

Interim condensed consolidated financial statements of

EVERTZ TECHNOLOGIES LIMITED

Three months ended July 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)

Interim condensed consolidated financial statements
Three months ended July 31, 2015 and 2014

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EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at July 31, 2015 and April 30, 2015

(In thousands of Canadian dollars)

| | July 31, 2015 | April 30, 2015 |
|---|------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 97,128 | \$ 100,681 |
| Trade and other receivables | 96,721 | 95,403 |
| Prepaid expenses | 9,024 | 8,426 |
| Inventories | 158,862 | 154,259 |
| Income tax receivable | 928 | - |
| | 362,663 | 358,769 |
| Property, plant and equipment (note 3) | 48,251 | 49,080 |
| Goodwill | 18,674 | 18,313 |
| | \$ 429,588 | \$ 426,162 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | \$ 39,935 | \$ 44,265 |
| Provisions (note 4) | 2,273 | 2,229 |
| Deferred revenue | 13,630 | 15,427 |
| Current portion of long term debt | 211 | 254 |
| Income tax payable | - | 1,699 |
| | 56,049 | 63,874 |
| Long term debt | 1,007 | 996 |
| Deferred taxes | 3,357 | 4,432 |
| | 60,413 | 69,302 |
| Equity | | |
| Capital stock (note 5) | 100,888 | 95,708 |
| Share based payment reserve | 11,980 | 12,418 |
| Accumulated other comprehensive earnings | 6,138 | 3,077 |
| Retained earnings | 246,426 | 242,268 |
| | 252,564 | 245,345 |
| Total equity attributable to shareholders | 365,432 | 353,471 |
| Non-controlling interest | 3,743 | 3,389 |
| | 369,175 | 356,860 |
| | \$ 429,588 | \$ 426,162 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three month periods ended July 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 | - | - | - | 19,411 | 19,411 | 295 | 19,706 |
| Foreign currency translation adjustment | - | - | (444) | - | (444) | (40) | (484) |
| Total comprehensive earnings for the period | \$ - | \$ - | \$ (444) | \$ 19,411 | \$ 18,967 | \$ 255 | \$ 19,222 |
| Dividends declared | - | - | - | (11,888) | (11,888) | - | (11,888) |
| Share based compensation expense | - | 904 | - | - | 904 | - | 904 |
| Exercise of employee stock options | 44 | - | - | - | 44 | - | 44 |
| Transfer on stock option exercise | 12 | (12) | - | - | - | - | - |
| Balance at July 31, 2014 | \$ 92,987 | \$ 11,109 | \$ 2,522 | \$ 234,887 | \$ 341,505 | \$ 3,194 | \$ 344,699 |
| Balance at April 30, 2015 | \$ 95,708 | \$ 12,418 | \$ 3,077 | \$ 242,268 | 353,471 | \$ 3,389 | \$ 356,860 |
| Net earnings for period | - | - | - | 18,411 | 18,411 | 187 | 18,598 |
| Foreign currency translation adjustment | - | - | 3,061 | - | 3,061 | 167 | 3,228 |
| Total comprehensive earnings for the period | \$ - | \$ - | \$ 3,061 | \$ 18,411 | \$ 21,472 | \$ 354 | \$ 21,826 |
| Dividends declared | - | - | - | (13,442) | (13,442) | - | (13,442) |
| Share based compensation expense | - | 685 | - | - | 685 | - | 685 |
| Exercise of employee stock options | 4,128 | - | - | - | 4,128 | - | 4,128 |
| Transfer on stock option exercise | 1,123 | (1,123) | - | - | - | - | - |
| Repurchase of common shares | (71) | - | - | (811) | (882) | - | (882) |
| Balance at July 31, 2015 | \$ 100,888 | \$ 11,980 | \$ 6,138 | \$ 246,426 | \$ 365,432 | \$ 3,743 | \$ 369,175 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings
(Unaudited)

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

| | Three months July 31, 2015 | Three months July 31, 2014 |
|---|---------------------------------------|---------------------------------------|
| Revenue | \$ 84,869 | \$ 98,014 |
| Cost of goods sold | 37,040 | 42,193 |
| Gross margin | 47,829 | 55,821 |
| Expenses | | |
| Selling, administrative and general | 16,397 | 15,209 |
| Research and development | 16,252 | 15,820 |
| Investment tax credits | (2,484) | (2,466) |
| Foreign exchange (gain) loss | (7,712) | 743 |
| | 22,453 | 29,306 |
| | 25,376 | 26,515 |
| Finance income | 158 | 193 |
| Finance costs | (122) | (67) |
| Other income and expenses | (38) | 140 |
| Earnings before income taxes | 25,374 | 26,781 |
| Provision for (recovery of) income taxes | | |
| Current | 7,973 | 9,311 |
| Deferred | (1,197) | (2,236) |
| | 6,776 | 7,075 |
| Net earnings for the period | 18,598 | 19,706 |
| Net earnings attributable to non-controlling interest | 187 | 295 |
| Net earnings attributable to shareholders | 18,411 | 19,411 |
| Net earnings for the period | \$ 18,598 | \$ 19,706 |
| Earnings per share (note 11) | | |
| Basic | \$ 0.25 | \$ 0.26 |
| Diluted | \$ 0.25 | \$ 0.26 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three months ended July 31, 2015 and 2014
(In thousands of Canadian dollars)

| | Three months ended July 31, 2015 | Three months ended July 31, 2014 |
|---|---|---|
| Net earnings for the period | \$ 18,598 | \$ 19,706 |
| Items that may be reclassified to net earnings: | | |
| Foreign currency translation adjustment | 3,228 | (484) |
| Comprehensive earnings | \$ 21,826 | \$ 19,222 |
| Comprehensive earnings attributable to non-controlling interest | \$ 354 | \$ 255 |
| Comprehensive earnings attributable to shareholders | 21,472 | 18,967 |
| Comprehensive earnings | \$ 21,826 | \$ 19,222 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three months ended July 31, 2015 and 2014
(In thousands of Canadian dollars)

| | Three months ended July 31, 2015 | Three months ended July 31, 2014 |
|--|-------------------------------------|-------------------------------------|
| Operating activities | | |
| Net earnings for the period | \$ 18,598 | \$ 19,706 |
| Add: Items not involving cash | | |
| Depreciation of property, plant and equipment | 2,815 | 2,711 |
| Amortization of intangible assets | - | 103 |
| Loss on disposal of property, plant and equipment | - | 26 |
| Share-based compensation | 685 | 904 |
| Interest expense | 9 | 13 |
| Deferred income tax expense | (1,197) | (2,236) |
| | 20,910 | 21,227 |
| Current tax expenses, net of investment tax credits | 5,489 | 6,729 |
| Income taxes paid | (8,014) | (821) |
| Changes in non-cash working capital items (note 7) | (10,631) | (11,846) |
| Cash provided by operating activities | 7,754 | 15,289 |
| Investing activities | | |
| Acquisition of property, plant and equipment | (945) | (2,493) |
| Proceeds from disposal of property, plant and equipment | - | 20 |
| Cash used in investing activities | (945) | (2,473) |
| Financing activities | | |
| Repayment of long term debt | (109) | (73) |
| Interest paid | (9) | (13) |
| Dividends paid | (13,442) | (11,888) |
| Capital stock repurchased | (882) | - |
| Capital stock issued | 4,128 | 44 |
| Cash used in financing activities | (10,314) | (11,930) |
| Effect of exchange rates on cash and cash equivalents | (48) | 526 |
| (Decrease) increase in cash and cash equivalents | (3,553) | 1,412 |
| Cash and cash equivalents beginning of period | 100,681 | 101,956 |
| Cash and cash equivalents end of period | \$ 97,128 | \$ 103,368 |

See accompanying notes to the interim condensed consolidated financial statements.

EVERTZ TECHNOLOGIES LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended July 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 September 8, 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, 2017.

3. PROPERTY, PLANT AND EQUIPMENT

| | July 31, 2015 | | | April 30, 2015 | | |
|------------------------------------|---------------|--------------------------|-----------------|----------------|--------------------------|-----------------|
| | Cost | Accumulated Depreciation | Carrying Amount | Cost | Accumulated Depreciation | Carrying Amount |
| Office furniture and equipment | \$ 3,111 | \$ 1,889 | \$ 1,222 | \$ 2,862 | \$ 1,707 | \$ 1,155 |
| Research and development equipment | 29,786 | 18,184 | 11,602 | 29,046 | 16,764 | 12,282 |
| Airplanes | 19,727 | 9,680 | 10,047 | 19,727 | 9,274 | 10,453 |
| Machinery and equipment | 50,023 | 36,828 | 13,195 | 48,970 | 35,599 | 13,371 |
| Leaseholds | 5,983 | 4,218 | 1,765 | 5,981 | 4,088 | 1,893 |
| Land | 2,331 | - | 2,331 | 2,215 | - | 2,215 |
| Buildings | 10,104 | 2,015 | 8,089 | 9,574 | 1,863 | 7,711 |
| | \$ 121,065 | \$ 72,814 | \$ 48,251 | \$ 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 | (7) | 30 | 23 |
| Foreign exchange differences | 9 | 12 | 21 |
| Balance as at July 31, 2015 | \$ 2,113 | \$ 160 | \$ 2,273 |

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 | (55,400) | (71) |
| Balance as at July 31, 2015 | 74,726,446 | \$ 100,888 |

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 55,400 shares at a weighted average price of \$15.93 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 July 31, 2015 | Three month period ended July 31, 2014 |
|---|---|---|
| Selling and administrative | \$ 14,802 | \$ 13,399 |
| Share-based compensation | 685 | 904 |
| Depreciation of property, plant and equipment (non-production) | 910 | 803 |
| Amortization of intangibles | - | 103 |
| | \$ 16,397 | \$ 15,209 |

7. STATEMENT OF CASH FLOWS

Changes in non-cash working capital items

| | Three month period ended July 31, 2015 | Three month period ended July 31, 2014 |
|-----------------------------|---|---|
| Trade and other receivables | \$ 1,150 | \$ 1,036 |
| Prepaid expenses | (140) | (489) |
| Inventories | (3,358) | (11,342) |
| Trade and other payables | (5,696) | (1,704) |
| Deferred revenue | (2,631) | 627 |
| Provisions | 44 | 26 |
| | \$ (10,631) | \$ (11,846) |

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 | 375,000 | 15.37 |
| Exercised | (322,500) | 12.80 |
| Forfeited | (110,000) | 14.07 |
| Expired | - | - |
| Balance as at July 31, 2015 | 4,679,000 | \$ 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 | 1,594,500 | 1.2 | - | \$ - |
| \$12.23 - \$16.29 | \$ 15.07 | 1,319,500 | 1.5 | - | \$ - |
| \$17.03 | \$ 17.03 | 1,556,500 | 1.4 | - | \$ - |
| \$17.19 - \$19.34 | \$ 18.07 | 208,500 | 3.3 | - | \$ - |
| Totals | \$ 14.77 | 4,679,000 | 2.1 | - | \$ - |

Compensation expense

The share based compensation expense that has been charged against earnings over the three month period is \$685 (2014 - \$904). Compensation expense on grants during the year was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Three month period ended July 31, 2015 | Three month period ended July 31, 2014 |
|--|---|---|
| Risk-free interest rate | 1.09% | 1.60% |
| Dividend yield | 4.68% | 3.72% |
| Expected life | 5 years | 5 years |
| Expected volatility | 21% | 24% |
| Weighted average grant-date fair value: Where the exercise price equaled the market price | \$1.49 | \$2.47 |

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 21% (2014 - 17%).

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 July 31, 2015 | | Three month period ended July 31, 2014 | |
|---------------|---|--------|---|--------|
| Revenue | | | | |
| United States | \$ | 46,075 | \$ | 49,304 |
| International | | 34,909 | | 42,508 |
| Canada | | 3,885 | | 6,202 |
| | \$ | 84,869 | \$ | 98,014 |

| | July 31, 2015 | | | | April 30, 2015 | | | |
|---------------|----------------------------------|--------|----------|--------|----------------------------------|--------|----------|--------|
| | Property, Plant and Equipment | | Goodwill | | Property, Plant and Equipment | | Goodwill | |
| United States | \$ | 13,256 | \$ | 374 | \$ | 13,206 | \$ | 345 |
| International | | 10,621 | | 18,300 | | 10,476 | | 17,968 |
| Canada | | 24,374 | | - | | 25,398 | | - |
| | \$ | 48,251 | \$ | 18,674 | \$ | 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 \$3,104 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$210 (2014 – \$210) with no outstanding amounts due as at July 31, 2015.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2016 with a total of \$308 committed over the remaining term. During the period, rent paid was \$62 (2014 – \$62) with no outstanding amounts due as at July 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 \$2,731 committed over the remaining term. During the period, rent paid for the leased principal premises amounted to \$199 (2014 - \$189) with no outstanding amounts due as at July 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 \$482 committed over the remaining term. During the period, rent paid was \$35 (2014 - \$35) with no outstanding amounts due as at July 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 \$1,777 committed over the remaining term. During the period, rent paid was \$115 (2014 - \$110) with no outstanding amounts due as at July 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 July 31, 2015 | Three month period ended July 31, 2014 |
|--|---|---|
| Weighted average common shares outstanding | 74,593,296 | 74,311,320 |
| Dilutive effect of stock options | 467,257 | 611,421 |
| Diluted weighted average common shares outstanding | 75,060,553 | 74,922,741 |

The weighted average number of diluted common shares excludes 1,765,000 options because they were anti-dilutive during the period (2014 – 50,000).

12. SUBSEQUENT EVENT

On September 8, 2015 the Company declared a dividend of \$0.18 with a record date of September 18, 2015 and a payment date of September 25, 2015.