

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three month and Six month periods ended October 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 October 31, 2015 and April 30, 2015

(In thousands of Canadian dollars)

	October 31, 2015	April 30, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 97,491	\$ 100,681
Trade and other receivables	100,436	95,403
Prepaid expenses	6,524	8,426
Inventories	160,524	154,259
Income tax receivable	1,329	-
	366,304	358,769
Property, plant and equipment (note 3)	46,808	49,080
Goodwill	18,639	18,313
	\$ 431,751	\$ 426,162
Liabilities		
Current liabilities		
Trade and other payables	\$ 38,573	\$ 44,265
Provisions (note 4)	2,795	2,229
Deferred revenue	18,966	15,427
Current portion of long term debt	213	254
Income tax payable	-	1,699
	60,547	63,874
Long term debt	957	996
Deferred taxes	2,614	4,432
	64,118	69,302
Equity		
Capital stock (note 5)	100,260	95,708
Share based payment reserve	12,746	12,418
Accumulated other comprehensive earnings	5,723	3,077
Retained earnings	245,650	242,268
	251,373	245,345
Total equity attributable to shareholders	364,379	353,471
Non-controlling interest	3,254	3,389
	367,633	356,860
	\$ 431,751	\$ 426,162

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Six month periods ended October 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, 2014	\$ 92,931	\$ 10,217	\$ 2,966	\$ 227,364	333,478	\$ 2,939	\$ 336,417
Net earnings for the period	-	-	-	33,560	33,560	489	34,049
Foreign currency translation adjustment	-	-	(1,142)	-	(1,142)	(16)	(1,158)
Total comprehensive earnings for the period	\$ -	\$ -	\$ (1,142)	\$ 33,560	\$ 32,418	\$ 473	\$ 32,891
Dividends declared	-	-	-	(23,792)	(23,792)	(500)	(24,292)
Share based compensation expense	-	1,366	-	-	1,366	-	1,366
Exercise of employee stock options	2,105	-	-	-	2,105	-	2,105
Transfer on stock option exercise	588	(588)	-	-	-	-	-
Balance at October 31, 2014	\$ 95,624	\$ 10,995	\$ 1,824	\$ 237,132	\$ 345,575	\$ 2,912	\$ 348,487
Balance at April 30, 2015	\$ 95,708	\$ 12,418	\$ 3,077	\$ 242,268	353,471	\$ 3,389	\$ 356,860
Net earnings for period	-	-	-	37,897	37,897	320	38,217
Foreign currency translation adjustment	-	-	2,646	-	2,646	170	2,816
Total comprehensive earnings for the period	\$ -	\$ -	\$ 2,646	\$ 37,897	\$ 40,543	\$ 490	\$ 41,033
Dividends declared	-	-	-	(26,844)	(26,844)	(625)	(27,469)
Share based compensation expense	-	1,451	-	-	1,451	-	1,451
Exercise of employee stock options	4,128	-	-	-	4,128	-	4,128
Transfer on stock option exercise	1,123	(1,123)	-	-	-	-	-
Repurchase of common shares	(699)	-	-	(7,671)	(8,370)	-	(8,370)
Balance at October 31, 2015	\$ 100,260	\$ 12,746	\$ 5,723	\$ 245,650	\$ 364,379	\$ 3,254	\$ 367,633

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

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

	Three month period ended October 31,		Six month period ended 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, administrative and general (note 6)	16,470	16,426	32,867	31,635
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
	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 (note 11)				
Basic	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45
Diluted	\$ 0.26	\$ 0.19	\$ 0.51	\$ 0.45

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

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

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Net earnings for the period	\$ 19,619	\$ 14,343	\$ 38,217	\$ 34,049
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(412)	(674)	2,816	(1,158)
Comprehensive earnings	\$ 19,207	\$ 13,669	\$ 41,033	\$ 32,891
Comprehensive earnings attributable to non-controlling interest	\$ 136	\$ 218	\$ 490	\$ 473
Comprehensive earnings attributable to shareholders	\$ 19,071	\$ 13,451	\$ 40,543	\$ 32,418
Comprehensive earnings	\$ 19,207	\$ 13,669	\$ 41,033	\$ 32,891

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

	Three month period ended October 31,		Six month period ended October 31,	
	2015	2014	2015	2014
Operating activities				
Net earnings for the period	\$ 19,619	\$ 14,343	\$ 38,217	\$ 34,049
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,580	2,573	5,395	5,284
Amortization of intangible assets	-	102	-	205
(Gain) loss on disposal of property, plant and equipment	(52)	7	(52)	33
Share based compensation	766	462	1,451	1,366
Interest expense	9	15	18	28
Deferred income tax expense	(731)	(52)	(1,928)	(2,288)
	22,191	17,450	43,101	38,677
Current tax expenses, net of investment tax credits	5,584	2,978	11,073	9,707
Income taxes paid	(6,153)	(4,818)	(14,167)	(5,639)
Changes in non-cash working capital items (note 7)	2,073	(16,314)	(8,558)	(28,160)
Cash provided by (used in) operating activities	23,695	(704)	31,449	14,585
Investing activities				
Acquisition of property, plant and equipment	(1,185)	(1,997)	(2,130)	(4,490)
Proceeds from disposal of property, plant and equipment	71	29	71	49
Cash used in investing activities	(1,114)	(1,968)	(2,059)	(4,441)
Financing activities				
Repayment of long term debt	(55)	(96)	(164)	(169)
Interest paid	(9)	(15)	(18)	(28)
Dividends paid	(13,402)	(11,904)	(26,844)	(23,792)
Dividends paid by subsidiaries to non-controlling interests	(625)	(500)	(625)	(500)
Capital stock repurchased	(7,488)	-	(8,370)	-
Capital stock issued	-	2,061	4,128	2,105
Cash used in financing activities	(21,579)	(10,454)	(31,893)	(22,384)
Effect of exchange rates on cash and cash equivalents	(639)	142	(687)	668
Increase (decrease) in cash and cash equivalents	363	(12,984)	(3,190)	(11,572)
Cash and cash equivalents beginning of period	97,128	103,368	100,681	101,956
Cash and cash equivalents end of period	\$ 97,491	\$ 90,384	\$ 97,491	\$ 90,384

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three month and Six month periods ended October 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, 2015.

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, 2015 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 2, 2015.

2. 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 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.

3. PROPERTY, PLANT AND EQUIPMENT

	October 31, 2015			April 30, 2015		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 3,265	\$ 1,912	\$ 1,353	\$ 2,862	\$ 1,707	\$ 1,155
Research and development equipment	30,360	19,260	11,100	29,046	16,764	12,282
Airplanes	19,727	10,105	9,622	19,727	9,274	10,453
Machinery and equipment	50,346	37,555	12,791	48,970	35,599	13,371
Leaseholds	5,992	4,348	1,644	5,981	4,088	1,893
Land	2,304	-	2,304	2,215	-	2,215
Buildings	10,051	2,057	7,994	9,574	1,863	7,711
	\$ 122,045	\$ 75,237	\$ 46,808	\$ 118,375	\$ 69,295	\$ 49,080

4. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
Balance as at April 30, 2015	\$ 2,111	\$ 118	\$ 2,229
Net (provisions used) additions	487	58	545
Foreign exchange differences	9	12	21
Balance as at October 31, 2015	\$ 2,607	\$ 188	\$ 2,795

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.

5. 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, 2015	74,459,346	\$ 95,708
Issued on exercise of stock options	322,500	4,128
Transferred on stock option exercise	-	1,123
Cancelled pursuant to NCIB	(543,200)	(699)
Balance as at October 31, 2015	74,238,646	\$ 100,260

Normal Course Issuer Bid

In June 2015, the Company filed a Normal Course Issuer Bid (NCIB) with the TSX to repurchase, at the Company's discretion, until June 28, 2016 up to 3,722,967 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. The Company purchased and cancelled 543,200 shares at a weighted average price of \$15.41 during the period (2014 - nil).

Note 5 continued ...

Dividends Per Share

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

6. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Selling and administrative	\$ 14,827	\$ 15,103	\$ 29,629	\$ 28,502
Share based compensation (note 8)	766	462	1,451	1,366
Depreciation of property, plant and equipment (non-production)	877	759	1,787	1,562
Amortization of intangibles	-	102	-	205
	\$ 16,470	\$ 16,426	\$ 32,867	\$ 31,635

7. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Trade and other receivables	\$ (3,500)	\$ 646	\$ (2,350)	\$ 1,682
Prepaid expenses	2,547	548	2,407	59
Inventories	(1,566)	(5,218)	(4,924)	(16,560)
Trade and other payables	(1,266)	(10,960)	(7,796)	(12,664)
Deferred revenue	5,336	(1,298)	3,539	(671)
Provisions	522	(32)	566	(6)
	\$ 2,073	\$ (16,314)	\$ (8,558)	\$ (28,160)

8. 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, 2015	4,736,500	\$ 14.57
Granted	395,000	15.36
Exercised	(322,500)	12.80
Forfeited	(152,500)	14.05
Expired	(60,000)	15.64
Balance as at October 31, 2015	4,596,500	\$ 14.77

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	1,569,500	0.9	-	\$ -
\$12.23 - \$16.29	\$ 15.05	1,279,500	1.3	-	\$ -
\$17.03	\$ 17.03	1,539,000	1.4	-	\$ -
\$17.19 - \$19.34	\$ 18.07	208,500	3.1	-	\$ -
Totals	\$ 14.77	4,596,500	1.9	-	\$ -

Compensation expense

The share based compensation expense that has been charged against earnings over the six month and three month period ended is \$1,451 (2014 - \$1,366) and \$766 (2014 - \$462). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six month period ended October 31, 2015	Six month period ended October 31, 2014
Risk-free interest rate	1.07%	1.60%
Dividend yield	4.69%	3.63%
Expected life	5 years	5 years
Expected volatility	21%	24%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$1.48	\$2.57

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 22% (2014 - 20%).

9. 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		Six month period ended	
	October 31,		October 31,	
Revenue	2015	2014	2015	2014
United States	\$ 57,557	\$ 39,705	\$ 103,632	\$ 89,008
International	39,328	37,522	74,237	80,030
Canada	3,675	5,662	7,560	11,865
	\$ 100,560	\$ 82,889	\$ 185,429	\$ 180,903

	October 31, 2015		April 30, 2015	
	Property, Plant and Equipment	Goodwill	Property, Plant and Equipment	Goodwill
United States	\$ 12,823	\$ 374	\$ 13,206	\$ 345
International	10,542	18,265	10,476	17,968
Canada	23,443	-	25,398	-
	\$ 46,808	\$ 18,639	\$ 49,080	\$ 18,313

10. 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 \$2,893 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to \$421 (2014 - \$421) and \$210 (2014 - \$210) with no outstanding amounts due as at October 31, 2015.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$246 committed over the remaining term. During the six and three month periods, rent paid was \$123 (2014 - \$123) and \$62 (2014 - \$62) with no outstanding amounts due as at October 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 \$2,532 committed over the remaining term. During the six and three month periods, rent paid for the leased principal premises amounted to \$397 (2014 - \$378) and \$199 (2014 - \$189) with no outstanding amounts due as at October 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 \$447 committed over the remaining term. During the six and three month periods, rent paid was \$71 (2014 - \$71) and \$35 (2014 - \$35) with no outstanding amounts due as at October 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 \$1,662 committed over the remaining term. During the six and three month periods, rent paid was \$231 (2014 - \$220) and \$115 (2014 - \$110) with no outstanding amounts due as at October 31, 2015.

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

11. EARNINGS PER SHARE

	Three month period ended		Six month period ended	
	October 31,		October 31,	
	2015	2014	2015	2014
Weighted average common shares outstanding	74,482,081	74,370,999	74,537,638	74,341,160
Dilutive effect of stock options	313,846	481,351	414,824	554,409
Diluted weighted average common shares outstanding	74,795,927	74,852,350	74,952,462	74,895,569

The weighted average number of diluted common shares excludes 2,107,500 options because they were anti-dilutive during the period (2014 - 179,500).

12. SUBSEQUENT EVENT

On December 2, 2015 the Company declared a dividend of \$0.18 with a record date of December 11, 2015 and a payment date of December 18, 2015.