ANNUAL REVIEW 2016

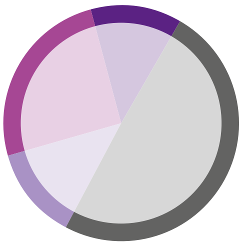
BREAKDOWN OF STAFF BY DEPARTMENT
(AS OF 31 DECEMBER 2016) (%)

12.5
SALES & MARKETING

25.1
PRODUCTION & OPERATIONS

12.9
CORPORATE SERVICES

49.5
R&D



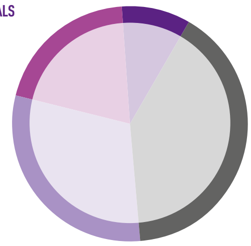
SPLIT OF 2016 REVENUE
BY REGION (%)

9.3
BIG EVENT RENTALS

19.9
APAC

30.4
NALA

40.4
EMEA

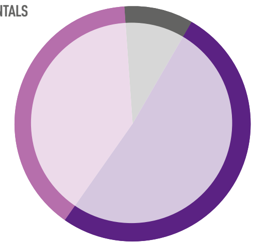


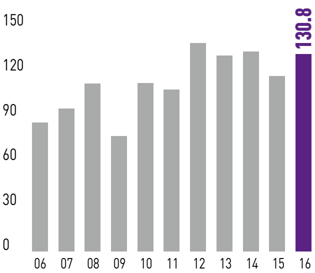
SPLIT OF 2016 REVENUE (%)

9.3
BIG EVENT RENTALS

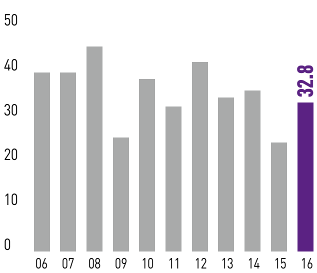
51.5
OUTSIDE BROADCAST VANS

39.2
STUDIOS & OTHERS

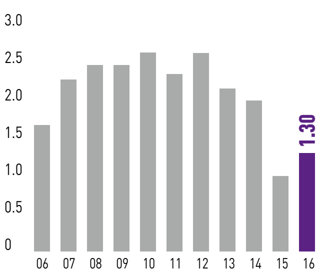




REVENUE
(EUR MILLIONS)



NET PROFIT
(EUR MILLIONS)



GROSS DIVIDEND
PER SHARE (EUR)

EUR 130.8
MILLION SALES IN 2016

35.3%
EBIT MARGIN IN 2016

4.2%
DIVIDEND YIELD IN 2016

WHO ARE WE?

EVS is a company headquartered in **Belgium**, with 20 offices in **Europe**, the **Middle East**, **Asia** and **North America**.

Its 481 employees sell its branded products in over **100 countries**, and provide customer support globally. Founded in 1994, its innovative Live Slow Motion system revolutionized live broadcasting. Its reliable and integrated solutions, based around its market-leading XT server range, are now widely used to deliver live productions worldwide.

WHAT DO WE DO?

EVS is the industry leader in **premium technologies** that enrich and manage live video assets, enabling its customers to engage audiences and monetize their content across multiple platforms. The industry-**leading** broadcast and media production systems of EVS are used by broadcasters, production companies, post-production facilities, film studios, content owners and archive libraries around the globe, to support primarily the production of their **sport**, **entertainment** and **news programs**.

CONTENT

A VERY GOOD YEAR FOR EVS

PATRICK TILLIEUX,
CHAIRMAN OF THE BOARD OF DIRECTORS

MURIEL DE LATHOUWER,
MANAGING DIRECTOR & CEO

INTERVIEW WITH THE CHAIRMAN AND THE MANAGING DIRECTOR

"WE CAN AGAIN BE VERY PROUD OF THE IMPORTANT ROLE PLAYED BY OUR SOLUTIONS AND OUR DEVELOPMENT AND SUPPORT TEAMS IN THE MAJOR SPORTING EVENTS OF THE SUMMER."

HOW WOULD YOU ASSESS 2016?

PATRICK TILLIEUX — 2016 was a very good year for our company in terms of projects and financial performance. Among the projects, we can again be very proud of the important role played by our solutions and our development and support teams in the major sporting events of the summer. Time and again, they highlight our leadership in live production systems.

MURIEL DE LATHOUWER — On the financial level, we can be very satisfied with the revenue level in 2016 (EUR 130.8 million). In addition, we kept our operating costs under control for the second year running (stable in 2016 compared with 2015). The combination of these two factors resulted in an operating margin of 35.3% for 2016.

MURIEL DE LATHOUWER AND THE EXECUTIVE COMMITTEE

PATRICK TILLIEUX — Based on these results, and on the plans we have in terms of growth, we will propose to the Ordinary General Meeting in May 2017 a gross total dividend of EUR 1.30 (including the gross interim dividend of EUR 0.60 paid in November 2016). This represents a distribution ratio of 53.5%, and a dividend yield of 4.2%.

MURIEL DE LATHOUWER — In 2016, we also continued the expansion of our product line in order to respond to technological developments and offer pragmatic innovations to the broadcast industry. These satisfy our customers' requirements which are becoming increasingly demanding in terms of both flexibility and efficiency. For instance, we launched the XT4K server and secured some major references for our Dyvi video switcher.

WILL 2017 BE THE YEAR OF 4K?

MURIEL DE LATHOUWER — 4K (or Ultra High Definition) is one of the key themes in the industry. The increase in screen resolution will lead to a new cycle of equipment replacement, but we don't think that will cause an acceleration in the server upgrades. There are other growth areas that are attracting much attention, such as the arrival of IP networking technologies and the growing demand for multiplatform distribution solutions. In parallel with these growth areas which are market-driven, we are going to continue working on some new growth initiatives. We want to find new development niches for EVS while remaining focused on the reason why our customers like us best: live production.

PATRICK TILLIEUX — I would like to highlight the important work done by our management team, which was strengthened in 2016 with the arrival of some experienced managers. This undoubtedly provides a firm foundation for building our future. The considerable dynamism which this new impetus has generated within EVS is today helping to foster innovation and accelerate our product development processes. The management team is also working on some new avenues for growth, including by acquisition. The Board of Directors is convinced of the relevance of this option, and will assess any proposals in the interests of all concerned.

Lastly, I would like to thank all those who place their trust in EVS: customers, suppliers and shareholders, and especially all the employees in our group around the world. Day after day, they devote their energy and passion to the service of EVS. They are central to the success of our future plans. Thank you to everyone!

4.2%

DIVIDEND YIELD IN 2016

FIND OUT MORE ONLINE
WWW.EVS.COM

2016 HIGHLIGHTS

THE HIGHLIGHTS TELL OUR STORY – ONE THAT STARTS WITH A VISION CARRIED THROUGH OUR SOLUTIONS, PEOPLE AND SERVICE. THANKS FOR MAKING OUR YEAR SO NOTABLE.

CUSTOMERS

Key customers have reiterated their long-term confidence in EVS solutions, with continuing upgrades of their platforms towards the XT3 platform supporting the business, such as Gravity Media Group (UK). EVS also signed the first contracts relating to the XT4K platform, including with customers in Asia, with Mediapro in Spain or NEP in the US. Various stadiums in the world chose EVS solutions, such as Olympique Lyonnais and the FanCast solution. Finally, EVS signed major references for the video switcher Dyvi, including Francis F. Coppola and its live movie project.

FAN ENGAGEMENT

Fans are more and more connected and engaged with live sports, viewing and interacting with content on screens of all shapes and sizes. From many events in many countries, EVS demonstrated its innovation power by bringing enriched content repurposed for the connected fans, at home or directly in the stadiums.

INNOVATION

EVS focuses on practical innovation, and unbridled commitment to market needs drives all EVS developments.
The XT4K server was launched in 2016, and is already at the heart of many productions in ultra-high definition.
Xeebra, the solution dedicated to assist referees in their decision making, also received a very good feedback from the market at its launch.

> 90%

MARKET SHARE IN OUTSIDE BROADCAST VANS

EMOTION

A year of big moments in live events, broadcasted around the world with remarkable clarity and realism. At the heart of the production of the big sporting events of the 2016 summer, in France and Brazil, EVS contributed, once more, to bring the emotion of sport to hundreds of millions of viewers, worldwide.

INSIDE EVS

After the appointment of Muriel De Lathouwer as Managing Director & CEO of EVS in February 2015, the company improved again its organization to better answer the business needs, that are in constant evolution. In 2016, the management of the company was reinforced with seasoned executives, what forms a firm foundation for building the future of EVS.

RECOGNITION

EVS was proud to score big this year with wins that included a prestigious EMMY award for the zooming 4K technology of Epsio, the TVB Award (Live Broadcast Solutions) for the Sandbox LiveIP project at VRT, the TVB Europe Best of Show (IBC) for the XT4K server, the IABM Game Changer Award (NAB) for Xeebra, or the Value Creation Award given by Value Square (which rewards the company listed on Euronext Brussels that created the highest value over the last 10 years).

VISIT

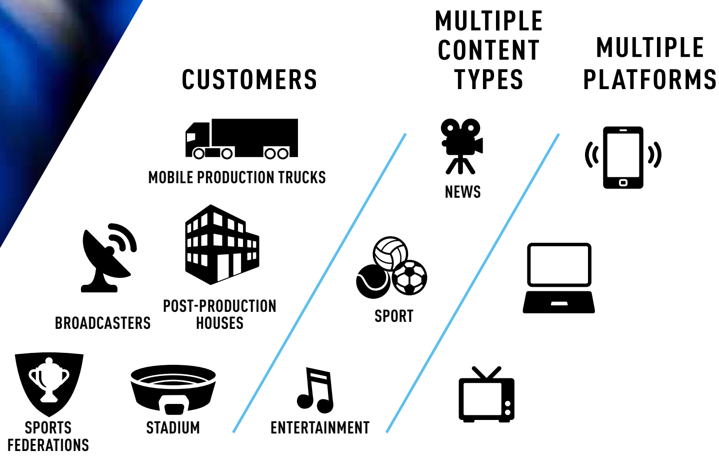
In March 2016, Philippe, the King of Belgium and Mathilde, the Queen, discovered the new headquarter of EVS, during the State Visit of the German President, Joachim Gauck. This visit was the opportunity for the EVS hosts to learn more about the unique technologies of the company, and to put themselves in the position of a replay operator. A nice recognition for EVS and its employees !

OUR STRATEGIC PRIORITIES

EVS CORE MISSION IS TO PROVIDE PREMIUM TECHNOLOGIES TO ENRICH AND MANAGE LIVE VIDEO ASSETS,

ENABLING ITS CUSTOMERS TO ENGAGE AUDIENCES AND MONETIZE THEIR CONTENT ACROSS MULTIPLE PLATFORMS. TO ACHIEVE THIS, EVS HAS DEVELOPED A STRATEGY WITH DIFFERENT APPROACHES.

MARKET APPROACH



AN INDUSTRY IN MOVEMENT

Since its creation in 1994, EVS has worked to identify the major technological and social trends that will impact production workflows in the broadcast industry, while being very attentive to customer needs. This approach has allowed EVS to build long term partnerships with customers and offer targeted solutions for their needs.

EVS continues to benefit from major structural trends that contribute to driving the business.

TECHNOLOGY

The most important technology transition playing out in the broadcast industry today is the adoption of IP-based technologies, which enables more agile and scalable workflows, including a wider use of cloud-based solutions and remote productions.

IP4Live is EVS' strategic approach is leading the transition to IP/IT-based infrastructures for live production. The program consists of new solutions (including new products and workflows), thought leadership on the successful transition to IP-based production, and proven reference designs for IP/IT-based production infrastructures. As part of the IP4Live program, EVS is introducing innovations such as the DYVI platform or the Xeebra solution, making improvements to existing products, and fundamentally developing new approaches such as remote production and multiple concurrent workflows that share the same infrastructure. EVS is also working with technology partners and organizations such as AIMS (Alliance for IP Media Solutions) to bring the critical benefits of IP to customers and to the industry as a whole.

Like remote production, virtualization in private or public cloud infrastructures is continuing to gain in importance and application, driven by the desire to further tap into the IP ecosystem and benefit from the advantages offered by datacenter operations.

IMAGE QUALITY - CAMERAS

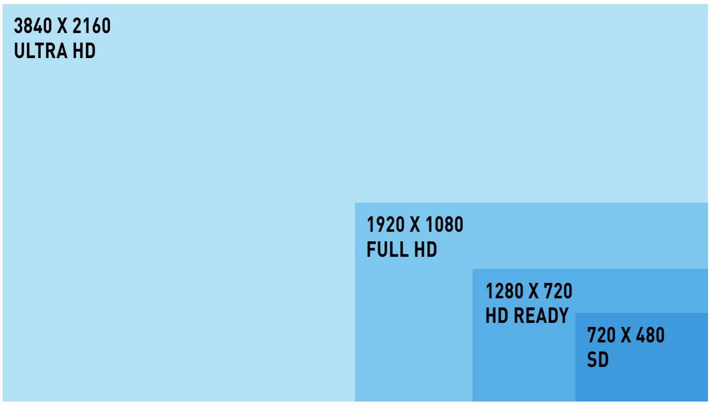
While the rollout of High Definition (HD) is not yet complete, the industry is already beginning to move to Ultra High Definition (UHD). In addition to UHD, High Dynamic Range (HDR: a technique used to reproduce a greater dynamic range of luminosity than is possible with standard techniques) and Higher Frame Rate (HFR: increasing the number of frames per second to magnify the UHD effect) will also require technology evolutions in the broadcast industry, and could drive further equipment upgrades.

CONTENT

Live is king. The emergence of new players, including OTT platforms such as Netflix, Hulu or Apple, puts pressure on traditional TV channels. Live content is a key differentiator for traditional broadcasters. And live content is mainly made up of sports (44 out of the top 50 live viewed TV programs in the US in 2016), news bulletins and entertainment shows.

ULTRA HIGH DEFINITION

4K UHD IS A RESOLUTION OF 3840 PIXELS × 2160 LINES (8.3 MEGAPIXELS, ASPECT RATIO 16:9) AND IS ONE OF THE TWO RESOLUTIONS OF ULTRA-HIGH DEFINITION TARGETED TOWARDS CONSUMER TELEVISION, THE OTHER BEING 8K UHD (7680 PIXELS × 4320 LINES; 33.2 MEGAPIXELS). UHD HAS TWICE THE HORIZONTAL AND VERTICAL RESOLUTION OF THE 1080P FULL HD FORMAT, WITH FOUR TIMES AS MANY PIXELS OVERALL.



SOCIAL NETWORKS – FAN ENGAGEMENT

Today, young generations don't just watch TV. Smartphones have invaded our daily lives, and more than half of TV viewers say they like to keep up with shows so they can join the conversation on social media (source: Nielsen). Broadcasters are looking at new ways to keep audiences engaged longer on "second screens" (smartphones and tablets) in order to capture the flows of revenue that are moving online.

In the same way, stadium owners are seeking to further enhance the fan experience with appropriate infrastructures and apps that make fans even more engaged.

COMMON CORE TECHNOLOGY AND TARGETED APPROACHES

The XT hardware platform (XT3 or XT4K) is the core of the EVS solutions. This server platform has established itself as the fastest, most reliable and most utilized broadcast tool for live production. The close partnerships developed between EVS teams across the globe and the world's leading broadcasters have led to significant developments around its core foundation. Empowering the hardware platform with a multitude of software applications has given broadcasters the ability to manage, control, browse, edit and orchestrate media across a complete network of interconnected technologies.

LIVE PRODUCTION

For over 20 years EVS has been leading broadcast technology advancements with solutions designed specifically for live production. In 1994 we pioneered tapeless live replays, effectively revolutionizing sports broadcasting.

Our solutions are based on the most reliable, proven server technology available and provides users with the ability to take advantage of high-speed, real-time content ingest, editing and enrichment. EVS' commitment to future-proof solutions means users can easily adopt 1080p and UHD/4K technologies and take advantage of our pragmatic approach for the adoption of IP workflows through our IP4Live strategy.

Recognized as a trusted partner to broadcasters and content producers globally, EVS continues to build on its reputation for quality and reliability. We enable our partners to enhance their live coverage of sports, entertainment, music festivals and major cultural events.

EVS knows the importance of live. It's in our DNA.

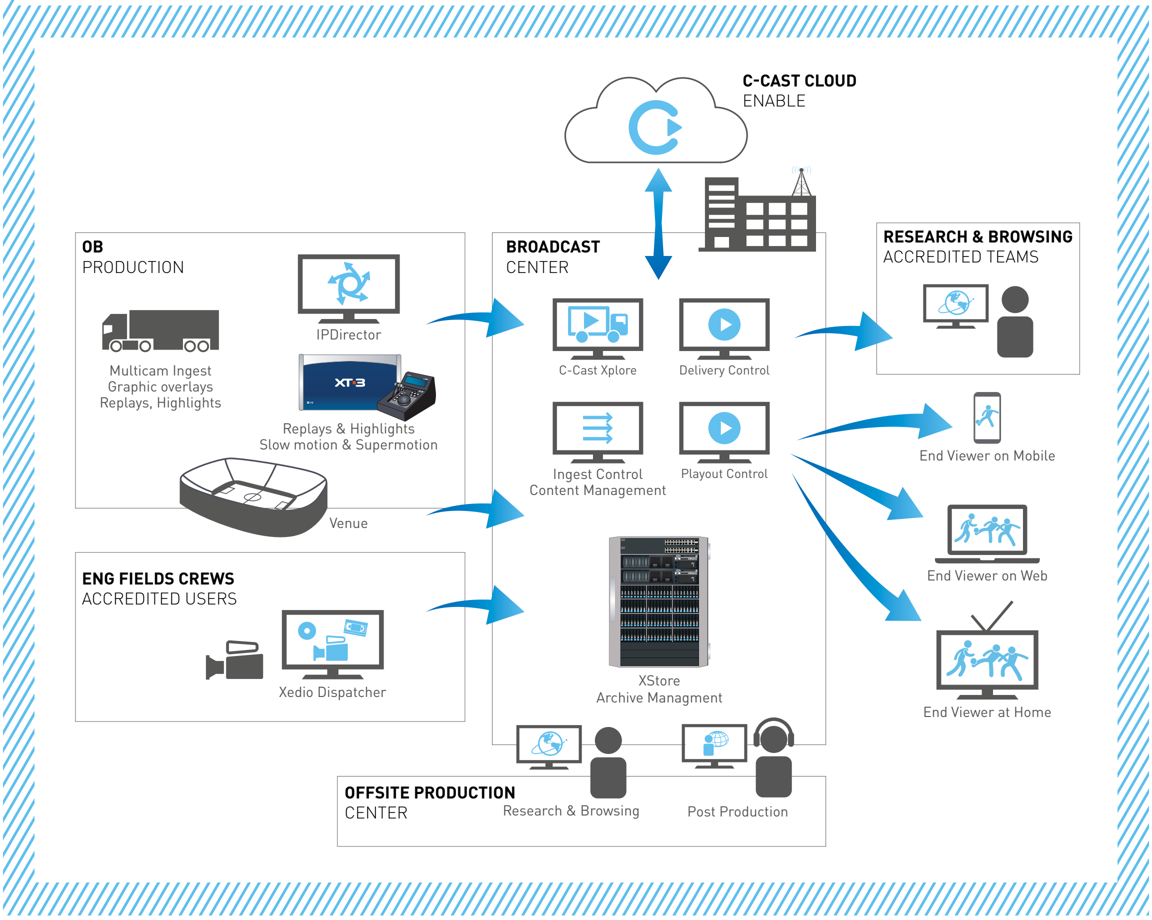
BROADCAST CENTERS

EVS provides maximum efficiency for demanding productions where deadlines are extremely tight.

Our integrated solutions offer a robust and blazing fast method to record, edit and play back countless hours of content for news and sports productions. Intuitive tools enable all content to be logged, tagged and stored, allowing any producer or editor instant access to all online and nearline media through browse and search tools. EVS systems can be tailored to specific workflow needs, integrating other departments for the repurposing or post-production of any type of content at any given time. In addition, second-screen multimedia content packages can be created and distributed efficiently to your connected viewers.

"WE KNOW THE IMPORTANCE OF LIVE. IT'S IN OUR DNA."

THE EXPERT IN TAPELESS DIGITAL VIDEO TECHNOLOGY SOLUTIONS (GENERIC WORKFLOW IN SPORTS)



MULTICAM STUDIO PRODUCTION

The rise of live TV shows and reality programming requires the near real-time interactivity and ultra-fast turnaround first pioneered by live sports and news. Studio and on-site productions are fast adopting tailored, open entertainment workflows for the flexibility they provide.

Our advanced server-based solutions provide concerts, stage shows, reality TV, talk and game shows and TV series with ultra-reliable playback and recording, and the tools to enable the efficient ingest, editing and enrichment of content in a highly collaborative, integrated environment.

MULTIMEDIA DISTRIBUTION

Sports and entertainment fans want to know more about the action. They want to see it from every available angle, be able to analyze it themselves as well as hear from experts, and they want the statistics to back up their thinking. Finally, they want to share their views with their friends and other fans. Linking excellent coverage to social networks, and allowing viewers to watch at any location – at home, at the game or anywhere else – is now the norm.

The C-Cast multimedia distribution platform takes all of the recorded content from the EVS servers on site and helps you turn that content into a customized, multi-screen experience for your connected fans – at top speed during live productions – building loyalty and opening up new revenue avenues for rights owners

OUR KEY PRODUCTS

**EVS SOLUTIONS ARE BASED ON MODULAR ARCHITECTURES.
HERE ARE SOME OF OUR KEY PRODUCTS.**

PRODUCTION SERVERS

XT4K

LIVE PRODUCTION SERVER, OB PRODUCTIONS AND SPORT BROADCAST CENTERS

The XT4K (up to 4 UHD-4K HDR channels and up to 12HD/SD channels) is the first dedicated UHD-4K live production server that delivers the signature speed and reliability of EVS' server range. Based on our unique loop recording technology, the XT4K delivers up to four flexible UHD-4K channels that can manage High Dynamic Range content using Quad-SDI or 12G-SDI in and outputs.

XT3

LIVE PRODUCTION SERVER, OB PRODUCTIONS AND SPORT BROADCAST CENTERS

The XT3 production server proposes up to 12 HD/ SD, 1080p channels, and up to 3 UHD-4K channels.

The Channel Max option for XT3 allows you to configure more than 12 channels with your new or existing XT3 - as well as add more key features including Dual-LSM operations, double SuperMotion camera support and flexible modes for record or playback.

XTNANO

LIVE PRODUCTION SERVER, ENTRY LEVEL OB PRODUCTIONS

Empowered to deliver with up to 8-channels, XTnano is EVS' HD/SD slow motion replay server designed for simple live productions, offering live feed recording, slow motion and super motion replays, clipping and playlist control.

XS4K

LIVE PRODUCTION SERVER, STUDIOS AND FAST TURNAROUND

Allowing a smart transition to studios connected by IP infrastructures, the XS4K is built with hybrid SDI/ IP technology.

Flexible four channel UHD-4K with eight channels of HD and 1080p configurations allow seamless ingest and playout multiformat content production within any permanent studio operation. The native IP support allows simple integration with tomorrow's native-IP workflows.

XS3

LIVE PRODUCTION SERVER, STUDIOS AND FAST TURNAROUND

The XS3 media production server supports a wide range of format and codec configurations, as well as fill & key operations, XS3 helps you simplify ingest workflows while remaining flexible for your needs.

LIVE TOOLS

MULTIREVIEW

EMPOWERING MORE WITH LIVE CONTENT

Ever wish you could access a synchronous view of all the camera angles? Or quickly create compelling highlights without relying on your operators? MulltiReview lets you do this and more, empowering producers and operators to produce a better live content with faster decisions and views on every angle.

LSM CONNECT

HANDS-ON LIVE CONTENT CONTROL FOR LSM AND REPLAY OPERATORS

LSM Connect is a powerful application for clips and playlist management of live content. Directly connected to LSM remote and the XT Live production server, LSM Connect gives operators instant access and control of all clips, metadata, search and playlists during live broadcast production linked to the EVS LSM Controller.

EPSIO FAMILY

EXTEND THE LSM OPERATOR'S EDITORIAL CAPABILITIES

Take your replays and highlights to the next level with fast and easy graphics effects and synchronized data insertions (recipient of Emmy Award in 2016). The EPSIO Family of products allows content creators to extend the capabilities of the EVS Live Servers through a series of tools which enable graphical extensions to the operator's toolset. It includes EPSIO Live (on-field virtual effects), EPSIO Fx (graphic effects for high impact highlights, and revealed data insights), EPSIO Paint (telestration effects for Live replays) and EPSIO Zoom (zoom and keyframing when using UHD-4K cameras or zooming into existing HD SuperMotion content)

XFILE3

FASTEST LIVE FILE ARCHIVING AND TRANSFER

Xfile3 is the fastest way to move and exchange EVS files during production. Backup, stream and restore your content with ease in any format and from multiple destinations.

GLUE & WORKFLOW ORCHESTRATION

XSQUARE

ORCHESTRATE MEDIA MOVEMENTS

Xsquare makes it easy to transfer or transcode media in complex workflow environments. It provides a flexible architecture that leverages the XTAccess engines and can be easily monitored and controlled from a unique web based interface. Xsquare manages workflows between EVS solutions, EVS and third party storage, NLE, and the outside world.

SHARED STORAGE

XSTORE

HIGH-PERFORMANCE CENTRAL SHARED STORAGE. GUARANTEED.

XStore shared storage solutions intelligently address the ever-growing challenges that come with managing video content and related data storage for live & non-live content access.

ARCHIVE ASSET MANAGEMENT

MEDIARCHIVE DIRECTOR

ARCHIVE DIGITIZATION AND CONTENT DELIVERY

EVS' MediArchive Director offers a set of tools to centrally manage various archive and content delivery platforms, including formats which allow media browsing based on metadata. Delivery is automatically handled by these tools, managing automated media digitization, rewrapping and controlling all necessary robots to optimize management while providing a cost-effective content solution delivery.

VIDEO ANALYSIS

XEEBRA

With Xeebra, referees can review plays with the utmost clarity and convenience. Using an intuitive touchscreen, they can review every angle in detail (quickly, efficiently and in complete synchronization). With the touchscreen or a dedicated controller on the scoring table, users can pilot dynamic layout browsing, instantly zoom directly (from 16 to 4, 2 views), and mark and label the most important situations for review and export later.

PRODUCTION CONTENT MANAGEMENT

IPDIRECTOR

PRODUCTION CONTENT MANAGEMENT

The IPDirector content management system enhances broadcasting operations with instant access and efficient control of EVS Live production server content. It provides playout and file delivery with unmatched speed and reliability. Based on a central database and licensing model, IPDirector lets you start small and scale to any production size.

IPWEB

IPWeb provides remote content access to the teams on the field or in remote offices, while facilitating the search for content in the IPDirector database from a distance: transfer IPD content and not people.

IPWeb offers remote access to content, enabling the staff to easily produce high-quality programs without leaving the home base.

INGEST FUNNEL

MASTERING MEDIA WORKFLOW

Ingest Funnel is a unique portal and single interface that solves file ingest nightmares, easily transforming, legalizing and mastering all ingest formats and content. The system provides a simple HTML interface for viewing files, then analyzes content and automatically selects the right tool for processing, whether an EVS or third-party solution.

NEXT GENERATION SOFTWARE DEFINED SWITCHERS

DYVI

BRILLIANTLY SIMPLE, CREATIVE CONTROL

The DYVI live production switcher advances the way you implement a switching system that goes far beyond the traditional limits of the classic switcher design. DYVI's GPU-enabled platform unlocks a new world of creativity and flexibility, while its distributed series of 2RU processing modules scales with your needs and allows you to position your switching infrastructure at the edges, making it ideal for any multi-studio facility.

EDITING TOOLS

IPLINK

INSTANT ACCESS TO LIVE CONTENT FOR EDITORS AND JOURNALISTS

IPLink gives editors instant access to EVS live content for faster turnaround and better storytelling.

The advanced level of integration provided by the IPLink plugin with other softwares gives editors & journalists an innovative and seamless workflow allowing more time for creativity.

XEDIO CLEANEDIT

VIRTUAL NLE FOR FAST PRODUCTION NEEDS

CleanEdit is a customizable NLE software designed for fast production of news stories or highlights that can easily connect to any production environment. It supports all latest SD and HD broadcast file formats natively and provides a great set of functions and typical effects.

MULTIMEDIA DISTRIBUTION

C-CAST

CONNECTED CONTENT PLATFORM

C-Cast is a turnkey SaaS platform that enables content owners to maximize media by connecting live content with consumers and content creators. C-Cast can scale to your global delivery needs, providing content in the right format and delivery method, to the right connected screen.

FANCAST

CONNECTING FANS TO MORE

With FanCast, you'll give your fans a more connected, vibrant live experience before, during and after the game – leading to greater fan engagement, deeper loyalties and new revenue opportunities. The FanCast bundle offers up a total solution for stadiums and arenas to execute display screen replays, content management from game day productions, and extend content to the connected fans of tomorrow.

SERVICE

FROM CONSULTING TO MAINTENANCE

On top of strong products and software applications, EVS is committed to the highest level of service. It covers different areas, including workflow and process consulting, installation, maintenance, upgrades, and user training. For specific events, EVS also proposes rental contracts for its servers and applications, in order to meet its clients' needs. The foundation of this great service quality is the EVS team, available and responsive, in constant interaction with its customer base and user community.

OUR CORPORATE SOCIAL RESPONSIBILITY

THE ENVIRONMENT

Since its creation in 1994, EVS has been mindful of its impact on the environment. Over the years, decisions have been taken in order to honor this commitment. The headquarters and innovation center, located in a wooded environment near Liège gathers, since 2015, all employees who were in the past split in six different buildings in the same area. It provides them with an improved working environment, increasing efficiency and internal communication. It uses many energy-saving methods, such as "free cooling" to cool premises subject to major temperature variations, low-energy lighting, thermally activated systems (cold water circulated in the slab, at the basis of the air-conditioning system), recuperation of the heat generated by the servers (at the basis of the heating) or the external blinds (ensuring a better protection against the heat of the sun).

Through its activities, EVS also further helps reducing the environmental footprint of the broadcast industry. As an example, EVS develops solutions to allow its clients to produce or access the video content from a remote location, allowing operators to dramatically reduce their travel. For instance, during major sporting events, broadcast production tools favor image sharing between the event venue and the television channel. This greatly reduces air travel for a large number of people.

THERE ARE MANY WAYS FOR A COMPANY TO PUT ITS VALUES INTO PRACTICE AND DEMONSTRATE ITS COMMITMENT TO THE ENVIRONMENT, ITS EMPLOYEES AND THE COMMUNITY IN WHICH IT OPERATES.

THIS LONG TERM COMMITMENT IS AN INTEGRAL PART OF EVS' CULTURE AND VALUES SINCE THE COMPANY CREATION.

91

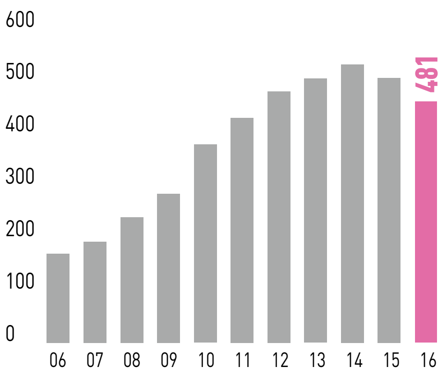
PROJECTS SUPPORTING A SPORT, CULTURAL OR SOCIAL PURPOSE WERE SPONSORED BY EMPLOYEES OF EVS IN 2016

THE EMPLOYEES

Employees are the main assets of EVS. They develop solutions, offer them to customers throughout the world, install them and provide the necessary training and maintenance.

Therefore, the management of the company puts special attention to offer employees a working environment based on personal development and respect for the individual. This includes, among others:

NUMBER OF EMPLOYEES - FTE (31/12)



- an attractive workplace (open and luminous building in a wooded environment, cordial company cafeteria, etc.);
- listening carefully to people, internal training programs for new employees;
- numerous activities organized by and for the employees aimed at building the team spirit, such as departmental incentives, various company events or incentives to practice a sport in the neighborhood;
- a competitive global remuneration package in relation to the skills and experience of each person, accompanied by company profit sharing programs.

This policy is bearing fruit and reinforces a sense of belonging. The turnover rate remains particularly low despite being active in a volatile IT industry and the young average age of the company's employees (38 years).

THE COMMUNITY

EVS has a strong regional anchor and tries to participate in the development of the communities where its offices are located. The company builds partnerships with local suppliers, actively supports cultural and social projects and encourages its employees to do likewise in their own environment through targeted sponsoring.

FIND OUT MORE ONLINE
WWW.EVS.COM

SHAREHOLDERS' INFORMATION

EVS SHARES

EVS capital is represented by 13,625,000 shares without nominal value. Since December 15, 2011, EVS shares are either registered or dematerialized (and must be registered in a securities account).

STOCK MARKET AND LISTING

EVS shares are listed on the continuous EURONEXT Brussels market under the ISIN code BE0003820371.They were listed in October 1998 at a price of EUR 7.44 (EUR 37.20 before split). The share was split into five on June 5, 2005. EVS is part of the Next150 and BelMid indices, and the Tech40 label.

As of December 31, 2016, EVS was also eligible for the Equity Savings Plan for Small and Medium Size Enterprises in France ("plan PEA-PME").

During 2016, the maximum value reached by the stock price was EUR 36.50 on October 4, 2016 and the minimum value of EUR 24.89 was reached on February 10, 2016. EVS had a market capitalization of EUR 452.4 million at December 31, 2016 with a share price of EUR 33.2. In 2016, the EVS shares increased by 14.5%, while the BEL20 lost 2.5%, the Dow Jones Europe 600 Technology™ increased by 5.0% and the Nasdaq Composite by 7.5%.

During 2016, the standard velocity was around 75%. An average of 39,654 shares were traded daily on Euronext and the other trading platforms, which represents EUR 1.2 million. Adjusted for an average free float of 94%, EVS had a velocity of 80.0% during 2016.

DIVIDEND

Since 2013, the Board of Directors has a dividend policy which aims at paying a high portion of the net profit, taking into account the cash needed to finance the company's growth with a maximum payout ratio of 100%. Since its IPO in 1998, EVS has always paid a dividend to its shareholders. For the 2016 fiscal year, the Board of Directors will propose to the shareholders, at the Ordinary General Meeting of May 16, 2017, the approval of the distribution of a gross dividend per share of EUR 1.30, of which EUR 0.60 was paid as an interim dividend in November 2016. If approved by the Ordinary General Meeting, the remaining gross dividend of EUR 0.70 (or EUR 0.49 net of Belgian withholding tax of 30%) will be paid on May 24, 2017 against coupon #24 (ex-date: May 22, 2017; record date: May 23, 2017). The Board proposal for 2016 represents a payout ratio of 53.5% and a dividend yield of 4.2%.

SHAREHOLDING

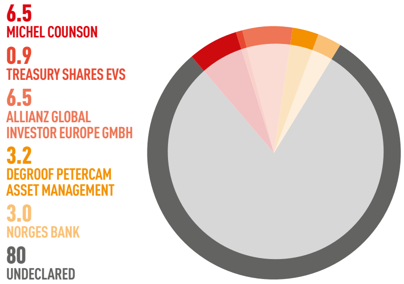
Shareholders have an obligation to report the percentage of EVS shares they hold when this percentage crosses upwards and downwards the treshold of 3% (a condition imposed by the articles of association) and for any multiple of 5% (a requirement of the Companies Code).

The percentage of shares held must be calculated based on the number of shares outstanding (13,625,000 shares at the end of 2016).

At December 31, 2016, the shareholding of EVS Broadcast Equipment was as in the graphic below (from recent statements received by the company and the position of treasury shares at December 31, 2016).

For more details about the shareholding, please refer to the Statement of Corporate Governance in the second part of the annual report.

EVS SHAREHOLDERS (IN %)



THE EVS SHARE OVER THE LAST 10 YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of shares issued (average)	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,736,111	13,875,000	13,875,000
Number of shares issued (31/12)	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,625,000	13,875,000	13,875,000
Average number of shares, excl. own shares	13,501,815	13,490,812	13,513,053	13,480,715	13,449,081	13,465,244	13,511,048	13,554,643	13,578,250	13,587,090
Average free float	93.5%	93.5%	93.5%	93.5%	93.5%	88.5%	82.8%	80.9%	79.5%	77.4%
Annual volume[1]	10,191,122	11,809,385	17,242,611	14,884,293	8,758,751	16,614,717	13,166,859	15,990,689	13,393,117	8,938,624
Average daily volume (number of shares)[1]	39,654	46,130	66,574	58,600	34,348	63,904	51,034	62,463	52,317	35,053
Average daily volume (EUR)[1]	1,228,090	1,326,711	2,459,901	2,888,959	1,383,196	2,726,774	2,154,676	2,318,011	2,731,703	2,220,117
Standard velocity[2]	74.8%	86.7%	126.6%	109.2%	64.3%	121.9%	96.6%	116.4%	96.5%	64.4%
Adjusted velocity - Average free float[3]	80.0%	92.7%	135.3%	116.8%	68.7%	137.8%	116.8%	144.0%	121.5%	83.3%
Average annual share price (EUR)	30.97	28.76	36.95	49.30	40.27	42.67	42.22	37.11	55.78	61.27
Closing share price (EUR)	33.20	29.00	29.89	46.99	44.40	39.49	47.90	44.80	25.50	79.60
Highest share price (EUR)	36.50	36.40	47.97	57.19	46.00	48.30	49.49	53.24	80.39	83.86
Lowest share price (EUR)	24.89	21.06	23.52	39.88	34.97	34.10	31.97	21.22	21.00	42.50
Market capitalization (average, EUR millions)	422.0	391.9	503.4	671.7	548.7	581.4	575.2	509.7	773.9	850.1
Market capitalization (Dec. 31, EUR millions)	452.4	395.1	407.3	640.2	605.0	538.1	652.6	610.4	353.8	1,104.5
Gross dividend (EUR)	1.30	1.00	2.00	2.16	2.64	2.36	2.64	2.48	2.48	2.28
Net dividend (EUR)	0.93	0.74	1.50	1.62	1.98	1.77	1.98	1.86	1.86	1.71
Dividend yield (gross dividend on average share price)	4.2%	3.5%	5.4%	4.4%	6.6%	5.5%	6.3%	6.7%	4.4%	3.7%
Share buyback/share	0.00	0.00	0.36	0.00	0.00	0.17	0.27	0.05	0.52	0.16
Basic EPS (EUR)	2.43	1.76	2.63	2.52	3.10	2.38	2.82	1.88	3.33	2.91
Payout ratio (gross dividend on basic EPS)	53.5%	56.8%	76.0%	85.7%	85.2%	99.2%	93.6%	131.9%	74.5%	78.4%
Price/earnings ratio [4]	12.7	16.3	14.0	19.6	13.0	17.9	15.0	19.7	16.8	21.1

[1] Source: volumes according to Euronext until 2008; as from 2009, the source is Fidessa, which also includes the exchanges made on alternative platforms.
[2] Standard velocity represents the annual volume traded on the stock market expressed as a percentage of the total number of the company's shares.
[3] Adjusted velocity represents the annual volume traded on the stock market expressed as a percentage of the average free float.
[4] The price/earnings ratio is the average share price for the year divided by the EPS over the same period.

GENERAL MEETINGS

EVS holds its Ordinary General Meeting on the third Tuesday of May. Shareholders are invited to participate in this meeting. All instructions are published one month before the meeting.

To promote interaction between the company and its shareholders, but also to know them better and to serve them better, EVS requires, under article 24 of its Statutes, the proxies for participation in its General Meetings to be signed by the final effective economic beneficiary.

Proxies by a custodian or sub-custodian must therefore be accompanied by another power of attorney duly signed by the final effective economic beneficiary allowing it to exercise its rights. In the interest of good governance, this provision is strictly applied and results at each meeting, a few non-compliant discharges of proxies, including those from stakeholders.

FINANCIAL SERVICE

Dividends are payable at ING BANK SA, which is the sole paying agent in the Euroclear Belgium "E.S.E.S." dematerialized system.

ING BANK SA

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Belgique

INFORMATION ACCESSIBILITY

The group website (www.evs.com) gives general information on the company and its products, as well as financial information, the Corporate Governance rules and annual reports.

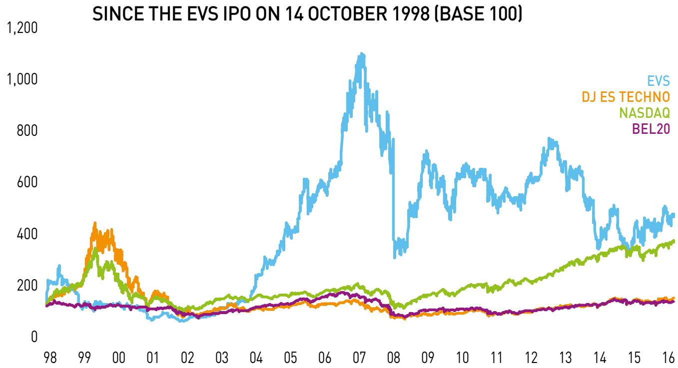
A page is also dedicated to the financial analysts who monitor the stock.

All legal documents are available at the company head office or on its website.

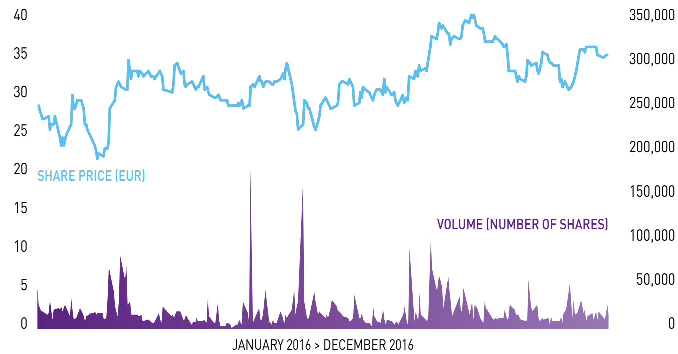
EVS has adopted a "quiet period" policy, which limits communication with investors during sensitive periods to basic, historic and non-time specific information. This quiet period begins one month before the publication of the earnings and continues until the earnings release date.

EVS appreciates the interest of its shareholders in the company and believes that this policy enables the company to balance the needs of a business along with communicating with both new and potential investors in the company.

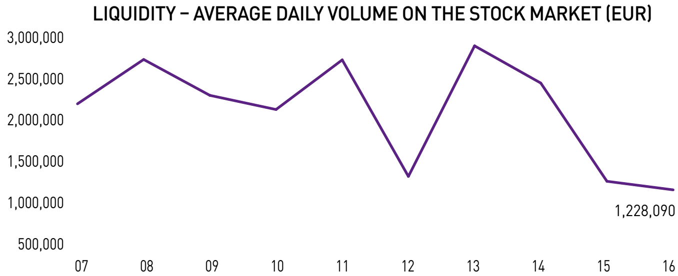
FROM THE IPO UNTIL TODAY – STOCK PRICE TREND COMPARISONS SINCE THE EVS IPO ON 14 OCTOBER 1998 (BASE 100)



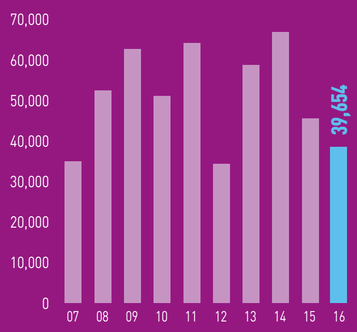
SHARE PRICE AND VOLUME



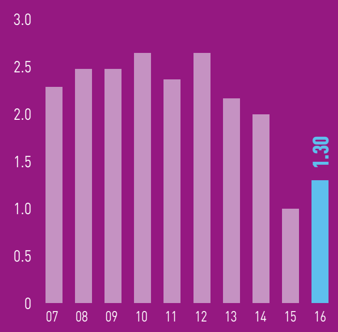
LIQUIDITY – AVERAGE DAILY VOLUME ON THE STOCK MARKET (EUR)



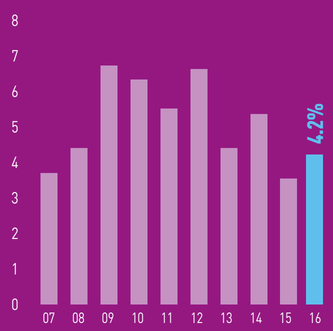
LIQUIDITY – AVERAGE DAILY VOLUME ON THE STOCK MARKET (NUMBER OF SHARES)



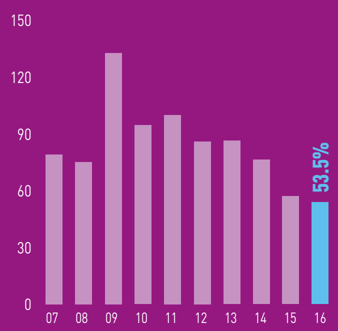
GROSS DIVIDEND PER SHARE AFTER SPLIT (EUR)



DIVIDEND YIELD (%)



PAYOUT RATIO (% OF BASIC EPS)



SHAREHOLDER'S CALENDAR

11 MAY 2017
FIRST QUARTER 2017 RESULTS

16 MAY 2017
ORDINARY GENERAL MEETING

22 MAY 2017
COUPON – FINAL DIVIDEND EX-DATE

23 MAY 2017
COUPON – FINAL DIVIDEND RECORD DATE

24 MAY 2017
COUPON – FINAL DIVIDEND PAYMENT DATE

31 AUGUST 2017
SECOND QUARTER 2017 RESULTS

16 NOVEMBER 2017
THIRD QUARTER 2017 RESULTS

KEY FIGURES. CONSOLIDATED – IFRS (EUR MIO)	2016	2015	2014	2016/2015
Revenue	130.8	118.5	131.4	10.4%
Operating profit - EBIT[1]	46.2	32.7	46.1	41.4%
Net profit (group share)	32.8	23.7	35.5	38.4%
Investments	-0.2	5.0	22.4	N/A
Cash generated from operations	60.7	32.8	54.8	84.8%
Total equity before profit allocation (31/12)	97.4	78.2	73.5	24.7%
Net cash position (31/12)[3]	32.1	-3.4	-8.5	N/A
Net working capital (31/12)[4]	34.7	46.8	38.4	-25.9%
Number of employees in FTE (31/12)	481	485	512	-0.8%

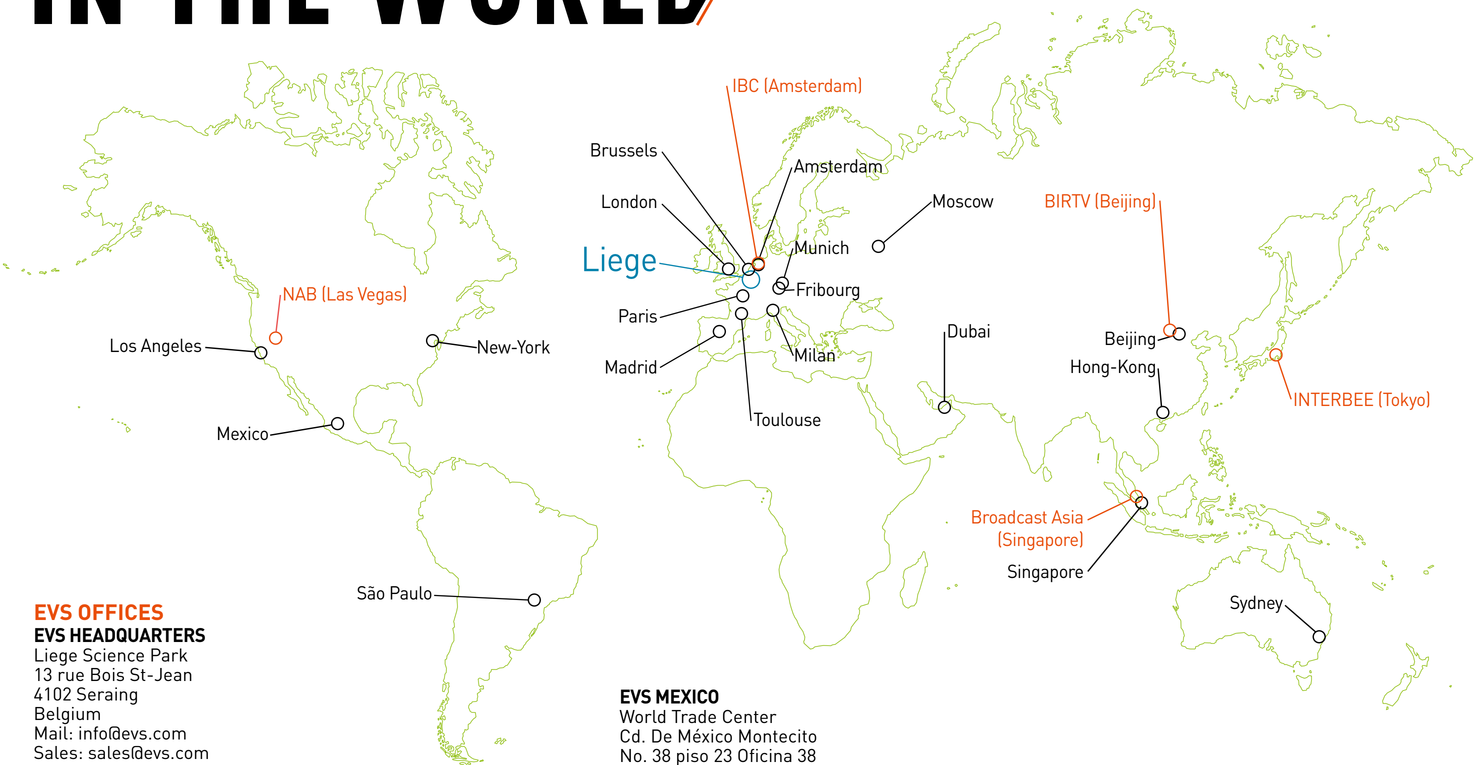
DATA PER SHARE (EUR)	2016	2015	2014	2016/2015
Average number of shares excl, treasury shares	13,501,815	13,490,812	13,513,053	0.1%
Basic net profit (group share)[5]	2.43	1.76	2.63	38.1%
Gross dividend (interim + final dividend)	1.30	1.00	2.00	30.0%
Equity per share	7.22	5.74	5.40	25.8%

RATIOS (%)	2016	2015	2014	2016/2015
Gross margin (%)	74.3%	71.1%	74.5%	-
EBIT margin (%)[1]	35.3%	27.6%	35.1%	-
Net margin[6]	25.1%	20.0%	27.0%	-
Payout ratio (gross dividend/net profit)	53.5%	56.8%	76.0%	-
Dividend yield (gross dividend/average share price)	4.2%	3.5%	5.4%	-
Return on equity – ROE[7]	42.0%	32.3%	52.3%	-
Return on capital employed – ROCE[8]	50.3%	34.5%	54.8%	-

[1] EBIT means "Earnings Before Interests and Taxes" and corresponds to the operating result before interests and taxes. The EBIT margin is the EBIT divided by the revenue.
[2] The net cash position is the cash and cash equivalents less the financial liabilities and the other long term debts (incl. their short term portion).
[3] The net working capital = stocks + trade receivables - trade payables
[4] Calculated based on the number of shares excluding treasury shares and warrants.
[5] The net profit margin is the net profit (group share) divided by the revenue.
[6] This return is the result of the net profit (group share) divided by (the shareholders' equity at the beginning of the year less the final dividend decided during the Ordinary General Meeting of May).
[7] Net profit (group share), excl. dcinex/(goodwill + intangible and tangible assets + stocks).

FIND OUT MORE ONLINE
WWW.EVS.COM

OUR PRESENCE IN THE WORLD



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Version française disponible sur demande.
The Annual Report (management report, accounts and notes) is available on the EVS website (www.evs.com).
A paper copy can be obtained on request.

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GEOFFROY D'OULTREMONT,
VICE PRESIDENT INVESTOR RELATIONS AND CORPORATE COMMUNICATION

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ANNUAL FINANCIAL REPORT 2016

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MANAGEMENT REPORT

FINANCIAL REPORT

1. CONSOLIDATED KEY FIGURES – IFRS (EUR MILLIONS)

	2016	2015	2014	2016/2015
Revenue	130.8	118.5	131.4	+10.4%
Gross margin %	74.3%	71.1%	74.5%	-
Operating profit - EBIT	46.2	32.7	46.1	-41.4%
Operating margin (EBIT) %	**35.3%**	**27.6%**	**35.1%**	-
Contribution from dcinex	-	-	-0.2	N/A
Income taxes	-13.1	-9.8	-14.7	+33.7%
Net profit, group share	32.8	23.7	35.5	+38.4%
Net profit margin from operations, excl. dcinex (%)	25.1%	20.0%	27.0%	-

2. HIGHLIGHTS

2016 was a strong year for EVS, both in terms of projects (including our key role during the big sporting events) and financial performance. We successfully launched the XT4K server and got some major references for our Dyvi live production switcher. The leadership of the company has been strengthened with new experienced senior executives and it provides a solid foundation to build our future. In 2017, we will continue working on new growth initiatives as well as on improvement measures to speed up our development processes.

In terms of financial performance, the combination of high revenue of EUR 130.8 million with stable operating expenses compared to last year led to a solid operating margin of 35.3% in 2016. Obviously, 2016 included EUR 12.1 million of big event rentals, which will not take place in 2017. With respect to 2017, at this stage, our visibility on the top-line is low.

3. STRATEGY AND LONG TERM GROWTH DRIVERS

EVS' core mission is to provide premium technologies to enrich and manage live video assets, enabling its customers to engage audiences and monetize their content across multiple platforms.

The evolutions of technologies for live productions, such as 4K, IP and multiplatform delivery, will help supporting EVS revenue in the coming years. In addition, new video consumption habits, with increased interaction with smartphones and tablets, open up new opportunities for our company. Traditional customers and new players, such as sport teams and federations, are looking at innovative ways to further engage fans and keep them connected longer – at home or in the stadiums (more information about the strategy in the "Annual review" document).

4. REVENUE

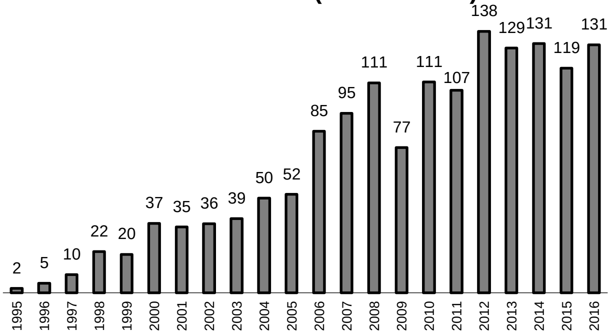
EVS revenue amounted to EUR 130.8 million in FY16, an increase of 10.4% (+1.7% at constant currency and excluding the big event rentals) compared to FY15. Sales of solutions in Outside Broadcast vans increased by 5.7% to EUR 67.4 million, representing 51.5% of total group sales in FY16. Studio & others sales decreased by 2.9% in FY16 to EUR 51.3 million, representing 39.2% of total sales. Big events rentals amounted to EUR 12.1 million in FY16 (relating to the Euro soccer championship in France and the Olympics in Brazil), compared to EUR 1.9 million in FY15. They represented 9.3% of total sales in FY16.

In 2016, in Europe, Middle-East and Africa ("EMEA"), sales (excl. big event rentals) amounted to EUR 52.9 million (+6.2% compared to 2015), representing 40.4% of group revenue.

Sales (excl. big event rentals) in Americas ("NALA") were EUR 39.8 million (-3.5% at constant currency).

In Asia & Pacific ("APAC"), sales (excl. big event rentals) were EUR 26.0 million (+1.6% at constant currency).

Revenue evolution (EUR millions)



Sales by region (EUR millions)

	2016	2015	Mix 2016	2016/2015
Europe, Middle-East, Africa (EMEA)	52.9	49.8	40.4%	+6.2%
Americas (NALA)	39.8	41.2	34.8%	-3.3%
at constant exchange rate	*39.7*	*41.2*	-	*-3.5%*
Asia-Pacific (APAC)	26.0	25.6	21.6%	+1.6%
Big event rentals	12.1	1.9	1.6%	N/A
TOTAL	**130.8**	118.5	**100%**	**+10.4%**

5. RESEARCH AND DEVELOPMENT

Research and Development ("R&D") expenses in 2016 were EUR 23.7 million, -3.3% compared to 2015. These expenses represent 18.1% of revenue. In accordance with the group's accounting rules (Belgian and IFRS), these expenses are fully expensed in the P&L over the financial year. Today, there are around 240 high-level engineers working in 5 sites. The group's strong vertical integration between the sales/support activities at the local level and the R&D enables rapid adaptation of products to ever changing customer needs. 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 producing and broadcasting content to viewers.

Since 4Q10, EVS benefits from a withholding tax exemption given since 2006 by the Belgian government to companies paying or allocating compensation to individual researchers who are engaged in collaborative R&D programs according to some criteria defined under section 273 of the Code of income tax in Belgium. From 2011, in the presentation of the accounts, the amount relating to the current year comes as a deduction of R&D charges.

Since 2015, EVS also benefits from tax credits relating to R&D in France. This amount also comes in deduction of the R&D expenses. In 2016, it amounted to EUR 0.4 million.

Since 2015, EVS also makes use of the investment deduction ("IPD") for part of its investments in R&D in accordance with sections 68 to 77 of the Belgian Income Tax Code. The tax benefit that this measure provides is recognized in income taxes.

6. STAFFING

Breakdown of personnel by department (in full-time equivalents):

	Corporate Services	Research & Development	Sales & Marketing	Assembling & Professional services	Total
Dec. 31, 2014	73	261	59	119	512
Dec. 31, 2015	67	238	59	122	485
Dec. 31, 2016	62	238	60	121	481

As of December 31, 2016, EVS had a total of 481 employees (full-time equivalents, including 5 managers ("membres du personnel de direction"), 451 employees and 25 consultants, advisors and temporary), a decrease of 0.8% compared with end of year 2015. The total salary cost stands at EUR 39.1 million in 2016 as opposed to EUR 38.9 million in 2015. Throughout 2016, the average number of employees was 483, down 1.2% over 2015 (489).

7. RESULTS

7.1. 2016 key figures per quarter

IFRS - EUR million, except earnings per share, expressed in EUR	**1Q16 unaudited**	**2Q16 unaudited**	***1H16 Reviewed***	**3Q16 unaudited**	**4Q16 unaudited**	***2H16 unaudited***	**2016 audited**
Revenue	26.9	39.8	*66.6*	37.1	27.0	*64.2*	**130.8**
Gross margin	18.9	30.7	*49.7*	28.3	19.1	*47.5*	**97.2**
Gross margin %	70.5%	77.3%	*74.6%*	76.3%	70.8%	*74.0%*	**74.3%**
Operating profit – EBIT	7.6	17.4	*24.9*	14.8	6.5	*21.3*	**46.2**
Operating margin – EBIT %	28.1%	43.7%	*37.4%*	39.7%	24.0%	*33.1%*	**35.3%**
Net profit – Group share	4.9	12.6	*17.5*	10.5	4.9	*15.4*	**32.8**
Basic earnings per share	0.36	0.93	*1.29*	0.78	0.36	*1.14*	**2.43**

7.2. Comments on the results

Consolidated gross margin was 74.3% for FY16, compared to 71.1% in FY15, mainly due to higher sales and the positive impact of the product mix. Operating expenses grew by 0.3% vs last year, and remain under control. The other revenues include among other a capital gain on the disposal of assets held for sale recorded in 1Q16. This leads to a FY16 EBIT margin of 35.3% (34.3% excluding the impact of other income), compared to 27.6% in FY15. The effective tax rate for FY16 is 28.6%, an improvement compared to 29.2% in FY15 due to the tax impact on R&D investment deductions. Group net profit amounted to EUR 32.8 million in FY16, compared to EUR 23.7 million in FY15. Basic net profit per share amounted to EUR 2.43 in FY16, an increase of 38.3% compared to EUR 1.76 in FY15.

7.3. Data per share (EUR)

	2016	2015	2014	2016/2015
Weighted average number of subscribed shares for the period, less treasury shares	13,501,815	13,490,812	13,513,053	+0.1%
Basic net profit, group share	**2.43**	**1.76**	**2.63**	**+38.3%**

8. BALANCE SHEET, CASH-FLOW, OWN SHARES AND EMPLOYEE PROFIT SHARING

Total equity represented 60.8% of total balance sheet at the end of December 2016. Inventories amounted to EUR 13.5 million, a decrease of EUR 2.0 million compared to last year due to the timing of purchase of components. Inventories include around EUR 2.50 million value of own equipment used for R&D and demos of EVS products. In the liabilities, provisions include mainly the provision for technical warranty on EVS products for labor and parts.

Lands and building mainly include the new headquarters in Liège. Depreciation on the building approximately amount to EUR 2.1 million on a full year basis. Liabilities include EUR 19.8 million of financial debt (including long term and short term portion of it), mainly relating to the new building. The company already started to repay it in 2015 with installment of around EUR 5.2 million reimbursement per year.

The net cash from operating activities amounted to EUR 51.2 million in FY16. On December 31, 2016, the group balance sheet showed EUR 53.2 million in cash and cash equivalents.

At the end of 2016, the capital was represented by 13,625,000 shares, of which 119,111 were owned by the company.

In 2016, the company did not repurchase any share on the stock market. In 2015, 1,900 shares had been transferred from Delta Lloyd to EVS, as a result of the termination of the 2005 EVS stock split process. These 1,900 shares were sold in 4Q15 during the final step of the dematerialization process in Belgium. In 2016, no shares were used to satisfy the exercise of warrants by employees. At the end of December 2016, the company owned 119,111 own shares at an average historical price of EUR 38.18.

10,806 shares were granted to employees under the profit-sharing scheme. Indeed, in line with previous years, and within the framework of the law of May 22, 2001, the Ordinary General Meeting of May 17, 2016 decided 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 EUR 0.4 million.

In 2016, the Board didn’t grant any warrant to employees. There were no exercise and there were 55,750 cancellations in 2016. As of December 31, 2016, 211,050 warrants were outstanding with an average strike price of EUR 41.16 and an average maturity of September 2018. However, none of these warrants were exercisable and in-the-money (with an exercise price below the share price as of December 31) at December 31, 2016. The 211,050 existing warrants have a potential diluting effect of 1.5% on capital. This is partially covered by the 119,111 treasury shares.

9. PROVISIONS FOR RISKS AND CHARGES

As per December 31, 2016, EUR 1.1 million provisions were available to reasonably cover technical warranties.

10. RISK MANAGEMENT

EVS is exposed to many exogenous and endogenous risks detailed in the annexes of the annual financial report and in the paragraph 5.1 of the Corporate Governance statement. The management, the Audit Committee and the Board of Directors conduct regular analyses of the company's risk and take actions to minimize or neutralize the potentially negative effects.

Financial instruments used by the company are identified in the balance sheet and booked at fair value.

More information on the use of the financial instruments by the company, the objectives and policies relating to financial risks management and the risks the company is exposed to, can be found in the Corporate Governance Statement (point 5.1) and in the “Risks and uncertainties” chapter. The foreign currency risk is treated separately in the note 27.2.

11. INVESTMENTS

EVS business does not require major investments in equipment. The group’s policy is to own its premises in Belgium and primarily finance them through shareholders’ equity and long term bank loans. As per December 31, 2016, the net book value of lands and buildings was EUR 46.8 million. In addition, all other existing facilities of EVS that are now or sale due to the move to the new headquarters have been reclassified as “Asset classified as held for sale” on the balance sheet for an amount of EUR 4.0 million. Most of the buildings have benefited from regional or European subsidies.

12. CAPITAL AND SUBSIDIARIES

The EVS Broadcast Equipment SA capital of EUR 8,342,479 is represented by thirteen million six hundred and twenty five thousand shares (13,625,000) without any designation of nominal value. The number of shares has not changed in 2016.

13. OUTLOOK 2017

The order book (to be invoiced in 2017) on February 15, 2017 amounts to EUR 36.2 million, which is -28.2% compared to EUR 50.4 million last year (or -15.4% excl. big event rentals). In addition to this order book to be invoiced in 2017, EVS already has EUR 17.6 million of orders to be invoiced in 2018 and beyond.

While the first 4K productions have created some traction in 2H16, we expect that 4K will gradually become part of the server replacement cycles. The adoption of IP is progressing thanks to initiatives such as AIMS (Alliance for IP Media Solutions).

For 2017, there are no major big event planned. At this stage, our visibility on the top-line is, a usual, low. We forecast a moderate increase of our operating expenses to sustain our efforts in innovation and new product developments.

14. SUBSEQUENT EVENTS

Significant events that arose after the balance sheet date are:

- The information communicated in the 2016 annual results released on February 16, 2017;
- On February 16, 2017, EVS announced the signature of a service agreement with HBS AG, relating to a major sporting event, for EUR 7 million of estimated revenue.

15. 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 maintain the optimization of 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 1.30 per share (including the interim dividend of EUR 0.60) at the Ordinary General Meeting to be held on May 16, 2017, what would imply a final gross dividend of EUR 0.70 per share to be paid on May 26, 2017. The Board of Directors proposes to grant around 14,100 shares to the employees within the framework of the law relating to profit-sharing schemes.

CORPORATE GOVERNANCE STATEMENT

This section of the annual report summarizes the rules and principles of good corporate governance established by EVS, in accordance with Belgian Code of Companies (and the law of April 6, 2010), articles of incorporation and the Charter of Corporate Governance. It also focuses on activities related to the year 2016.

1. CORPORATE GOVERNANCE CHARTER

Already in 2006, the Board of Directors of EVS Broadcast Equipment approved a Corporate Governance Charter ("Charter"), which has been updated in 2016. Today, this Charter is based on the 2009 Belgian Code on Corporate Governance ("The 2009 Code"). The Board still reviews this Charter whenever needed. This document is fully available on the group's website www.evs.com.

The Charter adopted by the Board of Directors meets EVS most points in the 2009 Code. However, the Board considered that exceptions to the 2009 Code were justified given the specificities of EVS. The last section of this chapter shows the differences with the 2009 Code, and explains the reasons for the exemptions.

2. BOARD OF DIRECTORS

The members of the Board of Directors are appointed for a term between 1 and 6 years. On December 31, 2016, the Board of Directors was made up of 7 members. Decisions are taken by a majority vote. In the event of a tie, the Chairman or his representative has a casting vote. In the case of a conflict of interest, the people involved do not take part in the debates and in the vote.

When one or several positions of Director become vacant as a consequence of death, resignation or for any other reason, the remaining Directors are entitled to fill the vacancy temporarily. In such a case, the General Meeting shall make the definitive appointment at its next session. The Director so appointed shall serve for the remaining term of the Director whom he replaces.

The members are provided with various documents at each Board meeting or enclosed with the notification of the meeting. These documents include reports, financial results, investment documents and other papers relating to the items on the agenda.

In 2016, the Board met 7 times and notably discussed the following matters: strategic review, R&D and product developments, monitoring subsidiaries, liquidity management, 2016 business updates, the 2017 budget, examining acquisition and partnership projects, preparing press releases and preparation of General Meetings, management of Directors' mandates and evaluation of the functioning of the Board.

3. SPECIALIZED COMMITTEES ATTACHED TO THE BOARD

The Board of EVS has set up an Audit Committee, a Remuneration Committee and a Strategy Committee to conduct reviews on specific matters and advise on them. The final decision remains a collective responsibility of the Board of Directors.

3.1. Audit Committee

The Audit Committee is composed of three non-executive independent directors. This committee assumes the missions described in the Article 526bis of the Belgian "Code des sociétés". More generally, it assists the Board of Directors in its responsibilities concerning the integrity of the financial information relating to the company and, in particular, supervising the financial reports, the internal audit function, the external audit function and the relations between the company and its shareholders. The Audit Committee met 3 times in 2016 in the presence, for most of the topics, of the CFO and the company's Auditor.

Christian Raskin (Bachelor in Accounting and Master in Economic Sciences, 20 years of experience in executive functions at Draka) and Yves Trouveroy (two Certificates in Law, 15 years of experience in an investment company) have the competencies in accounting and audit.

3.2. Remuneration Committee

The Remuneration Committee is composed of two non-executive independent directors. This committee assumes the mission described in the article 526quater of the Belgian "Code des Sociétés". More generally, it assists the Board of Directors in its responsibilities concerning the setting of remuneration for the company's executives and managers. The members of this committee met 2 times in 2016.

3.3. Strategy Committee

The Strategy Committee is composed of the CEO, of one or more directors and also uses external consultants depending on topics and issues. It aims to assist Executive Management in all matters related to the company's strategy. In 2016, the Strategy Committee members met 4 times.

On December 31, 2016, the Board of Directors was made up as follows:

		Director since	Audit Committee	Remuneration Committee	Strategic Committee	Term of mandate	Activities in 2016	
							Attendance Board meetings	Attendance Committees
Patrick TILLIEUX *	Independent Director, Chairman	2015			Chairman	May 2020	7	4
Michel COUNSON	Managing Director	1994				May 2020	7	-
INNOCONSULT bvba, represented by Martin DE PRYCKER	Independent Director	2016		Chairman	Member	May 2020	7	5
MucH sprl, represented by Muriel DE LATHOUWER	Managing Director **	2013		Invited	Member	May 2019	7	4
Christian RASKIN	Independent Director	2010	Member	Member		May 2018	7	6
Freddy TACHENY	Independent Director	2013			Member	May 2017	7	2
Yves TROUVEROY	Independent Director	2011	Chairman			May 2019	6	4
ACCES DIRECT SA, represented by Pierre RION **	Chairman (until May 16, 2017)	2010*	Member			May 2016	4	-

* Patrick Tillieux was appointed Chairman of the Board of Directors at the end of the Ordinary General Meeting of May 17, 2016.
** The mandate of Acces Direct, represented by Pierre Rion, arrived at its term at the end of the Ordinary General Meeting of May 17, 2016.

In addition, 7 Capital sprl, represented by Chantal De Vrieze will be presented as Director at the Ordinary General Meeting of May 16, 2017. She joined Board of Directors' and Committees meetings as from August 23, 2016.

Michel COUNSON (1960)
CTO Hardware Design of the company since it was founded in 1994, Michel COUNSON graduated as an Engineer in electronics from the Institut Supérieur Industriel Liégeois in 1982. He started his career as a Hardware Engineer with TECHNIQUES DIGITALES VIDEO S.A. in 1983 before founding his own company, VIDEO SYSTEM ENGINEERING S.P.R.L. in 1986, which used to work in partnership with EVS on numerous projects. The two companies merged in 2000. He manages the Hardware Department.

Muriel DE LATHOUWER (1972)
Muriel De Lathouwer (representing MucH sprl) is the Managing Director & CEO of EVS. Before joining EVS, De Lathouwer spent almost 20 years in the telecom, high tech, IT and media industries. She started her career as IT consultant at Accenture followed by 7 years at McKinsey, where she advised major cable and telecom operators, as well as media and high tech companies around the world on key strategic topics. Most recently, De Lathouwer was the Chief Marketing Officer and a member of the executive committee at mobile telecom operator BASE (a subsidiary of KPN). She is an Engineer in Nuclear Physics (ULB, Brussels), and holds an MBA from Insead (Paris). She is a member of Women on Board (a Belgian and European network of women members of Board of Directors).

Martin DE PRYCKER (1955)
Martin De Prycker (representing InnoConsult bvba) is Managing Partner at Qbic Fund (an interuniversity fund supporting spin-off companies in Belgium) and Managing Director at Innoconsult (consultancy firm specialized in Innovation Management and ICT solutions). Between 2009 and 2013, he was Founder & CEO of Caliopa (a startup in silicon photonics). Between 2002 and 2009, he was CEO of Barco (display hardware and software manufacturer based in Belgium). Prior to that, he was CTO and member of the Executive Committee of Alcatel-Lucent. Before becoming CTO of Alcatel-Lucent, he was responsible for establishing Alcatel-Lucent's worldwide market leadership in the broadband access market. He is a member of the Board of Directors of Proximus, Newtec (Belgian company designing, developing and manufacturing equipment and technologies for satellite communications), Anteryon, Track4C and Venture Spirit. Mr De Prycker holds a Ph.D in Computer Sciences, a M.Sc. in Electronics from the University of Ghent, as well as a MBA from the University of Antwerp.

Christian RASKIN (1947)
Christian Raskin was a member of the Board of Management of Draka Holding, one of the largest cable companies in Europe. Before this, he led the fiber optics activities and the Dutch and French subsidiaries. In 1984, he cofounded Zetes Industries (now listed on Euronext Brussels). He holds a Master in Economics from UCL in Belgium and is a Bachelor in Accounting. He is a Director at Oman Cable Industries (listed on the market of Mascate) and of two private tech companies in Belgium.

Freddy TACHENY (1961)
Mr. Tacheny is Managing Director of F. Tacheny SPRL (active in sport and media consulting) and Chief Executive of Zelos, , active in advising stakeholders in the sport world (federations, clubs and events) and creating economic models to optimize revenues in sport. He started his career at IP (the advertising arm of RTL Belgium) in 1987, where he became successively Marketing Director, Managing Director and Chief Executive in 1999. In 2002, he became General Manager of RTL Belgium, a position he held until his departure of RTL Belgium in 2011. He holds a Master in Business Sciences (ICHEC, Brussels). He is

also the Sport Chairman of the Jules Tacheny circuit in Mettet and a majority stakeholder in the SHARKS Basketball club of Antibes.

Patrick TILLIEUX (1957)
Patrick Tilleux has been appointed as Chairman of the Board of Directors in May 2016. He is a non-Executive Director in various companies: Euronews (France), PLAY Telecom (Poland), Ceske Radiokomunikace (Czech Republic), Towercom (Slovakia) and Brussels Airport (Belgium). Between 2012 and 2014, he served as Director & CEO of Red Bee Media Ltd. (global broadcast and media services provider, now part of Ericsson), driving and operating a strategic turnaround and a successful financial restructuring of the company. He was Chief Operating Officer and a Member of Executive Board at ProSiebenSat.1 Media AG between 2007 and 2009. From 2001 to 2007, he held various executive functions within the SBS group (CEO of SBS Belgium, CEO of SBS Nederland and lastly CEO of SBS Broadcasting Europe). Before that, he occupied executive functions within different broadcasters, including Eurosport, TF1, RTL Nederland, CANAL+ Holland and CANAL+ Flanders. He holds a M. Sc. in civil engineering and a M. Sc. in industrial administration from the University of Leuven (Belgium).

Yves TROUVEROY (1961)
Yves Trouveroy is Partner at E-Capital Equity Management, the management company of the private equity funds E-Capital I (1999), E-Capital II (2007) and E-Capital III (2011) that invest in Belgian small and medium-sized companies. Before 1999, he practiced as Lawyer at De Bandt, van Hecke & Lagae (now Linklaters) and then served as executive in the International Trade & Project Finance and Corporate Investment Banking departments of Generale Bank (Fortis). He holds a law degree and a Political Sciences degree from the Université Catholique de Louvain and a Masters of Laws (LLM) from New York University.

4. DAY-TO-DAY MANAGEMENT

The Board of Directors has delegated day-to-day management to two Managing Directors and an Executive Committee.

4.1. Executive Committee

On December 31, 2016, the Executive Committee was composed of:

- MucH sprl, represented by Muriel DE LATHOUWER, Managing Director & CEO
- Benoît QUIRYNEN, Senior Vice President, Market & Product
- Axel BLANCKAERT, Senior Vice President, CTO
- Christine VANDER HEYDEN, Senior Vice President, Human Resources
- The Chief Commercial Officer function is currently open

Michel Counson is also Managing Director but is not part of the Executive Committee, per his own request.

The Executive Committee coordinates the monitoring and development of the company and its affairs. Its members are in permanent contact, receive information on the group’s financial situation, sales and projects, and the Committee takes operational decisions such as appointing or dismissing staff and concluding contractual agreements. It is the decision-making boday of the group.

4.2. Operational management of subsidiaries

The Executive Committee delegates the necessary powers to its subsidiaries to ensure their operational functioning. The commercial and support subsidiaries are easy to control as their activities are entirely dependent on EVS Broadcast Equipment SA, based in Liège (Belgium): delivery of promotional materials, presence at trade fairs, supply of machines or exchange parts, and accounts. The Board of Directors of these subsidiaries are mainly composed by the headquarters’ Managing Directors, the Head of Finance and Administration and local managers. The subsidiaries are spread over geographical regions (America, Europe/Africa/Middle East, Asia/Pacific). This type of organization enables very efficient distribution of information at the group level as well as rapid decision making. The group’s commercial policy is coordinated by the parent company, and each region has different level of operational autonomy which allows creating an optimal contact with the market.

5. CONTROL OF THE COMPANY

5.1. Internal control and risk management systems

The management strives to provide the level of risk control that is as adequate as possible. The various risks are identified in this financial annual report. The most important characteristics of internal controls and risk management systems are:

- The assessment, with the auditor, of his audit reports and, if necessary, the request of additional information and clarifications, and the set-up of corrective actions;
- The ongoing monitoring of activities, operating results and financial risks of the company (including the financial position of the company, the exchange rate risks), including within the various subsidiaries of the group;
- Monitoring the price of components and of relationships with suppliers;
- Managing the information systems;
- Monitoring of rules for the prevention of market abuse, compliance with these rules and any violations;
- Monitoring regulations and laws, including the monitoring of potential litigation, and possible financial implications thereof;
- The process for the preparation of the consolidated accounts is centralized at the group's financial function level. All information necessary for this process come from widely used software in the market. Control procedures are in place to ensure that it is thoroughly mastered.

5.2. External audit

Until the Ordinary General Meeting of May 17, 2016, the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA was carried out by BDO (B-00023), represented by Christophe COLSON (A-02033), Belgian Réviseur d'Entreprise. The Ordinary General Meeting of May 17, 2016 entrusted the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA to Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU (A-01729), Belgian Réviseur d'Entreprise. The mandate of the Auditor is for three years, and will end at the Ordinary General Meeting of May 2019.

In 2016, all fees related to the Auditor of the parent company, Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU and its associates, amounted to EUR 51,500 in aggregate for their duties as Auditor.

6. SHAREHOLDING (AS OF DECEMBER 31, 2016)

The situation as it appears from the last official ownership statements received by the company and the situation of treasury shares as of December 31, 2016 is as follows:

Shareholder	Number of shares	% statutory basic (1)	% statutory diluted (2)
Michel Counson	879,906	6.5%	6.4%
Treasury shares EVS	119,111	0.9%	0.9%
Allianz Global Investor Europe GmbH	889,755	6.5%	6.4%
Degroof Petercam Asset Management	436,746	3.2%	3.2%
Norges Bank	403,825	3.0%	2.9%
Undeclared	10,895,657	80.0%	78.7%
Total	**13,625,000**	**100.0%**	
Total excl. Treasury shares	**13,505,889**		
Outstanding warrants as of Dec. 31	211,050		1.5%
Total diluted	13,836,050		100.0%
Total diluted, excl. treasury shares	13,716,939		

(1) As % of the number of subscribed shares, including the treasury shares.
(2) As % of the number of subscribed shares, including the outstanding warrants and the treasury shares.

The capital of EVS is currently represented by 13,625,000 shares. There is only one category of shares, having the same rights. More information on the EVS capital is available in the note 19 of the consolidated accounts. On December 31, 2016, EVS had 119,111 own shares. According to Euroclear and the EVS Shareholders Register, there were 913,212 registered shares of which 855,528 are owned by Michel Counson (who also own 24,378 dematerialized shares), 4,298 by EVS, 53,260 by the EVS employees under the profit sharing scheme and the remaining balance by 7 private shareholders. In the EVS accounts at Euroclear, there were 12,711,788 dematerialized shares.

Shareholders must declare their ownership in EVS shares as soon as their shareholding passes over/under the 3% threshold (required by the company Statutes) and any multiple of 5% thresholds (required under Belgian law). The shareholding percentage must be computed on the basic number of outstanding shares (i.e. 13,625,000 shares at the end of 2016).

7. GENERAL MEETINGS

Each year, EVS holds its Ordinary General Meeting on the third Tuesday of May. In 2016, it was held at the company's headquarters on May 17. Overall, 143 shareholders were present or represented, representing 4,167,985 shares, or 30.6% of the share capital of EVS. All resolutions (the resolution #13 replaced the resolution #7, whose refusal had been anticipated) were approved at an average rate of 89.7% votes in favor.

For any proposal to amend the articles of associations, the company must invite its shareholders to attend an Extraordinary General Meeting. This assembly can validly cast only if 50% of shares are present or represented. If this is not the case, a second Extraordinary General Meeting shall be convened and will be able to vote, regardless of the percentage of shares present or represented. Decisions will be made to the majorities prescribed by law.

No Extraordinary General Meeting was held in 2016.

In order to encourage the interactions between the company and its final shareholders, but also in order to better know them (and serve them), EVS requires, according to the article 24 of its articles of association, the proxies for a general meeting to be signed by the final effective beneficial owner. Hence, proxies signed by a custodian or sub-custodian must be accompanied by another proxy, duly signed by the final effective beneficial owner, allowing him to exercise its rights.

8. DIVIDENDS AND PROFIT ALLOCATION POLICY

The Board of Directors examines the results of the previous financial year and proposes at its Ordinary General Meeting that these profits be distributed in the best interest of the company and its shareholders. Bearing in mind the legal restrictions on profit distribution, the Board of Directors can propose a dividend policy that takes into consideration the company's investment and acquisition requirements. Since its IPO in 1998, the company paid dividends. The company initiated in 2006 the payment in November of an interim dividend. Since 2013, the Board of Directors has established a dividend policy which aims at paying a high portion of the net profit, taking into account the cash needed to finance the company growth, and with a maximum payout ratio of 100%.

Dividends are payable at the following financial institution:
ING BANK SA ("Single ESES Paying Agent Euroclear")
Avenue Marnix 24, 1000 Brussels, Belgium

9. RESPECT OF THE BELGIAN CODE ON CORPORATE GOVERNANCE

EVS has adopted the Belgian Code on Corporate Governance (2009) as reference code. In line with the "comply-or-explain" principle of the code, the Company concluded that the best interests of the Company and its shareholders are served by variance from the Code in a limited number of specific cases. These variances are explained below:

- An independent internal audit function is put in place (item 5.2./17 of 2009 Code): the internal audit function is fulfilled by the existing team within the finance department and the actions of the Audit Committee. The Board took this decision in view of the size of EVS, the risks and the existing control systems in the company.
- The audit committee should meet at least four times a year (point 5.2/28 of the 2009 Code): in 2016, the Audit Committee met 3 times, which seems enough given the size and the structure of the company.
- The executive management should include, at least, all executive directors (point 6.2): upon his own request, Michel Counson is not a member of the Executive Committee of the company. He prefers to focus on his role of CTO Hardware.
- Under the lead of its chairman, the board should regularly (e.g. at least every two to three years) assess its size, composition, performance and those of its committees, as well as its interaction with the executive management (point 4.11): there hasn't been any evaluation of the Board of Directors in 2016. This point will be put on the agenda in 2017.

REMUNERATION REPORT

1. THE DIRECTORS

1.1. Remuneration policy

Non-executive Directors receive an annual fixed amount, eventually on a pro rata basis. This fixed amount includes the participation to 6 meetings per year. The non-executive Directors also receive, as remuneration for the execution of their mandate, a fixed amount for each Board meeting (above 6 meetings per year) and special committee meeting attended. The Chairman, if he is non-executive, receives a higher fixed amount per meeting than the other members.

The Company and its subsidiaries do not provide any personal loans, guarantees and such to the members of the Board of Directors or the Executive Team. If Directors are charged with special tasks or projects, they are entitled to receive an appropriate remuneration for those activities, which is notably the case for the Executive Directors.

The policy and the remuneration of the Directors are approved by the Ordinary General Meeting. The Ordinary General Meeting of May 2016 unanimously approved the increase of the remuneration of the Board of Directors, proposed based on comparisons made with comparable companies, and with the aim of professionalizing even more the governance of the company.

1.2. Remuneration in 2016

Since the Ordinary General Meeting of May 2016 (with effect as of January 1, 2016), the remuneration is fixed as follows:

- Fixed annual remuneration of EUR 20,000 per Director (resp. EUR 40,000 for the Chairman of the Board of Directors), covering up to 6 meetings per year.
- Above 6 meetings, variable fee EUR 1,500 (resp. EUR 1,500) per attendance to a Board meeting for each non-executive Director (resp. the non-executive Chairman of the Board).
- Fixed annual remuneration of EUR 2,000 for the Chairman of a Committee.
- Variable fee of EUR 1,000 (resp. EUR 1,000) per attendance to a Committee meeting (Audit, Remuneration or Strategy) for each non-executive Director (resp. the non-executive Chairman of the Committee).

No termination compensation is provided for non-executive Directors at the end of their mandate. Non-executive directors do not receive any shares, warrants or stock options.

In 2016, Directors received the following compensation for the execution of their mandate:

		Fixed amount		**Variable amount linked to attended meetings**		**TOTAL 2016**
		Board of Directors	**Special committees**	**Board of Directors**	**Special committees**	
Non-exécutifs						
ACCES DIRECT SA, represented by Pierre RION (1)	Chairman	15,014	-	-	1,000	16,014
Innoconsult bvba, represented by Martin DE PRYCKER	Independent Director	12,000	1,200	1,500	3,000	17,700
Christian RASKIN	Independent Director	20,000	-	1,500	6,000	27,500
Freddy TACHENY	Independent Director	20,000	-	1,500	2,000	23,500
Patrick TILLIEUX (2	Independent Director	32,493	2,000	1,500	4,000	39,993
Yves TROUVEROY	Independent Director	20,000	2,000	-	3,000	25,000
Exécutifs						
Michel COUNSON	Managing Director	20,000	-	-	-	20,000
MucH sprl, represented by Muriel DE LATHOUWER (3)	Managing Director	20,000	-	-	-	20,000

(1) Until the Ordinary General Meeting of May 2016.
(2) Patrick Tillieux was appointed as Chairman of the Board of Directors after the Ordinary General Meeting of May 17, 2016.
(3) This remuneration is included in the amounts mentioned in 2.2.1.

In addition, InnoConsult bvba (represented by Martin De Prycker), appointed as Board Observer in November 2015, received EUR 11,800 for his participation to the meetings between January and May 2016.

In addition, 7 Capital sprl (represented by Chantel De Vrieze) received, in line with the remuneration of the Directors, a remuneration of EUR 8,167 as Advisor of the Board. Her appointment as Director will be proposed at the General Meeting of May 16, 2017.

As of December 31, 2016, 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, 879,906 shares of a total of 13,625,000, or 6.5% of the capital. Executive Directors do not hold any warrants.

2. THE CEO AND THE OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

2.1. Remuneration policy

2.1.1. Fixed and variable remuneration

The remuneration policy aims to attract, maintain and motivate competent and professional employees. For this reason, the amount of the remuneration is determined as a function of the individual tasks and responsibilities. The Remuneration Committee assesses annually the total remuneration and organizes additional meetings when needed. The level of remuneration is also compared to external references, either through studies or through external counsels.

The contribution made by the members of the executive management to the development of the activities and the results of the group are a substantial part of the remuneration policy.

In order to align the interests of the members of the executive management with the interests of the company and its shareholders, a part of the remuneration is linked to the results of the Company and another part to the individual performance.

The results of the Company are based on sales and operational result of the past financial year. These criteria, as proposed by the Remuneration Committee, are evaluated by the Board of Directors annually and adapted when necessary.

The individual performance is based on a clearly defined evaluation system based on the achievement of specific measurable objectives, the realization of important key figures and the respect of core values which are important for the Company. All goals should be in line with the group strategy, the key values and the guidelines. The individual goals are determined annually during individual appraisals at the beginning of the financial year. There is no provision of formal right of recovery of the variable compensation awarded on the basis of erroneous financial information, for the benefit of the Company. The evaluation period is the last fiscal year, and the variable compensation amount is determined at the end of the first quarter of the next year.

The potential contributions for pensions and insurances are linked to the fixed remuneration.

As remuneration for his/her services, the CEO receives:

- a fixed remuneration,
- a variable remuneration according to annual criteria mentioned above (EBIT), approved by the Ordinary General Meeting of May 2015,
- a variable remuneration according to multiannual criteria, based on the evolution of the operating profit
- a fixed amount for recurring costs (company car, insurance).

For the other members of the executive management, metrics used for the variable remuneration include sales, EBIT, opex control and progress on the multi-year strategic growth plan approved by the Board. The variable incentive scheme is capped. Most of them also have a company car at their disposal and are covered by a group insurance plan (see also note 6.3.1). For the coming years, the remuneration policy will be consistent with the one followed until now.

2.1.2. Other elements of the remuneration

Since approximately ten years, regularly, there is a grant of warrants for some members of the staff. A rigorous process supervised by the Remuneration Committee manages the grant, promotes loyalty, ensuring balance and fair distribution.

The warrants and options are granted at no-cost and are not linked to the performances of the Company, but to the level of responsibility and the added value of the people. They can only be exercised from the third calendar year following the offering of these options or warrants. The warrants are granted according to the provisions identified in the law of 26 March 1999 concerning the Belgian action plan for job opportunities 1998. The exercise of warrants could result in the subscription of new shares in the event of a capital increase unless the Board of Directors decides to distribute shares that were purchased by the Company (warrants qualified as “sui generis”).

Severance pay
In the case that severance pay amounts to more than 12 months of the fixed and variable remuneration (or more than 18 months based on a motivated decision by the Remuneration Committee), the allotment of this remuneration will be presented for approval to the General Meeting. The severance pay for certain members of the Executive Committee amounted to EUR 200,000 in 2016. For the other members of the executive management, no severance pay conditions exceeding 12 months have been agreed. In the case of any potential severance, the remuneration will be determined based on applicable current employment laws and practice.

2.2. Compensation received in 2016

2.2.1. CEO

MucH sprl, permanently represented by Muriel De Lathouwer, was appointed as Managing Director & CEO on February 16, 2015. In 2016, MucH sprl and her permanent representative Muriel De Lathouwer received a total of EUR 323,000 for their executive functions and mandates of Director. MucH sprl also received EUR 27,000 to cover recurring costs (company car, insurance). In 2016, a variable compensation of EUR 118,948 was also attributed to MucH sprl.

2.2.2. Other members of the executive management

For fiscal year 2016, the other members of the executive management were:
- Yvan ABSIL, Senior Vice President, CFO (since January 4, 2016)
- Luc DONEUX, Chief Commercial Officer (until August 31, 2016)
- Benoît FEVRIER, Senior Vice President Market and Product (until July 12, 2016)
- Benoît QUIRYNEN, Senior Vice President Market and Product (since August 1, 2016)
- Axel BLANCKAERT, Chief Technology Officer (since April 16, 2016)
- Christine VANDER HEYDEN, Senior Vice President, Human Resources

The other members of the executive management received, in 2016, on a prorata basis of their presence in the executive management: a fixed global compensation of EUR 846,631, a global variable compensation of EUR 460,997 (including sales commission), a contribution for pension of EUR 56,796 (see more details on the plan in note 6.3.1) and other benefits for EUR 281,598 (including severance pay of EUR 200,000, medical insurance and company cars).

Stock options are awarded to the other members of the executive management after the Board of Directors’ approval upon the recommendation of the Remuneration Committee. The other members of the executive management do not own any warrant as of December 31, 2016.

3. CONFLICT OF INTEREST PROCEDURES

During the year under review, there was no conflict of interest according to the specific procedure provided for under Articles 523 and 524 of Company Law.

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 distinguish primary and secondary risks.

1. PRIMARY RISKS

- 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 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.
- We depend on sales of our XT and XS video server products. If market demand for these products does not continue, our future operating results could be harmed.
- 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.
- 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.
- 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.
- If we fail to manage our growth effectively, our business could be harmed.

2. SECONDARY RISKS

- 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 have significant international operations and derive most of our revenues from international customers, which exposes us to significant risks, including risks relating to currency fluctuations.
- 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.
- Investment processes of our clients can be lengthy and unpredictable, which may make it difficult to predict sales in any particular quarter.
- 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.
- 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, March 31, 2017

CERTIFICATION OF RESPONSIBLE PERSONS

Muriel De Lathouwer, Managing Director and CEO
Yvan Absil, Senior Vice President, 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.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Notes	2016 Audited	2015 Audited
Revenue	3	130,817	118,511
Cost of sales	6.2	-33,660	-34,261
Gross profit	**6.2**	**97,156**	**84,250**
Gross margin %		**74.3%**	**71.1%**
Selling and administrative expenses	6.4	-27,537	-26,607
Research and development expenses	6.3	-23,725	-24,525
Other income	6.6, 18	1,245	285
Other expenses		-400	-222
Stock based compensation and ESOP plan	6.4	-560	-527
Operating profit (EBIT)		**46,179**	**32,653**
Operating margin (EBIT) %		**35.3%**	**27.6%**
Interest revenue on loans and deposits	6.5	20	68
Interest charges	6.5	-472	-491
Other net financial income / (expenses)	6.5	94	1,132
Share in the result of the enterprise accounted for using the equity method	5	111	-107
Profit before taxes		**45,933**	**33,468**
Income taxes	7	-13,101	-9,754
Net profit from continuing operations		32,832	23,714
Net profit		**32,832**	**23,714**
Attributable to :			
Non controlling interest		-	-
Share of the group		**32,832**	**23,714**

EARNINGS PER SHARE *(in number of shares and in EUR)*	**8**	**2016 Audited**	**2015 Audited**
Weighted average number of subscribed shares for the period less treasury shares		13,501,815	13,490,812
Weighted average fully diluted number of shares		13,743,686	13,850,459
Basic earnings – share of the group		**2.43**	**1.76**
Fully diluted earnings – share of the group (1)		**2.39**	**1.71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands)	2016 Audited	2015 Audited
Net profit	**32,832**	**23,714**
Other comprehensive income of the period		
Currency translation differences	224	446
Other increase/ (decrease)	123	-221
Total of recyclable elements	**347**	**225**
Total comprehensive income for the period	**33,178**	**23,939**
Attributable to :		
Non controlling interest	-	-
Share of the group	33,178	23,939

(1) Excluding 211,050 warrants that were not exercisable at the end of 2016, fully diluted earnings per share in FY16 would have been EUR 2.43.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

ASSETS (EUR thousands)	**Notes**	**Dec 31, 2016 Audited**	**Dec. 31, 2015 Audited**
Non-current assets :			
Goodwill	10	1,125	1,125
Other intangible assets	11	386	404
Lands and buildings	12	46,843	48,054
Other tangible assets	12	3,358	3,586
Investment accounted for using equity method	5	954	920
Other amounts receivables *	15	2,216	1,602
Deferred tax assets	7.3	4,090	-
Financial assets	13	341	273
Total non-current assets		**59,314**	**55,964**
Current assets :			
Inventories	14	13,549	15,568
Trade receivables *	15	24,882	34,652
Other amounts receivable, deferred charges and accrued income	15	3,364	3,620
Financial assets	16	2,003	1,118
Cash and cash equivalents	17	53,150	22,572
Total current assets		**96,947**	**77,529**
Non-current assets classified as held for sale	18	**4,016**	**5,051**
Total assets		**160,276**	**138,544**

EQUITY AND LIABILITIES (EUR thousands)	**Notes**	**Dec 31, 2016 Audited**	**Dec. 31, 2015 Audited**
Equity			
Capital	**19**	**8,342**	**8,342**
Reserves	19.6	92,611	73,953
Treasury shares	19.5	-4,548	-4,960
Total consolidated reserves		**88,064**	**68,993**
Translation differences	19.7	1,040	816
Equity, share of the group		**97,446**	**78,152**
Non-controlling interest		**-**	**6**
Total equity		**97,446**	**78,157**
Provisions	21	1,120	1,132
Deferred taxes liabilities	7.3	-	1,678
Financial debts	20	14,550	19,600
Other debts	20	1,241	1,160
Non-current liabilities		**16,911**	**23,570**
Financial debts	20	5,250	5,200
Trade payables	22	3,722	4,987
Amounts payable regarding remuneration and social security		8,856	9,879
Income tax payable		17,067	7,658
Other amounts payable, advances received, accrued charges and deferred income	22	11,025	9,094
Current liabilities		**45,919**	**36,817**
Total equity and liabilities		**160,276**	**138,544**

* The presentation of the 2015 numbers has been adapted to take into account the transfer of the long term portion of the operating leases into “Other long term amounts receivables”

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	2016 Audited	2015 Audited
Cash flows from operating activities			
Net profit, share of the group		**32,832**	**23,714**
Adjustment for:			
-Other comprehensive income and other income		-593	224
- Depreciation and write-offs on fixed assets	11, 12	3,290	2,893
- Stock based compensation and ESOP	6.4	560	527
- Provisions	21	-12	55
- Income tax expenses	7	13,101	9,754
-Interests expense (+) / Income (-)	6.5	358	-709
-Share of the result of entities accounted for under the equity method		-111	-107
Adjustment for changes in working capital items:			
-Inventories	14	2,019	-203
-Trade receivables	15	9,156	-8,044
-Other amounts receivable, deferred charges and accrued income	15	256	2,998
-Trade payables	22	-1,265	-238
-Amounts payable regarding remuneration and social security		-1,023	-53
-Other amounts payable, advances received, accrued charges and deferred income		2,106	2,028
Cash generated from operations		*60,674*	*32,839*
Income taxes paid	7	-9,460	-10,240
Net cash from operating activities		**51,214**	**22,599**
Cash flows from investing activities			
Purchase of intangible assets		18	-184
Purchase of tangible assets (lands and building and other tangible assets)	12	169	-5,030
Other financial assets		-959	6,957
Net cash used in investing activities		**-772**	**1,743**
Cash flows from financing activities			
Reimbursement of borrowings	20	-24,800	-7,107
Proceeds from new borrowings	20	19,800	-
Interests paid	6.5	-472	-491
Interests received	6.5	20	68
Dividend received from investee		32	32
Dividend paid - interim dividend	9	-8,104	-6,747
Dividend paid - final dividend	9	-6,753	-13,485
Acquisition (-) / sale (+) of treasury shares	19.5	412	404
Net cash used in financing activities		**-19,864**	**-27,326**
Cash and cash equivalents at beginning of period		**22,572**	**25,556**
Cash and cash equivalents at end of period		**53,150**	**22,572**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, share of the group	Non-controlling interest	Total equity
Balance as at January 1, 2015	**8,342**	**70,165**	**-5,364**	**371**	**73,514**	**6**	**73,520**
Total comprehensive income of the period		23,493		446	23,939		23,939
Business combination					-		-
Share-based payments		527			527		527
Acquisition/sale of treasury shares			404		404		404
Final dividend		-13,485			-13,485		-13,485
Interim dividend		-6,747			-6,747		-6,747
Balance as at December 31, 2015	**8,342**	**73,953**	**-4,960**	**817**	**78,152**	**6**	**78,158**

(EUR thousands)	Issued capital	Other reserves	Treasury shares	Currency translation differences	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Balance as at January 1, 2016	**8,342**	**73,953**	**-4,960**	**816**	**78,152**	**6**	**78,158**
Total comprehensive income of the period		32,954		224	33,178		33,178
Acquisition of non-controlling interests					-	-6	-6
Share-based payments		560			560		560
Acquisition/sale of treasury shares			412		412		412
Final dividend		-6,753			-6,753		-6,753
Interim dividend		-8,104			-8,104		-8,104
Balance as per December 31, 2016	**8,342**	**92,611**	**-4,547**	**1,040**	**97,446**	**-**	**97,446**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE COMPANY

1.1. Identification

EVS Broadcast Equipment SA
Liege Science Park
Rue Bois Saint-Jean, 13
B-4102 Seraing
VAT: BE 0452.080.178
National Registered Number: BE0452.080.178
www.evs.com

EVS Broadcast Equipment SA 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 SA is a company whose shares are publicly traded. It has its head office in Belgium.

The consolidated financial statements of EVS Broadcast Equipment SA as at December 31, 2016 were established by the Board of Directors of March 31, 2017. 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 16, 2017.

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". Corporate by-laws 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.com.

1.3. Corporate purpose of the company

The corporate purpose 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, buildings 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 SA and of its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

2.3. New norms, interpretations and amendments

During the current financial year, the group applied all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on January 1, 2016. The group has not applied any new IFRS requirements that are not yet effective as per December 31, 2016.

IFRS norms, amendments or interpretations applicable in a mandatory way in 2016

- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to IAS 1: Disclosure Initiative;
- Amendments to IAS 19: Employee Benefits – defined contribution benefit – employee contribution;
- Annual improvements to IFRS Standards 2010-2012 Cycle;
- Annual improvements to IFRS Standards 2012-2014 Cycle;

These amendments didn't have any impact on the consolidated financial statements of the group.

IFRS norms, amendments or interpretations applicable after December 31, 2016, and not anticipated by the Group

The following standards and interpretations are published, issued but are not yet effective and have not been applied to the IFRS financial statements of the Company. Some may or may not affect the preparation of future annual reports. The Company will assess full impact of these standards in due course:

- IFRS 9 Financial instruments and subsequent amendments. The standard will replace the majority of IAS 39 and covers the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, impairment of financial assets and provides a new hedge accounting model. It will be applicable for annual periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers. This standard provides a single principle based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of the performance obligations in a contract and requires that revenue be recognized when such obligations are satisfied. The standard will be applicable for annual periods beginning on or after 1 January 2018. In accordance with ESMA statement of July 2016, with respect to the implementation of IFRS 15, we would like to draw the attention on the following matters:
    - It is the intention of the Company to choose for the transitional retrospective transition method when we will first apply IFRS 15 meaning that (i) we will apply the new revenue recognition standard to all existing contracts as of January 1, 2018 (ii) will perform an inventory of contracts with performance obligations remaining under current guidance as at December 31, 2017 (iii) if any, will post a cumulative catch-up adjustment as of January 1, 2018 for contracts with performance remaining under current guidance (iv) will present 2017 figures in our annual report as at December 31, 2018 under current revenue guidance and will present the necessary disclosures in order to explain significant changes and disclose the amount that each financial line item is affected, compared with current guidance;
    - As per analysis performed to date, it is not impossible that the amount of revenue to be recognized or the timing of revenue recognition for a limited number of contracts will be impacted by the implementation of IFRS 15 compared to current revenue recognition practices. However, as per analyses made to date, we consider that such cases should be incidental and that the impact on the revenue recognition of the Company shall be limited. Consequently, the Company would in most cases continue to recognize revenue for these contracts over time rather than at a point of time;
- IFRS 16 Leases. This standard provides a basis for the accounting of leasing contracts by lessees and lessors. As the Company has concluded lease agreements for a.o rent of offices in various countries, this standard will impact our statement of financial position when it will be applied. The standard will be applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU;
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses (normally applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU). As per analysis performed the Company shall not be impacted by this amendment;
- Amendments to IAS 7 – Disclosure initiative (normally applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU);
- Clarifications to IFRS 15 Revenue from contracts with customers (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Amendments to IFRS 2 Classification and measurement of Share-based payment transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Annual improvements to IFRS Standards 2014-2016 Cycle (applicable for annual periods beginning on or after 1 January 2017 / on or after 1 January 2018, but not yet endorsed in the EU);
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU);
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU).

At the exception of the comments made relating to IFRS 15 and IFRS 16 It is not expected that the application of the above mentioned IFRS standards, interpretations and amendments will have a significant impact on the financial statements.

2.4. Summary of changes in accounting policies

The Company consistently used the same accounting policies throughout all periods presented in its IFRS financial statements. There is no impeding change in accounting policy, at the exception of the accounting treatment of the post-employment benefits (see note 6.4.1.).

2.5. Consolidation principles

The consolidated financial statements include the financial statements of EVS Broadcast Equipment SA 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 controlled by EVS, for which the following are met: (a) EVS has the power (legally or de facto) over the investee; (b) EVS is exposed or entitled to variable returns from its involvement with the investee; and (c) EVS's ability to use its power over the investee to affect the amount of returns it gets.
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 SA loses the control.

2.7. Interests in joint ventures and in associates

Joint ventures (in accordance with the processing prescribed by IFRS 11) 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, in a distinct line "Share in the result of the enterprise accounted for using the equity method".
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

2.8.1. Decisions

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. 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 expensed, not capitalized.

2.8.2. 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 estimates 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.
The use of estimates is particularly applicable when performing goodwill impairment tests and evaluating any additions to the purchase price of past business combinations, determining the fair value of share-based payments, the evaluation of the deferred tax position and the determination of the percentage of completion of construction works.

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 SA 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 SA is the euro.

2.9.1. 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.

2.9.2. 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.

2.9.3. Exchange rates used

USD / EUR exchange rate	Twelve months average	At December 31 (closing rate)
2016	1.1069	1.0541
2015	1.1095	1.0887
Variation	*+0.2%*	*+3.3%*

2.10. Business combinations and goodwill

Business acquisitions are accounted using the purchase method. The counterpart, transferred in connection with a business combination, is measured at fair value, which is calculated as the sum of the fair values at the acquisition date of the assets transferred by the group, the liabilities incurred by the group in favor of the former owners of the acquired company and the part of equity issued by the group in exchange for control of the acquired company. The acquisition-related costs are generally recognized in profit or loss as incurred.

When consideration transferred by the group as part of a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value at the acquisition date and included in consideration transferred under the business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustment to goodwill. The adjustments of evaluation periods result from additional information about facts and circumstances that existed at the date of acquisition obtained during the “evaluation period” (maximum of one year from the acquisition date).

Changes resulting from events after the acquisition date, such as the achievement of an earnings target, are not measurement period adjustments. In this case, the changes in fair value of contingent consideration meeting the definition of a financial liability are recognized in net income.

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.

2.11. 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.

2.12. Tangible assets

The buildings are recorded at cost. Their value is reduced with depreciation and is not subject to fair value revaluation. The cost includes fees and costs and capitalized borrowing. Subsidies that have been collected to finance the construction of the buildings are deducted from the cost of acquisition (see rules on capital subsidies).

Since the commissioning of the building in 2015, the cost of the building, less estimated residual value, is amortized over the estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period of the financial information.

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. Non-current assets held for sale

Non-current assets and groups supposed to be sold are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continued use. This condition is fulfilled only when the asset (or group held for sale) is available for immediate sale in its present condition, only subject to terms that are usual and customary for sales of such assets (or group held for sale) and that its sale is highly probable. Management must be committed to the sale and must expect that the sale qualifies for recognition as a completed sale within one year from the date of its classification.

Non-current assets (and groups held for sale) classified as held for sale are measured at the lower of their carrying amount and fair value less sale costs. They are not depreciated any more.

2.14. Inventories

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.

2.15. 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. The completion level of the projects is determined on a quarterly basis, depending on the effective level of completion of the specifications and on the complexity of the project. This is the result of a dialogue between the Business Controller, the Project Manager, the legal department and the customer. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

2.16. 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 expected. Bad debts are written off when identified.

2.17. Other current and non-current assets

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

2.18. 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.

2.19. 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.

2.20. Non-controlling interests

Non-controlling 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.

2.21. 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.

2.22. 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.

2.23. Pensions and other post-employment benefits

The post-employment benefits include pensions.
The group operates defined contribution pension schemes. The minimum legal contribution is partially warranted by the insurance company.

However according to IAS19, Belgian-defined contribution plans that guarantee a specified return on contributions are defined benefit plans, as the employer is not responsible for the contribution payments, but has to cover the investment risk until the legal minimum rates applicable.

IAS 19 requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Therefore, pension provisions are set up. The obligations are measured on a discounted basis because they are settled many years after the employees render the related service.

2.24. Share-based payment

The group's employees and management 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).

2.24.1. 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 grant.
The dilutive effect of outstanding options is reflected as additional share dilution in the computation of "fully diluted" earnings per share.

2.24.2. 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").

2.25. 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. The completion level of the projects is determined on a quarterly basis, depending on the effective level of completion of the specifications. This is the result of a dialogue between the Business Controller, the Project Manager, the legal department and the customer.

Revenues from public subsidies are deducted from the depreciation charge 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.

2.26. Leases (EVS as lessor)

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

2.26.1. Finance leases

When assets are leased out under a finance lease, these assets are derecognized and 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.

2.26.2. 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.

2.27. Government grants

2.27.1. 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.

2.27.2. 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.

2.28. Leases (EVS as lessee)

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

2.28.1. Finance leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 recognized in the income statement.

2.28.2. 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 recognized as an expense in the income statement on a straight-line basis over the lease term.

2.29. 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.
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.

2.30. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets are part of the cost of the asset. Other borrowing costs are recognized in the income statement for the year in which they occurred.

2.31. Income taxes

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

2.31.1. 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.

2.31.2. 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.

2.32. Derivative financial instruments
EVS uses derivative financial instruments such as forward exchange rate contracts or interest rate swaps to hedge its risks of foreign currency fluctuations on its foreign currency transactions and its risks of interest rate fluctuations. 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. The fair value of the interest rate swaps is subject to a valuation by the counterparty.
The method of determining the fair value of these instruments is therefore of "level 2" type according to IFRS 13 "Evaluation of fair value".

2.33. 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.

2.34. 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. In order to hedge that risk, EVS has recorded on the balance sheet a provision to cover the probable costs on 2 years relating to these technical guarantees.

2.35. 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. The Chief Operating Decision Maker, being the Executive Committee, reviews the operating results and operating plans, and makes resource allocation decisions on a company-wide basis. Sales relate to products of the same nature (digital broadcast production equipment) and are realized by commercial polyvalent teams. The company’s internal reporting is the reflection of the above mentioned operational organization (which is primarily the translation of a new marketing approach), and is characterized by the strong integration of the activities of the company; only sales are identified following three dimensions: by geographical region, by market and by nature. EVS operates as one segment.

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

The company provides only one type of solution: solutions based on tapeless workflows with a consistent modular architecture. This is the product of EVS. There are no other significant classes of business, either singularly or in aggregate. Indeed, identical modules can meet the needs of different markets. Our customers themselves are often multi-markets. Providing information for each module is therefore not relevant for EVS.

At the level of the geographical information, the activities are divided into the following regions: Asia-Pacific (“APAC”), Europe, Middle East and Africa (“EMEA”), and America (“NALA” or “Americas”). This division follows the organization of the commercial and support services within the group, which operates worldwide. A fourth region is dedicated to the worldwide events (“Big sporting events”).

The company provides additional information with a presentation of the revenue by destination: “Outside broadcast vans”, “Studio and others” and “Big sporting event rentals” for rental contracts relating to the big sporting events of the even years.

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

3.2. Additional information

3.2.1. Information on sales by destination

Revenue can be presented by destination: Outside broadcast vans, Studio & others and Big sporting event rentals. Maintenance and after sale service are included in the complete solution proposed to the clients.

Revenue (EUR thousands)	2016	2015	% 2016/2015
Outside broadcast vans	67,366	63,717	+5.7%
Studio & others	51,318	52,853	-2.9%
Big sporting event rentals	12,133	1,941	N/A
Total	**130,817**	**118,511**	**+10.4%**

3.2.2. Information on sales by region

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

3.2.2.1. Revenue

Revenue for 12 months (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event Rentals	TOTAL
2016 revenue	25,999	52,877	39,808	12,133	130,817
Evolution versus FY15 (%)	+1.6%	+6.2%	-3.3%	N/A	+10.4%
Variation versus FY15 (%) at constant currency	+1.6%	+6.2%	-3.5%	N/A	+10.3%
2015 revenue	25,583	49,812	41,174	1,941	118,511

Revenue realized in Belgium (the country of origin of the company) with external clients represent less than 5% of the total revenue in the period. In the last 12 months, the group realized significant sales to external clients (according to the definition of IFRS 8) in two countries: the US (Americas, EUR 32.1 million in the last 12 months).

3.2.2.2. Long term assets

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

3.2.3. Information on products and services

Revenue can be presented by nature: systems and services.

Revenue (EUR thousands)	**2016**	**2015**	**% 2016/2015**
Systems	119,759	109,674	+9.2%
Services	11,058	8,837	+25.1%
Total Revenue	**130,817**	**118,511**	**+10.4%**

Services include advices, installations, project management, training, maintenance, distant support that are literally included in the invoices.

3.2.4. Information on important clients

Over the last twelve months, NEP Group represented 11.4% of EVS total revenue. No other external client of the company represents more than 10% of the sales over the last 12 months.

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

NAME AND ADDRESS	**Year of foundation or acquisition**	**Staff as of 31.12.16**	**Incorporation method used** [(1)]	**Part of capital held as of 31.12.15 (in %)** [(2)]	**Part of capital held as of 31.12.16 (in %)** [(2)]	**Change in % of capital held**
EVS Broadcast Equipment Inc. 9 Law Drive, suite 200, NJ 07004 Fairfield, USA	1996	26	F	100.00	100.00	0.00
EVS Broadcast México, SA de C.V. World Trade Center, Cd. De México, Montecito N° 38, Piso 23, Oficina 38, Col. Nápoles, Delegación Benito Juárez, D.F. 03810 México, MEXICO RFC: EBM 1106152TA	2011	2	F	100.00	100.00	0.00
EVS France SARL Avenue André Morizet, 62bis F-92100 Boulogne-Billancourt, FRANCE VAT: FR-21419961503	1998	7	F	100.00	100.00	0.00
EVS France Développement SARL Avenue André Morizet, 62bis F-92100 Boulogne-Billancourt, FRANCE VAT: FR-53514021476	2009	5	F	100.00	100.00	0.00
EVS Toulouse SAS 6, rue Brindejonc des Moulinais, Bât. A, F-31500 Toulouse Cedex 5, FRANCE VAT: FR-83449601749	2010	25	F	100.00	100.00	0.00
EVS Italia S.R.L. Via Milano 2, IT-25126 Brescia, ITALY VAT: IT-03482350174	1998	3	F	95.00	100.00	5.00
EVS Broadcast UK Ltd. Ashcombe House, The Crescent 5, Leatherhead, Surrey KT22 8DY, ROYAUME-UNI VAT: UK-853278896	1999	9	F	100.00	100.00	0.00
EVS Broadcast Equipment Iberica SL Avda de Europa 12-2C, Edificio Monaco, Parque Empresarial la Moraleja 28109 Alcobendas, Madrid, SPAIN VAT: B85200236	2007	4	F	100.00	100.00	0.00
EVS Nederland BV Solebaystraat 97 HS 1055 ZP Amsterdam THE NETEHERLANDS	2008	3	F	100.00	100.00	0.00
EVS Deutschland GmbH Feringastrasse 12B 85774 Unterföhring (Munich), GERMANY VAT: DE-266077264	2009	7	F	100.00	100.00	0.00
EVS International (Swiss) SARL Rue des Arsenaux 9, 1700 Friburg, SWITZERLAND VAT: CH-21735425482	2009	1	F	100.00	100.00	0.00
EVS Broadcast Equipment Ltd. Room A, @Convoy, 35/F 169 Electric Road, North Point, HONG-KONG	2002	12	F	100.00	100.00	0.00

EVS Broadcast Equipment Singapore PTE. Ltd. Level 8-9, The Metropolis Tower 2 11 North Buona Vista Drive 138589 SINGAPORE	2015	2	F	100.00	100.00	0.00
EVS Australia Pty Ltd. Level 8, 261 George Street Sydney NSW 2000, AUSTRALIA	2007	2	F	100.00	100.00	0.00
Scalable Video Systems GmbH Mina-Rees Stra. 8, 64295 Darmstadt, GERMANY VAT: DE-289 460 223	2013	16	F	100.00	100.00	0.00
EVS Pékin - Representative office 2805 Building One, Wanda Plaza, N°93 Jianguo Road, 100026 Beijing, CHINA	2005	5	F	N/A	N/A	N/A
EVS Broadcast Equipment Middle East Ltd Shatha Tower, Office 09, 32nd Floor, Dubai Media City, Dubai, UNITED ARAB EMIRATED	2006	4	F	N/A	N/A	N/A
EVS Americas Los Angeles – Representative office 101 South First Street, Suite #404 Burbank, CA 91504, USA	2006	5	F	N/A	N/A	N/A
MECALEC SMD SA Rue Nicolas Fossoul 54, B-4100 Seraing, BELGIUM National registered number: BE0467 121 712	1999	26	E	49.50	49.50	0.00
DYVI Live SA (3) Subsidiary merged by absorption with EVS Broadcast Equipment on June 23, 2016	2013	2	F	100.00	0.00	-100.00
EVS Canada Company liquidated on December 12, 2016	2008	0	F	100.00	0.00	-100.00
Network and Broadcast Systems Limited (NBS) Company in liquidation process	2010	0	F	100.00	100.00	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.
(3) On June 23, 2016, the unique shareholder of DYVI Live decided to merge, by absorption without liquidation, the company DYVI Live (absorbed company) with the company EVS Broadcast Equipment SA (absorbing company)

5. INVESTMENT IN JOINT-VENTURES AND ASSOCIATES

(EUR thousands)	2016	2015
Investment in associates		
Opening balance as at January 1	**920**	**836**
- Disposals during the year	-	-
- Acquisitions during the year	-	-
- Results	111	107
- Others	-77	-23
Closing balance as at December 31	**954**	**920**

5.1. Investments in associates

5.1.1. MECALEC SMD SA

MECALEC SMD SA was founded on October 21, 1999 by SA MECALEC (50.5%, not directly or indirectly linked to EVS) 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 technology. The registered office is based in Boncelles, close to Liège (Belgium), 5 km from EVS. EVS acquired this interest in order to benefit from shorter delivery times on orders for the assembly of electronic boards. There can be some synergies in R&D and reworking of the production process. In 2016, the net profit of MECALEC SMD amounted to EUR 0.2 million compared to the net profit of EUR 0.2 million in 2015. EVS represented 20% of MECALEC SMD's turnover in 2016.

The share of EVS in the 2016 results of MECALEC SMD amounts to EUR 111 thousand and the share of EVS in MECALEC SMD equity amounts to EUR 954 thousand.

(EUR thousands)	Dec. 31, 2016	Dec. 31, 2015
Share of associate's balance sheet (49.5%)		
Current assets	1.137	1.091
Non-current assets	22	43
Current liabilities	-205	-214
Non-current liabilities	-	-
Net assets	**954**	**920**
Share of associate's revenue and net result (49.5%)		
Turnover	1,193	1,217
Net result	111	107
Carrying amount of investment	**954**	**920**

6. INCOME AND EXPENSES

6.1. Use of non-GAAP financial measures

EVS does not use any non-GAAP financial measures. However, EVS uses in its financial communication the following indicators:

- Gross margin and gross margin rate ;
- Operating result (EBIT) and operating result rate.

These indicators are aggregates that result directly from our presentation of the consolidated income statement as subtotals. We believe these measures are important indicators in our industry, and are widely used by investors, analysts and other audiences.

6.2. Gross margin

(EUR thousands)	2016	2015
Revenue	130,817	118,511
Cost of sales	-33,660	-34,261
Gross margin	**97,156**	**84,250**
Gross margin %	**74.3%**	**71.1%**

The consolidated gross margin was 74.3% in 2016, compared to 71.1% in 2015, mainly due to higher sales and the positive impact of the product mix.

6.3. Research and development expenses

Research and development expenses amounted to EUR 23.7 million in 2016 versus EUR 24.5 million in 2015. R&D does not require any considerable investment, since engineers and programmers work directly and mainly on the machines to be sold or on servers for the software development. According to the group's valuation rules, these research costs are not capitalized but recognized as expenses when incurred.

Since the fourth quarter of 2010, EVS takes into account a withholding tax exemption given since 2006 by the Belgian government to companies paying or allocating compensation to individual researchers who are engaged in collaborative R&D programs according to some criteria defined under section 273 of the Code of income tax in Belgium. In the presentation of the accounts, this amount comes as a deduction of R&D charges.

Since 2015, EVS also benefits from tax credits relating to R&D in France. This amount also comes in deduction of the R&D expenses. In 2016, it amounted to EUR 0.4 million.

The detail of the R&D expense is as follows:

(EUR thousands)	2016	2015
Gross R&D expenses	25,543	26,237
Benefits relating to R&D expenses	-1,818	-1,712
R&D expenses, net	**23,725**	**24,525**

6.4. Complementary information about operating charges by nature

(EUR thousands)	2016		2015	
Raw materials and consumables used		-18,618		-16,963
Increase (+)/decrease (-) in stocks of finished goods, work and contracts in progress		-2,127		-830
Personnel expenses		-39,108		-38,915
- Remunerations and salaries	-29,515		-28,707	
- Social security costs	-6,979		-7,241	
- Other personnel expenses	-2,614		-2,967	
Of which the ones included in:				
- Cost of Sales	-8,744		-8,683	
- S&A costs	-13,348		-12,352	
- R&D costs	-16,456		-17,353	
- Defined contribution plan and warrants	-560		-527	
Average number of employees in FTE	483		489	
Depreciations		-3,290		-2,902
Of which the ones included in:				
- Costs of sales	-867		-789	
- S&A costs	-1,325		-1,117	
- R&D costs	-1,098		-996	
Increase (-)/decrease (+) in amounts written off		-2,365		-927
- Increase (-)/decrease (+) in amounts written off on stocks	-2,569		-1,644	
- Increase (-)/decrease (+) in amounts written off on trade debtors	203		717	
Operating lease and sublease payments recognized in the income statement (vehicles)		-2,332		-2,291

6.4.1. Post-employment benefit

Since April 1, 2002, EVS has implemented a defined contribution pension plan in accordance with the sectoral pension plan regulations for employees in the metallic manufacturing sector (“commission paritaire 209”). It foresees the payment of an annual premium equal to a percentage of the gross salary (submitted to national office of social security) for each employee. This premium is exclusively paid by the employer. The premium rate is set by the sector's collective agreements. Premiums have evolved as follows:

In %	Contribution rate
2007	1.00%
2008 to 2010	1.10%
2011	1.77%
2012	1.87%
2013 to 2016	1.97%

The plan is managed by “l’Integrale”. The financing policy is outlined in its annual report.

In addition, since, January 1, 2012, employees of EVS in Belgium are automatically affiliated to a second pension plan subscribed with AG Insurance. EVS contributes in this plan (including management fee, life insurance, disability, and risk waiver insurance premiums) at a rate of 3% of gross annual salary.

Until 2015 included, both pension plans were treated as defined contribution plans, and the contributions to this defined contribution pension schemes were recognized as an expense in the income statement as incurred.

However, on December 18, 2015, the Belgian legislation has been updated and clarification was provided on the minimum guaranteed rate of return. Before December 31, 2015, the minimum guaranteed rate of return on employer and participant contributions were 3.25% and 3.75% respectively. From 2016 onwards, the rate decreased to 1.75% and is annually recalculated based on a risk free rate of 10-year government bonds. According to IAS19, Belgian-defined contribution plans that guarantee a specified return on contributions should be assimilated to defined benefit plans, as the employer is not responsible for the contribution payments, but has to cover the investment risk until the legal minimum rates applicable. The returns guaranteed by the insurance companies are in most cases lower than or equal to the minimum return guaranteed by law. As a result, the Group has not fully hedged its return risk through an insurance contract and a provision needs to be accounted for. The plans at EVS are financed through group insurance contracts. The contracts are benefiting from a contractual interest rate granted by the insurance company. When there is underfunding, this will be covered by the financing fund and in case this is insufficient, additional employer contributions will be requested.

IAS 19 requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future. Therefore, pension provisions are set up. The obligations are measured on a discounted basis because they are settled many years after the employees render the related service. A qualified actuary has determined the present value of the defined benefit obligations and the fair value of the plan assets except for the multi-employer plan. These assets are held by an insurance company. The projected unit credit method was used to measure the obligations and costs. Assumptions were included on demographic and financial variables. The result of this calculation has then been extrapolated to the multi-employer plan based on the contributions paid.

The change in accounting treatment that resulted in an increase in the defined benefit obligation was recognized through the profit and loss account in 2016.

2016 changes in the Belgian defined benefit obligation and fair value of plan assets:

(EUR thousands)	Balance sheet 2015	Profit and Loss 2016	Balance sheet 2016
Defined benefit obligation	-	3,790	3,790
Fair value of plan assets	-	-3,710	-3,710
Net defined liability	-	80	80

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

In %	Contribution rate
Discount rate	1.83%
Future salary increases (incl. consumer price increases)	3.00%

The following overview summarizes the sensitivity analysis performed for significant assumptions as at 31 December. The figures show the impact on the defined benefit obligation.

(EUR thousands)	Contribution rate
- 1% salary increase	-68

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in one key assumption occurring at the end of the reporting period, keeping all other assumptions constant.

These may not be representative for an actual change in the defined benefit obligation, as it is unlikely that changes in assumptions would occur in isolation of one another.

The expected contributions to the plan for the next annual reporting period amounts to EUR 902 thousands.

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

6.5. Financial revenues/(costs)

(EUR thousands)	2016	2015
Interest charges	-472	-491
Interest income on deposit	20	68
Exchange result	-85	1,032
Other financial results	180	99
Other operating income/(expenses)	**-357**	**708**

To limit its exposure to the US dollar, the EVS Group has an active policy to cover the foreign exchange risk, as explained in notes 26 and 27.

6.6. Other income and expenses

The other income includes amongst others a capital gain on the sale of assets held for sale, recorded in 1Q16. (see also note 18)

7. INCOME TAXES

7.1. Tax charge on results

The tax charge for 2016 and 2015 is mainly made of:

(EUR thousands)	2016	2015
Current tax charge		
Effective tax charge	-14,969	-9,713
Adjustments of current tax related to prior years	-	-
Deferred taxes		
Tax effects of temporary differences	1,868	-41
- Fixed assets depreciation, including reevaluation of buildings	137	-23
- Intangibles (R&D investment deductions) *	-2,290	
- Adjustments for litigation provision	-119	
- Adjustments for IAS 19	-27	
- Adjustments for the carry-over taxation for gains on building disposals	675	
- Adjustments for Goodwill	-	
- Adjustments on own shares	-	
- Activation of borrowing costs for the new building	-	-29
- Direct and indirect production costs capitalized in inventories	-244	93
Income taxes included in the income statement	**-13,101**	**-9,754**

* see also paragraph 5 in the financial report, on deductions relating to R&D investments.

The variation in taxes on the balance sheet at December 31, 2016 compared to December 31, 2015, results in a net increase in deferred tax position of EUR 5.768 thousands.

In the 2016 income statement, on the other hand, a deferred tax gain of EUR 1,869 thousands has been recognized.

The difference of EUR 3,899 thousands is explained by the fact that the IFRS 2015 annual accounts were drawn up before the tax declaration of EVS Belgium was drawn up. For the purpose of this tax declaration, in Belgian GAAP, it was decided to activate the R&D costs and prices (opposite to IFRS), which resulted in an increase in current tax charges of EUR 3,899 thousands compared to the current charges recognized under IFRS and the creation of a "deferred tax asset inventory" up to the same amount.

7.2. 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 2015 and 2016 with the theoretical tax charge obtained by applying the theoretical tax rate:

(EUR thousands)	2016	2015
Reconciliation between the effective tax rate and the theoretical tax rate		
Profit before taxes and share in the result of the enterprise accounted for using the equity method	45,821	33,361
Effective tax charge based on the effective tax rate	-13,101	-9,754
Effective tax rate	**28.6%**	**29.2%**
Reconciliation items for the theoretical tax charge		
Tax effect due to the carry-over taxation for gains on buildings disposals in the statutory accounts	-	-215
Tax effect of deduction for notional interest	-236	-229
Tax effect on R&D investment deductions	-1,418	
Tax effect of non-deductible expenditures	422	306
Other increase/(decrease)	640	-316
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-13,693	-10,208
Theoretical tax rate	**29.9%**	**30.6%**

7.3. Deferred taxes on the balance sheet

The sources of deferred taxes are as follows:

(EUR thousands)	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Indirect production costs capitalized in inventories	-	-	-	244
Buildings revaluation	71	1,523	-	1,315
R&D Intangibles	6,189	-	-	-
Defined benefit plan provision	27	-	-	-
Carry-over taxation for gains		675	-	-
Provisions for risks and charges	-	-	-	119
Total	**6,287**	**2,189**	**-**	**1,678**
Net booked value	**4,090**	**-**	**-**	**1,678**

Deferred taxes are booked “net” in accordance with the valuation rules of the group.

8. 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)	2016	2015
Net profit	32,832	23,714
- attributable to non-controlling interests	-	-
- attributable to equity holders of the parent company	**32,832**	**23,714**

	2016	2015
Weighted average number of subscribed shares, excluding treasury shares	13,501,815	13,490,812
Dilution effect of the weighted average number of the share options in circulation	241,871	359,647
Weighted average number of fully diluted number of shares	**13,743,686**	**13,850,459**
Basic earnings per share (EUR)	**2.43**	**1.76**
Diluted earnings per share (EUR)	**2.39**	**1.71**

The number of treasury shares held as at December 31, 2016 amounted to 119,111 compared to 129,917 as at December 31, 2015. The weighted average number of treasury shares held in 2016 amounted to 123,185 against 134,188 in 2015.

9. DIVIDENDS PAID AND PROPOSED

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

(EUR thousands, gross amount)	Coupon #	Declaration date	2016	2015
Paid during the year :				
- Final dividend for 2014 (EUR 1.00 per share excl. treasury shares)	20	May 2015	-	13,495
- Interim dividend for 2015 (EUR 0.50 per share excl. treasury shares)	21	Nov. 2015	-	6,747
- Final dividend for 2015 (EUR 0.50 per share excl. treasury shares)	22	May 2016	6,753	-
- Interim dividend for 2016 (EUR 0.60 per share excl. treasury shares)	23	Nov. 2016	8,104	-
Total paid dividends			**14,856**	**20,242**

(EUR thousands)	2016	2015
Proposed for approval at the OGM :		
- Total dividend for 2015 (EUR 1.00 per share incl. interim dividend)	-	13,500
- Proposed dividend for 2016 (EUR 1.30 per share incl. interim dividend)	17,550	-
Total	**17,550**	**13,500**

10. GOODWILL

(EUR thousands)	TOTAL
Acquisition cost	
As of December 31, 2015	**1,945**
- Acquisitions	-
- Sales and disposals	-
As of December 31, 2016	**1,945**
Accumulated impairment	
As of December 31, 2015	**820**
- Impairment	-
- Sales and disposals	-
As of December 31, 2016	**820**
Net carrying amount	
As of December 31, 2015	**1,125**
As of December 31, 2016	**1,125**

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 is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The value in use of the Cash Generating Unit (UGT) is calculated from the present value of the cash flows included in the business plan of SVS, in accordance with IAS 36.

10.1. SVS

In May 2013, EVS acquired a minority stake (25.1% of the voting shares) in SVS GmbH, a private company based in Germany ("SVS") whose principal activity is the research and development of network-based technology. Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows (at the date of the acquisition of 25.1%):

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

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

In December 2014, EVS acquired:

- the remaining 74,9% it didn't own in SVS, for an amount of EUR 1.0 million paid in cash, and a possible future earn out based on the performance over the 2015-2020 period

At December 31, 2014, goodwill amounted to EUR 1.1 million and has not changed after the acquisition of the remaining shares due to the fact EVS has already the global effective control with the first acquisition of the minority share in 2013.

The main factors leading to the recognition of goodwill were:

- The presence of certain intangible assets, such as the knowhow of the staff acquired, which do not qualify for separate recognition;
- Expected synergies and other benefits from combining the assets and activities of SVS with those of the group.

Goodwill has been subject to an impairment test that didn't reveal the necessity to act a write-off on December 31, 2016. The goodwill is evaluated on the basis of the evolution of the business plan relating to the revenues generated by the products developed by SVS, and, as a consequence, is linked with the annual evolution of the debt /earnout (details of the valuation model are presented in note 20.3 relating to the other long term debt). A reasonable change of the discount rate used wouldn't generate any write-off to be recognized.

11. OTHER INTANGIBLE ASSETS

(EUR thousands)	Technology (DWESAB and OpenCube)	Software licenses	TOTAL
Acquisition cost			
As of December 31, 2014	**2,581**	**2,341**	**4,922**
- Acquisitions	-	118	118
- Sales and disposals	-	-	-
- Transfers	-	-	-
- Variation in consolidation scope	-	-	-
As of December 31, 2015	**2,581**	**2,459**	**5,040**
Accumulated depreciation			
As of December 31, 2014	**-2,581**	**-1,926**	**-4,507**
- Depreciations	-	-128	-128
- Sales and disposals	-	-	-
- Transfers	-	-	-
- Variation in consolidation scope	-	-	-
As of December 31, 2015	**-2,581**	**-2,054**	**-4,635**
Net carrying amount			
As of December 31, 2014	**-**	**415**	**415**
As of December 31, 2015	**-**	**404**	**404**

(EUR thousands)	Technology (DWESAB and OpenCube)	Software licenses	TOTAL
Acquisition cost			
As of December 31, 2015	**2,581**	**2,459**	**5,040**
- Acquisitions	-	150	150
- Sales and disposals	-	-27	-27
- Transfers	-	-	-
- Variation in consolidation scope	-	-	-
As of December 31, 2016	**2,581**	**2,582**	**5,163**
Accumulated depreciation			
As of December 31, 2015	**-2,581**	**-2,054**	**-4,635**
- Depreciations	-	-169	-169
- Sales and disposals	-	27	27
- Transfers	-	-	-
- Variation in consolidation scope	-	-	-
As of December 31, 2016	**-2,581**	**-2,196**	**-4,777**
Net carrying amount			
As of December 31, 2015	**-**	**404**	**404**
As of December 31, 2016	**-**	**386**	**386**

12. TANGIBLE ASSETS (LANDS AND BUILDINGS, AND OTHER TANGIBLE ASSETS)

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Other tangible assets	Assets under construction	TOTAL
Acquisition cost					
As of December 31, 2014	**1,123**	**2,037**	**9,518**	**45,492**	**58,169**
- Acquisitions	3,833	355	1,423	496	6,107
- Sales and disposals	-305	-	-367	-	-672
- Variation in consolidation scope	-	-	-	-	-
- Transfers	44,470	-	1,022	-45,492	-
- Others	17	-11	346	-	352
As of December 31, 2015	**49,138**	**2,381**	**11,942**	**496**	**63,957**
Accumulated depreciation					
As of December 31, 2014	**-526**	**-1,509**	**-8,211**	**-**	**-10,246**
- Depreciations	-1,194	-267	-1,353	-	-2,814
- Sales and disposals	137	-	242	-	379
- Variation in consolidation scope	-	-	-	-	-
- Transfers	-	-	-	-	-
- Other	-3	3	358	-	364
As of December 31, 2015	**-1,580**	**-1,773**	**-8,964**	**-**	**-12,317**
Net carrying amount					
As of December 31, 2014	**597**	**528**	**1,307**	**45,492**	**47,923**
As of December 31, 2015	**47,558**	**608**	**2,978**	**496**	**51,640**
Mortgages and other guarantees					
Net carrying amount of fixed assets given as real guarantees	**47,186**	**-**	**-**	**496**	**47,682**

(EUR thousands)	Land and buildings	Plant, machinery and equipment	Other tangible assets	Assets under construction	TOTAL
Acquisition cost					
As of December 31, 2015	**49,138**	**2,381**	**11,942**	**496**	**63,957**
- Acquisitions	718	263	737	38	1,756
- Sales and disposals	-	-31	-247	-	-278
- Variation in consolidation scope	-	-	-	-	-
- Transfers	232	-	317	-549	-
- Others	-	-	-	81	81
As of December 31, 2016	**50,088**	**2,613**	**12,749**	**66**	**65,516**
Accumulated depreciation					
As of December 31, 2015	**-1,580**	**-1,773**	**-8,964**	**-**	**-12,317**
- Depreciations	-1,713	-376	-1.031	-	-3,120
- Sales and disposals	-	31	116	-	147
- Variation in consolidation scope	-12	-6	3	-	-15
- Transfers	-	-5	-	-	-5
- Other	-6	-	1	-	-5
As of December 31, 2016	**-3,311**	**-2,129**	**-9,875**	**-**	**-15,315**
Net carrying amount					
As of December 31, 2015	**47,558**	**608**	**2,978**	**496**	**51,640**
As of December 31, 2016	**46,777**	**484**	**2,874**	**66**	**50,201**
Mortgages and other guarantees					
Net carrying amount of fixed assets given as real guarantees	**46,777**	**-**	**-**	**66**	**46,843**

Following the rapid growth of the Belgian teams spread into six different buildings in the Liège Science Park, EVS started to build a new facility at the end of 2011 near the existing site (finished in 2015). Investments for this new building were made since 2011 until the end of 2016 for an amount of EUR 56,8 million in total (excluding subsidies), of which EUR 0.7 million were made in 2016.

The acquisition value of the building has been analyzed by component and specific useful lives and residual values were applied to each of them. Depreciation by component is provided for lifetimes ranging between 3 and 30 years with a total residual value for the building of about 38% of the gross value excluding subsidies.

The old buildings owned by EVS are the object of an active plan to sell them and are then presented according to the IFRS 5 norm on a distinct line in the balance sheet "Assets classified as held for sale" (also see note 18).

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 MECALEC SMD SA. Whenever possible, specialized work is outsourced (i.e. sheet metalwork and manufacturing of integrated circuits).

The group policy is to finance its buildings through equity and through long term loans (see note 20).

13. LONG TERM FINANCIAL ASSETS

(EUR thousands)	Ymagis bonds	Subordinated loans	Other financial assets	TOTAL
Net carrying amount as of Dec. 31, 2014	**6,361**	**151**	**260**	**6,772**
- Refunded/converted during the year	-6,361	-151	-	-6,512
- Acquired during the year	-	-	12	12
- Result	-	-	-	-
- Others	-	-	-	-
Net carrying amount on Dec. 31, 2015	**-**	**-**	**273**	**273**
Net carrying amount as of Dec. 31, 2015	**-**	**-**	**273**	**273**
- Refunded/converted during the year	-	-	-	-
- Acquired during the year	-	-	68	68
- Result	-	-	-	-
- Others	-	-	-	-
Net carrying amount on Dec. 31, 2016	**-**	**-**	**341**	**341**

In 2014, EVS sold its 41.3% stake in dcinex to Ymagis SA. On October 20, 2014 (closing of the transaction), the value of dcinex in the EVS consolidated accounts was EUR 7.3 million. In addition to this, there were also EUR 1.3 million subordinated loans on the EVS balance sheet.

According to the agreement, the transaction has been valued in the EVS accounts at a total of EUR 9.9 million, including:

- EUR 1.6 million in cash (EUR 2.1 million less EUR 0.5 million for all fees and costs associated with the transaction)
- EUR 2.0 million in Ymagis shares (288,851 shares, sold on November 28, 2014 at EUR 6.89 per share)
- EUR 6.4 million in Ymagis bonds (OBSA), which have a maximum maturity of 5 years. These bonds were associated with warrants.

At the end of March 2015, Ymagis repaid anticipatively to EVS (without any impact on the income statement in 2015):

- the EUR 6.4 million obligations associated with warrants.
- the remaining EUR 151,000 subordinated loans to be repaid by dcinex.

These two repayments finalized the dcinex disposal transaction in the EVS accounts.

14. INVENTORIES

(EUR thousands)	December 31, 2016	December 31, 2015
Raw materials	14,907	16,359
Finished goods	16,697	14,606
Total at cost	**31,605**	**30,966**
Cumulated amounts written off at the beginning of the period	**-15.398**	**-13.513**
Reversal/use of the amounts written off, net	-2,658	-1,885
Cumulated amounts written off at the end of the period	**-18,056**	**-15,398**
Total net carrying amount	**13,549**	**15,568**

Write-offs movements on inventories, which were valued at EUR 2.7 million in 2016 and at EUR 1.9 million in 2015, are accounted as charges in the costs of sales. These write-offs concern technologically obsolete stock items.

15. TRADE AND OTHER RECEIVABLES

(EUR thousands)	December 31, 2016	December 31, 2015
Trade receivables	23,030	34,092
Finance lease receivables	4,754	3,169
Amounts receivable linked to joint ventures	-	-
Other related parties	-	-
Write offs on receivables	-686	-1,007
Net trade receivables	*27,098*	*36,254*
Other amounts receivable	1,917	1,933
Deferred charges and accrued income	1,446	1,687
Total	**30,461**	**39,874**

Trade receivables are non-interest bearing and are generally on 90-day terms. According to the group terms and conditions, the unpaid invoices at their term could result in a 0.75% monthly interest rate.

In 2016, the NEP Group represented 11.4% of EVS total revenue. No other customer represented more than 10% of total revenue, as mentioned in the note 3.

For receivables overdue with more than 90 days, the group recognizes a portion of these receivables in doubtful accounts based on an estimate from past experience of default of payment of the customer and its financial situation. These doubtful accounts are booked in the "Selling and Administrative expense" line.

As of December 31, 2016, an amount of EUR 1.7 million (EUR 3 million on 31/12/2015) within trade receivables was overdue with more than 90 days from which EUR 0.7 million are subject of write-downs following credit quality of trade receivables. Movements of write-offs in 2015 and 2016 are as follows:

(EUR thousands)	2016	2015
Write-offs on trade receivables		
Value as of January 1	**1,007**	**1,613**
- Write-offs during the year	302	280
- Releases of write-offs during the year		
- Amounts paid down during the year	-524	-946
- Other	-99	60
Value as of December 31	**686**	**1,007**

15.1. Finance lease receivables

(EUR thousands)	2016	2015
Gross receivable – future lease payments under finance lease		
Within one year (current finance lease)	2,538	1,696
After one year but no longer than five years (non-current finance lease)	2,216	1,675
Longer than five years (non-current finance lease)		
Less: unearned finance income	-201	-202
Present value of future lease payments		
Within one year (current finance lease)	2,513	1,567
After one year but no longer than five years (non-current finance lease)	2,168	1,602
Longer than five years (non-current finance lease)		

The group enters into finance leasing arrangements for some of its equipment. The term of finance leases entered into is maximum four years.
The value of the conditional purchase options of the assets leased under finance leases is estimated at EUR 0.1 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, 2016 is 4%.

The financial revenues generated by the finance leases are booked in the interest revenues, as explained in note 6.5.

15.2. Construction contracts

(EUR thousands)	December 31, 2016	December 31, 2015
Direct and project related incurred costs	1,597	1,174
Noticed profit (+)/loss (-)	6,802	3,579
Value of the orders in progress at the closing date	8,399	4,753
Invoiced advances	9,404	5,884
Gross amounts due by clients for works relating to contracts	3,468	2,897

Invoiced advances for construction contracts amounted to EUR 9.4 million at December 31, 2016, compared to EUR 5.9 million at the end of 2015. Revenues relating to work in progress during 2016 amounted to EUR 8.4 million (EUR 4.8 million in 2015). The difference between these two amounts, EUR 1.0 million, is booked as a liability, in the advances received.

16. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets relate to options contracted to hedge commitments to staff under the Fund Option Plan proposed by ING. These options have an average maturity of one year and are valued at fair value (in the income statement).

17. CASH AND CASH EQUIVALENTS

(EUR thousands)	December 31, 2016	December 31, 2015
Cash at bank and in hand (not remunerated)	18,381	8.066
Short-term deposits and remunerated cash accounts	34,769	14,506
Total	**53,150**	**22.572**

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. EVS also receives interests on some of its cash accounts.

18. NON CURRENT ASSETS HELD FOR SALE

These assets are the old buildings for sale on the Seraing/Angleur site. Indeed, given the move to the new building in 2015, all other existing buildings on the Seraing/Angleur site had been put up for sale already in 2014 and reclassified as "Assets classified as held for sale" on the balance sheet. Two buildings have been sold during the first half of 2015. A third building has been sold in 1T16, and generated a positive result, booked in other operating income. As of December 31, 2016, the remaining buildings were valued at EUR 4 million.

These non-current assets are measured at the lower of their carrying amount and fair value less selling costs. They are subject to an individual evaluation.

Such buildings are classified among assets held for sale for more than twelve months but EVS remains committed to its plan to sell the buildings. Accordingly, these buildings are still classified as assets held for sale. As per information available at this stage, there is no indication of impairment for these buildings

Investments in some of these buildings benefited from grants from the Walloon Region and the European Union. In accordance with the Group's accounting policies, building-related grants have been deducted from the net book value of these assets. Note that all conditions have been met for obtaining the grants received in the past, and the consolidated cash flow statement always shows investment net of subsidies.

19. OWNER'S EQUITY

19.1. 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)
17.02.1994	Constitution	1,000	30,987
25.04.1996	Incorporation of reserves	-	90,481
25.04.1996	Issuing of 100 shares at EUR 892 per share,	100	12,147
	including a share premium of EUR 771 included in capital		77,095
		1,100	**210,710**
06.06.1997	Incorporation of reserves	-	242,440
06.06.1997	Issuing of 172 shares, at EUR 4,338 per share,	172	70,855
	including a share premium of EUR 3,926		675,304
		1,272	**1,199,309**
25.09.1998	**Stock split by 2,000:1**	**2,544,000**	**1,199,309**
14.10.1998	Initial Public Offering	+ 200,000	94,284
	Incorporation of share premium		7,342,522
		2,744,000	**8,636,115**
07.09.1999	Issuance of 119,952 shares for exchange with NETIA shareholders	119,952	7,197,120
	Incorporation of reserves		166,765
		2,863,952	**16,000,000**
25.05.2003	Treasury shares cancellation	-63,952	-
		2,800,000	**16,000,000**
24.02.2004	Capital reimbursement	-	-8,137,521
15.03.2004	Issuance of 15,000 shares after the exercise of warrants	15,000	480,000
		2,815,000	**8,342,479**
09.05.2005	**Stock split by 5:1**	**14,075,000**	**8,342,479**
19.06.2006	Treasury shares cancellation	-200,000	-
12.06.2009	Treasury shares cancellation	-250,000	-
Capital on	**December 31, 2016**	**13,625,000**	**8,342,479**

19.2. Issued capital and treasury shares

As of December 31, 2016, the issued capital of EVS amounts to EUR 8,342,479 and is represented by 13,625,000 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").

As of December 31, 2016, 211,050 issued warrants with an average exercise price of EUR 41.16 per share are exercisable until December 2019. The company uses a portion of the capital (average annual dilution of 0.5% since 2001) for staff retention and motivation through a plan of warrants.

The management estimates that the level of capital of EVS is sufficient, as shareholders' equity represents 60.8% of the total balance sheet at the end of 2016.

The EVS Group strives to maintain a strong liquidity position and not to rely excessively on external financing. In addition, the Group has a dividend distribution policy allowing its shareholders to be remunerated in a significant manner, without compromising the Group's cash position and its financial independence. In its decisions to finance or decide on the distribution of dividends, EVS considers the overall level of its shareholders 'equity. Compared to 2015, shareholders' equity increased by EUR 19.3 million and the ratio of financial independence (total equity compared with the total financial position of the group) stands at 60.8% compared to 56.4% at the end of 2015.

19.3. Authorized capital

In accordance with the resolution adopted by the Extraordinary General Meetings of November 5, 2014, the Board of Directors is authorized to increase the share capital in one or more installments up to a maximum of EUR 1,600,000, including share premium. This authorization is valid for a duration of 5 years as from the publication of the deliberation of the postponed Extraordinary General Meeting of November 5, 2014. 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".

19.4. Staff incentive program

19.4.1. 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 Board has the authorization from the Extraordinary General Meeting to proceed to these buy-backs. In view of the 211,050 warrants outstanding at the end of 2016 (266,800 at the end of 2015), the dilution effect represents 1.5% of the share capital, this being partially offset by the 119,111 treasury shares, which represent 0.9% 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 average share price of the last 30 days preceding the grant. 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 (for this reason, warrants are qualified as "sui generis").

During the Extraordinary General Meetings of September 7, 1999 and May 16, 2000, 400,000 warrants (amount recalculated after the share split 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, the EGM of June 7, 2010 issued 250,000 warrants, the EGM of December 5, 2011 issued 350,000 warrants, and the EGM of September 24, 2013 issued 25,000 warrants and cancelled 70,000 warrants, in order to bring the total number to 1,305,000. As of December 31, 2016, 1,167,650 of these warrants had been distributed, 626,100 exercised and 330,500 cancelled following departures or repurchased following sales of subsidiaries, which means that 211,050 can be exercised as of December 31, 2016. As a result, 137,350 warrants are still available for distribution by the Board of Directors. The weighted average maturity is September, 2018. These warrants may be exercised between now and December 2019. They have an average exercise price of EUR 41.16 per share. In the course of 2016, no warrants were granted or exercised but 55,750 were cancelled following the departure of personnel. The Board of Directors determines the grant, withholding and exercise conditions of the warrants, either through issuance of new shares or by allocation of existing shares (warrants are qualified as "sui generis").

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

	2016		2015	
	Number	**WAP (EUR)**	**Number**	**WAP (EUR)**
In circulation at the beginning of the period	**266,800**	**40.71**	**372,050**	**39.85**
Granted during the period	-	-	-	-
Exercised during the period [(1)]	-	-	-	-
Cancelled during the period	-55,750	37.68	-105,250	37.68
In circulation at the end of period	**211,050**	**41.16**	**266,800**	**40.71**

(1) The average share price (closing) during the exercise period in 2016 was EUR 31.92.

The warrants in circulation as of December 31, 2016 and exercisable over the next years are as follows:

Expiry date	Exercise prices (EUR)	Number on December 31, 2016	Number on December 31, 2015
2016	Between 36.77 and 41.90	-	8,550
2017	Between 37.11 and 65.66	112,350	145,550
2018	Between 54.30 and 68.77	49,200	53,700
2019	Between 36.81 and 45.71	49,500	59,000
Total	**Between 36.77 and 68.77**	**211,050**	**266,800**

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 (a vesting period, which is usually 3 years). 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 (calculated in 400 days with Bloomberg, between 20% and 40%, between 2006 and 2016), the interest rate without risk (taken between 0% and 5%) and the dividend return (taken between 2.5% and 7.0%). The economic value (IFRS) of the options according to this calculation method is between 12% and 30% of the underlying share.

19.4.2. Profit sharing plan

In order to thank, develop loyalty and especially encourage the teams of the group and in accordance with the related law, a profit sharing scheme will be proposed the Ordinary General Meeting of May 16, 2017 approved a profit sharing scheme in the form of a grant of EVS Broadcast Equipment SA shares relating to the appropriation of the year 2016. Taking into account tax implications for the company, this grant relates to 43 shares (net of taxes) for all employees hired by the group before January 1, 2017, proportionally to the effective time performance (or assimilated) in 2016.This represented around 14,100 shares in total to maximum 327 group's employees.

The cost relating to the profit sharing plan is included in the "Stock based compensation and ESOP plan" account in the consolidated income statement.

19.5. Treasury shares

During the Extraordinary General Meeting of November 5, 2014, the authorization to buy back own shares has been modified in Article 10, Paragraph 2, clause 1 of the statutes as follows “According to article 620, section 1, paragraphs 1 to 4 of the Companies Code, the Board of Directors is authorized (…) to acquire up to 10% of the outstanding shares of the company at a minimum unit price that will not be below 20% the lowest share price of the last 12 months, 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. Such authorization is granted for a period of 5 years as from the day of the publication in the Appendices of the Official Belgian Gazette of the decision of the Extraordinary General Meeting of November 5, 2014 and 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 pursues this policy of buying back treasury shares in order to cover the employee share-based plan, to benefit from short term weakness in the share price or improve the liquidity of the stock, while showing its confidence in the company’s future.

In 2016, the company didn’t repurchase any share on the stock market. No shares were used to satisfy the exercise of warrants by employees. The Ordinary General Meeting of shareholders of May 17, 2016 approved the allocation of 10,806 shares to EVS employees (grant of 37 shares to each staff member in proportion to their effective or assimilated time of occupation in 2015) as a reward for their contribution to the group successes.

The number of treasury shares held as of December 31, 2016 was 119,111 (at an average historical price of EUR 38.18) compared to 129,917 as of December 31, 2015. In 2016, the number of treasury shares moved in number and in weighted average prices (WAP) as follows:

	2016		2015	
	Number	**WAP (EUR)**	**Number**	**WAP (EUR)**
At the beginning of the period	**129,917**	**38.18**	**140,498**	**38.18**
Buy back on the market	-	-	-	-
Sales on the market	-	-	-	-
Treasury shares cancellation	-	-	-	-
Sales linked to the staff incentive program	-10,806	38.18	-10,581	38.18
At the end of the period	**119,111**	**38.18**	**129,917**	**38.18**

19.6. Reserves

(EUR thousands)	December 31, 2016	December 31, 2015
Legal reserves	956	934
Reserves available for distribution	106,512	79,766
Reserves for treasury shares	-4,548	-4,960
Interim dividend	-14,856	-6,747
Reserves	**88,064**	**68,993**

19.6.1. 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.

19.7. 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.

20. LOANS

(EUR thousands)	December 31, 2016	December 31, 2015
Long term financial debts		
Bank loans	14,550	19,600
Long term finance lease obligations	-	-
Other long term debts	1,241	1,160
Amount due within 12 months (shown under current liabilities)		
Bank loans	5,250	5,200
Long term finance lease obligations	-	-
Other short term debts	-	-
Total financial debt (short and long-term)	**21,041**	**25,960**
The total financial debt is repayable as follows :		
- within one year	5,250	5,200
- after one year but no more than five	15,791	20,760
- more than five years	-	-

20.1. Credit lines

As of December 31, 2016, the group had been granted by its banks EUR 2.4 million potential credit lines, which can be used either as cash provisions, as short term fixed advances and as guarantees. EUR 0.7 million of these credit lines were used for bank guarantees, mainly for international public tenders, or as security deposit.

20.2. Bank loans relating to buildings

The group's policy is to hold its own buildings and to finance them, through equity or long term loans. The open long term bank loans as of December 31, 2016 have the following details:

(EUR thousands)	Bank	Nominal value	Maturity	Effective interest rate	Remaining balance	Net book value	Guarantee on asset
Bank loans :							
- New headquarter	BELFIUS	5,400	2020	Fixed 0.61%	5,400	48,174	5,400
- New headquarter	ING	11,400	2020	Fixed 0.83%	9,000	48,174	7,258
- New headquarter	BNP	5,400	2020	Fixed 0.80%	5,400	48,174	6,600

On November 14, 2013, a total of EUR 24 million of long-term borrowings over 7 years was subscribed by the company with 3 major banks (the European Investment Bank for 50% through the GFI initiative, ING 25%) and BNPPPF (25%), in order to partially finance its new headquarters and operations under construction, all of which had been drawn. EVS began repaying these loans, and will continue to do so gradually until 2020. In 2015 and 2016, EUR 5.2 million has been repaid. In 4Q16, EVS benefited from low interest rates to reorganize (without change in the aggregate amount and without associated costs) and to simplify some of its credit lines relating to the financing of the new head office. Following this, EVS now has 3 lines of credit of EUR 5.4 million at Belfius, ING and BNP Paribas Fortis, all of which expire in 2020. The lines at Belfius and ING are hedged by interest rate swap contracts to set the interest rate until maturity in 2020.

EVS granted a mortgage mandate on the new building to the banks for a total amount of EUR 19 million. The credit is amortized and may be repaid before its final maturity without significant penalty.

Conventions for these bank loans contain certain covenants that are monitored by the management of EVS. On December 31, 2016 they were fully met.

20.3. Other long term debt

On the EVS balance sheet as of December 31, 2014, an amount of EUR 2.2 million had been booked in "other long term debts" recognized through the equity of EVS, to reflect the best current estimate of the future earn out at the acquisition date. The best estimate of the future "earn out" was calculated taking into account the probabilities of 3 possible scenarios on the evolution of future business plan related to the sale of products developed by SVS. The debt of EUR 2.2 million corresponded to the estimated discounted future payments based on the operating income associated with this activity, according to the probabilities of the scenarios. The discount rate used amounted to 5.6% (weighted average cost of capital - WACC). Any amount payable will be allocated between 2016 and 2021 with a conventional maximum amount of EUR 7 million.
The liability will be reassessed to fair value based on the business plan evolution at each reporting date until the end of the earn out period. The future changes in estimated fair value will be recognized in the income statement.

As of December 31, 2016, a new reassessment of the liability has been performed based on an updated business plan and updated financial assumptions, leaving the earn-out liability at the same amount as previously recorded before the payment of EUR 1 million that occurred during the year. As a result the earn out liability as of December 31, 2016 amounts to EUR 1.2 million and is reported under the "other long term debts" since no payment is expected to be done in 2017.

21. PROVISIONS

(EUR thousands)	Litigations	Technical warranty	Total
Provisions			
As of January 1, 2016	-	1,131	1,131
Arising during the year	-	-11	11
Utilized	-	-	-
Reversed	-	-	-
Others	-	-	-
As of December 31, 2016	**-**	**1,120**	**1,120**
Current 2015	-	-	-
Non-current 2015	-	1,131	1,131
Current 2016	-	-	-
Non-current 2016	-	1,120	1,120

The litigation provisions registered in the consolidated accounts mainly correspond to 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 is discussed with the group's lawyers.

A provision is booked since 2012 to cover two-year technical standard warranties on the equipment sold as from the delivery, as stated in our general terms and conditions. This provision, with an undefined term, has been reevaluated quarterly, based on a historical analysis of the costs incurred over the years to cover two years of costs associated with these warranties. The end 2016 estimate represented an amount of EUR 1.1 million.

22. TRADE AND OTHER PAYABLES

(EUR thousands)	December 31, 2016	December 31, 2015
Trade payables	3,701	4,959
Amounts payable linked	-	-
Other related parties	21	28
Total trade payables	*3,722*	*4,987*
Other payables	3,542	4,626
Accrued charges	3,001	2,262
Deferred income	4,482	2,206
Total	**14,747**	**14,081**

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

23. COMMITMENTS AND CONTINGENCIES

23.1. 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 the rental part of these leases amounted to EUR 2.3 million in 2016 and EUR 2.3 million in 2015.

Future minimum rentals (excl. VAT) payable under operating leases are as follows as of 31 December:

(EUR thousands)	2016	2015
Within one year	2,568	2,068
After one year but no longer than five years	3,231	3,279
Longer than five years	-	-
Total	**5,798**	**5,347**

In the event of cancellation of the operating leases as at December 31, 2016, a compensation of around EUR 138 thousand should be paid by the group.

23.2. 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. We should note that, at the end of 2016, a provision of EUR 1.1 million is booked in relation with this warranty, as explained in the note 22.

23.3. Bank guarantees

Bank guarantees amounted to EUR 0.7 million as of December 31, 2016 mainly requested as part of international public tenders, or as security deposit.

23.4. Contractual guarantees

Contractual guarantees were established for the benefit of contracting persons/partners for a maximum potential amount of EUR 2.0 million at December 31, 2016.

23.5. Guarantees on asset

Mandates from mortgage with banks were granted for EUR 19 million for the loan of EUR 19.8 million (available to partially fund the new headquarters of the group, under construction as explained in note 20.2).

23.6. Other guarantees and contingencies

A building has been sold in 1T16, and has generated a positive result.

24. RELATED PARTY DISCLOSURES

24.1. Affiliates

The consolidated financial statements include the financial statement of EVS Broadcast Equipment SA and the subsidiaries consolidated according to the fully consolidation method listed in note 4. They are representation and distribution subsidiaries for the products developed by EVS.
The table hereunder provides the total amount of transactions which have been entered into with related parties that are not fully consolidated (for information regarding outstanding balances at year end, refer to notes 15 and 22).
Sales to and purchases from related parties are made at normal market prices and under usual commercial conditions.
Outstanding balances at year end are unsecured and settlement occurs in cash.

(EUR thousands)		**Sales to related parties**	**Purchases from related parties**	**Amounts due by related parties**	**Amounts owed to related parties**
Related parties					
Associates :					
MECALEC SA	2016	-	-481	-	-21
	2015	-	-274	-	-28
Total	**2016**	**-**	**-481**	**-**	**-21**
	2015	**-**	**-274**	**-**	**-28**

24.2. Executives

There were no significant related party transactions in 2016, other than the ones that are mentioned in the remuneration report, on page 13 and following.

25. AUDITOR

Until the Ordinary General Meeting of May 17, 2016, the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA was carried out by BDO (B-00023), represented by Christophe COLSON (A-02033), Belgian Réviseur d’Entreprise. The Ordinary General Meeting of May 17, 2016 entrusted the audit of the statutory and consolidated accounts of EVS Broadcast Equipment SA to Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU (A-01729), Belgian Réviseur d’Entreprise. The mandate of the Auditor is for three years, and will end at the Ordinary General Meeting of May 2019.

In 2016, all fees related to the Auditor of the parent company, Ernst & Young Réviseurs d'Entreprises SCCRL (B-00160), represented by Marie-Laure MOREAU and its associates, amounted to EUR 51,500 in aggregate for their duties as Auditor.

26. FINANCIAL RISK MANAGEMENT POLICIES

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

The main risk arising from the group’s financial instrument is described in note 27.2. 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.

27. FINANCIAL INSTRUMENTS

27.1. 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 (i) their short maturity or (ii) the fact that the interest rate applicable is in line with market conditions.

27.2. 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 up to 50% of the exchange rate risk on estimated net future flows, mainly through forward foreign exchange contracts (in USD).
Foreign exchange contracts are revalued at each closing at their market value. The generated exchange rate profit or loss is recorded in the "Other net financial income/(charges) account in the consolidated income statement.
At the end of December 2016, the group held USD 3.0 million in forward exchange contracts. The conditions of this contract is as follows:

Sales	Currency	Maturity	Exchange rate	Forward value (EUR)	Impact of the revaluation at the fair value on Dec. 31, 2016 (EUR)
3, 000,000	USD	Mai 25, 2017	1.1379	2,636,436	-209,594

27.3. Credit risk

Credit exposure is controlled and reviewed regularly by the management.

Trade receivables consist of a large number of customers, spread across many geographical areas. The evolution of the credit risk is monitored permanently, as explained in note 26.

The credit risk on financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

In addition, as explained in the note 23.3, the group is exposed to credit risk in relation with bank guarantees. As of December 31, 2016, the maximum amount the group could have to pay if these guarantees are called on is EUR 0.7 million.

28. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

Significant events that arose after the balance sheet date are:

- The information communicated in the 2016 annual results released on February 16, 2017;
- On February 17, 2016, EVS announced the signature of a service contract with HBS AG (2017-2018), valued slightly above EUR 7 million;

STATUTORY AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF EVS BROADCAST EQUIPMENT SA
FOR THE YEAR ENDED DECEMBER 31, 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement of the financial position as at December 31, 2016, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2016 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion

We have audited the Consolidated Financial Statements of EVS Broadcast Equipment SA ("the Company") and its subsidiaries (together "the Group") as of and for the year ended December 31, 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of € 160.276(000) and of which the consolidated income statement shows a profit for the year of € 32.832(000).

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs") as they were adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at December 31, 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes, both in form and in substance, the information required by law, is consistent with the Consolidated Financial Statements and does not contain any material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, March 31, 2017

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

Marie-Laure Moreau
Partner*
* Acting on behalf of a BVBA/SPRL

BELGIAN GAAP PARENT COMPANY FINANCIAL STATEMENTS

These financial statements are related to the figures for the parent company, EVS Broadcast Equipment SA (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, but also on the company website (www.evs.com). They have been unconditionally attested by EY, Auditors, represented by Marie-Laure MOREAU, 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 of EUR 101,189 thousand, representing 77.3% of the consolidated amount.

- The profit of the year amounts to EUR 28,544 thousand, i.e. a decrease of EUR 5,228 thousand compared to 2015. The balance sheet total amounts to EUR 153,529 thousand.

- In 2016, EVS Broadcast Ltd. (Hong Kong) paid dividends to its parent company EVS for a total amount of EUR 12.6 million, and EVS Nederland BV paid EUR 0.5 million dividends to the mother company as well .

- In accordance with the article 96 of the Belgian Company, the Audit Committee is composed by independent directors. Amongst them, Christian Raskin (Master in Economic Sciences, 20 years of experience in executive functions at Draka) and Yves Trouveroy (two masters degrees in Law, 15 years of experience in an investment company) have the competencies in accounting and audit.

- Under the new legal provisions, under Belgian GAAP, research expenses can no longer be included in the balance sheet. From now on, only the development costs can be capitalized in the balance sheet. Research expenses incurred in previous years remain subject to the previous regime. In 2016, EVS incurred an amount of EUR 17.5 million for R&D expenses, which were amortized immediately and fully in accordance with the new valuation rules in this area. This decision resulted in an increase in amortization of EUR 17.5 million. The amount of cash flow generated by the parent company during the year is not affected by the application of this new valuation rule.

- 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)	2016	2015
Operating income	**128,436**	**117.034**
A. Turnover	101,189	96,466
B. Increase (+)/decrease (-) in stocks of finished goods, work and contracts in progress	6,374	441
C. Capitalized production	17,521	17,205
D. Other operating income	1.860	2,226
E. Non-recurring income	1,493	696
Operating charges	**-102,270**	**-80,799**
A. Raw materials, consumables and goods for resale	-18,413	-17,174
1. Purchases	*-17,456*	*-19,551*
2. Increase (+)/decrease (-) in stocks	*-957*	*2,377*
B. Services and other goods	-28,196	-28,882
C. Remuneration, social security costs and pensions	-25,653	-24,481
D. Depreciation of and other amounts written off on formation expenses, intangible and tangible fixed assets	-27,821	-9,310
E. (+)/(-) in amounts written off on stock and trade debtors	-2,219	-654
F. (+)/(-) in provisions for liabilities and charges	359	95
G. Other operating charges	-346	-194
H. Non-recurring charges	18	-199
Operating profit	**26,166**	**36,235**
Financial income	**15,247**	**17,877**
A. Income from financial assets	13,215	9,879
B. Income from current assets	20	29
C. Other financial income	2,011	7,969
Financial charges	**733**	**8,235**
A. Interest and other debt charges	-445	-591
B. Write-offs on current assets other than stocks, work in progress and trade receivables (+, -)	602	-28
C. (+)/(-) in amounts written off on current assets	-889	-7,616
Profit on ordinary activities before taxes (+,-)	**40,680**	**45,876**
Transfer and withdrawal from deferred taxation	-405	-175
Income taxes	-11,731	-12,155
Result for the period (+, -)	**28,544**	**33,772**
Transfers from not taxable reserves	106	22
Transfers to not taxable reserves	-1,707	-439
Result for the period available for appropriation (+, -)	**26,943**	**33,128**
Appropriation account		
A. Result to be appropriated	26.943	33,128
B. Transfers from reserves	-	-
C. Transfers to reserves	-8,915	-19,168
D. 1. Dividends	-17,550	-13,500
D. 2. Other equivalents	-478	-461

BELGIAN GAAP STATUTORY BALANCE SHEET

ASSETS (EUR thousands)	31.12.16	31.12.15
Fixed assets	**68,362**	**77,383**
Intangible assets	6,089	11,672
Tangible assets	54,487	57,776
A. Land and buildings	51,163	53,856
B. Plant, machinery and equipment	437	459
C. Furniture and vehicles	2,797	2,910
D. Other tangible assets	23	-
E. Assets under construction and advance payments	66	551
Financial assets	7,786	7,934
A. Affiliated companies	7,608	7,771
1. Participating interests	*5,072*	*5,171*
2. Amounts receivable	*2,536*	*2,600*
B. Other companies linked to participating interests	99	99
1. Participating interests	*99*	*99*
2. Amounts receivables	-	-
C. Other financial assets	79	64
1. Participating interests	-	-
2. Receivable and cash guarantee	*79*	*64*
Current assets	**85,167**	**69,140**
Amounts receivable after more that one year	1,605	-
A. Trade debtors	1,605	-
Stocks and contracts in progress	13,386	17,064
A. Stocks	12,149	13,959
1. Raw materials and consumables	*9,991*	*12,050*
2. Goods in process	-	-
3. Finished goods	*2,158*	*1,909*
B. Goods in process	1,237	3,105
Amounts receivable within one year	19,864	30,109
A. Trade debtors	19,487	29,491
B. Other amounts receivable	377	618
Investments	5,961	4,891
A. Treasury shares	3,957	3,768
B. Other investments and deposits	2,004	1,123
Cash at bank and in hand	43,108	15,591
Deferred charges and accrued income	1,244	1,485
TOTAL ASSETS	**153,529**	**146,523**

LIABILITIES (EUR thousands)	31.12.16	31.12.15
Capital and reserves	**85,942**	**75,819**
Capital	**8,342**	**8,342**
A. Issued capital	8,342	8,342
Reserves	**72,360**	**61,844**
A. Legal reserve	834	834
B. Reserves not available for distribution	3,957	3,768
1. In respect of treasury shares	*3,957*	*3,768*
C. Not taxable reserves	2,018	417
D. Reserves available for distribution	65,551	56,825
Investment grants	**5,240**	**5,632**
Provisions and deferred taxation	**1,864**	**1,818**
A. Provision for liabilities and charges	1,121	1,480
B. Deferred taxation	743	338
Creditors	**65,723**	**68,886**
Amounts payable after one year	**14,559**	**19,609**
A. Financial debts	14,550	19,600
1. Credit institutions	*14,550*	*19,600*
B. Other amounts payable	9	9
Amounts payable within one year	**47,154**	**46,856**
A. Current portion of amounts payable after one year	5,250	5,200
B. Financial debts	-	-
C. Trade debts	8,171	10,372
1. Suppliers	*8,171*	*10,372*
D. Advances received on orders	1,383	3,855
E. Taxes, remuneration and social security	22,056	18,871
1. Taxes	*15,678*	*12,061*
2. Remuneration and social security	*6,378*	*6,810*
F. Other amounts payable	10,294	8,557
Accrued charges and deferred income	**4,010**	**2,421**
TOTAL LIABILITIES	**153,529**	**146,523**

APPENDIX TO PARENT COMPANY FINANCIAL STATEMENTS

Capital as of December 31, 2016 (EUR thousands)	Amounts	Number of shares
A. Share capital		
1. Issued capital	8,342	13,625,000
2. Structure of capital		
2.1. Different categories of shares		
Shares without face value	8,342	13,625,000
2.2. Registered shares and bearer shares		
Registered shares – as of December 31, 2016		913,212
Dematerialized shares – as of December 31, 2016		12,711,788
B. Treasury shares held by the company itself	**4,548**	**119,111**
C. Commitments to issue shares		
1. Following the exercise of subscription rights		
- Number of outstanding subscription rights		211,050
- Amount of capital to be issued	7,007	
- Maximum number of shares to be issued		211,050
D. Amount of authorized capital, not issued	**1,600**	