

**EVERTZ TECHNOLOGIES LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Third Quarter ended January 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 February 27, 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**

### **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.

### **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 changes to 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.

## **QUARTER END HIGHLIGHTS**

Revenue decreased to \$90.7 million for the third quarter ended January 31, 2015 as compared to \$93.2 million for the third quarter ended January 31, 2014.

For the third quarter ended January 31, 2015, net earnings were \$21.2 million as compared to \$21.3 million for the third quarter ended January 31, 2014 and fully diluted earnings per share were \$0.28 as compared to \$0.29 for the third quarter ended January 31, 2014.

Gross margin during the third quarter ended January 31, 2015 was 56.2% as compared to 57.7% for the third quarter ended January 31, 2014.

Selling and administrative expenses for the third quarter ended January 31, 2015 was \$14.8 million compared to the third quarter ended January 31, 2014 of \$14.9 million. As a percentage of revenue, selling and administrative expenses totaled 16.3% for the third quarter ended January 31, 2015 as opposed to 16.0% for the third quarter ended January 31, 2014.

Research and development (“R&D”) expenses were \$15.8 million for the third quarter ended January 31, 2015 as compared to \$15.0 million for the third quarter ended January 31, 2014.

Cash and cash equivalents were \$103.3 million and working capital was \$297.4 million as at January 31, 2015 as compared to cash and cash equivalents of \$102.0 million and working capital of \$273.9 million as at April 30, 2014.

## Selected Consolidated Financial Information

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

	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 and administrative	14,805	14,913	43,307	40,196
General	1,635	2,438	4,768	5,365
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
Earnings before undernoted	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				
Basic	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65
Diluted	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65

Consolidated Balance Sheet Data	As at	
	January 31, 2015	April 30, 2014
Cash and cash equivalents	\$ 103,303	\$ 101,956
Inventory	\$ 150,763	\$ 134,561
Working capital	\$ 297,397	\$ 273,914
Total assets	\$ 430,062	\$ 401,280
Shareholders' equity	\$ 356,297	\$ 333,478
Number of common shares outstanding:		
Basic	74,459,346	74,310,146
Fully-diluted	79,221,346	79,513,846
Weighted average number of shares outstanding:		
Basic	74,379,667	74,064,205
Fully-diluted	74,981,067	74,485,461

**Consolidated Statement of Operations Data**

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

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	43.8%	42.3%	43.5%	42.4%
Gross margin	56.2%	57.7%	56.5%	57.6%
Expenses				
Selling and administrative	16.3%	16.0%	15.9%	16.9%
General	1.8%	2.6%	1.8%	2.3%
Research and development	17.4%	16.2%	17.2%	18.1%
Investment tax credits	(2.6%)	(3.4%)	(2.6%)	(3.8%)
Foreign exchange gain	(7.4%)	(4.0%)	(3.0%)	(3.0%)
	25.5%	27.4%	29.3%	30.5%
Earnings before undernoted	30.7%	30.3%	27.2%	27.1%
Finance income	0.2%	0.5%	0.2%	0.7%
Finance costs	(0.0%)	(0.1%)	(0.1%)	(0.1%)
Other income and expenses	0.2%	0.1%	0.1%	(0.0%)
Earnings before income taxes	31.1%	30.8%	27.4%	27.7%
Provision for (recovery) of income taxes				
Current	6.4%	8.2%	7.5%	8.1%
Deferred	1.3%	(0.3%)	(0.4%)	(0.9%)
	7.7%	7.9%	7.1%	7.2%
Net earnings for the period	23.4%	22.9%	20.3%	20.5%
Net earnings attributable to non-controlling interest	0.2%	0.1%	0.2%	0.2%
Net earnings attributable to shareholders	23.2%	22.8%	20.1%	20.3%
Net earnings for the period	23.4%	22.9%	20.3%	20.5%
Earnings per share:				
Basic	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65
Diluted	\$ 0.28	\$ 0.29	\$ 0.73	\$ 0.65

**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 60% 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)	Nine month period ended		
	January 31,		2014		January 31,		2014
	2015	2014			2015	2014	
United States/Canada	\$ 53,552	\$ 55,027	(3%)	\$ 154,425	\$ 129,095	20%	
International	37,174	38,158	(3%)	117,204	109,192	7%	
	\$ 90,726	\$ 93,185	(3%)	\$ 271,629	\$ 238,287	14%	

Total revenue for the third quarter ended January 31, 2015 was \$90.7 million, a decrease of \$2.5 million, as compared to revenue of \$93.2 million for the third quarter ended January 31, 2014.

Total revenue for the nine month period ended January 31, 2015 was \$271.6 million, an increase of 14% or \$33.3 million, as compared to revenue of \$238.3 million for the nine month period ended January 31, 2014. Positive reception of recently released products was one of the key drivers in the 14% increase in revenue.

Revenue in the United States/Canada region was \$53.6 million for the third quarter ended January 31, 2015, a decrease of \$1.4 million or 3% as compared to revenue of \$55.0 million for the third quarter ended January 31, 2014.

Revenue in the United States/Canada region was \$154.4 million for the nine month period ended January 31, 2015, an increase of 20% or \$25.3 million, as compared to revenue of \$129.1 million for the nine month period ended January 31, 2014.

Revenue in the International region was \$37.2 million for the third quarter ended January 31, 2015, a decrease of \$1.0 million, as compared to revenue of \$38.2 million for the third quarter ended January 31, 2014.

Revenue in the International region was \$117.2 million for the nine month period ended January 31, 2015, an increase of 7% or \$8.0 million, as compared to revenue of \$109.2 million for the nine month period ended January 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)	Nine month period ended		% increase (decrease)
	January 31,			January 31,		
	2015	2014	2015	2014		
Gross margin	\$ 51,017	\$ 53,737	(5%)	\$ 153,403	\$ 137,103	12%
Gross margin % of sales	56.2%	57.7%		56.5%	57.6%	

Gross margin for the third quarter ended January 31, 2015 was \$51.0 million, compared to \$53.7 million for the third quarter ended January 31, 2014. As a percentage of revenue, the gross margin was 56.2% for the third quarter ended January 31, 2015, as compared to 57.7% for the third quarter ended January 31, 2014.

Gross margin for the nine month period ended January 31, 2015 was \$153.4 million, compared to \$137.1 million for the nine month period ended January 31, 2014. As a percentage of revenue, the gross margin was 56.5% for the nine month period ended January 31, 2015, as compared to 57.6% for the nine month period ended January 31, 2014.

Gross margins vary depending on the product mix, geographic distribution and competitive pricing pressures and currency fluctuations. For the third quarter ended January 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)	Nine month period ended			% increase (decrease)		
	January 31,				January 31,					
	2015	2014			2015	2014				
Selling and administrative	\$	14,805	\$	14,913	(1%)	\$	43,307	\$	40,196	8%
Selling and administrative % of sales		16.3%		16.0%			15.9%		16.9%	

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 third quarter ended January 31, 2015 were \$14.8 million or 16.3% of revenue, as compared to selling and administrative expenses of \$14.9 million or 16.0% of revenue for the third quarter ended January 31, 2014.

The decrease of \$0.1 million included a decrease in bad debts expense offset by an increase in translation costs of US dollar and UK Sterling denominated expenses.

Selling and administrative expenses for the nine month period ended January 31, 2015 were \$43.3 million or 15.9% of revenue, as compared to selling and administrative expenses of \$40.2 million or 16.9% of revenue for the nine month period ended January 31, 2014.

The increase of \$3.1 million was a result of lower salaries expense in the first quarter of the prior year, additional selling expenses, and the increased translation costs of US dollar, UK Sterling and Euro denominated expenses.

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

(In thousands of Canadian dollars, except for percentages)	Three month period ended			% increase (decrease)	Nine month period ended			% increase (decrease)		
	January 31,				January 31,					
	2015	2014			2015	2014				
Research and development expenses	\$	15,768	\$	15,049	5%	\$	46,709	\$	43,133	8%
Research and development % of sales		17.4%		16.2%			17.2%		18.1%	

For the third quarter ended January 31, 2015, gross R&D expenses increased to \$15.8 million, an increase of 5% or \$0.8 million as compared to an expense of \$15.0 million for the third quarter ended January 31, 2014.

The increase of \$0.8 million was predominantly a result of growth of R&D personnel and increased translation costs associated with UK Sterling denominated expenses.

For the nine month quarter ended January 31, 2015, gross R&D expenses increased to \$46.7 million, an increase of 8% or \$3.6 million as compared to an expense of 43.1 million for the nine month period ended January 31, 2014.

The increase of \$3.6 million, the majority (\$2.3 million) occurred in the first quarter when compared to the first quarter of the prior year, which was a result of planned growth of R&D personnel and corresponding increases in materials as well as increased translation costs associated with UK Sterling denominated expenses.



### ***Foreign Exchange***

For the third quarter ended January 31, 2015, the foreign exchange gain was \$6.7 million, as compared to a foreign exchange gain for the same period ended January 31, 2014 of \$3.7 million. The current quarter gain was predominantly driven by the increase in the value of the US dollar against the Canadian dollar since October 31, 2014.

For the nine month period ended January 31, 2015, the foreign exchange gain was \$8.1 million, as compared to a foreign exchange gain for the same period ended January 31, 2014 of \$7.2 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, 2014.

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

For the third quarter ended January 31, 2015, finance income and expenses netted to a gain of \$0.3 million.

For the nine month period ended January 31, 2015, finance income, finance costs, other income and expenses netted to a gain of \$0.6 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

<b>Liquidity and Capital Resources</b>			
<small>(in thousands of dollars except ratios)</small>			
	<b>As at</b>		<b>As at</b>
<b>Key Balance Sheet Amounts and Ratios:</b>	<b>January 31, 2015</b>		<b>April 30, 2014</b>
Cash and cash equivalents	\$	103,303	\$ 101,956
Working capital	\$	297,397	\$ 273,914
Long-term assets	\$	68,857	\$ 70,343
Long-term debt	\$	1,108	\$ 1,372
Days sales outstanding in accounts receivable		103	99

<b>Statement of Cash Flow Summary</b>	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Operating activities	\$ 27,511	\$ 24,354	\$ 42,096	\$ 36,749
Investing activities	\$ (2,149)	\$ (2,575)	\$ (6,590)	\$ (7,543)
Financing activities	\$ (13,439)	\$ (112,583)	\$ (35,823)	\$ (132,844)
Net increase (decrease) in cash	\$ 12,919	\$ (89,449)	\$ 1,347	\$ (102,008)

### ***Operating Activities***

For the third quarter ended January 31, 2015, the Company generated cash for operations of \$27.5 million, compared to \$24.4 million generated for the third quarter ended January 31, 2014. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$25.9 million for the third quarter ended January 31, 2015 compared to \$24.5 million for the third quarter ended January 31, 2014.

For the nine month period ended January 31, 2015, the Company generated cash from operations of \$42.1 million, compared to \$36.7 million for the nine month period ended January 31, 2014. Excluding the effects of the changes in non-cash working capital and current taxes, the Company generated cash from operations of \$64.6 million for the nine month period ended January 31, 2015 compared to \$56.8 million for the nine month period ended January 31, 2014.

### ***Investing Activities***

The Company used cash for investing activities of \$2.1 million for the third quarter ended January 31, 2015 which was predominantly from for the acquisition of capital assets of \$2.2 million.

The Company used cash for investing activities of \$6.6 million for the nine month period ended January 31, 2015 which was predominantly from for the acquisition of capital assets of \$6.7 million.

### ***Financing Activities***

For the third quarter ended January 31, 2015, the Company used cash from financing activities of \$13.4 million, which was principally driven by dividends paid of \$13.4 million.

For the nine month period ended January 31, 2015, the Company used cash from financing activities of \$35.8 million, which was principally driven by dividends paid of \$37.7 million, partially offset by the issuance of capital stock pursuant to the Company's Stock Option Plan of \$2.2 million.

### **WORKING CAPITAL**

As at January 31, 2015, the Company had cash and cash equivalents of \$103.3 million, compared to \$102.0 million at April 30, 2014.

The Company had working capital of \$297.4 million as at January 31, 2015 compared to \$273.9 million as at April 30, 2014.

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 103 days at January 31, 2015 as compared to 99 for April 30, 2014.

### **SHARE CAPITAL STRUCTURE**

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

	<b>As at January 31, 2015</b>	<b>As at April 30, 2014</b>
Common shares	74,459,346	74,310,146
Stock options granted and outstanding	4,762,000	5,203,700

## 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 January 31, 2015:

(In thousands)	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	Thereafter
Operating leases	\$ 16,145	\$ 3,991	\$ 7,127	\$ 3,880	\$ 1,147
Other long-term debt	1,437	329	354	364	390
	\$ 17,582	\$ 4,320	\$ 7,481	\$ 4,244	\$ 1,537

## 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 January 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							
	2014					2013		
	Jan 31	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30
Sales	\$ 90,726	\$ 82,889	\$ 98,014	\$ 87,237	\$ 93,185	\$ 81,244	\$ 63,858	\$ 65,415
Cost of goods sold	39,709	36,324	42,193	38,154	39,448	34,592	27,144	28,336
Gross margin	\$ 51,017	\$ 46,565	\$ 55,821	\$ 49,083	\$ 53,737	\$ 46,652	\$ 36,714	\$ 37,079
Operating expenses	23,139	27,037	29,306	30,545	25,514	25,797	21,167	26,557
Earnings from operations	\$ 27,878	\$ 19,528	\$ 26,515	\$ 18,538	\$ 28,223	\$ 20,855	\$ 15,547	\$ 10,522
Non-operating income	314	12	266	234	482	399	526	509
Earnings before taxes	\$ 28,192	\$ 19,540	\$ 26,781	\$ 18,772	\$ 28,705	\$ 21,254	\$ 16,073	\$ 11,031
Net earnings	\$ 21,014	\$ 14,149	\$ 19,411	\$ 14,699	\$ 21,281	\$ 15,422	\$ 11,733	\$ 8,110
Net earnings per share:								
Basic	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29	\$ 0.21	\$ 0.16	\$ 0.11
Diluted	\$ 0.28	\$ 0.19	\$ 0.26	\$ 0.20	\$ 0.29	\$ 0.21	\$ 0.16	\$ 0.11
Dividends per share:	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 1.56	\$ 0.16	\$ 0.16	\$ 0.16

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 January 31, 2015.

Management has concluded that, as of January 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 January 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 January 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.