



A U T O M A T I O N

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Consolidated Financial Statements

For the period ended September 27, 2015

(Unaudited)

(Condensed)

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Financial Position
(in thousands of Canadian dollars - unaudited)

As at	Note	September 27 2015	March 31 2015
ASSETS			
	12		
Current assets			
Cash and cash equivalents		\$ 97,105	\$ 106,052
Accounts receivable		188,844	145,342
Costs and earnings in excess of billings on contracts in progress	6	223,508	192,813
Inventories	6	47,705	42,079
Deposits, prepaids and other assets	7	18,376	14,731
		575,538	501,017
Assets held for sale	5	—	4,221
		575,538	505,238
Non-current assets			
Property, plant and equipment	8	88,028	83,901
Investment property		4,252	3,880
Goodwill		437,204	405,881
Intangible assets	9	190,282	183,610
Deferred income tax assets		2,767	5,057
Investment tax credit receivable		39,446	33,107
		761,979	715,436
Total assets		\$ 1,337,517	\$ 1,220,674
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	12	\$ 2,218	\$ 1,731
Accounts payable and accrued liabilities		204,899	200,871
Provisions	11	12,202	10,419
Billings in excess of costs and earnings on contracts in progress	6	84,706	76,031
Current portion of long-term debt	12	4,371	3,372
		308,396	292,424
Liabilities directly associated with assets held for sale	5	—	5,717
		308,396	298,141
Non-current liabilities			
Employee benefits		26,794	24,777
Long-term debt	12	323,311	286,154
Deferred income tax liabilities		39,831	40,870
		389,936	351,801
Total liabilities		\$ 698,332	\$ 649,942
Commitments and Contingencies	12, 16		
EQUITY			
Share capital	13	\$ 528,415	\$ 519,118
Contributed surplus		13,522	14,420
Accumulated other comprehensive income		70,822	33,434
Retained earnings		26,240	3,590
Equity attributable to shareholders		638,999	570,562
Non-controlling interests		186	170
Total equity		639,185	570,732
Total liabilities and equity		\$ 1,337,517	\$ 1,220,674

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Income
(in thousands of Canadian dollars, except per share amounts - unaudited)

	Note	Three months ended		Six months ended	
		September 27 2015	September 28 2014	September 27 2015	September 28 2014
Revenues					
Revenues from construction contracts		\$ 158,984	\$ 156,695	\$ 310,434	\$ 317,885
Sale of goods		20,061	12,203	40,450	26,616
Services rendered		84,663	38,132	167,088	53,408
Total revenues		263,708	207,030	517,972	397,909
Operating costs and expenses					
Cost of revenues		197,200	150,750	390,501	287,822
Selling, general and administrative		42,300	43,316	83,251	80,253
Stock-based compensation	15	(190)	(1,157)	2,354	1,357
Earnings from operations		24,398	14,121	41,866	28,477
Net finance costs	18	7,424	2,279	11,770	3,157
Income from continuing operations before income taxes					
		16,974	11,842	30,096	25,320
Income tax expense	14	4,156	4,430	7,430	8,926
Income from continuing operations		12,818	7,412	22,666	16,394
Income from discontinued operations, net of tax		—	7,070	—	13,983
Net income		\$ 12,818	\$ 14,482	\$ 22,666	\$ 30,377
Attributable to					
Shareholders		\$ 12,811	\$ 14,463	\$ 22,650	\$ 30,321
Non-controlling interests		7	19	16	56
		\$ 12,818	\$ 14,482	\$ 22,666	\$ 30,377
Earnings per share attributable to shareholders					
	19				
Basic – from continuing operations		\$ 0.14	\$ 0.08	\$ 0.25	\$ 0.18
Basic – from discontinued operations		—	0.08	—	0.15
		\$ 0.14	\$ 0.16	\$ 0.25	\$ 0.33
Earnings per share attributable to shareholders					
	19				
Diluted – from continuing operations		\$ 0.14	\$ 0.08	\$ 0.25	\$ 0.18
Diluted – from discontinued operations		—	0.08	—	0.15
		\$ 0.14	\$ 0.16	\$ 0.25	\$ 0.33

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars - unaudited)

	Three months ended		Six months ended	
	September 27 2015	September 28 2014	September 27 2015	September 28 2014
Net income	\$ 12,818	\$ 14,482	\$ 22,666	\$ 30,377
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	41,451	(2,890)	36,775	(18,122)
Net unrealized loss on derivative financial instruments designated as cash flow hedges	(1,544)	(1,706)	(963)	(1,054)
Tax impact	389	427	227	266
Loss transferred to net income for derivatives designated as cash flow hedges	660	158	1,801	520
Tax impact	(160)	(40)	(452)	(132)
Other comprehensive income (loss)	40,796	(4,051)	37,388	(18,522)
Comprehensive income	\$ 53,614	\$ 10,431	\$ 60,054	\$ 11,855
Attributable to				
Shareholders	\$ 53,607	\$ 10,412	\$ 60,038	\$ 11,799
Non-controlling interests	7	19	16	56
	\$ 53,614	\$ 10,431	\$ 60,054	\$ 11,855

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars - unaudited)

Six months ended September 27, 2015

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, at March 31, 2015	\$ 519,118	\$ 14,420	\$ 3,590	\$ 35,702	\$ (2,268)	\$ 33,434	\$ 170	\$ 570,732
Net income	—	—	22,650	—	—	—	16	22,666
Other comprehensive income	—	—	—	36,775	613	37,388	—	37,388
Total comprehensive income	—	—	22,650	36,775	613	37,388	16	60,054
Stock-based compensation	—	1,432	—	—	—	—	—	1,432
Exercise of stock options	9,297	(2,330)	—	—	—	—	—	6,967
Balance, at September 27, 2015	\$ 528,415	\$ 13,522	\$ 26,240	\$ 72,477	\$ (1,655)	\$ 70,822	\$ 186	\$ 639,185

Six months ended September 28, 2014

	Share capital	Contributed surplus	Retained earnings (deficit)	Currency translation adjustments	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, at March 31, 2014	\$ 510,725	\$ 15,025	\$ (44,311)	\$ 36,616	\$ (646)	\$ 35,970	\$ 129	\$ 517,538
Net income	—	—	30,321	—	—	—	56	30,377
Other comprehensive loss	—	—	—	(18,122)	(400)	(18,522)	—	(18,522)
Total comprehensive income (loss)	—	—	30,321	(18,122)	(400)	(18,522)	56	11,855
Non-controlling interests	—	—	—	—	—	—	319	319
Stock-based compensation	—	861	—	—	—	—	—	861
Exercise of stock options	1,796	(541)	—	—	—	—	—	1,255
Balance, at September 28, 2014	\$ 512,521	\$ 15,345	\$ (13,990)	\$ 18,494	\$ (1,046)	\$ 17,448	\$ 504	\$ 531,828

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Cash Flow
(in thousands of Canadian dollars - unaudited)

	Note	Three months ended		Six months ended	
		September 27 2015	September 28 2014	September 27 2015	September 28 2014
Operating activities:					
Income from continuing operations		\$ 12,818	\$ 7,412	\$ 22,666	\$ 16,394
Items not involving cash					
Depreciation of property, plant and equipment		2,454	1,890	4,759	3,824
Amortization of intangible assets		6,844	6,747	15,687	11,293
Deferred income taxes	14	2,820	(2,241)	1,176	(2,088)
Other items not involving cash		(2,135)	(1,133)	(6,489)	(2,775)
Stock-based compensation	15	(190)	(1,157)	2,354	1,357
Loss (gain) on disposal of property, plant and equipment		(1,081)	100	(1,085)	(323)
		\$ 21,530	\$ 11,618	\$ 39,068	\$ 27,682
Change in non-cash operating working capital		(41,783)	5,748	(68,583)	(21,001)
Cash flows used in operating activities of discontinued operations		—	(204)	—	(3,028)
Cash flows provided by (used in) operating activities		\$ (20,253)	\$ 17,162	\$ (29,515)	\$ 3,653
Investing activities:					
Acquisition of property, plant and equipment	8	\$ (2,640)	\$ (1,611)	\$ (5,408)	\$ (4,285)
Acquisition of intangible assets	9	(1,669)	(936)	(2,763)	(2,775)
Business acquisition, net of cash acquired		—	(352,864)	—	(352,864)
Proceeds from disposal of property, plant and equipment		1,767	231	1,801	8,760
Proceeds from sale of subsidiary	5	—	—	2,274	—
Cash flows provided by investing activities of discontinued operations		—	—	—	13,643
Cash flows used in investing activities		\$ (2,542)	\$ (355,180)	\$ (4,096)	\$ (337,521)
Financing activities:					
Restricted cash	7	\$ —	\$ —	\$ —	\$ (67)
Bank indebtedness		333	6	587	(107)
Repayment of long-term debt		(713)	(15,047)	(290,768)	(15,119)
Proceeds from long-term debt		40	366,619	302,557	367,351
Issuance of common shares		228	40	6,967	1,255
Cash flows provided by (used in) financing activities		\$ (112)	\$ 351,618	\$ 19,343	\$ 353,313
Effect of exchange rate changes on cash and cash equivalents		6,920	1,490	4,847	(1,215)
Increase (decrease) in cash and cash equivalents		(15,987)	15,090	(9,421)	18,230
Cash and cash equivalents, beginning of year		113,092	81,754	106,526	78,614
Cash and cash equivalents, end of year		\$ 97,105	\$ 96,844	\$ 97,105	\$ 96,844
Supplemental information					
Cash income taxes paid by continuing operations		\$ 2,654	\$ 2,374	\$ 6,252	\$ 4,282
Cash interest paid by continuing operations		\$ 10	\$ 2,093	\$ 3,438	\$ 2,743

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts - unaudited)

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively “ATS” or “the Company”) operate in one segment: Automation Systems. The Automation Systems segment designs and builds custom-engineered turn-key automated manufacturing and test systems and provides pre-automation and post-automation services to its customers. See note 17 to the interim condensed consolidated financial statements.

The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Ontario, Canada. The address of its registered office is 730 Fountain Street North, Cambridge, Ontario, Canada.

The interim condensed consolidated financial statements of the Company for the three and six months ended September 27, 2015 were authorized for issuance by the Board of Directors on November 3, 2015.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. All interim consolidated financial information is presented in Canadian dollars and has been rounded to the nearest thousands, except where otherwise stated.

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2015.

Standards adopted in fiscal 2016

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the presentation of the Company’s annual consolidated financial statements for the year ended March 31, 2015, except as noted below:

(a) *IAS 19 – Employee Benefits*

Effective April 1, 2015, the Company adopted the amendments to IAS 19 – *Employee Benefits* (“IAS 19”). The amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. When the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The application of the amendments to IAS 19 had no impact on the interim condensed consolidated financial statements of the Company.

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts - unaudited)

Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities where the Company directly or indirectly owns the majority of the voting power or can otherwise control the activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Non-controlling interests in the equity and results of the Company's subsidiaries are presented separately in the interim consolidated statements of income and within equity in the interim consolidated statements of financial position.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, have not changed from those disclosed in the Company's fiscal 2015 audited consolidated financial statements. The Company based its estimates, judgments and assumptions on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates when they occur.

4. ACQUISITION

On September 1, 2014, the Company completed its acquisition of 100% of the shares of M+W Process Automation GmbH and ProFocus LLC (collectively Process Automation Solutions or "PA"). PA is a global provider of engineering-based automation services and solutions focused on the control, performance monitoring and measurement of critical production processes. It has been integrated with the Company's existing Automation Systems segment. The acquisition is aligned with the Company's stated strategy of scaling its position in the global automation market by adding to its services and life-cycle management capabilities across several core elements of the customer value chain.

The total cash consideration paid for PA was \$367,210 (253,139 Euro). At the close of the transaction, \$364,626 (251,241 Euro) was paid, with the remaining balance paid in May 2015. In addition, the Company incurred \$9,224 of transaction costs in fiscal 2015 related to the acquisition which were recognized in selling, general and administrative expenses.

Cash used in investing activities was determined as follows:

Cash consideration	\$	367,210
Less cash acquired		(11,829)
	\$	355,381

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements
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The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, and using independent valuations and management's best estimates.

The allocation of the purchase price at fair value is as follows:

Purchase price allocation	
Cash	\$ 11,829
Current assets	66,350
Property, plant and equipment	3,233
Intangible assets with a definite life	
Technology	290
Customer relationships	100,140
Other	12,564
Current liabilities	(55,831)
Deferred income tax liability	(31,689)
Other long-term liabilities	(1,833)
Net identifiable assets	105,053
Residual purchase price allocated to goodwill	262,157
	\$ 367,210

Non-cash working capital includes trade accounts receivable of \$21,924, representing gross contractual amounts receivable of \$22,210 less management's best estimate of the contractual cash flows not expected to be collected of \$286.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the existing PA business; the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. Approximately \$39,900 and \$24,600 of the amounts assigned to goodwill and intangible assets respectively are expected to be deductible for tax purposes.

During the three-month period ended September 27, 2015, changes to the purchase price allocation resulted in a decrease in working capital of \$923 and an increase to goodwill of \$923.

This acquisition was accounted for as a business combination with the Company as the acquirer of PA. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, September 1, 2014.

5. DIVESTITURE

During the three months ended June 28, 2015, the Company sold its Swiss-based subsidiary, ATS Wickel-und Montagetechnik AG, which has previously been recorded as assets held for sale, for cash proceeds of \$2,274 (1,716 CHF).

ATS AUTOMATION TOOLING SYSTEMS INC.
Notes to Interim Condensed Consolidated Financial Statements
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6. CONSTRUCTION CONTRACTS AND INVENTORIES

As at	September 27 2015	March 31 2015
Contracts in progress:		
Costs incurred	\$ 1,232,876	\$ 1,187,283
Estimated earnings	366,283	370,309
	1,599,159	1,557,592
Progress billings	(1,460,357)	(1,440,810)
	\$ 138,802	\$ 116,782
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	\$ 223,508	\$ 192,813
Billings in excess of costs and earnings on contracts in progress	(84,706)	(76,031)
	\$ 138,802	\$ 116,782

As at	September 27 2015	March 31 2015
Inventories are summarized as follows:		
Raw materials	\$ 11,866	\$ 11,708
Work in progress	34,482	28,984
Finished goods	1,357	1,387
	\$ 47,705	\$ 42,079

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three and six months ended September 27, 2015 was \$4 and \$11 (three and six months ended September 28, 2014 - \$430 and \$431 respectively). The amount of inventories carried at net realizable value as at September 27, 2015 was \$1,801 (March 31, 2015 - \$1,778).

7. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	September 27 2015	March 31 2015
Prepaid assets	\$ 8,692	\$ 6,937
Restricted cash ⁽ⁱ⁾	448	409
Supplier deposits	7,841	5,537
Forward foreign exchange contracts	1,124	1,785
Other assets	271	63
	\$ 18,376	\$ 14,731

(i) Restricted cash primarily consists of cash collateralized to secure letters of credit.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Cost:					
Balance, at March 31, 2015	\$ 20,673	\$ 85,458	\$ 14,964	\$ 35,720	\$ 156,815
Additions	—	414	599	4,395	5,408
Disposals	(603)	(59)	(17)	(520)	(1,199)
Exchange and other adjustments	1,057	5,152	1,275	1,386	8,870
Balance, at September 27, 2015	\$ 21,127	\$ 90,965	\$ 16,821	\$ 40,981	\$ 169,894

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts - unaudited)

		Buildings and Production		Other		
		Land	leaseholds	equipment	equipment	Total
Depreciation:						
Balance, at March 31, 2015	\$	—	\$ (41,777)	\$ (11,390)	\$ (19,747)	\$ (72,914)
Depreciation expense		—	(1,616)	(445)	(2,698)	(4,759)
Disposals		—	38	18	427	483
Exchange and other adjustments		—	(2,754)	(983)	(939)	(4,676)
Balance, at September 27, 2015	\$	—	\$ (46,109)	\$ (12,800)	\$ (22,957)	\$ (81,866)

Net book value:

At September 27, 2015	\$	21,127	\$ 44,856	\$ 4,021	\$ 18,024	\$ 88,028
At March 31, 2015	\$	20,673	\$ 43,681	\$ 3,574	\$ 15,973	\$ 83,901

Included in other equipment as at September 27, 2015 is \$646 (March 31, 2015 - \$1,341) of assets which are under construction and have not been depreciated.

9. INTANGIBLE ASSETS

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Cost:						
Balance, at March 31, 2015	\$ 10,419	\$ 36,695	\$ 21,605	\$ 166,088	\$ 12,238	\$ 247,045
Additions	1,009	1,754	—	—	—	2,763
Disposals	—	(32)	—	—	—	(32)
Exchange and other adjustments	548	(10,403)	1,983	19,532	1,175	12,835
Balance, at September 27, 2015	\$ 11,976	\$ 28,014	\$ 23,588	\$ 185,620	\$ 13,413	\$ 262,611

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Amortization:						
Balance, at March 31, 2015	\$ (4,124)	\$ (23,481)	\$ (7,656)	\$ (28,174)	\$ —	\$ (63,435)
Amortization	(608)	(4,251)	(1,353)	(9,475)	—	(15,687)
Disposals	—	30	—	—	—	30
Exchange and other adjustments	(78)	10,632	(769)	(3,022)	—	6,763
Balance, at September 27, 2015	\$ (4,810)	\$ (17,070)	\$ (9,778)	\$ (40,671)	\$ —	\$ (72,329)

Net book value:

At September 27, 2015	\$ 7,166	\$ 10,944	\$ 13,810	\$ 144,949	\$ 13,413	\$ 190,282
At March 31, 2015	\$ 6,295	\$ 13,214	\$ 13,949	\$ 137,914	\$ 12,238	\$ 183,610

Included in computer software, licenses and other intangibles as at September 27, 2015 is \$227 of intangible assets which are in development and have not been depreciated (March 31, 2015 - \$150). Research and development costs that are not eligible for capitalization have been expensed and are recognized in cost of revenues.

ATS AUTOMATION TOOLING SYSTEMS INC.
Notes to Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts - unaudited)

10. FINANCIAL INSTRUMENTS

(i) Categories of financial assets and liabilities:

The carrying values of the Company's financial instruments are classified into the following categories:

As at	September 27, 2015				
	Fair value through profit or loss	Cash flow hedges	Loans, borrowings, and receivables	Other liabilities	Total carrying value
Cash and cash equivalents	\$ —	\$ —	\$ 97,105	\$ —	\$ 97,105
Trade accounts receivable	—	—	179,996	—	179,996
Bank indebtedness	—	—	(2,218)	—	(2,218)
Trade accounts payable and accrued liabilities	—	—	—	(163,901)	(163,901)
Long-term debt	—	—	—	(327,682)	(327,682)
Derivatives classified as held for trading – loss ⁽ⁱ⁾	(2,194)	—	—	—	(2,194)
Derivatives designated as cash flow hedges – loss ⁽ⁱ⁾	—	(2,191)	—	—	(2,191)

As at	March 31, 2015				
	Fair value through profit or loss	Cash flow hedges	Loans, borrowings, and receivables	Other liabilities	Total carrying value
Cash and cash equivalents	\$ —	\$ —	\$ 106,052	\$ —	\$ 106,052
Trade accounts receivable	—	—	138,476	—	138,476
Bank indebtedness	—	—	(1,731)	—	(1,731)
Trade accounts payable and accrued liabilities	—	—	—	(172,115)	(172,115)
Long-term debt	—	—	—	(289,526)	(289,526)
Derivatives classified as held for trading – loss ⁽ⁱ⁾	(259)	—	—	—	(259)
Derivatives designated as cash flow hedges – loss ⁽ⁱ⁾	—	(3,029)	—	—	(3,029)

- (i) Derivative financial instruments in a gain position are included in deposits, prepaids and other assets and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

(ii) Fair value measurements:

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as at September 27, 2015 and March 31, 2015 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

As at	September 27 2015				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value Total
Measured at fair value:					
Derivatives classified as held for trading	\$ (2,194)	\$ —	\$ (2,194)	\$ —	\$ (2,194)
Derivatives designated as cash flow hedges	(2,191)	—	(2,191)	—	(2,191)
Disclosed at fair value:					
Investment property	4,252	—	—	4,252	4,252
Bank indebtedness	(2,218)	—	(2,218)	—	(2,218)
Long-term debt	(327,682)	—	(327,682)	—	(327,682)

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts - unaudited)

As at		March 31 2015			
	Carrying Value	Level 1	Level 2	Level 3	Fair Value Total
Measured at fair value:					
Derivatives classified as held for trading	\$ (259)	\$ —	\$ (259)	\$ —	\$ (259)
Derivatives designated as cash flow hedges	(3,029)	—	(3,029)	—	(3,029)
Disclosed at fair value:					
Investment property	3,880	—	—	3,880	3,880
Bank indebtedness	(1,731)	—	(1,731)	—	(1,731)
Long-term debt	(289,526)	—	(289,526)	—	(289,526)

The estimated fair values of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity. The estimated fair value of long-term debt approximates the carrying value due to interest rates approximating current market values. Derivative financial instruments are carried at fair value determined by reference to quoted bid or asking prices, as appropriate, in active markets at period-end dates. The derivative contract counterparties are highly rated multinational financial institutions.

During the six months ended September 27, 2015 and the year ended March 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Derivative financial instruments

The Company uses forward foreign exchange contracts to manage foreign currency exposure. Forward foreign exchange contracts that are not designated in hedging relationships are classified as held-for-trading, with changes in fair value recognized in selling, general and administrative expenses in the interim consolidated statements of income. During the six months ended September 27, 2015, the fair value of derivative financial assets classified as held-for-trading and included in deposits, prepaids and other assets decreased by \$318 (decreased by \$346 during the six months ended September 28, 2014) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable and accrued liabilities decreased by \$1,618 during the six months ended September 27, 2015 (decreased by \$483 during the six months ended September 28, 2014).

Cash flow hedges

During the six months ended September 27, 2015 and the six months ended September 28, 2014 there were no unrealized gains or losses recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges. After-tax unrealized losses of \$1,657 are included in accumulated other comprehensive income at September 28, 2015 and are expected to be reclassified to net income over the next 24 months when the revenue and purchases are recorded (unrealized gains of \$1,046 at September 28, 2014).

11. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2015	\$ 7,702	\$ 1,419	\$ 1,298	\$ 10,419
Provisions made	2,951	3,899	5,131	11,981
Provisions reversed	(600)	—	—	(600)
Provisions used	(2,147)	(3,787)	(4,278)	(10,212)
Exchange adjustments	369	219	26	614
Balance, at September 27, 2015	\$ 8,275	\$ 1,750	\$ 2,177	\$ 12,202

Warranty provisions

Warranty provisions are related to sales of products and are based on experience reflecting statistical trends of warranty costs.

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Restructuring

Restructuring charges are recognized in the period incurred and when the criteria for provisions are fulfilled. Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed through a formal restructuring plan.

12. BANK INDEBTEDNESS AND LONG-TERM DEBT

On June 17, 2015, the Company completed a private placement of US\$250,000 aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$7,200 were deferred and will be amortized over the term of the Senior Notes. The Senior Notes are unsecured, were issued at par, bear interest at a rate of 6.50% per annum and mature on June 15, 2023. ATS used the majority of net proceeds from the Senior Notes to repay amounts outstanding under its senior secured credit facility, with the balance to be used for general corporate purposes. The Company may redeem the Senior Notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. Subject to certain exceptions, the Notes will be guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility.

The Company's senior secured credit facility (the "Credit Facility") provides a four-year committed revolving credit facility of \$750,000. The Credit Facility is secured by (i) the Company's assets, including real estate; (ii) assets, including certain real estate, of certain of the Company's North American subsidiaries; and (iii) a pledge of shares of certain of the Company's non-North American subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At September 27, 2015, the Company had utilized \$102,274 under the Credit Facility, by way of letters of credit (March 31, 2015 - \$290,000 classified as long-term debt and \$85,018 by way of letters of credit). The Credit Facility matures on August 29, 2018.

The Credit Facility is available in Canadian dollars by way of prime rate advances and/or bankers' acceptances, in U.S. dollars by way of base rate advances and/or LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. The interest rates applicable to the Credit Facility are determined based on a debt to EBITDA ratio as defined in the Credit Facility. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus a margin ranging from 0.45% to 2.00%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus a margin that varies from 1.45% to 3.00%. The Company pays a fee for usage of financial letters of credit which ranges from 1.45% to 3.00% and a fee for usage of non-financial letters of credit which ranges from 0.97% to 2.00%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.29% to 0.68%.

The Credit Facility is subject to a debt to EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At September 27, 2015, all of the covenants were met.

The Company has additional credit facilities available of \$8,687 (1,601 Euro, 200,000 Indian Rupees, 60,280 Thai Baht and 734 Czech Koruna). The total amount outstanding on these facilities was \$8,586,

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of which \$2,218 was classified as bank indebtedness (March 31, 2015 - \$1,731) and \$6,368 was classified as long-term debt (March 31, 2015 - \$4,908). The interest rates applicable to the credit facilities range from 1.66% to 10.25% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 200,000 Indian Rupees credit facilities are secured by letters of credit under the Credit Facility.

(i) Bank indebtedness

	September 27 2015	March 31 2015
As at		
Other facilities	\$ 2,218	\$ 1,731

(ii) Long-term debt

	September 27 2015	March 31 2015
As at		
Senior secured credit facility	\$ —	\$ 290,000
Senior notes	332,900	—
Other facilities	6,368	4,908
Issuance costs	(11,586)	(5,382)
	327,682	289,526
Less: current portion	4,371	3,372
	\$ 323,311	\$ 286,154

Scheduled principal repayments and interest payments on long-term debt as at September 27, 2015 are as follows:

	Principal	Interest
Less than one year	\$ 4,371	\$ 21,730
One - two years	448	21,715
Two - three years	434	21,718
Three - four years	444	21,702
Four - five years	368	21,678
Thereafter	321,617	64,946
	\$ 327,682	\$ 173,489

13. SHARE CAPITAL

Authorized share capital of the Company consists of an unlimited number of common shares, without par value, for unlimited consideration. The changes in the common shares issued and outstanding during the period presented were as follows:

	Number of common shares	Share capital
Balance, at March 31, 2015	91,629,665	\$ 519,118
Exercise of stock options	901,917	9,297
Balance, at September 27, 2015	92,531,582	\$ 528,415

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14. TAXATION

Reconciliation of income taxes: Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income before income taxes. These differences result from the following items:

	Three months ended		Six months ended	
	September 27 2015	September 28 2014	September 27 2015	September 28 2014
Income from continuing operations before income taxes and non-controlling interest	\$ 16,974	\$ 11,842	\$ 30,096	\$ 25,320
Combined Canadian basic federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	\$ 4,498	\$ 3,138	\$ 7,975	\$ 6,710
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	117	(524)	970	(211)
Non-taxable income net of non-deductible expenses	(427)	861	(461)	1,248
Recognition/use of previously unrecognized assets	61	(284)	(456)	(274)
Income taxed at different rates and statutory rate changes	68	1,290	(258)	1,586
Manufacturing and processing allowance	(161)	(51)	(340)	(133)
At the effective income tax rate of 25% (September 28, 2014 – 35%)	\$ 4,156	\$ 4,430	\$ 7,430	\$ 8,926
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 1,336	\$ 6,671	\$ 6,254	\$ 11,014
Deferred tax expense	2,820	(2,241)	1,176	(2,088)
	\$ 4,156	\$ 4,430	\$ 7,430	\$ 8,926
Deferred income tax related to items charged or credited directly to equity:				
Net gain (loss) on revaluation of cash flow hedges	\$ 229	\$ (387)	\$ (225)	\$ (134)
Other items recognized through equity	(2,514)	(603)	(2,964)	(1,512)
Income tax charged directly to equity	\$ (2,285)	\$ (990)	\$ (3,189)	\$ (1,646)

15. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock. During the three and six months ended September 27, 2015, the Company granted nil and 743,500 time vesting stock options respectively (nil in the six months ended September 28, 2014). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

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For the six months ended	September 27 2015		September 28 2014	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	4,221,283	\$ 10.10	4,421,876	\$ 8.84
Granted	743,500	15.83	—	—
Exercised ⁽ⁱ⁾	(901,917)	7.73	(192,201)	6.51
Forfeited/cancelled	(12,500)	13.19	(6,425)	8.64
Stock options outstanding, end of period	4,050,366	\$ 11.66	4,223,250	\$ 8.94
Stock options exercisable, end of period, time vested options	863,500	\$ 8.45	1,284,250	\$ 7.42
Stock options exercisable, end of period, performance based options	1,292,666	\$ 10.26	1,916,750	\$ 9.55

(i) For the six months ended September 27, 2015, the weighted average share price at the date of exercise was \$15.74 (September 28, 2014 – \$14.79).

The fair values of the Company's stock options issued during the periods presented were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined at the time of the grant by considering historical share price volatility. Expected stock option grant life was determined at the time of the grant by considering the average of the grant vesting period and the grant exercise period.

For the six months ended	September 27 2015
Weighted average risk-free interest rate	0.89%
Dividend yield	0%
Weighted average expected volatility	29%
Weighted average expected life	4.75 years
Number of stock options granted:	
Time vested	743,500
Weighted average exercise price per option	\$ 15.83
Weighted average value per option:	
Time vested	\$ 4.10

Share Appreciation Rights

During the six month periods ended September 27, 2015 and September 28, 2014 the Company did not grant any share appreciation rights ("SARs"). The fair values of the Company's unvested SARs are measured at each reporting date using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined by considering historical share price volatility. The expected SARs grant life was determined by considering the average of the estimated grant vesting period and the grant expected life.

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	September 27 2015	September 28 2014
Weighted average risk-free interest rate	0.47%	1.13%
Dividend yield	0%	0%
Weighted average expected volatility	26%	26%
Weighted average expected life	2.92 years	0.82 years
Weighted average exercise price per SAR	\$ 8.87	\$ 9.99
Weighted average value per SAR	\$ 4.45	\$ 3.28

The Company has recorded a liability of \$250 as at September 27, 2015 (March 31, 2015 - \$302) based on the SARs fair value. The market value of a common share of the Company as at September 27, 2015 was \$12.98 (March 31, 2015 - \$13.58). During the six months ended September 27, 2015, 39,375 SARs vested (39,375 in the six months ended September 28, 2014).

Restricted Share Unit Plan

The Company granted 89,250 time vesting restricted share units ("RSUs") during the six months ended September 27, 2015 (nil in the six months ended September 28, 2014). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. During the six months ended September 28, 2015 the Company granted 103,000 performance-based RSUs (nil in the six months ended September 28, 2014). The performance-based RSUs vest upon successful achievement of certain operational and share price targets. The performance-based RSUs give the employee the right to receive a cash payment based on the market value of a common share of the Company. The weighted average remaining vesting period for the time vesting RSUs and performance-based RSUs is 1.2 years. The RSUs liability is recognized quarterly based on the expired portion of the vesting period and the change in the Company's stock price. At September 27, 2015, the value of the outstanding liability related to the RSU plan was \$3,220 (March 31, 2015 - \$2,223).

Deferred Stock Unit Plan

The Deferred Stock Unit Plan ("DSU Plan") liability is revalued quarterly based on the change in the Company's stock price. The change in the value of the DSU liability is included in operating results in the period of change. At September 27, 2015, the value of the outstanding liability related to the DSU Plan was \$4,624 (March 31, 2015 - \$4,632).

16. COMMITMENTS AND CONTINGENCIES

The minimum operating lease payments, related primarily to facilities and equipment, and purchase obligations are as follows:

	Operating leases	Purchase obligations
Less than one year	\$ 10,127	\$ 68,809
One – two years	8,271	1,006
Two – three years	5,721	148
Three – four years	4,825	148
Four – five years	4,565	111
Due in over five years	5,277	—
	\$ 38,786	\$ 70,222

The Company's off-balance sheet arrangements consist of purchase obligations and various operating lease financing arrangements related primarily to facilities and equipment which have been entered into in the normal course of business.

The Company's purchase obligations consist primarily of materials purchase commitments.

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In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company provides bank guarantees for post-retirement obligations and may provide bank guarantees as security on equipment under lease and on order. As at September 27, 2015, the total value of outstanding bank guarantees was approximately \$134,715 (March 31, 2015 - \$117,989).

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its consolidated financial position.

17. SEGMENTED DISCLOSURE

The Company's operations are reported as one operating segment, Automation Systems, which plans, allocates resources, builds capabilities and implements best practices on a global basis.

Geographic segmentation of revenues is determined based on the customer's installation site. Non-current assets represent property, plant and equipment and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

As at	September 27, 2015	
	Property, plant and equipment	Intangible assets
Canada	\$ 22,632	\$ 9,689
United States	27,029	27,995
Germany	33,858	152,148
China	1,174	64
Other Europe	637	109
Asia-Pacific and other	2,698	277
Total Company	\$ 88,028	\$ 190,282

As at	March 31, 2015	
	Property, plant and equipment	Intangible assets
Canada	\$ 23,551	\$ 9,893
United States	26,350	5,766
Germany	23,346	167,474
China	1,212	53
Other Europe	6,752	100
Asia-Pacific and other	2,690	324
Total Company	\$ 83,901	\$ 183,610

	September 27 2015	September 28 2014
Revenues from external customers for the three months ended		
Canada	\$ 23,207	\$ 13,196
United States and Mexico	95,952	83,711
Germany	47,215	38,183
China	28,274	22,244
Other Europe	48,097	32,485
Asia-Pacific and other	20,963	17,211
Total Company	\$ 263,708	\$ 207,030

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	September 27 2015	September 28 2014
Revenues from external customers for the six months ended		
Canada	\$ 44,463	\$ 24,592
United States and Mexico	198,755	160,891
Germany	100,068	64,828
China	51,808	38,026
Other Europe	88,260	72,533
Asia-Pacific and other	34,618	37,039
Total Company	\$ 517,972	\$ 397,909

18. NET FINANCE COSTS

	Three months ended		Six months ended	
	September 27 2015	September 28 2014	September 27 2015	September 28 2014
Interest expense	\$ 7,469	\$ 2,306	\$ 11,840	\$ 3,205
Interest income	(45)	(27)	(70)	(48)
	\$ 7,424	\$ 2,279	\$ 11,770	\$ 3,157

19. EARNINGS PER SHARE

	September 27 2015	September 28 2014
For the three months ended		
Weighted average number of common shares outstanding	92,505,801	90,982,495
Dilutive effect of stock option conversion	770,081	1,416,378
Diluted weighted average number of common shares outstanding	93,275,882	92,398,873
For the six months ended		
Weighted average number of common shares outstanding	92,111,559	90,930,410
Dilutive effect of stock option conversion	769,351	1,461,706
Diluted weighted average number of common shares outstanding	92,880,910	92,392,116

For the three and six months ended September 27, 2015, stock options to purchase 1,568,200 and 1,573,200 common shares respectively are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (150,000 common shares were excluded for the three and six months ended September 28, 2014).