

EVERTZ TECHNOLOGIES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Second Quarter ended October 31, 2012

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 November 30, 2012.

OVERVIEW

Evertz is a leading equipment provider to the television broadcast industry. Founded in 1966, Evertz designs, manufactures and distributes 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 enable and enhance the transition to a complex multi-channel digital and HDTV broadcast environment. The Company's equipment allows customers to generate additional revenue while reducing costs through the more efficient distribution 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 and content creator 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

New and Revised IFRSs Issued but Not Yet Effective

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRSs) issued but not yet effective. Unless otherwise indicated, earlier application is permitted.

Financial Instruments

IFRS 9 Financial instruments (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 introduces new requirements for the financial reporting of assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company has not yet determined the impact of IFRS 9 on its financial statements.

Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 10 on its financial statements.

Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”) is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 12 on its financial statements.

Fair Value Measurements

IFRS 13, *Fair Value Measurements* (“IFRS 13”) provides new guidance on fair value measurement and disclosure requirements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”), which are effective for annual periods beginning on or after July 1, 2012, are to be applied retroactively. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company has not yet determined the impact of the changes to IAS 1 on its financial statements.

QUARTER END HIGHLIGHTS

Revenue increased by \$12.7 million or 18% for the second quarter ended October 31, 2012 when compared to the same period ended October 31, 2011.

Net earnings for the second quarter ended October 31, 2012 were \$19.1 million as compared to \$16.1 million for the second quarter ended October 31, 2011, an increase of 18%. Fully-diluted earnings per share were \$0.26 for the second quarter ended October 31, 2012 as compared to \$0.22 for the second quarter ended October 31, 2011.

Gross margin during the second quarter ended October 31, 2012 was 58.8% as compared to 57.3% for the second quarter ended October 31, 2011.

Selling and administrative expenses for the second quarter ended October 31, 2012 was \$13.1 million compared to the second quarter ended October 31, 2011 of \$11.7 million. As a percentage of revenue, selling and administrative expenses totaled 15.7% for the second quarter ended October 31, 2012 as opposed to 16.7% for the second quarter ended October 31, 2011.

Research and development (“R&D”) expenses increased by \$2.6 million or approximately 26% compared to the second quarter ended October 31, 2011.

Cash and instruments held for trading were \$215.3 million and working capital was \$349.3 million as at October 31, 2012 as compared to cash and instruments held for trading of \$185.7 million and working capital of \$325.7 million as at April 30, 2012.

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,	
	2012	2011	2012	2011
Revenue	\$ 83,158	\$ 70,487	\$ 179,119	\$ 145,615
Cost of goods sold	34,298	30,111	74,604	62,392
Gross margin	48,860	40,376	104,515	83,223
Expenses				
Selling and administrative	13,090	11,739	25,459	22,121
General	1,449	1,789	2,897	3,098
Research and development	12,612	10,041	24,404	20,360
Investment tax credits	(2,864)	(2,454)	(6,050)	(4,736)
Foreign exchange gain	(1,321)	(2,722)	(1,323)	(3,065)
	22,966	18,393	45,387	37,778
Earnings before undernoted	25,894	21,983	59,128	45,445
Finance income	428	453	877	876
Finance costs	(78)	(46)	(166)	(97)
Other income and expenses	(119)	(242)	(4)	(225)
Earnings before income taxes	26,125	22,148	59,835	45,999
Provision for income taxes				
Current	6,324	6,126	15,312	13,481
Deferred	709	(75)	672	(1,203)
	7,033	6,051	15,984	12,278
Net earnings for the period	\$ 19,092	\$ 16,097	\$ 43,851	\$ 33,721
Net earnings attributable to non-controlling interest	185	101	355	198
Net earnings attributable to shareholders	18,907	15,996	43,496	33,523
Net earnings for the period	\$ 19,092	\$ 16,097	\$ 43,851	\$ 33,721
Earnings per share				
Basic	\$ 0.26	\$ 0.22	\$ 0.59	\$ 0.45
Diluted	\$ 0.26	\$ 0.22	\$ 0.59	\$ 0.45
Consolidated Balance Sheet Data		As at		As at
		October 31, 2012		April 30, 2012
Cash and instruments held for trading	\$	215,342	\$	185,669
Inventory	\$	107,927	\$	109,211
Working capital	\$	349,281	\$	325,677
Total assets	\$	446,714	\$	431,864
Shareholders' equity	\$	402,075	\$	378,417
Number of common shares outstanding:				
Basic		73,172,986		73,225,786
Fully-diluted		77,924,586		77,904,086
Weighted average number of shares outstanding:				
Basic		73,166,072		73,612,759
Fully-diluted		73,382,083		73,812,767

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,	
	2012	2011	2012	2011
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	41.2%	42.7%	41.7%	42.8%
Gross margin	58.8%	57.3%	58.3%	57.2%
Expenses				
Selling and administrative	15.7%	16.7%	14.2%	15.2%
General	1.7%	2.5%	1.6%	2.1%
Research and development	15.2%	14.2%	13.6%	14.0%
Investment tax credits	(3.4%)	(3.5%)	(3.4%)	(3.3%)
Foreign exchange gain	(1.6%)	(3.9%)	(0.7%)	(2.1%)
	27.6%	26.1%	25.3%	25.9%
Earnings before undernoted	31.2%	31.2%	33.0%	31.3%
Finance income	0.5%	0.6%	0.5%	0.6%
Finance costs	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Other income and expenses	(0.1%)	(0.3%)	0.0%	(0.2%)
Earnings before income taxes	31.5%	31.4%	33.4%	31.6%
Provision for (recovery) of income taxes				
Current	7.6%	8.7%	8.5%	9.2%
Deferred	0.9%	(0.1%)	0.4%	(0.8%)
	8.5%	8.6%	8.9%	8.4%
Net earnings for the period	23.0%	22.8%	24.5%	23.2%
Net earnings attributable to non-controlling interest	0.2%	0.1%	0.2%	0.1%
Net earnings attributable to shareholders	22.8%	22.7%	24.3%	23.1%
Net earnings for the period	23.0%	22.8%	24.5%	23.2%
Earnings per share:				
Basic	\$ 0.26	\$ 0.22	\$ 0.59	\$ 0.45
Diluted	\$ 0.26	\$ 0.22	\$ 0.59	\$ 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 50% 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 65-75% of the Company's revenues are denominated in US dollars.

Revenue

(In thousands of Canadian dollars)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)
	October 31,		2011		October 31,		2011	
	2012	2011			2012	2011		
United States/Canada	\$ 46,732	\$ 35,911		30%	\$ 106,122	\$ 81,242		31%
International	36,426	34,576		5%	72,997	64,373		13%
	\$ 83,158	\$ 70,487		18%	\$ 179,119	\$ 145,615		23%

Total revenue for the second quarter ended October 31, 2012 was \$83.2 million, an increase of 18% or \$12.7 million as compared to revenue of \$70.5 million for the second quarter ended October 31, 2011.

Total revenue for the six month period ended October 31, 2012 was \$179.2 million, an increase of 23% or \$33.6 as compared to revenue of \$145.6 million for the six month period ended October 31, 2011.

Revenue in the United States/Canada region increased to \$46.7 million for the second quarter ended October 31, 2012, an increase of 30% or \$10.8 million as compared to revenue of \$35.9 million for the second quarter ended October 31, 2011.

Revenue in the United States/Canada region increased to \$106.1 million for the six month period ended October 31, 2012, an increase of 31% or \$24.9 million as compared to revenue of \$81.2 million for the six month period ended October 31, 2011.

Revenue in the International region increased to \$36.4 million for the second quarter ended October 31, 2012, an increase of 5% or \$1.8 million as compared to revenue of \$34.6 million for the second quarter ended October 31, 2011.

Revenue in the International region increased to \$73.0 million for the six month period ended October 31, 2012, an increase of 13% or \$8.6 million as compared to revenue of \$64.4 million for the six month period ended October 31, 2011.

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)	Three month period ended			% increase (decrease)	Six month period ended					
	October 31,		2011		October 31,		2011			
	2012	2011			2012	2011				
Gross margin	\$	48,860	\$	40,376	21%	\$	104,515	\$	82,223	26%
Gross margin % of sales		58.8%		57.3%			58.3%		57.2%	

Gross margin for the second quarter ended October 31, 2012 was \$48.9 million, compared to \$40.4 million for the second quarter ended October 31, 2011. As a percentage of revenue, the gross margin was 58.8% for the second quarter ended October 31, 2012, as compared to 57.3% for the second quarter ended October 31, 2011.

Gross margin for the six month period ended October 31, 2012 was \$104.5 million, compared to \$82.2 million for the six month period ended October 31, 2011. As a percentage of revenue, the gross margin was 58.3% for the six month period ended October 31, 2012 as compared to 57.2% for the six month period ended October 31, 2011.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures. For the second quarter ended October 31, 2012 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)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)		
	October 31,		2011		October 31,		2011			
	2012	2011			2012	2011				
Selling and administrative	\$	13,090	\$	11,739	12%	\$	25,459	\$	22,121	15%
Selling and administrative % of sales		15.7%		16.7%			14.2%		15.2%	

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, 2012 were \$13.1 million or 15.7% of revenue as compared to selling and administrative expenses of \$11.7 million or 16.7% of revenue for the second quarter ended October 31, 2011.

The increase of \$1.4 million for the quarter was a result of increased sales staff, sales activity and travel expenses to support sales including new product introductions.

Selling and administrative expenses for the six month period ended October 31, 2012 were \$25.5 million or 14.2% of revenue as compared to administrative and selling expenses of \$22.1 million or 15.2% of revenue for the six month period ended October 31, 2011.

The increase of \$3.4 million for the year was a result of increased sales staff, sales activity and travel expenses to support sales including new product introductions and an increase in the provision for bad debts.

Research and Development (R&D)

(In thousands of Canadian dollars)	Three month period ended			% increase (decrease)	Six month period ended			% increase (decrease)		
	October 31,		2011		October 31,		2011			
	2012	2011			2012	2011				
Research and development expenses	\$	12,612	\$	10,041	26%	\$	24,404	\$	20,360	20%
Research and development % of sales		15.2%		14.2%			13.6%		14.0%	

For the second quarter ended October 31, 2012, gross R&D expenses increased to \$12.6 million, an increase of 25.6% or \$2.6 million as compared to an expense of \$10.0 million for the second quarter ended October 31, 2011.

For the six month period ended October 31, 2012, gross R&D expenses increased to \$24.4 million, an increase of 19.9% or \$4.0 million as compared to an expense of \$20.4 million for the six month period ended October 31, 2011.

The increase of \$2.6 million for the quarter and \$4.0 million for the six month period was predominantly a result of planned growth of R&D personnel and corresponding increases in materials and prototypes.

Foreign Exchange

For the second quarter ended October 31, 2012, the foreign exchange gain was \$1.3 million as compared to a foreign exchange gain for the same period ended October 31, 2011 of \$2.7 million.

For the six month period ended October 31, 2012, the foreign exchange gain was \$1.3 million as compared to a foreign exchange gain for the same period ended October 31, 2011 of \$3.1 million.

Finance Income, Costs and Other Income

For the second quarter ended October 31, 2012, finance income, costs and other income netted to a gain of \$0.2 million.

For the six month period ended October 31, 2012, finance income, costs and other income was a gain of \$0.7 million of which largely relates to interest income.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources			
<i>(in thousands of dollars except ratios)</i>			
Key Balance Sheet Amounts and Ratios:	As at		As at
	October 31, 2012		April 30, 2012
Cash and instruments held for trading	\$	215,342	\$ 185,669
Working capital	\$	349,281	\$ 325,677
Long-term assets	\$	60,101	\$ 59,702
Long-term debt	\$	1,667	\$ 1,875
Days sales outstanding in accounts receivable		63	77

Statement of Cash Flow Summary	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2012	2011	2012	2011
Operating activities	\$ 46,430	\$ 22,267	\$ 55,962	\$ 34,817
Investing activities	\$ (1,345)	\$ (3,268)	\$ (4,436)	\$ 223
Financing activities	\$ (10,992)	\$ (12,496)	\$ (22,394)	\$ (36,422)
Net increase (decrease) in cash	\$ 33,948	\$ 6,295	\$ 29,600	\$ (1,595)

Operating Activities

For the second quarter ended October 31, 2012, the Company generated cash from operations of \$46.4 million, compared to \$22.3 million for the second quarter ended October 31, 2011. Excluding the effects of the changes in non-cash working capital, the Company generated cash from operations of \$22.5 million for the second quarter ended October 31, 2012, compared to \$19.0 million for the second quarter ended October 31, 2011.

For the six month period ended October 31, 2012, the Company generated cash from operations of \$56.0 million, compared to \$34.8 million for the six month period ended October 31, 2011. Excluding the effects of the changes in non-cash working capital, the Company generated cash from operations of \$49.9 million for the six month period ended October 31, 2012, compared to \$38.1 million for the six month period ended October 31, 2011.

Investing Activities

The Company used cash from investing activities of \$1.3 million for the second quarter ended October 31, 2012 which was predominantly the acquisition of capital assets of \$1.4 million, compared to cash used of \$3.3 million for the second quarter ended October 31, 2011.

The Company used cash from investing activities of \$4.4 million for the six month period ended October 31, 2012 which was predominately the acquisition of capital assets of \$4.5 million, compared to cash provided by of \$0.2 million for the six month period ended October 31, 2011.

Financing Activities

For the second quarter ended October 31, 2012, the Company used cash from financing activities of \$11.0 million, which was principally driven by a repurchase of capital stock costing \$1.1 million, dividends paid of \$10.6 million and offset by the issuance of capital stock pursuant to the Company Stock Option Plan of \$0.8 million.

For the six month period ended October 31, 2012, the Company used cash from financing activities of \$22.4 million, which was principally a result of the repurchase of capital stock costing \$4.2 million, the payment of dividends of \$20.9 million offset by the issuance of capital stock pursuant to the Company Stock Option Plan of \$2.9 million.

WORKING CAPITAL

As at October 31, 2012, the Company had cash and instruments held for trading of \$215.3 million, compared to \$185.7 million at April 30, 2012.

The Company had working capital of \$349.3 million as at October 31, 2012 compared to \$325.7 million as at April 30, 2012.

The Company believes that the current balance in cash and instruments held for trading 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 64 days at October 31, 2012 as compared to 77 for April 30, 2012.

SHARE CAPITAL STRUCTURE

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

	As at October 31, 2012	As at April 30, 2012
Common shares	73,172,986	73,225,786
Stock options granted and outstanding	4,751,600	4,678,300

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, instruments held for trading, trade and other receivables, trade and other payables, provisions, deferred revenue 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 that except for instruments held for trading, the fair value of these instruments approximates the carrying values due to their short-term nature.

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. The fair values of instruments held for trading is maintained level one hierarchy and are determined by the quoted market values for each of the investments in an active market at the reporting date. Gains and losses are included in interest and other income.
- II. Contingent consideration is level three hierarchy. Liability has not changed since the acquisition.
- III. The carrying amounts of cash, accounts receivable, trade and other payables approximate their fair value due to the short-term nature of these financial instruments. The carrying amount of long term debt approximates its fair value as it incurs interest at a variable rate adjusted for changes in the market rate.

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as at October 31, 2012:

(In thousands)	Total	Payments Due by Period			
		Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 20,564	\$ 3,603	\$ 6,117	\$ 5,753	\$ 5,091
Other long-term debt	\$ 2,064	\$ 397	\$ 6,524	\$ 328	\$ 715
	\$ 22,628	\$ 4,000	\$ 12,641	\$ 6,081	\$ 5,806

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, 2012. 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) (Unaudited)	2012				Quarter Ending 2011			
	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31
Sales	\$ 83,158	\$ 95,961	\$ 76,340	\$ 71,445	\$ 70,487	\$ 75,128	\$ 69,043	\$ 84,073
Cost of goods sold	34,298	40,306	33,557	31,283	30,111	32,281	30,055	35,389
Gross margin	\$ 48,860	\$ 55,655	\$ 42,783	\$ 40,162	\$ 40,376	\$ 42,847	\$ 38,988	\$ 48,684
Operating expenses	22,966	22,421	25,309	22,805	18,393	19,385	22,955	19,639
Earnings from operations	\$ 25,894	\$ 33,234	\$ 17,474	\$ 17,357	\$ 21,983	\$ 23,462	\$ 16,033	\$ 29,045
Non-operating income	231	476	836	174	165	389	1,159	4,096
Earnings before taxes	\$ 26,125	\$ 33,710	\$ 18,310	\$ 17,531	\$ 22,148	\$ 23,851	\$ 17,192	\$ 33,141
Net earnings	\$ 18,907	\$ 24,589	\$ 13,380	\$ 12,637	\$ 15,996	\$ 17,527	\$ 12,335	\$ 24,238
Net earnings per share:								
Basic	\$ 0.26	\$ 0.34	\$ 0.19	\$ 0.17	\$ 0.22	\$ 0.23	\$ 0.17	\$ 0.33
Diluted	\$ 0.26	\$ 0.34	\$ 0.18	\$ 0.17	\$ 0.22	\$ 0.23	\$ 0.16	\$ 0.33
Dividends per share:	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.10	\$ 0.10

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 Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2012.

Management has concluded that, as of October 31, 2012, 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, 2012, 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, 2012 that have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

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.