

Interim condensed consolidated financial statements of

**EVERTZ TECHNOLOGIES LIMITED**

Three month and Nine month periods ended January 31, 2016 and 2015  
(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, 2016 and April 30, 2015

(In thousands of Canadian dollars)

	January 31, 2016	April 30, 2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 129,924	\$ 100,681
Trade and other receivables	95,727	95,403
Prepaid expenses	6,648	8,426
Inventories	158,308	154,259
	390,607	358,769
Property, plant and equipment (note 3)	45,219	49,080
Goodwill	18,623	18,313
	\$ 454,449	\$ 426,162
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 48,598	\$ 44,265
Provisions (note 4)	2,814	2,229
Deferred revenue	19,012	15,427
Current portion of long term debt	263	254
Income tax payable	41	1,699
	70,728	63,874
Long term debt	977	996
Deferred taxes	4,597	4,432
	76,302	69,302
<b>Equity</b>		
Capital stock (note 5)	100,176	95,708
Share based payment reserve	13,349	12,418
Accumulated other comprehensive earnings	5,473	3,077
Retained earnings	255,576	242,268
	261,049	245,345
Total equity attributable to shareholders	374,574	353,471
Non-controlling interest	3,573	3,389
	378,147	356,860
	\$ 454,449	\$ 426,162

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, 2016 and 2015  
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive earnings	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
<b>Balance at April 30, 2014</b>	<b>\$ 92,931</b>	<b>\$ 10,217</b>	<b>\$ 2,966</b>	<b>\$ 227,364</b>	<b>333,478</b>	<b>\$ 2,939</b>	<b>\$ 336,417</b>
Net earnings for the period	-	-	-	54,574	54,574	682	55,256
Foreign currency translation adjustment	-	-	1,049	-	1,049	171	1,220
<b>Total comprehensive earnings for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,049</b>	<b>\$ 54,574</b>	<b>\$ 55,623</b>	<b>\$ 853</b>	<b>\$ 56,476</b>
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)	-	-	-	-	-
<b>Balance at January 31, 2015</b>	<b>\$ 95,708</b>	<b>\$ 11,830</b>	<b>\$ 4,015</b>	<b>\$ 244,744</b>	<b>\$ 356,297</b>	<b>\$ 3,292</b>	<b>\$ 359,589</b>
<b>Balance at April 30, 2015</b>	<b>\$ 95,708</b>	<b>\$ 12,418</b>	<b>\$ 3,077</b>	<b>\$ 242,268</b>	<b>353,471</b>	<b>\$ 3,389</b>	<b>\$ 356,860</b>
Net earnings for period	-	-	-	62,122	62,122	485	62,607
Foreign currency translation adjustment	-	-	2,396	-	2,396	324	2,720
<b>Total comprehensive earnings for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,396</b>	<b>\$ 62,122</b>	<b>\$ 64,518</b>	<b>\$ 809</b>	<b>\$ 65,327</b>
Dividends declared	-	-	-	(40,195)	(40,195)	(625)	(40,820)
Share based compensation expense	-	2,054	-	-	2,054	-	2,054
Exercise of employee stock options	4,128	-	-	-	4,128	-	4,128
Transfer on stock option exercise	1,123	(1,123)	-	-	-	-	-
Repurchase of common shares	(783)	-	-	(8,619)	(9,402)	-	(9,402)
<b>Balance at January 31, 2016</b>	<b>\$ 100,176</b>	<b>\$ 13,349</b>	<b>\$ 5,473</b>	<b>\$ 255,576</b>	<b>\$ 374,574</b>	<b>\$ 3,573</b>	<b>\$ 378,147</b>

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, 2016 and 2015  
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Revenue	\$ 99,754	\$ 90,726	\$ 285,183	\$ 271,629
Cost of goods sold	42,763	39,709	122,829	118,226
Gross margin	56,991	51,017	162,354	153,403
Expenses				
Selling, administrative and general (note 6)	16,623	16,440	49,490	48,075
Research and development	17,229	15,768	49,608	46,709
Investment tax credits	(2,519)	(2,325)	(7,414)	(7,178)
Foreign exchange gain	(7,373)	(6,744)	(14,452)	(8,124)
	23,960	23,139	77,232	79,482
	33,031	27,878	85,122	73,921
Finance income	117	209	455	603
Finance costs	(128)	(33)	(450)	(176)
Other income and expenses	211	138	361	165
Earnings before income taxes	33,231	28,192	85,488	74,513
Provision for (recovery of) income taxes				
Current	7,344	5,777	23,312	20,337
Deferred	1,497	1,208	(431)	(1,080)
	8,841	6,985	22,881	19,257
Net earnings for the period	\$ 24,390	\$ 21,207	\$ 62,607	\$ 55,256
Net earnings attributable to non-controlling interest	165	193	485	682
Net earnings attributable to shareholders	24,225	21,014	62,122	54,574
Net earnings for the period	\$ 24,390	\$ 21,207	\$ 62,607	\$ 55,256
Earnings per share (note 11)				
Basic	\$ 0.33	\$ 0.28	\$ 0.83	\$ 0.73
Diluted	\$ 0.32	\$ 0.28	\$ 0.83	\$ 0.73

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, 2016 and 2015  
(In thousands of Canadian dollars)

	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net earnings for the period	\$ 24,390	\$ 21,207	\$ 62,607	\$ 55,256
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(96)	2,378	2,720	1,220
<b>Comprehensive earnings</b>	<b>\$ 24,294</b>	<b>\$ 23,585</b>	<b>\$ 65,327</b>	<b>\$ 56,476</b>
Comprehensive earnings attributable to non-controlling interest	\$ 319	\$ 380	\$ 809	\$ 853
Comprehensive earnings attributable to shareholders	\$ 23,975	\$ 23,205	\$ 64,518	\$ 55,623
Comprehensive earnings	\$ 24,294	\$ 23,585	\$ 65,327	\$ 56,476

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, 2016 and 2015  
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2016	2015	2016	2015
<b>Operating activities</b>				
Net earnings for the period	\$ 24,390	\$ 21,207	\$ 62,607	\$ 55,256
Add: Items not involving cash				
Depreciation of property, plant and equipment	3,144	2,649	8,539	7,933
Amortization of intangible assets	-	33	-	238
Loss (gain) on disposal of property, plant and equipment	109	(38)	57	(5)
Share based compensation	603	853	2,054	2,219
Interest expense	8	21	26	49
Deferred income tax expense	1,497	1,208	(431)	(1,080)
	29,751	25,933	72,852	64,610
Current tax expenses, net of investment tax credits	4,825	3,252	15,898	12,959
Income taxes paid	(3,613)	(1,008)	(17,780)	(6,647)
Changes in non-cash working capital items (note 7)	18,669	(666)	10,111	(28,826)
<b>Cash provided by operating activities</b>	<b>49,632</b>	<b>27,511</b>	<b>81,081</b>	<b>42,096</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(1,000)	(2,173)	(3,130)	(6,663)
Proceeds from disposal of property, plant and equipment	44	24	115	73
<b>Cash used in investing activities</b>	<b>(956)</b>	<b>(2,149)</b>	<b>(3,015)</b>	<b>(6,590)</b>
<b>Financing activities</b>				
Repayment of long term debt	3	(82)	(161)	(251)
Interest paid	(8)	(21)	(26)	(49)
Dividends paid	(13,351)	(13,402)	(40,195)	(37,194)
Dividends paid by subsidiaries to non-controlling interests	-	-	(625)	(500)
Capital stock repurchased	(1,032)	-	(9,402)	-
Capital stock issued	-	66	4,128	2,171
<b>Cash used in financing activities</b>	<b>(14,388)</b>	<b>(13,439)</b>	<b>(46,281)</b>	<b>(35,823)</b>
Effect of exchange rates on cash and cash equivalents	(1,855)	996	(2,542)	1,664
Increase in cash and cash equivalents	32,433	12,919	29,243	1,347
Cash and cash equivalents beginning of period	97,491	90,384	100,681	101,956
<b>Cash and cash equivalents end of period</b>	<b>\$ 129,924</b>	<b>\$ 103,303</b>	<b>\$ 129,924</b>	<b>\$ 103,303</b>

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, 2016 and 2015  
(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 supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. 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 March 2, 2016.

### 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

	January 31, 2016			April 30, 2015		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 3,193	\$ 1,892	\$ 1,301	\$ 2,862	\$ 1,707	\$ 1,155
Research and development equipment	29,925	20,458	9,467	29,046	16,764	12,282
Airplanes	19,727	10,547	9,180	19,727	9,274	10,453
Machinery and equipment	51,664	38,615	13,049	48,970	35,599	13,371
Leaseholds	6,012	4,480	1,532	5,981	4,088	1,893
Land	2,388	-	2,388	2,215	-	2,215
Buildings	10,505	2,203	8,302	9,574	1,863	7,711
	\$ 123,414	\$ 78,195	\$ 45,219	\$ 118,375	\$ 69,295	\$ 49,080

### 4. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
<b>Balance as at April 30, 2015</b>	\$ 2,111	\$ 118	\$ 2,229
Net (provisions used) additions	472	88	560
Foreign exchange differences	16	9	25
<b>Balance as at January 31, 2016</b>	\$ 2,599	\$ 215	\$ 2,814

#### *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
<b>Balance as at April 30, 2015</b>	<b>74,459,346</b>	<b>\$ 95,708</b>
Issued on exercise of stock options	322,500	4,128
Transferred on stock option exercise	-	1,123
Cancelled pursuant to NCIB	(608,100)	(783)
<b>Balance as at January 31, 2016</b>	<b>74,173,746</b>	<b>\$ 100,176</b>

#### *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 608,100 shares at a weighted average price of \$15.46 during the period (2015 - 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		Nine month period ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Selling and administrative	\$ 15,121	\$ 14,805	\$ 44,750	\$ 43,307
Share based compensation (note 8)	603	853	2,054	2,219
Depreciation of property, plant and equipment (non-production)	899	749	2,686	2,311
Amortization of intangibles	-	33	-	238
	\$ 16,623	\$ 16,440	\$ 49,490	\$ 48,075

**7. STATEMENT OF CASH FLOWS**

**Changes in non-cash working capital items**

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Trade and other receivables	\$ 6,198	\$ (15,050)	\$ 2,454	\$ (13,368)
Prepaid expenses	47	(55)	3,848	(16,615)
Inventories	2,716	(1,316)	(2,208)	(1,257)
Trade and other payables	9,643	11,390	1,847	(1,274)
Deferred revenue	46	4,148	3,585	3,477
Provisions	19	217	585	211
	\$ 18,669	\$ (666)	\$ 10,111	\$ (28,826)

## 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
<b>Balance as at April 30, 2015</b>	<b>4,736,500</b>	<b>\$ 14.57</b>
Granted	395,000	15.36
Exercised	(322,500)	12.80
Forfeited	(207,500)	13.65
Expired	(60,000)	15.64
<b>Balance as at January 31, 2016</b>	<b>4,541,500</b>	<b>\$ 14.79</b>

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	1,534,500	0.7	-	\$ -
\$12.23 - \$16.29	\$ 15.07	1,259,500	1.2	216,000	\$ 16.21
\$17.03	\$ 17.03	1,539,000	1.4	-	\$ -
\$17.19 - \$19.34	\$ 18.07	208,500	2.8	-	\$ -
Totals	\$ 14.79	4,541,500	1.7	216,000	\$ 16.21

### Compensation expense

The share based compensation expense that has been charged against earnings over the nine month and three month period ended is \$2,054 (2015 - \$2,219) and \$603 (2015 - \$853). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine month period ended January 31, 2016	Nine month period ended January 31, 2015
Risk-free interest rate	1.07%	1.55%
Dividend yield	4.69%	3.78%
Expected life	5 years	5 years
Expected volatility	21%	23%
Weighted average grant-date fair value: Where the exercise price equaled the market price	\$1.48	\$2.42

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% (2015 - 22%).

## 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 January 31,		Nine month period ended January 31,	
	2016	2015	2016	2015
Revenue				
United States	\$ 49,696	\$ 47,713	\$ 153,327	\$ 136,722
International	46,181	37,174	120,419	117,204
Canada	3,877	5,839	11,437	17,703
	\$ 99,754	\$ 90,726	\$ 285,183	\$ 271,629

	January 31, 2016		April 30, 2015	
	Property, Plant and Equipment	Goodwill	Property, Plant and Equipment	Goodwill
United States	\$ 12,712	\$ 400	\$ 13,206	\$ 345
International	9,948	18,223	10,476	17,968
Canada	22,559	-	25,398	-
	\$ 45,219	\$ 18,623	\$ 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 \$2,683 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$631 (2015 - \$631) and \$210 (2015 - \$210) 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 \$185 committed over the remaining term. During the nine and three month periods, rent paid was \$185 (2015 - \$185) and \$62 (2015 - \$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 \$2,333 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$596 (2015 - \$573) and \$199 (2015 - \$196) 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 \$412 committed over the remaining term. During the nine and three month periods, rent paid was \$106 (2015 - \$106) and \$35 (2015 - \$35) 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 \$1,547 committed over the remaining term. During the nine and three month periods, rent paid was \$346 (2015 - \$329) and \$115 (2015 - \$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.

## 11. EARNINGS PER SHARE

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Weighted average common shares outstanding	74,179,119	74,456,683	74,418,199	74,379,667
Dilutive effect of stock options	503,159	590,617	453,584	601,400
Diluted weighted average common shares outstanding	74,682,278	75,047,300	74,871,783	74,981,067

The weighted average number of diluted common shares excludes 1,762,500 options because they were anti-dilutive during the period (2015 - 183,500).

## 12. SUBSEQUENT EVENT

On March 2, 2016 the Company declared a dividend of \$0.18 with a record date of March 11, 2016 and a payment date of March 18, 2016.