

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Nine month periods ended January 31, 2015 and 2014
(Unaudited)

MANAGEMENT REPORT

The management of Evertz Technologies Limited (“Evertz” or the “Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the auditor. These interim condensed consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for the fair presentation of the consolidated financial position, results of operations and cash flows.

EVERTZ TECHNOLOGIES LIMITED

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(Unaudited)

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at January 31, 2015 and April 30, 2014

(In thousands of Canadian dollars)

	January 31, 2015	April 30, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 103,303	\$ 101,956
Trade and other receivables	101,122	87,981
Prepaid expenses	6,017	4,704
Inventories	150,763	134,561
Income tax receivable	-	1,735
	361,205	330,937
Property, plant and equipment (note 3)	50,428	51,831
Goodwill (note 4)	18,429	18,269
Intangible assets	-	243
	\$ 430,062	\$ 401,280
Liabilities		
Current liabilities		
Trade and other payables	\$ 43,132	\$ 44,888
Provisions (note 5)	1,835	1,624
Deferred revenue	13,573	10,096
Current portion of long term debt	329	415
Income tax payable	4,939	-
	63,808	57,023
Long term debt	1,108	1,372
Deferred taxes	5,557	6,468
	70,473	64,863
Equity		
Capital stock (note 6)	95,708	92,931
Share based payment reserve	11,830	10,217
Accumulated other comprehensive earnings	4,015	2,966
Retained earnings	244,744	227,364
	248,759	230,330
Total equity attributable to shareholders	356,297	333,478
Non-controlling interest	3,292	2,939
	359,589	336,417
	\$ 430,062	\$ 401,280

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Nine month periods ended January 31, 2015 and 2014

(In thousands of Canadian dollars)

	Capital stock	Share based payment reserve	Accumulated other comprehensive earnings (loss)	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total equity
Balance at April 30, 2013	\$ 81,453	\$ 10,727	\$ (1,063)	\$ 315,680	\$ 406,797	\$ 2,938	\$ 409,735
Net earnings for the period	-	-	-	48,436	48,436	349	48,785
Foreign currency translation adjustment	-	-	3,667	-	3,667	205	3,872
Total comprehensive earnings for the period	\$ -	\$ -	\$ 3,667	\$ 48,436	\$ 52,103	\$ 554	\$ 52,657
Dividends declared	-	-	-	(139,516)	(139,516)	(600)	(140,116)
Share based compensation expense	-	2,058	-	-	2,058	-	2,058
Exercise of employee stock options	7,831	-	-	-	7,831	-	7,831
Transfer on stock option exercise	3,139	(3,139)	-	-	-	-	-
Repurchase of common shares	(4)	-	-	(47)	(51)	-	(51)
Balance at January 31, 2014	\$ 92,419	\$ 9,646	\$ 2,604	\$ 224,553	\$ 329,222	\$ 2,892	\$ 332,114
Balance at April 30, 2014	\$ 92,931	\$ 10,217	\$ 2,966	\$ 227,364	\$ 333,478	\$ 2,939	\$ 336,417
Net earnings for the period	-	-	-	54,574	54,574	682	55,256
Foreign currency translation adjustment	-	-	1,049	-	1,049	171	1,220
Total comprehensive earnings for the period	\$ -	\$ -	\$ 1,049	\$ 54,574	\$ 55,623	\$ 853	\$ 56,476
Dividends declared	-	-	-	(37,194)	(37,194)	(500)	(37,694)
Share based compensation expense	-	2,219	-	-	2,219	-	2,219
Exercise of employee stock options	2,171	-	-	-	2,171	-	2,171
Transfer on stock option exercise	606	(606)	-	-	-	-	-
Balance at January 31, 2015	\$ 95,708	\$ 11,830	\$ 4,015	\$ 244,744	\$ 356,297	\$ 3,292	\$ 359,589

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2015 and 2014
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Revenue	\$ 90,726	\$ 93,185	\$ 271,629	\$ 238,287
Cost of goods sold	39,709	39,448	118,226	101,184
Gross margin	51,017	53,737	153,403	137,103
Expenses				
Selling, administrative and general (note 7)	16,440	17,351	48,075	45,561
Research and development	15,768	15,049	46,709	43,133
Investment tax credits	(2,325)	(3,168)	(7,178)	(9,033)
Foreign exchange gain	(6,744)	(3,718)	(8,124)	(7,183)
	23,139	25,514	79,482	72,478
	27,878	28,223	73,921	64,625
Finance income	209	496	603	1,720
Finance costs	(33)	(61)	(176)	(275)
Other income and expenses	138	47	165	(38)
Earnings before income taxes	28,192	28,705	74,513	66,032
Provision for (recovery of) income taxes				
Current	5,777	7,672	20,337	19,387
Deferred	1,208	(316)	(1,080)	(2,140)
	6,985	7,356	19,257	17,247
Net earnings for the period	\$ 21,207	\$ 21,349	\$ 55,256	\$ 48,785
Net earnings attributable to non-controlling interest	193	68	682	349
Net earnings attributable to shareholders	21,014	21,281	54,574	48,436
Net earnings for the period	\$ 21,207	\$ 21,349	\$ 55,256	\$ 48,785
Earnings per share (note 12)				
Basic	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65
Diluted	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three month and nine month periods ended January 31, 2015 and 2014
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Net earnings for the period	\$ 21,207	\$ 21,349	\$ 55,256	\$ 48,785
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	2,378	2,040	1,220	3,872
Comprehensive earnings	\$ 23,585	\$ 23,389	\$ 56,476	\$ 52,657
Comprehensive earnings/attributable to non-controlling interest	\$ 380	\$ 189	\$ 853	\$ 554
Comprehensive earnings attributable to shareholders	\$ 23,205	\$ 23,200	\$ 55,623	\$ 52,103
Comprehensive earnings	\$ 23,585	\$ 23,389	\$ 56,476	\$ 52,657

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three month and nine month periods ended January 31, 2015 and 2014
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Operating activities				
Net earnings for the period	\$ 21,207	\$ 21,349	\$ 55,256	\$ 48,785
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,649	2,532	7,933	7,327
Amortization of intangible assets	33	98	238	279
Gain on instruments held for trading	-	(41)	-	(122)
(Gain) loss on disposal of property, plant and equipment	(38)	(1)	(5)	297
Share based compensation	853	673	2,219	2,058
Interest expense	21	182	49	275
Deferred income tax expense (recovery)	1,208	(316)	(1,080)	(2,140)
	25,933	24,476	64,610	56,759
Current tax expenses, net of investment tax credits	3,252	4,504	12,959	10,354
Income taxes paid	(1,008)	(556)	(6,647)	(1,572)
Changes in non-cash working capital items (note 8)	(666)	(4,070)	(28,826)	(28,792)
Cash provided by operating activities	27,511	24,354	42,096	36,749
Investing activities				
Acquisition of property, plant and equipment	(2,173)	(2,575)	(6,663)	(7,730)
Proceeds from disposal of property, plant and equipment	24	-	73	187
Cash used in investing activities	(2,149)	(2,575)	(6,590)	(7,543)
Financing activities				
Repayment of long term debt	(82)	(21)	(251)	(233)
Interest paid	(21)	(182)	(49)	(275)
Dividends paid	(13,402)	(115,846)	(37,194)	(139,516)
Dividends paid by subsidiaries to non-controlling interests	-	-	(500)	(600)
Capital stock repurchased	-	(7)	-	(51)
Capital stock issued	66	3,473	2,171	7,831
Cash used in financing activities	(13,439)	(112,583)	(35,823)	(132,844)
Effect of exchange rates on cash and cash equivalents	996	1,355	1,664	1,630
Increase (decrease) in cash and cash equivalents	12,919	(89,449)	1,347	(102,008)
Cash and cash equivalents beginning of period	90,384	196,099	101,956	208,658
Cash and cash equivalents end of period	\$ 103,303	\$ 106,650	\$ 103,303	\$ 106,650

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three month and Nine month periods ended January 31, 2015 and 2014
(in thousands of Canadian dollars, except for “number of common shares”, “number of options” and “per share”
information)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading equipment provider to the television broadcast industry. The Company designs, manufactures and distributes video and audio infrastructure equipment for the production, post-production, broadcast and telecommunications markets.

1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under the IAS 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2014, except as disclosed in Note 2.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2014 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

Financial Instruments

Effective May 1, 2014, the Company adopted amendments to IAS 32, *Financial Instruments: Presentations* (“IAS 32”), which clarified certain aspects of the requirements to offset. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The adoption of the amendments did not have a material impact on the Interim Condensed Consolidated Financial Statements.

Levies

Effective May 1, 2014, the Company adopted IFRIC 21, *Levies* (“IFRIC 21”) which provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 did not have a material impact on the Interim Condensed Consolidated Financial Statements.

Note #2 continued ...

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, 2017.

3. PROPERTY, PLANT AND EQUIPMENT

	January 31, 2015			April 30, 2014		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 2,778	\$ 1,674	\$ 1,104	\$ 2,507	\$ 1,413	\$ 1,094
Research and development equipment	28,950	15,827	13,123	25,839	12,410	13,429
Airplanes	19,727	9,152	10,575	19,727	7,966	11,761
Machinery and equipment	47,804	34,019	13,785	45,258	31,872	13,386
Leaseholds	5,600	3,873	1,727	5,165	3,423	1,742
Land	2,299	-	2,299	2,330	-	2,330
Buildings	9,732	1,917	7,815	9,973	1,884	8,089
	\$ 116,890	\$ 66,462	\$ 50,428	\$ 110,799	\$ 58,968	\$ 51,831

4. GOODWILL

The changes in carrying amounts of goodwill are as follows:

	Cost
Balance as at April 30, 2014	\$ 18,269
Foreign exchange differences	160
Balance as at January 31, 2015	\$ 18,429

5. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2014	\$ 1,615	\$ 9	\$ 1,624
Net additions	95	80	175
Foreign exchange differences	31	5	36
Balance as at January 31, 2015	\$ 1,741	\$ 94	\$ 1,835

Note 5 continued ...

Warranty and Returns

The provision relates to estimated future costs associated with warranty repairs and returns on hardware solutions. The provision is based on historical data associated with similar products. The warranty and returns are expected to be incurred within the next twelve months.

Lease/Retirement Obligations

The provision relates to estimated restoration costs expected to be incurred upon the conclusion of Company leases.

6. CAPITAL STOCK

Authorized capital stock consists of:
Unlimited number of preferred shares
Unlimited number of common shares

	Number of Common Shares	Amount
Balance as at April 30, 2014	74,310,146	\$ 92,931
Issued on exercise of stock options	149,200	2,171
Transferred on stock option exercise	-	606
Balance as at January 31, 2015	74,459,346	\$ 95,708

Normal Course Issuer Bid

In August 2013, the Company filed a Normal Course Issuer Bid (NCIB) with the TSX to repurchase, at the Company's discretion, until September 2, 2014 up to 3,700,397 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. The Company did not purchase and cancel any shares during the first nine months of fiscal 2015.

Dividends Per Share

During the quarter, \$0.18 in dividends per share was declared.

7. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended January 31,		Nine month period ended January 31,	
	2015	2014	2015	2014
Selling and administrative	\$ 14,805	\$ 14,913	\$ 43,307	\$ 40,196
Share-based compensation (note 9)	853	673	2,219	2,058
Depreciation of property, plant and equipment (non-production)	749	1,667	2,311	3,028
Amortization of intangibles	33	98	238	279
	\$ 16,440	\$ 17,351	\$ 48,075	\$ 45,561

8. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Trade and other receivables	\$ (15,050)	\$ (7,162)	\$ (13,368)	\$ (15,920)
Inventories	(55)	(5,189)	(16,615)	(12,071)
Prepaid expenses	(1,316)	(1,720)	(1,257)	(869)
Trade payable and payables	11,390	11,693	(1,274)	(990)
Deferred revenue	4,148	(1,675)	3,477	525
Provisions	217	(17)	211	533
	\$ (666)	\$ (4,070)	\$ (28,826)	\$ (28,792)

9. SHARE BASED PAYMENTS

The Company established, in June 2006, a stock option plan to attract, retain, motivate and compensate employees, officers and eligible directors who are integral to the growth and success of the Company. A number of shares equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the stock option plan.

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year.

The changes in the number of outstanding share options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2014	5,203,700	\$ 14.41
Granted	92,500	17.58
Exercised	(149,200)	14.55
Forfeited	(36,500)	14.61
Expired	(348,500)	13.57
Balance as at January 31, 2015	4,762,000	\$ 14.53

Stock options outstanding as at January 31, 2015 are:

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$11.88	\$ 11.88	1,694,500	1.4	-	\$ -
\$12.23 - \$13.84	\$ 13.30	669,500	1.9	-	\$ -
\$14.14 - \$16.29	\$ 15.61	612,500	2.8	-	\$ -
\$17.03 - \$19.34	\$ 17.13	1,785,500	4.1	-	\$ -
Totals	\$ 14.53	4,762,000	2.7	-	\$ -

Note 9 continued ...

Compensation expense

The share based compensation expense that has been charged against earnings over the nine month and three month period ended is \$2,219 (2014 - \$2,058) and \$853 (2014 - \$673). Compensation expense on grants during the period was calculated using the Black–Scholes option pricing model with the following weighted average assumptions:

	Nine month period ended January 31, 2015	Nine month period ended January 31, 2014
Risk-free interest rate	1.55%	1.70%
Dividend yield	3.78%	4.02%
Expected life	5 years	5 years
Expected volatility	23%	40%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$2.42	\$4.07

Expected volatility is based on historical share price volatility over the past 5 years of the Company. Share based compensation expense was calculated using a weighted average forfeiture rate of 20% (2014 - 18%).

10. SEGMENTED INFORMATION

The Company reviewed its operations and determined that it operates a single reportable segment, the television broadcast equipment market. The single reportable operating segment derives its revenues from the sale of hardware and software solutions including related services, training and commissioning.

	Three month period ended January 31,		Nine month period ended January 31,	
	2015	2014	2015	2014
Revenue				
United States	\$ 47,713	\$ 49,080	\$ 136,722	\$ 111,724
International	37,174	38,158	117,204	109,192
Canada	5,839	5,947	17,703	17,371
	\$ 90,726	\$ 93,185	\$ 271,629	\$ 238,287

	January 31, 2015			April 30, 2014		
	Property, Plant and Equipment	Goodwill	Intangible Assets	Property, Plant and Equipment	Goodwill	Intangible Assets
United States	\$ 14,430	\$ 363	\$ -	\$ 13,415	\$ 313	\$ -
International	11,365	18,066	-	11,751	17,956	243
Canada	24,633	-	-	26,665	-	-
	\$ 50,428	\$ 18,429	\$ -	\$ 51,831	\$ 18,269	\$ 243

11. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related Party Transactions

Two shareholders each indirectly hold a 10% interest in the Company's leased premises in Ontario. This lease expires in 2019 with a total of \$3,524 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$631 (2014 – \$614) and \$210 (2014 - \$205) with no outstanding amounts due as at January 31, 2015.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$431 committed over the remaining term. During the nine and three month periods, rent paid was \$185 (2014 – \$185) and \$62 (2014 - \$62) with no outstanding amounts due as at January 31, 2015.

On December 1, 2008 the Company entered into an agreement with two shareholders who each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2018 with a total of \$3,138 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$574 (2014 - \$568) and \$196 (2014 - \$189) with no outstanding amounts due as at January 31, 2015.

On December 15, 2013 the Company renewed a property lease agreement with a director who indirectly owns 100% interest. The lease expires in 2018 with a total of \$553 committed over the remaining term. During the nine and three month periods, rent paid was \$106 (2014 - \$102) and \$35 (2014 - \$34) with no outstanding amounts due as at January 31, 2015.

On May 1, 2009 the Company entered into a property lease agreement with two shareholders who each indirectly hold a 35% interest. This lease expires in 2019 with a total of \$2,003 committed over the remaining term. During the nine and three month periods, rent paid was \$329 (2014 - \$329) and \$110 (2014 - \$110) with no outstanding amounts due as at January 31, 2015.

These transactions were in the normal course of business and recorded at an exchange value established and agreed upon by related parties.

12. EARNINGS PER SHARE

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Weighted average common shares outstanding	74,456,683	74,122,109	74,379,667	73,994,700
Dilutive effect of stock options	590,617	427,993	601,400	404,058
Diluted weighted average common shares outstanding	75,047,300	74,550,102	74,981,067	74,398,758

The weighted average number of diluted common shares excludes 183,500 options because they were anti-dilutive during the period (2014 – 490,000).

13. SUBSEQUENT EVENT

On March 4, 2015 the Company declared a dividend of \$0.18 with a record date of March 13, 2015 and a payment date of March 20, 2015.