production server clips and associated metadata through an intuitive web interface, offering clipping, playlist creation and download capabilities. This innovation underlines once again the importance of a live sharing between the OB van and the studio, what is the basic for split-production concept between the event venue and the TV station.
- **INSIO**, new software application that offers producers the perfect toolbox for controlling and accelerating each step of pre-recorded TV series and dramas production, including instant review and control of the multiple recording feeds, program cut down, metadata management, clip transfer and feed streaming to post-production, with a touch screen interface. Insio is the perfect complementary tool for the XS server.
- **XS**, the new 4-channel server that can be controlled by the IPDirector, by Insio or by third party tools through standard control protocols. The new server will be available in SD or HD configuration offering multiple native codecs support. The system is optimized to guarantee a full access to the EVS Media Sharing Network (SDTI and Gigabit Ethernet) for media exchange with other production servers as with third party post production (mainly Avid and Apple), archive and graphics systems.

## STAFFING

As of December 31, 2008, EVS had a total of 233 employees (full time equivalents), an increase of 23.9% compared with December 31, 2007. More than 40 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 16.1 million in 2008 as opposed to EUR 12.8 million in 2007, representing around half of the group's fixed cost base. Throughout 2008, the average number of employees was 216, up 20.0% over 2007.

### Breakdown of personnel (excl. XDC) according to 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
31 Dec. 2008	37	99	66	31	233

## RESULT AND COST CONTROL

Consolidated gross margin was 85.8% in 2008, quite stable compared to 87.3% in 2007. The 17% sales increase has been more than offset by 30% operating expenses increase, mainly R&D and operations, leading to a small decrease of the operating (EBIT) margin from 65.4% down to 61.8% of revenue in 2008.

During 2008, the currency fluctuations impacted both the financial statements and the competitive position. In 2008, the average US dollar exchange rate against the Euro decreased by 7.3%, with a negative impact of EUR 2.0 million (1.8%) on revenue and of EUR 1.2 million (1.8%) on the EBIT. This was partially offset by the natural hedge (both on operating expenses and foreign taxes) and by the financial hedge. The company hedges 50% of its 12 months forward net cash flows in US dollar. The reinforcement of the USD against the EUR at the end of 2008 is good for the EVS competitive position.

XDC, the EVS 47.2% affiliate pioneer in digital cinema, is actively proposing its commercial proposition under the VPF model (Virtual Print Fee: subsidization mechanism from the major Hollywood studios) to the European cinema exhibitors. In 2008, XDC contributed an operating loss of EUR -2.4 million at equity to EVS results. Break-even is not expected before 2012, what is usual for a major infrastructure deployment project that shall generate significant traffic (movies, teasers and advertising files). In December 2008, XDC successfully issued a subordinated bond associated with warrants for EUR 6.0 million towards existing shareholders and investment company SRIW S.A.. EVS contributed EUR 1.4 million to it. XDC is structuring a very large financing model for the deployment of 8,000 screens over the next 10 years across Europe.

Net profit of EVS amounted to EUR 45.2 million in 2008, or 14.5% higher than 2007, while net profit from operations, excluding XDC, was EUR 48.4 million in 2008. Basic net profit per share amounted to a record EUR 3.33 in 2008, up 14.5% compared to EUR 2.91 for 2007.

### Data per share (EUR)

	2008	2007	2006	2008/2007
Weighted average number of subscribed shares for the period, less treasury shares	13,578,250	13,587,090	13,630,464	-
<b>Basic net profit, group share</b>	<b>3.33</b>	<b>2.91</b>	<b>2.89</b>	<b>+14.5%</b>

## **CASH-FLOW, SHARES AND EMPLOYEE PROFIT SHARING**

The net cash-flow from operations amounted to EUR 55.0 million in 2008, or +27.1% compared to 2007. On December 31 2008, the group balance sheet shows EUR 45.5 million in cash and cash equivalents, which is made of short term deposits near different major Belgian and foreign banks and also liquid short term government certificates. EVS has a EUR 2.0 million long-term financial debts relating to building financing. The net cash position at December 31, 2008 amounted to EUR 43.4 million, taking into account the EUR 13.3 million payment for the interim dividend made at the end of November 2008.

At December 31, 2008, there were 13,544,866 EVS outstanding shares, i.e. 13,875,000 subscribed shares out of which 330,134 were owned by the company. During 2008, EVS repurchased 144,778 shares at an average share price of EUR 49.9, for a total amount of EUR 7.2 million.

The group optimized the return for shareholders with the interim dividend of EUR 1.00 per share paid out in November 2008 and a final dividend of EUR 1.48 per share to be paid in June 2009, representing approximately EUR 33.6 million.

During 2008, 67,650 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 54.73 per share with an exercise period between March 2012 and April 2013. During 2008, 111,000 warrants were exercised, and 1.150 warrants were lost due to departures from the company. On December 31, 2008, 126,650 warrants were outstanding at an average exercise price of EUR 46.41 and average maturity of 2.9 years. If the average exercise price as of December 31, 2008 had been below the share price at the same date, this would have been a diluting effect of 0.9% on capital. This is fully covered by the 330,134 treasury shares held by the company and acquired at an average price of EUR 35.14.

Finally, EVS disposed of 4,961 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 20 May 2008 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 0.2 million.

## **DISPUTES**

As per December 31, 2008, EUR 1.1 million provisions were available to reasonably cover various ongoing commercial and social disputes.

## **INVESTMENTS**

EVS business does not require major investments in equipment. The group's policy is to have its own premises and primarily finance them through shareholders' equity, and in some cases via long-term bank loans. As per December 31, 2008, the net book value of real estate was EUR 9.6 million for the buildings all located in the Liege region. 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 kept 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 a new representative office in Montreal (Canada): EVS Canada Inc.

In 2008, EVS acquired 100% of the share capital of D.W.E.S.A.B. Engineering BVBA, small profitable Belgian company that is specialized in service and software R&D for operating workflows of TV stations. Following that acquisition, EVS now has an office in Brussels and an affiliate in The Netherlands (EVS Nederland B.V.). In order to simplify the legal structure of the group, D.W.E.S.A.B. Engineering BVBA has been absorbed by EVS Broadcast Equipment S.A. with an effective date as of October 1, 2008.

## 2009 OUTLOOK

As of February 19, 2009 (the date of publication of the 2008 annual results), the global winter order book (to be invoiced in 2009) reached EUR 17.0 million, compared to EUR 35.0 million (incl. EUR 1.8 million for big event rentals) on the same date one year ago (hence to be invoiced in 2008), and EUR 21.4 million for the 2007 winter order book. The 2009 winter order book is made of:

- the open order book as of January 1, 2009: EUR 8.3 million (vs. EUR 16.6 million as of January 1, 2008 and EUR 7.1 million in 2007);
- orders intake between January 1, 2009 and February 18, 2009: EUR 8.7 million (vs. EUR 18.4 million last year, and EUR 14.3 million in 2007).

In addition, as of the same date, EVS had already received orders for EUR 1.7 million to be invoiced in 2010 and beyond (compared to EUR 1.4 million in 2008 and EUR 0.4 million in 2007).

Obviously, the broadcast industry, including EVS, is heavily dependant on economic cycles and 2009 shall be a bridge year towards sport year 2010 with both lower sales and earnings. It should also be noted that the operating expenses should continue to grow technically, as 2009 will bear 12 months of the salaries of the people hired in 2008 and as EVS shall recruit some broadcast technology experts available on the market.

Risk factors surrounding EVS like economical uncertainties, banking troubles, balance-sheets deleveraging, major currencies fluctuations are not easing any guidance. However, the broadcast equipment industry turmoil may potentially turn into an advantage for EVS given the strong financials and the organization dynamics. Sports TV has proven to be quite more resilient to prior recessions, especially Pay-TV business models. Of course, the company is focusing on its market presence reinforcement, its training sessions for the 6,000 users community around the world and the development of new products and solutions to help TV professionals work more efficiently, more rapidly, leaving more time for creative work and making near-live and live events yet more entertaining.

EVS teams are working on 2010 sporting events like Winter Olympics in Vancouver (February 2010), World Cup Football in South Africa (June-July 2010), Commonwealth Games in India (October 2010), Asian Games in China (November 2010) and many other events. EVS strategic plan is based on long term structural growth drivers. EVS intends to expand its addressable markets and open new markets. The Board believes the Group is well positioned to address most potential outcomes and should emerge stronger when the recovery takes hold.

## 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 2008 amounted to EUR 716 thousand compared with EUR 835 thousand in 2007.

## RECENT EVENTS

On March 17, 2009, EVS acquired a land and a building adjacent to the headquarters of the company, for a value of EUR 0.7 million. It has been financed through shareholders' equity.

No significant event arose after the balance sheet date, except the information communicated on February 19, 2009.

## 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 optimize 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 2.48 per share (including the interim dividend of EUR 1.00) at the Ordinary General Meeting to be held on 19 May 2009, implying a final gross dividend of EUR 1.48 per share to be paid in June 2009. 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 June 10, 2008 authorized 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, April 3, 2009

## **CERTIFICATION OF RESPONSIBLE PERSONS**

Pierre L'Hoest, General Manager and CEO  
Michel Counson, General Manager and CTO  
and Jacques Galloy, Director and CFO

certify that, based on their knowledge,

- a) the annual financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, fairly present in all material respects the financial condition and results of operations of the issuer and the companies included in the consolidation;
- b) the Directors' report fairly presents the evolution of the business, the results and the situation of the issuer and the companies included in the consolidation, as well as a description of the main risks and uncertainties.

# IFRS CONSOLIDATED STATEMENTS

## IFRS CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Annex	2008 audited	2007 audited
Revenue	3	110,683	94,696
Costs of sales		-15,732	-12,041
<b>Gross profit</b>		<b>94,951</b>	<b>82,655</b>
<b>Gross Margin %</b>		<b>85.8%</b>	<b>87.3%</b>
Selling and administrative expenses		-15,779	-13,024
Research and development expenses	13	-10,156	-6,996
Other revenue	7.2	258	557
Other expenses	7.2	-108	-197
Stock based compensation and ESOP plan	7.4	-440	-747
Depreciation on Tax Shelter rights assets	7.4	-347	-335
<b>Operating profit (EBIT)</b>		<b>68,378</b>	<b>61,913</b>
<b>Operating margin - (EBIT) %</b>		<b>61.8%</b>	<b>65.4%</b>
Net interest	7.3	1,329	1,119
Other net financial incomes / (charges)	7.3	-565	-784
Share in the result of the enterprise accounted for using the equity method	6	-2,326	-2,915
<b>Profit before taxes (PBT)</b>		<b>66,817</b>	<b>59,332</b>
Income taxes	8	-21,612	-19,841
<b>Net profit from continuing operations</b>		<b>45,205</b>	<b>39,490</b>
<b>Net profit</b>		<b>45,205</b>	<b>39,490</b>
Attributable to:			
Minority interests		-	-
<b>Equity holders of the parent company</b>		<b>45,205</b>	<b>39,490</b>
<b>Net profit from operations, excl. XDC – share of the group <sup>(1)</sup></b>	7.4	<b>48,396</b>	<b>43,607</b>
<b>RESULT PER SHARE</b>		<b>2008 audited</b>	<b>2007 audited</b>
<i>(in number of shares and in EUR)</i>			
Weighted average number of subscribed shares for the period less treasury shares	9	13,578,250	13,587,090
Weighted average fully diluted number of shares	9	13,700,876	13,758,092
<b>Basic earnings – share of the group</b>	9	<b>3.33</b>	<b>2.91</b>
<b>Fully diluted earnings – share of the group</b>	9	<b>3.30</b>	<b>2.87</b>
<b>Basic net profit from operations, excl. XDC – share of the group</b>		<b>3.56</b>	<b>3.21</b>

<sup>(1)</sup> 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. Please also refer to note 7.4 on use of non-gaap financial measures.

## IFRS CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> <b>(EUR thousands)</b>	<b>Annex</b>	<b>31.12.08</b> <b>audited</b>	<b>31.12.07</b> <b>audited</b>
<b>Non-current assets:</b>			
Technology acquired from DWESAB	5, 11	984	-
Other intangible assets	11	508	830
Lands buildings	12	9,578	7,493
Other tangible assets	12	1,974	2,118
Investment accounted for using equity method	6	2,489	4,815
Subordinated bonds	14.1	4,277	2,850
Other financial assets	14.2	148	307
Deferred tax assets	8.3, 16	48	94
<b>Total non-current assets</b>		<b>20,007</b>	<b>18,507</b>
<b>Current assets:</b>			
Stocks	15	8,079	5,594
Trade receivables	16	10,366	14,354
Other amounts receivable, deferred charges and accrued income		1,135	1,006
Cash and cash equivalents	17	45,454	35,515
<b>Total current assets</b>		<b>65,034</b>	<b>56,468</b>
<b>Total assets</b>		<b>85,040</b>	<b>74,976</b>
<b>EQUITY AND LIABILITIES</b> <b>(EUR thousands)</b>			
<b>Equity :</b>			
<b>Capital</b>	<b>18.1</b>	<b>8,342</b>	<b>8,342</b>
Reserves	18.6	85,012	73,013
Interim dividends	10, 18.6	-13,586	-10,867
Treasury shares	18.6	-11,601	-8,090
<b>Total consolidated reserves</b>		<b>59,825</b>	<b>54,056</b>
Translation differences	18.7	-124	-257
<b>Equity attributable to equity holders of the parent company</b>		<b>68,043</b>	<b>62,141</b>
<b>Minority interests</b>		<b>5</b>	<b>5</b>
<b>Total equity</b>		<b>68,049</b>	<b>62,146</b>
Long term provisions	20	1,139	761
Deferred taxes liabilities	8.3	1,159	975
Financial long terme debts	19	1,711	1,989
Government recoverable loans		546	546
<b>Non-current liabilities</b>		<b>4,556</b>	<b>4,271</b>
Short term portion of long term financial debts	19	299	309
Trade payables	21	3,429	2,679
Amounts payable regarding remuneration and social security		4,661	3,268
Income tax payable		2,324	1,335
Other amounts payable and accrued charges	21	1,723	967
<b>Current liabilities</b>		<b>12,436</b>	<b>8,558</b>
<b>Total equity and liabilities</b>		<b>85,040</b>	<b>74,976</b>

## IFRS CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands)	2008 audited	2007 audited
<b>Cash flows from operating activities</b>		
Operating profit (EBIT)	68,378	61,913
Adjustment for non cash items :		
- Depreciation and write-offs on fixed assets	1,577	1,132
- Foreign exchange result	-488	-746
- Stock based compensation and ESOP	440	472
- Provisions and deferred taxes increase/(decrease)	609	458
	<b>70,516</b>	<b>63,229</b>
Increase (+)/decrease (-)		
- Amounts receivable	3,928	-1,782
- Accruals	196	-51
- Trade debts and prepayments	893	-864
- Taxes, remuneration and social security debts	2,383	-377
- Other amounts payable	-371	-739
- inventories	-2,486	2,362
<i>Cash generated from operations</i>	75,059	61,777
Interest received	1,528	1,312
Income taxes	-21,612	-19,841
<b>Net cash from operating activities</b>	<b>54,975</b>	<b>43,248</b>
<b>Cash flows from financing activities</b>		
Purchase (-)/disposal (+) of intangible assets (incl. investments in Tax Shelter)	-1,173	-507
Purchase (-)/disposal (+) of property, plant and equipment	-3,009	-1,715
Purchase (-)/disposal (+) of leasing equipment	-	-
Purchase (-)/disposal (+) of other financial assets <sup>(1)</sup>	-1,269	-4,456
<b>Net cash used in investing activities</b>	<b>-5,451</b>	<b>-6,678</b>
<b>Cash flows from financing activities</b>		
Operations with treasury shares	-5,687	-2,105
Other net equity variations (incl. ESOP)	166	-45
Interest paid	-276	-193
Movements on long-term borrowings	-288	-676
Interim dividend paid	-13,306	-10,649
Final dividend paid	-20,194	-16,323
<b>Net cash used in financing activities</b>	<b>-39,585</b>	<b>-29,990</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,939</b>	<b>6,580</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,515</b>	<b>28,935</b>
<b>Cash and cash equivalents at end of period</b>	<b>45,454</b>	<b>35,515</b>

<sup>(1)</sup> In 2008, the XDC impact (mainly subscription to the subordinated bond) is included in "Purchase (-)/disposal (+) of other financial assets".

## IFRS CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(EUR thousands) – audited	Issued capital	Other reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total Net Equity
<b>Balance as per December 31, 2006</b>	<b>8,342</b>	<b>47,884</b>	<b>-5,985</b>	<b>-112</b>	<b>50,129</b>	<b>4</b>	<b>50,133</b>
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
Net profit of the year attributable to the minority Interests		1,391			1,391		1,391
Other increase (decrease)		97			97		97
<b>Balance as per December 31, 2007</b>	<b>8,342</b>	<b>62,146</b>	<b>-8,090</b>	<b>-257</b>	<b>62,141</b>	<b>5</b>	<b>62,146</b>
<b>(EUR thousands)</b>	<b>Issued capital</b>	<b>Other reserves</b>	<b>Treasury shares</b>	<b>Currency translation differences</b>	<b>Equity attributable to shareholders of the parent company</b>	<b>Minority interests</b>	<b>Total Net Equity</b>
<b>Balance as per December 31, 2007</b>	<b>8,342</b>	<b>62,146</b>	<b>-8,090</b>	<b>-257</b>	<b>62,141</b>	<b>5</b>	<b>62,146</b>
Increase (decrease) of equity capital resulting from company regrouping					-	1	1
Net profit of the year attributable to the shareholders of the parent company		45,205			45,205		45,205
Operations with treasury shares		-1,533	-3,511		-5,044		-5,044
Final dividend		-20,195			-20,195		-20,195
Interim dividends		-13,586			-13,586		-13,586
Currency translation differences		-821		133	-688		-688
Other increase (decrease)		211			211		211
<b>Balance as per December 31, 2008</b>	<b>8,342</b>	<b>71,427</b>	<b>-11,601</b>	<b>-124</b>	<b>68,043</b>	<b>5</b>	<b>68,049</b>

# NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

## 1. INFORMATION ABOUT THE COMPANY

### 1.1. Identification

EVS Broadcast Equipment S.A.  
Liege Science Park  
Rue Bois Saint-Jean, 16  
B-4102 Ougrée (Liège)  
VAT: BE 0452.080.178  
National Registered Number: BE0452.080.178

EVS Broadcast Equipment S.A. was incorporated for an unlimited period on February 17, 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 December 31, 2008 were established by the Board of Directors of April 3, 2009. The Board of Directors is authorized to amend the consolidated financial statements up until the Annual General Meeting of Shareholders, scheduled to be held on May 19, 2009.

The financial year starts on January 1 and ends on December 31 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](http://www.evs-global.com).

### 1.3. Object of the company

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

## 2. SUMMARY OF THE IFRS SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated accounts of the group have been prepared on an historical cost basis, except for the share based payments and derivative financial instruments, which are measured at their fair value. The consolidated accounts are presented in euros (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 applying 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 are similar to those used in 2007.

### 2.5. Consolidated principles

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

Research and 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 capitalized 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 recognized 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 recognized directly under a different heading of the shareholders' equity.

### *Transactions in foreign currencies*

The transactions in foreign currencies are recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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
- 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 recognized in the profit and loss account.

A tangible asset is no longer recognized 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 recognized in the course of the period during which it was sold.

### **2.13. Stocks**

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

Costs incurred in bringing stocks to the right place in the appropriate conditions are recognized 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 realizable 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 realize the sale.

### **2.14. Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in the results when the liabilities are derecognized and via the depreciation process.

### **2.21. Provisions**

Provisions are recognized 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 recognized 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 recognized 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 recognized 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 recognized, 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 recognized 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 recognized as soon as the company has transferred the significant risks and benefits inherent to the ownership of the goods to the buyer. Sales are recognized 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 recognized in line with the work in progress.

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

Interest revenue is recognized as interest accrues.

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

## **2.25. Leases (EVS as lessor)**

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

### *Finance leases*

When assets are leased out under a finance lease, the present value of the future lease payments is recognized as an earned product (within trade receivables). The difference between the gross total receivable (lease and financing) and the value of the receivable is recognized as unearned finance income.

### *Operating leases*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognized over the term of the lease on a straight-line basis.

## **2.26. 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.

If it is likely that the Recoverable Loans of the Walloon Region will be repaid in view of the growing probability of commercialization of the financed projects, they will be, in this respect, considered as long term liabilities.

### *European Union grants*

Subsidies from the European Union are recognized 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 recognized 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 recognized when there is reasonable assurance that they will be received and that all the conditions attached will be satisfied.

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

## **2.27. Leases (EVS as lessee)**

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 lesser 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.

## **2.28. 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 evolving 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 recognized as expenses when incurred.

## **2.29. Borrowing costs**

Borrowing costs are recognized as expenses when incurred.

## **2.30. Income taxes**

Income taxes for the period include both current and deferred taxes. They are recognized in the income statement except where relate to items recognized directly in equity, in which case, they are also directly recognized 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 recognized 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 recognized 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 inversed can be checked and it is probable that the temporary difference will not be inversed in the foreseeable future .Deferred income tax assets are recognized 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 utilized.

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 utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized 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.

### **2.31. 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.

### **2.32. Dividends**

The dividends proposed by the Board of Directors are not recognized 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.

### **2.33. 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 recognized 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 already applies IFRS 8 ("Operating segments") since the fiscal year ended on December 31, 2007.

From an operational point of view, the company is vertically integrated with the majority of its staff in the headquarters in Belgium, including the R&D, production, marketing and administration departments. This explains why the majority of the investments and costs are located at the level of the Belgian parent company. The foreign subsidiaries are primarily sales and representative offices. 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 organization, and is characterized by the strong integration of the activities of the company; only sales are identified by geographical market in which they are realized.

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. Geographical information

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

##### 3.2.1.1. Revenue

(EUR thousands)	APAC	EMEA	NALA	TOTAL
2008 revenue	23,797	58,992	27,893	110,683
Evolution versus 2007 (%)	+6.4%	+42.0%	-9.3%	+16.9%
Segment revenue at constant exchange rate	23,797	58,992	29,941	112,730
Variation versus 2007 (%) at constant exchange rate	+6.4%	+42.0%	-2.7%	+19.0%
Variation versus 2007 (%) at constant exchange rate and excluding big event rentals	-13.3%	+34.2%	-6.4%	+9.8%
2007 revenue	22,373	41,558	30,764	94,696

Sales from external clients in Belgium (the country of origin of the company) represent less than 10% of the total annual sales. In 2008, 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 22.9 million in 2008, compared to EUR 26.2 million in 2007.

##### 3.2.1.2. Long-term assets

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

##### 3.2.2. 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
2008 revenue	68,714	41,969	110,683
Evolution compared to 2007 (%)	+5.0%	+43.5%	+16.9%
2007 revenue	65,450	29,246	94,696

##### 3.2.3. Information on important clients

No external client of the company represents more than 10% of the 2008 sales.

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

NAME AND ADDRESS	Year of foundation or acquisition	Staff as of 31.12.08	Incorporation method used <sup>(1)</sup>	Part of capital held as of 31.12.07 (in %) <sup>(2)</sup>	Part of capital held as of 31.12.08 (en %) <sup>(2)</sup>	Change in % of capital held
<b>EVS Broadcast Equipment Inc.</b> 9 Law Drive, suite 200, NJ 070046 Fairfield, USA	1997	14	F	100.00	100.00	0.00
<b>EVS Canada</b> 240-1200 Avenue Papineau Montreal QC H2K 4R5, CANADA	2008	1	F	0.00	100.00	100.00
<b>EVS France S.A.</b> 32/36 rue de Bellevue, F - 92100 Boulogne Billancourt, FRANCE VAT: FR-21419961503	1998	3	F	99.76	99.76	0.00
<b>EVS Italia S.R.L.</b> Via Milano, 2, IT-25126 Brescia, ITALY VAT: IT-03482350174	1999	3	F	95.00	95.00	0.00
<b>EVS Broadcast UK Ltd.</b> 15-19 Cavendish Place, London W1G 0DD, UK VAT: UK-853278896	1999	4	F	100.00	100.00	0.00
<b>EVS Broadcast Equipment Iberica SL</b> Avda de Europa 12, Edificio Monaco, Parque Empresarial la Moraleja Alcobendas, Madrid, SPAIN CIF: B85200236	2007	3	F	100.00	100.00	0.00
<b>EVS Nederland B.V.</b> Media Park, Sumatralaan 45, GatewayB/518 1217 GP Hilversum, THE NETHERLANDS	2008	1	F	0.00	100.00	100.00
<b>EVS Broadcast Equipment Ltd.</b> New Victory House, 15th Floor, 93-103 Wing Lok Street, Sheung Wan, HONG KONG	2002	8	F	99.99	99.99	0.00
<b>EVS China Ltd.</b> 2/F., Henfa Commercial Building, 248-350 Lockhart Rd., Wan Chai, HONG KONG	2005	3	E	20.00	20.00	0.00
<b>EVS Beijing – Representative office</b> Unit 1710, Tower B, Soho New Town Jianguo Road 88, Chaoyang District 100022 Beijing, CHINA	2005	2	F	N / A	N / A	N / A
<b>EVS Broadcast Equipment Middle East Ltd – Representative office</b> Dubai Studio City, Boutique Studio 10 2 <sup>nd</sup> Floor, Office 202, Dubai, UNITED ARAB EMIRATES	2006	2	F	N / A	N / A	N / A
<b>EVS Australia Pty Ltd.</b> Suite 901, Level 9 - 130 Elizabeth Street Sydney NSW 2001, AUSTRALIA	2007	1	F	99.99	99.99	0.00
<b>FAR S.P.R.L.</b> Rue Poissonrue, 43, B-4500 Huy, BELGIUM VAT: BE0454 521 511	1999	7	E	39.00	39.00	0.00
<b>MECALEC SMD S.A.</b> Rue Nicolas Fossoul, 54, B-4100 Seraing, BELGIUM VAT: BE0467 121 712	1999	24	E	49.50	49.50	0.00
<b>XDC S.A. and subsidiaries</b> Liege Science Park, rue Pré Aily, 6, B-4031 Angleur, BELGIUM VAT: BE0865 818 337	2004	50	E	47.20	47.20	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. ACQUISITION OF D.W.E.S.A.B. ENGINEERING BVBA

On September 4, 2008, EVS announced the acquisition of 100% of the share capital of D.W.E.S.A.B. Engineering BVBA, small profitable Belgian company that is specialized in service and software R&D for operating workflows, reality-TV and management of TV stations. The acquisition price amounted to EUR 2.0 million, including EUR 0.9 million cash. A portion of it has been paid in EVS shares. As a result of the acquisition, EUR 1.0 million has been recorded on the balance sheet of EVS as intangible asset for Technology. The DWESAB acquisition increases the product portfolio of the group, especially in the studio segment and broadens the software skills of R&D.

This intangible asset is recognized at cost and calculated as the difference between the cost of the acquisition and the net fair value of the identifiable tangible assets, certain liabilities and eventual liabilities. It is depreciated on a straight-line basis over the duration of its economic utility estimated at 4 years and will be reviewed for impairment testing each time there is a sign of impairment in this intangible asset.

In order to simplify the legal structure of the group, D.W.E.S.A.B. Engineering BVBA has been absorbed by EVS Broadcast Equipment S.A. with an effective date as of October 1, 2008 (approved by an Extraordinary General Meeting held on December 24, 2008). The impact of the business combination on the income and results of EVS was insignificant in 2008. That would have been the same if the acquisition date for the business combination had been January 1, 2008.

The assets and liabilities arising from the acquisition of D.W.E.S.A.B. Engineering BVBA are as follows:

(EUR thousands)	October 1, 2008
Technology	1,049
Other non-current assets	30
Current assets (mainly cash)	1,074
Liabilities	-129
<b>Net assets acquired</b>	<b>2,024</b>

## 6. INVESTMENTS IN JOINT-VENTURES AND ASSOCIATED

(EUR thousands)	2008	2007
<b>Investment in associates</b>		
<b>Opening balance as at January 1</b>	<b>4,815</b>	<b>6,174</b>
- Disposals during the year	-	-
- Acquisitions during the year	-	-
- Results	-2,326	-2,915
- Accounting of XDC according to the net equity method and paid up capital for XDC	-	1,333
- Others	-	223
<b>Closing balance as at December 31</b>	<b>2,489</b>	<b>4,815</b>

### 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 recognized 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 December 31:

(EUR thousands)	Dec. 31, 2008	Dec. 31, 2007
Current assets	109	185
Non-current assets	-	-
<b>Total assets</b>	<b>109</b>	<b>185</b>
Current liabilities	68	157
Equity	41	28
<b>Total liabilities</b>	<b>109</b>	<b>185</b>
Incomes	280	1,090
Expenses	-267	-1,059
<b>Net result</b>	<b>13</b>	<b>31</b>
<b>Carrying amount of investment</b>	<b>74</b>	<b>61</b>

## 6.2. Investments in associates

### MECALEC SMD S.A.

MECALEC SMD S.A. was founded on October 21, 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), 5km far from EVS. 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 2008, the net profit of MECALEC SMD for its fifth financial year amounted to EUR 132 thousand compared to the net profit of EUR 186 thousand in 2007.

The share of EVS in the 2008 results of MECALEC SMD amounts to EUR 65 thousand and the share of EVS in MECALEC SMD equity amounts to EUR 435 thousand. In 2008, MECALEC SMD paid for the fourth time a dividend to its shareholders in 2007.

(EUR thousands)	Dec. 31, 2008	Dec. 31, 2007
<b>Share of associate's balance sheet (49.5 % )</b>		
Current assets	557	519
Non-current assets	124	91
Current liabilities	-246	-197
Non-current liabilities		-
<b>Net assets</b>	<b>435</b>	<b>412</b>
<b>Share of associate's revenue and net result (49.5%)</b>		
Revenue	1,184	1,194
Net result	65	92
<b>Carrying amount of investment</b>	<b>475</b>	<b>410</b>

### FAR S.P.R.L.

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

On December 31, 2008, the EVS stake in FAR amounted to 39% of the capital and its share in the profit for the year 2008 was EUR -5 thousand. The EVS share in the equity capital of FAR amounted to EUR -89 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)	Dec. 31, 2008	Dec. 31, 2007
<b>Share of associate's balance sheet (39%)</b>		
Current assets	71	53
Non-current assets	22	26
Current liabilities	-181	-140
Non-current liabilities	-1	-19
<b>Net assets</b>	<b>-89</b>	<b>-80</b>
<b>Share of associate's revenue and net result (39%)</b>		
Revenue	231	207
Net result	-5	-20
<b>Carrying amount of investment</b>	<b>-</b>	<b>-</b>

### XDC S.A.

Created in 2004, notably through the spin-out of "Digital Cinema" activities from EVS to the new company, XDC S.A. 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.

XDC rents a building owned by EVS and located in 6, rue Pré Aily, 4031 Angleur (see note 12).

On June 27 2006, EVS diluted in XDC S.A. from 60.17% down to 47.20% following a share capital increase. As a result, XDC is accounted for according to the net equity method. As of December 31, 2008, XDC share accounted for using equity method amounted to EUR 2.0 million. This results from the 47.20% share in the XDC S.A.'s equity as of December 31, 2008.

<b>(EUR thousands)</b>	<b>Dec. 31, 2008</b>	<b>Dec. 31, 2007</b>
XDC equity	4,163	9,212
Balance of subscribed capital to be paid	-	-
Adjusted equity	4,163	9,212
Share of EVS (47.20%)	1,965	4,348
Balance of subscribed capital to be paid by EVS	-	-
<b>Share accounted for using equity method</b>	<b>1,965</b>	<b>4,348</b>
<b>Share of associate's balance sheet (47.20%)</b>		
Current assets	6,266	5,133
Non-current assets	10,158	9,260
Current liabilities	-3,345	-2,602
Non-current liabilities	-11,114	-7,443
<b>Net assets</b>	<b>1,965</b>	<b>4,348</b>

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

<b>(EUR thousands)</b>	<b>2008</b>	<b>2007</b>
<b>Share of associate's revenue and net result (47.20%)</b>		
Revenue – 100% XDC	6,011	2,488
EBITDA – 100% XDC	-901	-2,097
<b>Net result for the period – 100% XDC</b>	<b>-5,093</b>	<b>-6,431</b>
Part of XDC capital held	47.20%	47.20%
<b>Net result, share of EVS</b>	<b>-2,404</b>	<b>-3,035</b>
<b>Carrying amount of investment at the beginning of the period</b>		
Paid up capital by EVS	-	1,333
Net result	-2,404	-3,035
Net equity adjustments	25	272
<b>Carrying amount of investment at the beginning of the period</b>	<b>1,965</b>	<b>4,344</b>

The cumulated Tax Loss Carry Forward of XDC S.A. amounts to EUR 24.3 million on December 31, 2008. Deferred tax assets are being progressively recognized as the business plan materializes. As at December 31, 2008, 31% of deferred tax assets relating to these losses have been recognized, reducing XDC net loss by EUR 1.4 million over the year.

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. In December 2008, EVS subscribed an amount of EUR 1.4 million to a new subordinated bond of EUR 6.0 million issued by XDC, with the same conditions as the bond issued in 2007. XDC welcomed the Société Régionale d'Investissement de Wallonie ("SRIW S.A.") as a new shareholder. Following these two subscriptions, EVS has received warrants in order to subscribe to new XDC shares in 2010, for the nominal counter-value of its subordinated bonds, what would dilute EVS interest in XDC down to 42.69%.

## 7. INCOME AND EXPENSES

### 7.1. Finance lease receivables

<b>(EUR Thousands)</b>	<b>2008</b>	<b>2007</b>
<b>Gross receivable – future lease payments under finance lease:</b>		
Within one year (current finance lease)	536	-
After one year but no longer than five years (non-current finance lease)	-	-
Longer than five years (non-current finance lease)	-	-
Less: unearned finance income	-23	-
<b>Present value of future lease payments:</b>		
Within one year (current finance lease)	513	-
After one year but no longer than five years (non-current finance lease)	-	-
Longer than five years (non-current finance lease)	-	-

The Group enters into finance leasing arrangements for certain of its equipment. The term of finance leases entered into is maximum two years.

The value of the optional purchase options of the assets leased under finance leases is estimated at EUR 0.5 million.

The interest rate inherent in the finance leases is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at December 31, 2008 was 4.6%.

## 7.2. Other operating incomes / (expenses)

(EUR thousands)	2008	2007
Government grants	-	-
Other operating income	258	557
Other operating expenses	-108	-197
<b>Other operating incomes / (expenses)</b>	<b>150</b>	<b>360</b>

## 7.3. Financial incomes / (costs)

(EUR thousands)	2008	2007
Interest charges	-200	-192
Interest income on deposit	1,529	1,311
Exchange result	-488	-746
Miscellaneous	-77	-38
<b>Other operating income / (expenses)</b>	<b>764</b>	<b>335</b>

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.

## 7.4. Use of non-GAAP financial measures

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

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

(EUR thousands)	2008	2007
Net profit for the year – IFRS	45,205	39,490
Allocation to Employees Profit Sharing Plan	165	569
Stock Option Plan	275	178
Depreciation on Tax Shelter rights assets	347	335
Contribution of XDC	2,404	3,035
<b>Net profit from operations, excl. XDC</b>	<b>48,396</b>	<b>43,607</b>

## 7.5. Complementary information about operating charges by nature

(EUR thousands)	2008	2007
Raw materials and consumables used	-12,418	-7,792
Increase / Decrease in stocks of finished goods, work and contracts in progress	2,081	298
Personnel expenses	-16,055	-12,813
- Remunerations	-10,830	-8,934
- Social securities costs	-2,455	-1,938
- ESOP expenses	-440	-747
- Pension defined contributions plan <sup>(1)</sup>	-67	-71
- Other personnel expenses	-2,263	-1,123
Average number of employees in FTE <sup>(2)</sup>	216	180
Depreciations	-1,577	-1,132
- Included in the costs of sales	-196	-167
- (Increase) Decrease in amounts written off (+)	-1,055	-1,058
- (Increase) Decrease in amounts written off on stocks (+)	-1,005	-1,078
- (Increase) Decrease in amounts written off on trade debtors (+)	-50	20
Operating lease and sublease payments recognized in the income statement	-967	-648

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 for 2007 and 2008 is mainly made of:

(EUR thousands)	2008	2007
<b>Current tax charge</b>		
Effective tax charge	-21,485	-19,833
Adjustments of current tax related to prior years	36	30
<b>Deferred taxes</b>		
<b>Tax effects of temporary differences</b>	<b>-163</b>	<b>-38</b>
- Adjustments for fixed assets depreciation method	-71	-68
- Direct and indirect production costs capitalized in inventories	-92	30
<b>Income taxes included in the income statement</b>	<b>-21,612</b>	<b>-19,841</b>

### 8.2. Reconciliation of the tax charge

The effective tax charge of the group obtained by applying the effective tax rate to the pre-tax profit of the group, has been reconciled for 2007 and 2008 with the theoretical tax charge obtained by applying the theoretical tax rate:

(EUR thousands)	2008	2007
<b>Reconciliation between the effective tax rate and the theoretical tax rate</b>		
Profit before taxes and share in the result of the enterprise accounted for using the equity method	69,142	62,247
Effective tax charge based on the effective tax rate	-21,612	-19,841
<b>Effective tax rate</b>	<b>31.3%</b>	<b>31.9%</b>
<b>Reconciliation items for the theoretical tax charge</b>		
Tax effect of Tax Shelter	-85	-255
Tax effect of deduction for notional interest	-360	-287
Tax effect of non deductible expenditures	259	192
Other increase (decrease)	292	271
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-21,506	-19,920
<b>Theoretical tax rate (relating to EVS operations, excl. XDC)</b>	<b>31.1%</b>	<b>32.0%</b>

### 8.3. Deferred taxes on the balance sheet

The sources of deferred taxes are as follows:

(EUR thousands)	December 31, 2008		December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Depreciation of tangible assets and intangible assets	-	-	-	-2
Direct and indirect production costs capitalized in inventories	-	-255	-	-187
Buildings revaluation	-	-904	-	-786
Miscellaneous	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-1,159</b>	<b>-</b>	<b>-975</b>
Depreciation of EVS Inc. tangible assets <sup>(1)</sup>	48	-	94	-
<b>Net booked value <sup>(1)</sup></b>	<b>48</b>	<b>-1,159</b>	<b>94</b>	<b>-975</b>

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

## 9. EARNING 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)	2008	2007
Net profit	45,205	39,490
Minority interests	-	-
<b>Net profit for the year attributable to equity holders of the parent company</b>	<b>45,205</b>	<b>39,490</b>
	<b>2008</b>	<b>2007</b>
Weighted average number of subscribed shares, excluding treasury shares	13,578,250	13,587,090
Dilution effect of the weighted average number of the share options in circulation	122,626	171,002
<b>Weighted average number of fully diluted number of shares</b>	<b>13,700,876</b>	<b>13,758,092</b>
<b>Basic earnings per share (EUR)</b>	<b>3.33</b>	<b>2.91</b>
<b>Diluted earnings per share (EUR)</b>	<b>3.30</b>	<b>2.87</b>

The number of treasury shares held as at December 31, 2008 amounted to 330,134 compared to 305,871 as at December 31, 2007. The weighted average number of treasury shares held in 2008 amounted to 296,750 against 287,910 in 2007.

## 10. DIVIDENDS PAID AND PROPOSED

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

(EUR thousands)	N° coupon	2008	2007
<b>Declared and paid during the year :</b>			
- Final dividend for 2006 (EUR 1.20 per share excl. treasury shares)	4	-	16,323
- Interim dividend for 2007 (EUR 0.80 per share excl. treasury shares)	5	-	10,867
- Final dividend for 2007 (EUR 1.48 per share excl. treasury shares)	6	20,195	-
- Interim dividend for 2008 (EUR 1.00 per share excl. treasury shares)	7	13,586	-
<b>Total dividends</b>		<b>33,781</b>	<b>27,190</b>

(EUR thousands)	2008	2007
<b>Proposed for approval at the OGM :</b>		
- Proposed dividend for 2007 (EUR 2.28 per share excl. treasury shares and incl. interim dividend)	-	31,061
- Proposed dividend for 2008 (EUR 2.48 per share excl. treasury shares and incl. interim dividend)	33,633	-
<b>Total</b>	<b>33,633</b>	<b>31,061</b>

## 11. INTANGIBLE ASSETS

(EUR thousands)	Technology (DWESAB)	Software licenses	Investments in movies	TOTAL
<b>Acquisition cost</b>				
<b>As of December 31, 2006</b>	-	<b>415</b>	<b>870</b>	<b>1,285</b>
- Acquisitions	-	200	300	500
- Sales and disposals	-	-	-	-
- Variation in consolidation scope	-	-	-	-
<b>As of December 31, 2007</b>	-	<b>615</b>	<b>1,170</b>	<b>1,785</b>
<b>Accumulated depreciation</b>				
<b>As of December 31, 2006</b>	-	<b>-335</b>	<b>-235</b>	<b>-570</b>
- Acquisitions	-	-50	-335	-385
- Sales and disposals	-	-	-	-
- Variation in consolidation scope	-	-	-	-
<b>As of December 31, 2007</b>	-	<b>-385</b>	<b>-570</b>	<b>-955</b>
<b>Net carrying amount</b>				
<b>As of December 31, 2006</b>	-	<b>80</b>	<b>635</b>	<b>715</b>
<b>As of December 31, 2007</b>	-	<b>230</b>	<b>600</b>	<b>830</b>

(EUR thousands)	Technology (DWESAB)	Software licenses	Investments in movies	TOTAL
<b>Acquisition cost</b>				
<b>As of December 31, 2007</b>	-	<b>615</b>	<b>1,170</b>	<b>1,785</b>
- Acquisitions	-	19	100	119
- Sales and disposals	-	-	-	-
- Variation in consolidation scope (acquisition of Dwesab)	1,049	-	-	1,049
<b>As of December 31, 2008</b>	<b>1,049</b>	<b>634</b>	<b>1,270</b>	<b>2,953</b>
<b>Accumulated depreciation</b>				
<b>As of December 31, 2007</b>	-	<b>-385</b>	<b>-570</b>	<b>-955</b>
- Depreciations	-65	-94	-347	-506
- Sales and disposals	-	-	-	-
- Variation in consolidation scope	-	-	-	-
<b>As of December 31, 2008</b>	<b>-65</b>	<b>-479</b>	<b>-917</b>	<b>-1,461</b>
<b>Net carrying amount</b>				
<b>As of December 31, 2007</b>	-	<b>230</b>	<b>600</b>	<b>830</b>
<b>As of December 31, 2008</b>	<b>984</b>	<b>155</b>	<b>353</b>	<b>1,492</b>

### *Technology*

As already explained in annex 5, on September 4, 2008, EVS announced the acquisition of 100% of the share capital of D.W.E.S.A.B. Engineering BVBA, small profitable Belgian company that is specialized in service and software R&D for operating workflows, reality-TV and management of TV stations. As a result of the acquisition, EUR 1.0 million has been recorded on the balance sheet of EVS as intangible asset for technology. This intangible asset has been recognized at cost and calculated as the difference between the cost of the acquisition and the net fair value of the identifiable tangible assets, certain liabilities and eventual liabilities. It is depreciated on a straight-line basis over the duration of its economic utility estimated at 4 years and will be reviewed for impairment testing each time there is a sign of impairment in this intangible asset.

### *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, 2006 and 2007, EVS has decided in 2008 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 2008, a total cumulated contribution of EUR 2,117 thousand had been made, in 16 movies produced by Belgian companies, under the combined form of both direct investments in co-producer rights (EUR 1,270 thousand) and conditional loans (EUR 847 thousand). This explains the increase of the other tangible assets to EUR 100 thousand in 2008. 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	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>					
<b>As of December 31, 2006</b>	<b>8,456</b>	<b>586</b>	<b>2,646</b>	-	<b>11,688</b>
- Acquisitions	274	78	450	1,005	1,807
- Sales and disposals	-	-	-71	-	-71
- Variation in consolidation scope (XDC)	151	-	-	-	151
- Others	-	-	-	-	-
<b>As of December 31, 2007</b>	<b>8,881</b>	<b>664</b>	<b>3,025</b>	<b>1,005</b>	<b>13,575</b>
<b>Accumulated depreciation</b>					
<b>As of December 31, 2006</b>	<b>-3,027</b>	<b>-512</b>	<b>-1,621</b>	-	<b>-5,160</b>
- Depreciations	-662	-52	-451	-	-1,165
- Sales and disposals	-	-	59	-	59
- Variation in consolidation scope (XDC)	2,328	-	-	-	2,328
- Other	-27	-	-	-	-27
<b>As of December 31, 2007</b>	<b>-1,388</b>	<b>-564</b>	<b>-2,013</b>	-	<b>-3,965</b>
<b>Net carrying amount</b>					
<b>As of December 31, 2006</b>	<b>5,429</b>	<b>75</b>	<b>1,025</b>	-	<b>6,529</b>
<b>As of December 31, 2007</b>	<b>7,493</b>	<b>100</b>	<b>1,012</b>	<b>1,005</b>	<b>9,610</b>
<b>Mortgages and other guarantees</b>					
Net carrying amount of fixed assets given as real guarantees	4,742	-	-	-	4,742

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Other tangible assets	Assets under construction	TOTAL
<b>Acquisition cost</b>					
<b>As of December 31, 2007</b>	<b>8,881</b>	<b>664</b>	<b>3,025</b>	<b>1,005</b>	<b>13,575</b>
- Acquisitions	1,290	313	1,151	97	2,851
- Sales and disposals	-	-	-41	-	-41
- Variation in consolidation scope	-	47	138	-	185
- Transfers	988	-	17	-1,005	-
- Others	226	-	-	-	226
<b>As of December 31, 2008</b>	<b>11,385</b>	<b>1,024</b>	<b>4,290</b>	<b>97</b>	<b>16,796</b>
<b>Accumulated depreciation</b>					
<b>As of December 31, 2007</b>	<b>-1,388</b>	<b>-564</b>	<b>-2,013</b>	-	<b>-3,965</b>
- Depreciations	-419	-119	-627	-	-1,165
- Sales and disposals	-	-	41	-	41
- Variation in consolidation scope	-	-43	-112	-	-155
- Others	-	-	-	-	-
<b>As of December 31, 2008</b>	<b>-1,807</b>	<b>-726</b>	<b>2,711</b>	-	<b>-5,244</b>
<b>Net carrying amount</b>					
<b>As of December 31, 2007</b>	<b>7,493</b>	<b>100</b>	<b>1,012</b>	<b>1,005</b>	<b>9,610</b>
<b>As of December 31, 2008</b>	<b>9,578</b>	<b>298</b>	<b>1,579</b>	<b>97</b>	<b>11,552</b>
<b>Mortgages and other guarantees</b>					
Net carrying amount of fixed assets given as real guarantees	4,165	-	-	-	4,165

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, specialized work is outsourced (i.e. sheet metalwork and manufacturing of integrated circuits ("ICs")).

The group policy is to own its buildings and to finance them partially with long-term loans. The net book value on December 31, 2008 amounts to EUR 9.6 million and is composed of:

(EUR thousands)	December 31, 2008
<b>EVS Building I</b> (16, rue Bois Saint-Jean, Ougrée - Liège)	1,795
<b>EVS Building II</b> (18, rue Bois Saint-Jean, Ougrée - Liège)	337
<b>EVS Building III</b> (6, avenue Pré Aily, Angleur - Liège) <sup>(1)</sup>	792
<b>EVS Building IV</b> (16, rue Bois Saint-Jean, Ougrée - Liège)	4,165
<b>EVS Building V</b> (3, rue Poissonrue, Huy) <sup>(2)</sup>	438
<b>EVS Building VI</b> (25, avenue Pré Aily, Angleur - Liège)	1,561
<b>EVS modular buildings</b> (16, rue Bois Saint-Jean, Ougrée - Liège)	490
<b>Total</b>	<b>9,578</b>

<sup>(1)</sup> Building rented to XDC S.A..

<sup>(2)</sup> 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 recognized as deduction of the net carrying amount of these assets for a net amount of EUR 1.0 million.

### 13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to EUR 10.2 million in 2008 versus EUR 7.0 million in 2007. 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 capitalized but recognized as expenses when incurred.

### 14. FINANCIAL ASSETS

#### 14.1. Subordinated bonds

(EUR thousands)	2008	2007
<b>Subordinated bonds</b>		
<b>Net carrying amount as of January 1</b>	<b>2,850</b>	-
- Refundable during the year	-	-
- Acquired during the year	1,427	2,850
- Result	-	-
- Others	-	-
<b>Net carrying amount as of December 31</b>	<b>4,277</b>	<b>2,850</b>

As explained in the annex 6.2 relating to the investments in associates, on December 18, 2007, EVS subscribed to a EUR 7.5 million subordinated bond issued by XDC that yields 5% interest maturing in December 2010 for a counter-value of EUR 2.9 million. In December 2008, EVS subscribed to a new EUR 6.0 million subordinated bond issued by XDC for a counter-value of EUR 1.4 million, at the same conditions as the subordinated bond issued in 2007. XDC welcomed the Société Régionale d'Investissement de Wallonie ("SRIW S.A.") as new shareholder. As part of these two subscriptions, EVS has received warrants in order to subscribe, for the the nominal counter-value of its subordinated bonds, to new XDC shares in 2010, what would dilute EVS interest in XDC down to 42.69%.

#### 14.2. Other financial assets

(EUR thousands)	2008	2007
<b>Other financial assets</b>		
<b>Net carrying amount as of January 1</b>	<b>307</b>	<b>258</b>
- Refundable during the year	-200	-160
- Acquired during the year	41	209
- Others	-	-
<b>Net carrying amount as of December 31</b>	<b>148</b>	<b>307</b>

As explained under the annex 11 relating to intangible assets, EVS has decided to benefit from the Belgian "Tax Shelter" law. In this context, the combined conditional loans made to movie production companies in 2007 amounted to EUR 67 thousand as at December 31, 2008. 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)	December 31, 2008	December 31, 2007
Raw materials	6,545	5,136
Finished goods	7,144	5,063
<b>Total at cost</b>	<b>13,689</b>	<b>10,199</b>
<b>Amounts written off at the beginning of the period</b>	<b>-4,605</b>	<b>-3,529</b>
Reversal / use of the amounts written off, net	-1,005	-1,076
<b>Amounts written off at the end of the period</b>	<b>-5,610</b>	<b>-4,605</b>
<b>Total net carrying amount</b>	<b>8,079</b>	<b>5,594</b>

Write-offs movements on inventories, which were valued at EUR 1.0 million in 2008 and at EUR 1.1 million in 2007, are accounted as charges in the costs of sales. These write-offs concern technologically obsolete stock items.

### 15.2. Construction contracts

(EUR thousands)	December 31, 2008	December 31, 2007
Direct and project related incurred costs	694	503
Noticed profit (+) / loss (-)	4,136	1,843
Value of the orders in progress at the closing date	4,830	2,346
Invoiced advances	5,008	2,346
Gross amounts due by clients for works relating to contracts	767	947

Advances received from customers for construction contracts amounted to EUR 5,008 thousand at December 31, 2008, compared to EUR 2,346 thousand at December 31, 2007. Revenues relating to work in progress during 2008 amounted to EUR 6,127 thousand.

## 16. TRADE AND OTHER RECEIVABLES

(EUR thousands)	December 31, 2008	December 31, 2007
Trade receivables	10,167	14,116
Amounts receivable linked to joint ventures	139	174
Other related parties	60	64
<i>Total trade receivables</i>	<i>10,366</i>	<i>14,354</i>
Deferred tax assets	48	94
Other amounts receivable	324	266
<b>Total</b>	<b>10,738</b>	<b>14,714</b>

The outstanding trade receivables decreased by EUR 3,988 thousand, primarily due to the low revenue increase booked during the fourth quarter 2008. 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 34-day terms.

## 17. CASH AND CASH EQUIVALENTS

(EUR thousands)	December 31, 2008	December 31, 2007
Cash at bank and in hand	6,581	2,550
Short-term deposits	38,873	32,965
<b>Total</b>	<b>45,454</b>	<b>35,515</b>

The short term deposits run from overnight to less than six 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 February 17, 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 77,095
		<b>1,100</b>	<b>210,710</b>
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	70,855 675,304
		<b>1,272</b>	<b>1,199,309</b>
<b>25.09.98</b>	<b>Stock split by 2,000:1</b>	<b>2,544,000</b>	<b>1,199,309</b>
14.10.98	Initial Public Offering Incorporation of share premium	+ 200,000	94,284 7,342,522
		<b>2,744,000</b>	<b>8,636,115</b>
07.09.99	Issuance of 119,952 shares for exchange with NETIA shareholders Incorporation of reserves	119,952	7,197,120 166,765
		<b>2,863,952</b>	<b>16,000,000</b>
25.05.03	Treasury shares cancellation	-63,952	-
		<b>2,800,000</b>	<b>16,000,000</b>
24.02.04	Capital reimbursement	-	-8,137,521
15.03.04	Issuance of 15,000 shares after the exercise of warrants	15,000	480,000
		<b>2,815,000</b>	<b>8,342,479</b>
<b>09.05.05</b>	<b>Stock split by 5:1</b>	<b>14,075,000</b>	<b>8,342,479</b>
19.06.06	Treasury shares cancellation	-200,000	-
<b>Capital on</b>	<b>December 31, 2008</b>	<b>13,875,000</b>	<b>8,342,479</b>

### 18.2. Issued capital and treasury shares

As of December 31, 2008, 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 2008, the capital of EVS remained unchanged. As of December 31, 2008, 126,650 issued warrants at EUR 46.41 per share are exercisable between March 2009 and April 2013.

The management estimates that the level of capital of EVS is sufficient, as shareholders' equity represents 80.0% of the total balance sheet at the end of 2008.

### 18.3. Authorized capital

In accordance with the resolutions adopted by the Extraordinary General Meetings of September 25, 1998, September 7, 1999 and June 15, 2004, the Board of Directors is authorized to increase the share capital in one or more installments up to a maximum of EUR 8,000,000, including share premium. The authorization granted to the Board of June 15, 2004 was renewed for a duration of 5 years as from the publication of the deliberation of the postponed Extraordinary General Meeting of June 11, 2007. These increases in capital can be realized through cash subscriptions, contributions in kind or incorporation of reserves. Within the limits of this authorization, 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 favor 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 authorized 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 June 11, 2007.

## 18.4. Staff incentive program

### 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 program 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 authorization by the Extraordinary General Meeting of the company. In view of the 126,650 warrants exercisable at the end of 2008 (171,150 at the end of 2007), the dilution effect represents 0.9% of the share capital, this being more than offset by the 330,134 treasury shares, which represent 2.4% 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 September 7, 1999 and May 16, 2000, 400,000 warrants (amount recalculated after division of the share in 2004) were issued in favor of the personnel of the EVS Group. The Extraordinary General Meeting of May 21, 2002 issued 350,000 additional warrants in order to bring the total number to 750,000. As of December 31, 2008, 684,300 of these warrants had been distributed, 471,000 exercised and 86,650 cancelled following departures or repurchased following sales of subsidiaries, which means that 126,650 can be exercised as of December 31, 2008. These warrants may be exercised between March 1, 2009 and April 30, 2013, with a weighted average maturity on October 13, 2011. They have an average exercise price of EUR 46.41 per share. In the course of the period, 67,650 warrants were granted, 111,000 exercised and 1,150 cancelled following the departure of personnel.

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

	2008		2007	
	Number	WAPP (EUR)	Number	WAPP (EUR)
<b>In circulation at the beginning of the period</b>	<b>171,150</b>	<b>20.94</b>	<b>170,900</b>	<b>20.56</b>
Granted during the period	67,650	54.73	1,750	57.69
Exercised during the period <sup>(1)</sup>	-111,000	12.24	-	-
Cancelled during the period	-1,150	43.68	-1,500	20.60
<b>In circulation at the end of period</b>	<b>126,650</b>	<b>46.41</b>	<b>171,150</b>	<b>20.94</b>

<sup>(1)</sup> The average share price (closing) during the exercise period in 2008 was EUR 65.40.

The warrants in circulation as of December 31, 2008 and exercisable over the next 5 years are as follows:

Expiry date	Average exercise price (EUR)	Number on December 31, 2008	Number on December 31, 2007
30 April 2009	12.24	1,000	112,000
30 April 2010	26.22	3,000	3,000
30 April 2011	37.66	54,000	54,400
30 April 2012	65.66	1,000	1,750
30 April 2013	54.73	67,650	-
<b>Total</b>		<b>126,650</b>	<b>171,150</b>

In accordance with IFRS 2, the warrants are valued on the grant date in order to be charged over the useful life of the warrant. The Black & Scholes model has been used coherently for this valuation, on the basis of volatilities, yield of historical and/or expected dividends. The key parameters in the Black & Scholes model are the volatility of EVS share (between 20% and 40%), the interest rate without risk (taken between 3% and 5%) and the dividend return (taken between 2.5% and 6.0%).

### 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 May 20, 2008 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 2007. Taking into account tax implications for the company, each employee received a number of shares included between 20 and 40 (net of taxes and proportionally to the hiring date and the time spent for each person), what represented 4,961 shares in total to a maximum of 141 group's employees, or EUR 0.2 million.

## 18.5. Treasury shares buy back

Treasury shares buy back was approved by the postponed Extraordinary General Meeting of June 19, 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 July 5, 2006 (date of publication in the appendices to the "Moniteur Belge" of the amendment to the statutes decided by the Extraordinary General Meeting dated June 19, 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 June 10, 2008, authorization to buy back treasury shares has been modified in Article 8 bis, Paragraph 2, clause 1 of the statutes as follows "According to article 620, section 1, paragraphs 1 to 4 of the Code of Companies, the Board of Directors is authorized (...) for a period of eighteen (18) months from June 10, 2008, to purchase a maximum of ten per cent (10%) of the total number of shares issued by the company, fully paid up, at a minimum unit price of EUR 1 and at a maximum unit price not higher than 20% above the highest closing stock market price of the company's shares on Euronext Brussels during the 20 trading days preceding such acquisition, and in the respect of conditions of article 620 of Code of Companies. Such authorization extends to the acquisition of shares of the company by its direct subsidiaries, as such subsidiaries are defined by legal provisions on acquisition of shares of the parent company by its subsidiaries. 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 December 31, 2008 was 330,134 compared to 305,871 as of December 31, 2007. Following the change in Belgian legislation on January 1, 2009, the Board of Directors intends to ask for the renewal of this authorization in 2009 for a period of 5 years.

In 2008, the number of treasury shares increased in number (Nb) and in weighted average prices (WAP) as follows:

	2008		2007	
	Number	WAP (EUR)	Number	WAP (EUR)
<b>At the beginning of the period</b>	<b>305,871</b>	<b>26.45</b>	<b>272,209</b>	<b>21.99</b>
Buy back on the market	144,778	49.94	38,775	57.33
Sales on the market	-	-	-	-
Treasury shares cancellation	-	-	-	-
Sales linked to the staff incentive program	-120,515	30.86	-5,113	23.13
<b>At the end of the period</b>	<b>330,134</b>	<b>35.14</b>	<b>305,871</b>	<b>26.45</b>

#### 18.6. Reserves

(EUR thousands)	December 31, 2008	December 31, 2007
Legal reserve	838	838
Non taxable reserves for Tax Shelter	1,176	2,925
Reserves available for distribution	82,998	69,250
Reserves for treasury shares	-11,601	-8,090
Interim dividends	-13,586	-10,867
<b>Reserves</b>	<b>59,825</b>	<b>54,056</b>

##### *Non-taxable reserves for Tax Shelter*

It corresponds to the non-taxable investment and conditional loans made in the framework of the Belgian provision known as "Tax Shelter" explained in the annex 11 of the present report, i.e. EUR 675 thousand for 2004 and EUR 750 thousand for 2005, 2006 and 2007, and EUR 250 thousand for 2008, less definitively non taxable amounts (EUR 1,999 thousands).

##### *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 recognized 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 recognized under a distinct heading of equity.

## 19. INTEREST-BEARING LOANS

(EUR thousands)	December 31, 2008	December 31, 2007
<b>Long-term financial debts</b>		
Bank loans	1,702	1,980
Long-term finance lease obligations	-	-
Other long-term debts	9	9
<b>Amount due within 12 months (shown under current liabilities)</b>		
Bank loans	299	309
Long-term finance lease obligations	-	-
Other short-term debts	-	-
<b>Total financial debt (short and long-term)</b>	<b>2,010</b>	<b>2,298</b>
<b>The total financial debt is repayable as follows :</b>		
- within one year	299	309
- after one year but no more than five	1,151	1,139
- more than five years	560	850

### Credit lines

As of December 31, 2008, 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 0.5 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 December 31, 2008 have the following details:

(EUR thousands)	Nominal value	Maturity	Effective interest rate	Remaining balance	Net book value	Guarantee on asset
<b>Bank loans :</b>						
Buildings I & II	980	2015	fixed 3.4%	637	2,132	-
Building IV	2,500	2015	fixed 4.3%	1,343	4,165	3,250

It is advisable to observe that the financial debts cover only 31% of the net book value at December 31, 2008.

## 20. PROVISIONS

(EUR thousands)	Litigations	Other provisions	Total
<b>Provisions</b>			
As January 1, 2008	761	-	761
Arising during the year	400	-	400
Utilized	-41	-	-41
Reversed	-	-	-
Others	-	19	19
<b>As of December 31, 2008</b>	<b>1,120</b>	<b>19</b>	<b>1,139</b>
Current 2007	-	-	-
Non-current 2007	761	-	761
Current 2008	-	-	-
Non-current 2008	1,120	19	1,139

The provisions registered in the consolidated accounts mainly 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)	December 31, 2008	December 31, 2007
Trade payables	3,205	2,159
Amounts payable linked	200	436
Other related parties	24	84
<i>Total trade payables</i>	<i>3,429</i>	<i>2,679</i>
Other payables	993	502
Accrued charges	420	51
Deferred income	310	414
<b>Total</b>	<b>5,152</b>	<b>3,646</b>

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 967 thousand in 2008 and EUR 648 thousand in 2007.

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

(EUR thousands)	2008	2007
Within one year	914	642
After one year but no longer than five years	1,700	1,080
Longer than five years	-	-
<b>Total</b>	<b>2,614</b>	<b>1,722</b>

In the event of cancellation of the operating leases as at December 31, 2008, a compensation of around EUR 37 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 462 thousand as of December 31, 2008 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 the building IV, having a net book value of EUR 4,165 thousand as of December 31, 2008 (see note 12).

## 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 16 and 21).

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

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

(EUR thousands)		Sale to related parties	Purchases from related parties	Amounts due by related parties	Amounts owed to related parties
<b>Related parties</b>					
<b>Associates:</b>					
MECALEC S.A.	2008	1	-736	-	-24
	2007	1	-590	1	-77
XDC S.A.	2008	83	-1	19	-
	2007	117	-1	26	-
FAR S.A.	2008	30	-	41	-
	2007	24	-	37	-7
<b>Joint venture:</b>					
EVS China LTD	2008	1,058	-	139	-200
	2007	1,991	-523	174	-436
<b>Total</b>	<b>2008</b>	<b>1,172</b>	<b>-737</b>	<b>200</b>	<b>-224</b>
	<b>2007</b>	<b>2,133</b>	<b>-1,114</b>	<b>238</b>	<b>-520</b>

### 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. Directors have attended all Board Meetings except Laurent Minguet (1/8), BIP Investment Partners (4/7 – resigned on November 21, 2008) Francis Bodson (7/8) and Pierre Rion (7/8). Besides a total of 8,000 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 2008 by the EVS Group to the members of the Board of Directors was EUR 716 thousand compared to EUR 835 thousand in 2007. This mainly represents the remuneration paid to the Executive and Managing Directors. In 2008, there were no unusual transactions between the Directors and the company.

As of December 31, 2008 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, 2,901,701 shares of a total of 13,875,000, or 20.9% of the capital.

## 24. AUDITOR

In 2008, 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 amounted to EUR 45,284 in aggregate for its duties as Auditor (EUR 34,900) and also for other duties (EUR 10,384).

## 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.

## 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 six months to one year.

In its current structure, the group's exposure is mainly linked to the EUR/USD risk. The group invoices all clients in euro, except the United States (in USD), while a lot of operational and fiscal expenses are libeled in USD. As a result, 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, the group hedges 50% of the exchange rate risk on estimated net future flows, mainly through forward foreign exchange contracts (in USD).

Foreign exchange contracts are off balance sheet items, and are revalued at each closing at their market value. The generated exchange rate profit or loss is recorded in the financial result.

At the end of December 2008, the group held USD 8.0 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)	Impact of the revaluation at the fair value on Dec. 31, 2008 (EUR)
2,000,000	USD	February 12, 2009	1.43	1,394,214	-42,877
1,000,000	USD	August 7, 2009	1.51	660,720	-57,825
1,000,000	USD	August 13, 2009	1.48	674,764	-43,782
1,000,000	USD	August 28, 2009	1.44	694,059	-24,487
1,000,000	USD	November 19, 2009	1.28	788,271	69,725
1,000,000	USD	November 24, 2009	1.25	798,658	80,113
1,000,000	USD	December 3, 2009	1.27	789,515	70,969
<b>8,000,000</b>	<b>USD</b>	<b>August 7, 2009</b>	<b>1.38</b>	<b>5,800,201</b>	<b>51,836</b>

## 27. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

On March 17, 2009, EVS acquired a land and a building adjacent to the headquarters of the company, for a value of EUR 0.7 million. It has been financed through shareholders' equity.

No significant event arose after the balance sheet date, except the information communicated on February 19, 2009.

# 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 90,247 thousand, representing 81.5% of the consolidated amount.

The profit of the year amounts to EUR 41,160 thousand, i.e. a decrease of EUR 892 thousand compared to 2007. The balance sheet total amounts to EUR 94,224 thousand.

During 2008, EVS subscribed to a EUR 6.0 million subordinated bond issued by XDC S.A. for an amount of EUR 1.4 million.

In December 2008, EVS Broadcast Ltd. (Hong Kong) paid a dividend to EVS for an amount of EUR 7.0 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)	2008	2007
<b>Operating income</b>	<b>95,180</b>	<b>81,328</b>
A. Turnover	90,247	79,316
B. Increase (+) / Decrease (-) in stocks of finished goods, work and contracts in progress	4,294	1,218
C. Other operating income	639	794
<b>Operating charges</b>	<b>-40,295</b>	<b>-29,797</b>
A. Raw materials, consumables and goods for resale	10,479	7,692
1. Purchases	11,889	7,444
2. Increase (-) / Decrease (+) in stocks	-1,410	248
B. Services and other goods	14,058	9,528
C. Remuneration, social security costs and pensions	12,131	9,225
D. Depreciation of and other amounts written off on formation expenses, intangible and tangible fixed assets	1,761	1,318
E. (+) / (-) in amounts written off on stock and trade debtors	1,055	1,058
F. (+) / (-) in provisions for liabilities and charges	359	112
G. Other operating charges	452	864
<b>Operating profit</b>	<b>54,885</b>	<b>51,531</b>
<b>Financial income</b>	<b>10,614</b>	<b>10,535</b>
A. Income from financial assets	7,197	8,002
B. Income from current assets	1,037	1,034
C. Other financial income	2,380	1,499
<b>Financial charges</b>	<b>-5,015</b>	<b>-2,600</b>
A. Interest and other debt charges	171	166
B. Write-offs on current assets other than stocks, work in progress and trade receivables (+, -)	3,183	-
C. (+) / (-) in amounts written off on current assets	1,661	2,434
<b>Profit on ordinary activities before taxes (+,-)</b>	<b>60,484</b>	<b>59,466</b>
Extraordinary income	82	3
Extraordinary charges	-13	-2
<b>Result for the period before taxes (+, -)</b>	<b>60,553</b>	<b>59,467</b>
Transfer from deferred taxation	30	32
Income taxes	-19,423	-17,447
<b>Result for the period (+, -)</b>	<b>41,160</b>	<b>42,052</b>
<b>Result for the period available for appropriation (+, -)</b>	<b>41,160</b>	<b>42,052</b>
<b>Appropriation account</b>		
A. Result to be appropriated	41,160	42,052
1. Result for the period available for appropriation	41,160	42,052
B. Transfers from capital and reserves	-	-
1. From reserves	-	-
C. Transfers to capital and reserves	-6,995	-10,772
1. To other reserves	6,995	10,772
D. Distribution of profit	-34,165	-31,280
1. Dividends	33,633	31,061
2. Other equivalentents	532	219

## BELGIAN GAAP STATUTORY BALANCE SHEET

<b>ASSETS</b> <b>(EUR thousands)</b>	<b>31.12.08</b>	<b>31.12.07</b>
<b>Fixed assets</b>	<b>22,753</b>	<b>19,606</b>
Intangible assets	1,491	830
Tangible assets	9,501	8,135
A. Land and buildings	7,849	6,198
B. Plant, machinery and equipment	295	101
C. Furniture and vehicles	1,357	831
D. Assets under construction and advance payments		1,005
Financial assets	11,761	10,641
A. Affiliated companies	606	914
1. Participating interests	606	167
2. Amounts receivable		747
B. Other companies linked to participating interests	11,152	9,725
1. Participating interests	6,875	6,875
2. Amounts receivables	4,277	2,850
C. Other financial assets	3	2
1. Participating interests	2.5	2
2. Receivable and cash guarantee	0.5	-
<b>Current assets</b>	<b>71,470</b>	<b>64,113</b>
Amounts receivable after more than one year	67	240
A. Other amounts receivable	67	240
Stocks and contracts in progress	12,159	7,460
A. Stocks	7,329	5,113
1. Raw materials and consumables	5,188	3,652
2. Goods in process	-	79
3. Finished goods	2,141	1,382
B. Goods in process	4,830	2,347
Amounts receivable within one year	8,881	18,606
A. Trade debtors	8,560	18,397
B. Other amounts receivable	321	209
Investments	46,815	35,886
A. Treasury shares	8,418	8,090
B. Other investments and deposits	38,397	27,796
Cash at bank and in hand	2,813	1,198
Deferred charges and accrued income	735	723
<b>TOTAL ASSETS</b>	<b>94,223</b>	<b>83,719</b>

<b>LIABILITIES (EUR thousands)</b>	<b>31.12.08</b>	<b>31.12.07</b>
<b>Capital and reserves</b>	<b>53,795</b>	<b>46,858</b>
<b>Capital</b>	<b>8,342</b>	<b>8,342</b>
A. Issued capital	8,342	8,342
<b>Reserves</b>	<b>44,815</b>	<b>37,820</b>
A. Legal reserve	834	834
B. Reserves not available for distribution	8,418	8,090
1. In respect of treasury shares	8,418	8,090
C. Not taxable reserves	1,176	2,925
D. Reserves available for distribution	34,387	25,971
<b>Investment grants</b>	<b>638</b>	<b>696</b>
<b>Provisions and deferred taxation</b>	<b>2,060</b>	<b>2,955</b>
A. Provision for liabilities and charges	1,732	2,596
B. Deferred taxation	328	359
<b>Creditors</b>	<b>38,368</b>	<b>33,906</b>
<b>Amounts payable after one year</b>	<b>1,711</b>	<b>1,989</b>
A. Financial debts	1,702	1,980
1. Credit institutions	1,702	1,980
B. Other amounts payable	9	9
<b>Amounts payable within one year</b>	<b>35,979</b>	<b>31,494</b>
A. Current portion of amounts payable after one year	299	309
B. Financial debts	-	1,652
C. Trade debts	3,726	2,828
1. Suppliers	3,726	2,828
D. Advances received on orders	5,008	2,381
E. Taxes, remuneration and social security	5,555	3,444
1. Taxes	1,834	836
2. Remuneration and social security	3,721	2,608
F. Other amounts payable	21,391	20,880
<b>Accrued charges and deferred income</b>	<b>678</b>	<b>423</b>
<b>TOTAL LIABILITIES</b>	<b>94,223</b>	<b>83,719</b>

## APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS

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Capital as of December 31, 2008 (EUR thousands)	Amounts	Number of shares
<b>A. Share capital</b>		
1. Issued capital	8,342	13,875,000
2. Structure of capital		
2.1. Different categories of shares		
Shares without face value	8,342	13,875,000
2.2. Registered shares and bearer shares		
Registered shares – as of December 31, 2008		2,573,780
Bearer shares – as of December 31, 2008		11,301,220
<b>B. Treasury shares held by the company itself</b>	<b>8,418</b>	<b>330,134</b>
<b>C. Commitments to issue shares</b>		
1. Following the exercise of subscription rights		
- Number of outstanding subscription rights		126,650
- Amount of capital to be issued	5,878	
- Maximum number of shares to be issued		126,650
<b>D. Amount of authorized capital, not issued</b>	<b>8,000</b>	