

**EVERTZ TECHNOLOGIES LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Second Quarter ended October 31, 2015**

The following management's discussion and analysis is a review of results of the operations and the liquidity and capital resources of the Company. It should be read in conjunction with the selected consolidated financial information and other data and the Company's consolidated financial statements and the accompanying notes contained on SEDAR. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. The fiscal year of the Company ends on April 30 of each year. Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

**FORWARD-LOOKING STATEMENTS**

The report contains forward-looking statements reflecting Evertz's objectives, estimates and expectations. Such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms.

Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors. Accordingly, there are or will be a number of significant factors which could cause the Company's actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The report is based on information available to management on December 2, 2015.

**OVERVIEW**

Evertz is a leading equipment provider to the television broadcast telecommunications and new-media industries. Founded in 1966, Evertz is a leading equipment provider to the television broadcast industry. Evertz designs, manufactures and markets video and audio infrastructure equipment for the production, post-production and transmission of television content. The Company's solutions are purchased by content creators, broadcasters, specialty channels and television service providers to support their increasingly complex multi-channel digital and high definition television ("HDTV") and next generation high bandwidth low latency IP network environments and by telecommunications and new-media companies. The Company's products allow its customers to generate additional revenue while reducing costs through the more efficient signal routing, distribution, monitoring and management of content as well as the automation of previously manual processes.

The Company's growth strategy is based on capitalizing on its strong customer position and innovative integrated product line. The Company's financial objectives are to achieve profitable growth with our existing customers and with new customers who were converting to HDTV, building out IPTV infrastructures, or in need of advanced video solutions.

Our plan is to bring to market the new technologies that we have invested heavily in for the past several years. These technologically superior solutions help to enable our broadcast, cable, telco, satellite,

content creator and new media customers to address and implement their video infrastructure requirements.

Our broadcast customers continue to operate in a challenging economic environment which impacts their ability to incur capital expenditures and often results in projects being scaled back or postponed to later periods.

While it does appear that industry conditions are showing some improvement in certain geographical areas, it is unclear what the time frame will be for our customers to convert this to equipment purchases.

## **SIGNIFICANT ACCOUNTING POLICIES**

Outlined below are those policies considered particularly significant:

### **New and Revised IFRSs Issued but Not Yet Effective**

Following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. Unless otherwise indicated, earlier application is permitted. The Company has not yet determined the impact of the adoption of the following standards.

#### ***Financial Instruments***

IFRS 9, *Financial instruments* (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 introduces new requirements for the financial reporting of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

#### ***Revenue***

IFRS 15, *Revenue from contracts with customers* (“IFRS 15”) was issued by the IASB in May 2014 and will replace IAS 11, *Construction Contracts* and IAS 18 *Revenue*. IFRS 15 specifies how and when revenue will be recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

## **QUARTER END HIGHLIGHTS**

Revenue increased to \$100.6 million for the second quarter ended October 31, 2015 as compared to \$82.9 million for the second quarter ended October 31, 2014.

For the second quarter ended October 31, 2015, net earnings were \$19.6 million as compared to \$14.3 million for the second quarter ended October 31, 2014 and fully diluted earnings per share were \$0.26 as compared to \$0.19 for the second quarter ended October 31, 2014.

Gross margin during the second quarter ended October 31, 2015 was 57.2% as compared to 56.2% for the second quarter ended October 31, 2014.

Selling and administrative expenses for the second quarter ended October 31, 2015 was \$14.8 million compared to the second quarter ended October 31, 2014 of \$15.1 million. As a percentage of revenue, selling and administrative expenses totaled 14.7% for the second quarter ended October 31, 2015 as opposed to 18.2% for the second quarter ended October 31, 2014.

Research and development (“R&D”) expenses were \$16.1 million for the second quarter ended October 31, 2015 as compared to \$15.1 million for the second quarter ended October 31, 2014.

Cash and cash equivalents were \$97.5 million and working capital was \$305.8 million as at October 31, 2015 as compared to cash and cash equivalents of \$100.7 million and working capital of \$294.9 million as at April 30, 2015.

## Selected Consolidated Financial Information

(in thousands of dollars except earnings per share and share data)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Revenue	\$ 100,560	\$ 82,889	\$ 185,429	\$ 180,903
Cost of goods sold	43,026	36,324	80,066	78,517
Gross margin	57,534	46,565	105,363	102,386
Expenses				
Selling and administrative	14,827	15,103	29,629	28,502
General	1,643	1,323	3,238	3,133
Research and development	16,127	15,121	32,379	30,941
Investment tax credits	(2,411)	(2,387)	(4,895)	(4,853)
Foreign exchange loss (gain)	633	(2,123)	(7,079)	(1,380)
	30,819	27,037	53,272	56,343
Earnings before undernoted	26,715	19,528	52,091	46,043
Finance income	180	201	338	394
Finance costs	(200)	(76)	(322)	(143)
Other income and expenses	188	(113)	150	27
Earnings before income taxes	26,883	19,540	52,257	46,321
Provision for (recovery of) income taxes				
Current	7,995	5,249	15,968	14,560
Deferred	(731)	(52)	(1,928)	(2,288)
	7,264	5,197	14,040	12,272
Net earnings for the period	\$ 19,619	\$ 14,343	\$ 38,217	\$ 34,049
Net earnings attributable to non-controlling interest	133	194	320	489
Net earnings attributable to shareholders	19,486	14,149	37,897	33,560
Net earnings for the period	\$ 19,619	\$ 14,343	\$ 38,217	\$ 34,049
Earnings per share				
Basic	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45
Diluted	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45
Consolidated Balance Sheet Data				
		As at		As at
		October 31, 2015		April 30, 2015
Cash and cash equivalents	\$	97,491	\$	100,681
Inventory	\$	160,524	\$	154,259
Working capital	\$	305,757	\$	294,895
Total assets	\$	431,751	\$	426,162
Shareholders' equity	\$	364,379	\$	353,471
Number of common shares outstanding:				
Basic		74,238,646		74,459,346
Fully-diluted		78,835,146		79,195,846
Weighted average number of shares outstanding:				
Basic		74,537,638		74,399,096
Fully-diluted		74,952,462		75,033,398

**Consolidated Statement of Operations Data**

(in thousands of dollars except earnings per share and share data)

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	42.8%	43.8%	43.2%	43.4%
Gross margin	57.2%	56.2%	56.8%	56.6%
Expenses				
Selling and administrative	14.7%	18.2%	16.0%	15.8%
General	1.6%	1.6%	1.7%	1.7%
Research and development	16.0%	18.2%	17.5%	17.1%
Investment tax credits	(2.4%)	(2.9%)	(2.6%)	(2.7%)
Foreign exchange loss (gain)	0.6%	(2.5%)	(3.8%)	(0.8%)
	30.5%	32.6%	28.8%	31.1%
Earnings before undernoted	26.7%	23.6%	28.0%	25.5%
Finance income	0.2%	0.2%	0.2%	0.2%
Finance costs	(0.2%)	(0.1%)	(0.2%)	(0.1%)
Other income and expenses	0.2%	(0.1%)	0.1%	(0.0%)
Earnings before income taxes	26.9%	23.6%	28.1%	25.6%
Provision for (recovery) of income taxes				
Current	8.0%	6.4%	8.6%	8.1%
Deferred	(0.7%)	(0.1%)	(1.0%)	(1.3%)
	7.3%	6.3%	7.6%	6.8%
Net earnings for the period	19.6%	17.3%	20.5%	18.8%
Net earnings attributable to non-controlling interest	0.1%	0.2%	0.2%	0.3%
Net earnings attributable to shareholders	19.5%	17.1%	20.3%	18.5%
Net earnings for the period	19.6%	17.3%	20.5%	18.8%
Earnings per share:				
Basic	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45
Diluted	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45

**REVENUE AND EXPENSES****Revenue**

The Company generates revenue principally from the sale of its broadcast equipment solutions to content creators, broadcasters, specialty channels and television service providers.

The Company markets and sells its products and services through both direct and indirect sales strategies. The Company's direct sales efforts focus on large and complex end-user customers. These customers have long sales cycles typically ranging from four to eight months before an order may be received by the Company for fulfillment.

The Company monitors revenue performance in two main geographic regions: (i) United States/Canada and (ii) International.

The Company currently generates approximately 55% to 65% of its revenue in the United States/Canada. The Company recognizes the opportunity to more aggressively target markets in other geographic regions and intends to invest in personnel and infrastructure in those markets.

While a significant portion of the Company's expenses are denominated in Canadian dollars, the Company collects substantially all of its revenues in currencies other than the Canadian dollar and therefore has significant exposure to fluctuations in foreign currencies, in particular the US dollar. Approximately 65% to 75% of the Company's revenues are denominated in US dollars.

### **Revenue**

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)
	October 31,				October 31,			
	2015	2014			2015	2014		
United States/Canada	\$ 61,232	\$ 45,367	35%	\$ 111,192	\$ 100,873	10%		
International	39,328	37,522	5%	74,237	80,030	(7%)		
	\$ 100,560	\$ 82,889	21%	\$ 185,429	\$ 180,903	3%		

Total revenue for the second quarter ended October 31, 2015 was \$100.6 million, an increase of \$17.7 million or 21% as compared to revenue of \$82.9 million for the second quarter ended October 31, 2014.

Total revenue for the six month period ended October 31, 2015 was \$185.4 million, an increase of 3% or \$4.5 million, as compared to revenue of \$180.9 million for the six month period ended October 31, 2014.

Revenue in the United States/Canada region was \$61.2 million for the second quarter ended October 31, 2015, an increase of \$15.8 million or 35% as compared to revenue of \$45.4 million for the second quarter ended October 31, 2014. The increase was predominantly driven by the adoption of Evertz newly released technologies and products.

Revenue in the United States/Canada region was \$111.2 million for the six month period ended October 31, 2015, an increase of 10% or \$10.3 million, as compared to revenue of \$100.9 million for the six month period ended October 31, 2014.

Revenue in the International region was \$39.3 million for the second quarter ended October 31, 2015, an increase of \$1.8 million, as compared to revenue of \$37.5 million for the second quarter ended October 31, 2014.

Revenue in the International region was \$74.2 million for the six month period ended October 31, 2015, a decrease of 7% or \$5.8 million, as compared to revenue of \$80.0 million for the six month period ended October 31, 2014.

### **Cost of Sales**

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is represented by components and compensation costs for the manufacture and assembly of products. Cost of sales also includes related overhead, certain depreciation, final assembly, quality assurance, inventory management and support costs. Cost of sales also includes the costs of providing services to clients, primarily the cost of service-related personnel.

## Gross Margin

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Six month period ended		
	October 31,		2014		October 31,		2014
	2015	2014			2015	2014	
Gross margin	\$ 57,534	\$ 46,565	21%	\$ 105,363	\$ 102,386	3%	
Gross margin % of sales	57.2%	56.2%		56.8%	56.6%		

Gross margin for the second quarter ended October 31, 2015 was \$57.5 million, compared to \$46.6 million for the second quarter ended October 31, 2014. As a percentage of revenue, the gross margin was 57.2% for the second quarter ended October 31, 2015, as compared to 56.2% for the second quarter ended October 31, 2014.

Gross margin for the six month period ended October 31, 2015 was \$105.4 million, compared to \$102.4 million for the six month period ended October 31, 2014. As a percentage of revenue, the gross margin was 56.8% for the six month period ended October 31, 2015, as compared to 56.6% for the six month period ended October 31, 2014.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures and currency fluctuations. For the second quarter ended October 31, 2015 the gross margin, as a percentage of revenue, was in the Company's projected range. The pricing environment continues to be very competitive with substantial discounting by our competition.

The Company expects that it will continue to experience competitive pricing pressures. The Company continually seeks to build its products more efficiently and enhance the value of its product and service offerings in order to reduce the risk of declining gross margin associated with the competitive environment.

## Operating Expenses

The Company's operating expenses consist of: (i) selling, administrative and general; (ii) research and development and (iii) foreign exchange.

Selling expenses primarily relate to remuneration of sales and technical personnel. Other significant cost components include trade show costs, advertising and promotional activities, demonstration material and sales support. Selling and administrative expenses relate primarily to remuneration costs of related personnel, legal and professional fees, occupancy and other corporate and overhead costs. The Company also records certain depreciation amortization and share based compensation charges as general expenses. For the most part, selling, administrative and general expenses are fixed in nature and do not fluctuate directly with revenue. The Company's selling expenses tend to fluctuate in regards to the timing of trade shows, sales activity and sales personnel.

The Company invests in research and development to maintain its position in the markets it currently serves and to enhance its product portfolio with new functionality and efficiencies. Although the Company's research and development expenditures do not fluctuate directly with revenues, it monitors this spending in relation to revenues and adjusts expenditures when appropriate. Research and development expenditures consist primarily of personnel costs and material costs. Research and development expenses are presented on a gross basis (without deduction of research and development tax credits). Research and development tax credits associated with research and development expenditures are shown separately under research and development tax credits.

## *Selling and Administrative*

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)		
	October 31,				October 31,					
	2015	2014			2015	2014				
Selling and administrative	\$	14,827	\$	15,103	(2%)	\$	29,629	\$	28,502	4%
Selling and administrative % of sales		14.7%		18.2%			16.0%		15.8%	

Selling and administrative expenses excludes stock based compensation, operation of non-production property, plant and equipment, and amortization of intangibles. Selling and administrative expenses for the second quarter ended October 31, 2015 were \$14.8 million or 14.7% of revenue, as compared to selling and administrative expenses of \$15.1 million or 18.2% of revenue for the second quarter ended October 31, 2014.

The decrease of \$0.3 million was a result of a decrease in selling expenses in the International region partially offset by the increased translation costs of the US dollar denominated expenses.

Selling and administrative expenses for the six month period ended October 31, 2015 were \$29.6 million or 16.0% of revenue, as compared to selling and administrative expenses of \$28.5 million or 15.8% of revenue for the six month period ended October 31, 2014.

The increase of \$1.1 million was largely a result of the increased translation costs of the US dollar and UK Sterling denominated expenses.

## *Research and Development (R&D)*

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)		
	October 31,				October 31,					
	2015	2014			2015	2014				
Research and development expenses	\$	16,127	\$	15,121	7%	\$	32,379	\$	30,941	5%
Research and development % of sales		16.0%		18.2%			17.5%		17.1%	

For the second quarter ended October 31, 2015, gross R&D expenses increased to \$16.1 million, an increase of 7% or \$1.0 million as compared to an expense of \$15.1 million for the second quarter ended October 31, 2014. R&D expenses declined sequentially \$0.2 million as compared to the first quarter ended July 31, 2015.

The year over year increase of \$1.0 million was a result of planned growth of R&D personnel during fiscal 2015.

For the six month period ended October 31, 2015, gross R&D expenses increased to \$32.4 million, an increase of 5% or \$1.5 million as compared to an expense of \$30.9 million for the six month period ended October 31, 2014.

The increase of \$1.5 million was predominantly a result of planned growth of R&D personnel during fiscal 2015 and corresponding increases in materials, as well as increased translation costs associated with UK Sterling denominated expenses, partially offset by a decrease in materials and supplies.



### ***Foreign Exchange***

For the second quarter ended October 31, 2015, the foreign exchange loss was \$0.6 million, as compared to a foreign exchange gain for the second quarter ended October 31, 2014 of \$2.1 million.

For the six month period ended October 31, 2015, the foreign exchange gain was \$7.1 million, as compared to a foreign exchange gain for the same period ended October 31, 2014 of \$1.4 million.

The current year gain was predominantly driven by the increase in the value of the US dollar against the Canadian dollar since April 30, 2015.

### ***Finance Income, Finance Costs, Other Income and Expenses***

For the second quarter ended October 31, 2015, finance income, finance costs, other income and expenses netted to a gain of \$0.2 million.

For the six month period ended October 31, 2015, finance income, finance costs, other income and expenses netted to a gain of \$0.2 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

<b>Liquidity and Capital Resources</b>			
<b>(in thousands of dollars except ratios)</b>			
		<b>As at</b>	<b>As at</b>
<b>Key Balance Sheet Amounts and Ratios:</b>		<b>October 31, 2015</b>	<b>April 30, 2015</b>
Cash and cash equivalents	\$	97,491	\$ 100,681
Working capital	\$	305,757	\$ 294,895
Long-term assets	\$	65,447	\$ 67,393
Long-term debt	\$	957	\$ 996
Days sales outstanding in accounts receivable		100	96

<b>Statement of Cash Flow Summary</b>	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Operating activities	\$ 23,695	\$ (704)	\$ 31,449	\$ 14,585
Investing activities	\$ (1,114)	\$ (1,968)	\$ (2,059)	\$ (4,441)
Financing activities	\$ (21,579)	\$ (10,454)	\$ (31,893)	\$ (22,384)
Net increase (decrease) in cash	\$ 363	\$ (12,984)	\$ (3,190)	\$ (11,572)

### ***Operating Activities***

For the second quarter ended October 31, 2015, the Company generated cash for operations of \$23.7 million, compared to cash used of \$0.7 million for the second quarter ended October 31, 2014. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$22.2 million for the second quarter ended October 31, 2015 compared to \$17.5 million for the second quarter ended October 31, 2014.

For the six month period ended October 31, 2015, the Company generated cash from operations of \$31.4 million, compared to \$14.6 million for the six month period ended October 31, 2014. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$43.1 million for the six month period ended October 31, 2015 compared to \$38.7 million for the six month period ended October 31, 2014.

### ***Investing Activities***

The Company used cash for investing activities of \$1.1 million for the second quarter ended October 31, 2015 which was predominantly from for the acquisition of capital assets.

The Company used cash from investing activities of \$2.1 million for the six month period ended October 31, 2015 which was predominantly from the acquisition of capital assets.

### ***Financing Activities***

For the second quarter ended October 31, 2015, the Company used cash from financing activities of \$21.6 million, which was principally driven by dividends paid of \$14.0 million and the repurchase of Capital Stock costing \$7.5 million.

For the six month period ended October 31, 2015, the Company used cash from financing activities of \$31.9 million, which was principally driven by dividends paid of \$27.5 million, the repurchase of Capital Stock costing \$8.4 million, partially offset by the issuance of capital stock pursuant to the Company's Stock Option Plane of \$4.1 million.

### **WORKING CAPITAL**

As at October 31, 2015, the Company had cash and cash equivalents of \$97.5 million, compared to \$100.7 million at April 30, 2015.

The Company had working capital of \$305.8 million as at October 31, 2015 compared to \$294.9 million as at April 30, 2015.

The Company believes that the current balance in cash and plus future cash flow from operations will be sufficient to finance growth and related investment and financing activities in the foreseeable future.

Day sales outstanding in accounts receivable were 100 days at October 31, 2015 as compared to 96 for April 30, 2015.

## SHARE CAPITAL STRUCTURE

Authorized capital stock consists of an unlimited number of common and preferred shares.

	As at October 31, 2015	As at April 30, 2015
Common shares	74,238,646	74,459,346
Stock options granted and outstanding	4,596,500	4,736,500

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and long term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates the fair value of these instruments approximates the carrying values as listed below.

### *Fair Values and Classification of Financial Instruments:*

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments:

- I. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- II. Inputs other than quoted prices included in level I that are observable for the asset or liability, either directly or indirectly. Cash and cash equivalents, trade and other receivables, trade and other payables, and long-term debt fair value measurements have been measured within level II.
- III. Inputs for the asset or liability that are not based on observable market data.

## CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at October 31, 2015:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 13,555	\$ 3,726	\$ 7,134	\$ 1,978	\$ 717
Other long-term debt	1,170	213	342	366	249
	\$ 14,725	\$ 3,939	\$ 7,476	\$ 2,344	\$ 966

## OFF-BALANCE SHEET FINANCING

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

In the normal course of business, we may enter into transactions with related parties. These transactions occur under market terms consistent with the terms of transactions with unrelated arms-length third parties. The Company continues to lease a premise from a company in which two shareholders' each indirectly hold a 10% interest, continues to lease a facility from a company in which two shareholders each indirectly hold a 20% interest, continues to lease a facility for manufacturing where two shareholders indirectly own 100% interest, continues to lease a facility from a company in which two shareholders each indirectly own a 35% interest and continues to lease a facility with a director who indirectly owns 100%.

## SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight quarters ended October 31, 2015. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements. The operating results for any quarter should not be relied upon as any indication of results for any future period.

(In thousands)	Quarter Ending							
	2015				2014			
(Unaudited)	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31
Revenue	\$ 100,560	\$ 84,869	\$ 91,977	\$ 90,726	\$ 82,889	\$ 98,014	\$ 87,237	\$ 93,185
Cost of goods sold	43,026	37,040	39,249	39,709	36,324	42,193	38,154	39,448
Gross margin	\$ 57,534	\$ 47,829	\$ 52,728	\$ 51,017	\$ 46,565	\$ 55,821	\$ 49,083	\$ 53,737
Operating expenses	30,819	22,453	38,145	23,139	27,037	29,306	30,545	25,514
Earnings from operations	\$ 26,715	\$ 25,376	\$ 14,583	\$ 27,878	\$ 19,528	\$ 26,515	\$ 18,538	\$ 28,223
Non-operating income	168	(2)	323	314	12	266	234	482
Earnings before taxes	\$ 26,883	\$ 25,374	\$ 14,906	\$ 28,192	\$ 19,540	\$ 26,781	\$ 18,772	\$ 28,705
Net earnings	\$ 19,486	\$ 18,411	\$ 10,926	\$ 21,014	\$ 14,149	\$ 19,411	\$ 14,699	\$ 21,281
Net earnings per share:								
Basic	\$ 0.26	\$ 0.25	\$ 0.15	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29
Diluted	\$ 0.26	\$ 0.25	\$ 0.15	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29
Dividends per share:	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 1.56

The Companies revenue and corresponding earnings can vary from quarter to quarter depending on the delivery requirements of our customers. Our customers can be influenced by a variety of factors including upcoming sports or entertainment events as well as their access to capital. Net earnings represent net earnings attributable to shareholders.

## DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2015.

Management has concluded that, as of October 31, 2015, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this report was being prepared.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for and has designed internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has concluded that, as of October 31, 2015, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

## **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes to the Company's internal controls over financial reporting during the period ended October 31, 2015 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

On May 15, 2013 the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released *Internal Control-Integrated Framework: 2013*, which is an update to the internal control framework previously issued in 1992. Management is currently operating under the 1992 Framework and is transitioning to the updated Framework. While no significant changes to the Company's internal control system are expected to result from the transition, any modifications to such expectation will be reported by the Company within the following MD&A.

## **OUTLOOK**

Management expects on an annual basis that the Company's revenues will continue to outpace the industry growth. Gross margin percentages may vary depending on the mix of products sold, the Company's success in winning more complete projects, utilization of manufacturing capacity and the competitiveness of the pricing environment. R&D will continue to be a key focus as the Company invests in new product development.

## **RISKS AND UNCERTAINTIES**

The Company risk factors are outlined in our AIF filed on SEDAR.