



**ATS AUTOMATION TOOLING SYSTEMS INC.**

**Interim Consolidated Financial Statements**

**For the period ended December 28, 2014**

**(Unaudited)**

**(Condensed)**

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

| As at  | Note | December 28<br>2014 | March 31<br>2014  |
|--|------|---------------------|-------------------|
| <b>ASSETS</b>  |      |                     |                   |
| <b>Current assets</b>  |      |                     |                   |
| Cash and cash equivalents  |      | \$ 108,192          | \$ 76,466         |
| Accounts receivable  |      | 177,239             | 117,821           |
| Costs and earnings in excess of billings<br>on contracts in progress | 6    | 172,280             | 146,231           |
| Inventories  | 6    | 42,865              | 24,186            |
| Deposits, prepaids and other assets                                  | 7    | 12,227              | 9,630             |
|  |      | <b>512,803</b>      | <b>374,334</b>    |
| Assets associated with discontinued operations                       | 5    | 2,869               | 13,265            |
|  |      | <b>515,672</b>      | <b>387,599</b>    |
| <b>Non-current assets</b>  |      |                     |                   |
| Property, plant and equipment  | 8    | 80,532              | 85,412            |
| Investment property  |      | 4,037               | 4,341             |
| Goodwill   | 9    | 401,298             | 151,731           |
| Intangible assets  | 10   | 198,568             | 111,298           |
| Deferred income tax assets   |      | 5,811               | 7,838             |
| Investment tax credit receivable                                     |      | 34,922              | 30,165            |
|  |      | <b>725,168</b>      | <b>390,785</b>    |
| <b>Total assets</b>  |      | <b>\$ 1,240,840</b> | <b>\$ 778,384</b> |
| <b>LIABILITIES AND EQUITY</b>  |      |                     |                   |
| <b>Current liabilities</b>   |      |                     |                   |
| Bank indebtedness  | 13   | \$ 1,310            | \$ 913            |
| Accounts payable and accrued liabilities                             |      | 186,161             | 138,285           |
| Provisions   | 12   | 8,587               | 10,412            |
| Billings in excess of costs and earnings<br>on contracts in progress | 6    | 93,589              | 59,363            |
| Current portion of long-term debt                                    | 13   | 6,334               | 3,815             |
|  |      | <b>295,981</b>      | <b>212,788</b>    |
| Liabilities associated with discontinued operations                  | 5    | —                   | 6,774             |
|  |      | <b>295,981</b>      | <b>219,562</b>    |
| <b>Non-current liabilities</b>                                       |      |                     |                   |
| Employee benefits  |      | 24,616              | 23,213            |
| Long-term debt   | 13   | 320,877             | 1,324             |
| Deferred income tax liabilities                                      |      | 44,072              | 16,747            |
|  |      | <b>389,565</b>      | <b>41,284</b>     |
| <b>Total liabilities</b>   |      | <b>\$ 685,546</b>   | <b>\$ 260,846</b> |
| <b>EQUITY</b>  |      |                     |                   |
| Share capital  | 14   | \$ 518,918          | \$ 510,725        |
| Contributed surplus  |      | 13,844              | 15,025            |
| Accumulated other comprehensive income                               |      | 27,466              | 35,970            |
| Retained deficit   |      | (5,522)             | (44,311)          |
| Equity attributable to shareholders                                  |      | <b>554,706</b>      | <b>517,409</b>    |
| Non-controlling interests  |      | 588                 | 129               |
| <b>Total equity</b>  |      | <b>555,294</b>      | <b>517,538</b>    |
| <b>Total liabilities and equity</b>                                  |      | <b>\$ 1,240,840</b> | <b>\$ 778,384</b> |

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  |                     | Nine months ended   |                     |
|---|------|---------------------|---------------------|---------------------|---------------------|
|   |      | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| <b>Revenues</b>   |      |                     |                     |                     |                     |
| Revenues from construction contracts                              |      | \$ 154,303          | \$ 150,043          | \$ 472,188          | \$ 424,326          |
| Sale of goods   |      | 18,145              | 16,057              | 44,761              | 30,010              |
| Services rendered   |      | 76,309              | 11,926              | 129,717             | 28,286              |
| <b>Total revenues</b>   |      | <b>248,757</b>      | 178,026             | <b>646,666</b>      | 482,622             |
| Operating costs and expenses                                      |      |                     |                     |                     |                     |
| Cost of revenues  |      | 185,972             | 129,697             | 473,794             | 355,003             |
| Selling, general and administrative                               |      | 44,459              | 30,099              | 124,712             | 78,369              |
| Stock-based compensation  | 16   | 2,439               | 1,508               | 3,796               | 5,453               |
| <b>Earnings from operations</b>                                   |      | <b>15,887</b>       | 16,722              | <b>44,364</b>       | 43,797              |
| Net finance costs   | 20   | 4,449               | 928                 | 7,606               | 2,043               |
| <b>Income from continuing operations<br/>before income taxes</b>  |      | <b>11,438</b>       | 15,794              | <b>36,758</b>       | 41,754              |
| Income tax expense (recovery)                                     | 15   | 2,864               | (2,987)             | 11,790              | 4,057               |
| <b>Income from continuing operations</b>                          |      | <b>8,574</b>        | 18,781              | <b>24,968</b>       | 37,697              |
| Income (loss) from discontinued<br>operations, net of tax         | 5    | (22)                | (293)               | 13,961              | 13,221              |
| <b>Net income</b>   |      | <b>\$ 8,552</b>     | \$ 18,488           | <b>\$ 38,929</b>    | \$ 50,918           |
| <b>Attributable to</b>  |      |                     |                     |                     |                     |
| Shareholders  |      | \$ 8,468            | \$ 18,470           | \$ 38,789           | \$ 50,877           |
| Non-controlling interests   |      | 84                  | 18                  | 140                 | 41                  |
|   |      | <b>\$ 8,552</b>     | \$ 18,488           | <b>\$ 38,929</b>    | \$ 50,918           |
| <b>Earnings (loss) per share<br/>attributable to shareholders</b> |      |                     |                     |                     |                     |
| Basic – from continuing operations                                | 21   | \$ 0.09             | \$ 0.21             | \$ 0.27             | \$ 0.43             |
| Basic – from discontinued operations                              | 5    | (0.00)              | (0.00)              | 0.15                | 0.15                |
|   |      | <b>\$ 0.09</b>      | \$ 0.21             | <b>\$ 0.42</b>      | \$ 0.58             |
| <b>Earnings (loss) per share<br/>attributable to shareholders</b> |      |                     |                     |                     |                     |
| Diluted – from continuing operations                              | 21   | \$ 0.09             | \$ 0.21             | \$ 0.27             | \$ 0.42             |
| Diluted – from discontinued operations                            | 5    | (0.00)              | (0.00)              | 0.15                | 0.15                |
|   |      | <b>\$ 0.09</b>      | \$ 0.21             | <b>\$ 0.42</b>      | \$ 0.57             |

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  |                     | Nine months ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| Net income   | \$ 8,552            | \$ 18,488           | \$ 38,929           | \$ 50,918           |
| Other comprehensive income (loss):   |                     |                     |                     |                     |
| Items to be reclassified subsequently to net income:                                   |                     |                     |                     |                     |
| Currency translation adjustment (net of income taxes of \$nil)                         | 10,822              | 15,944              | (7,300)             | 25,372              |
| Net unrealized gain on available-for-sale financial assets                             | —                   | 679                 | —                   | 124                 |
| Tax impact   | —                   | (60)                | —                   | 82                  |
| Net realized gain on available-for-sale financial assets                               | —                   | 22                  | —                   | 22                  |
| Net unrealized loss on derivative financial instruments designated as cash flow hedges | (1,637)             | (1,038)             | (2,691)             | (2,077)             |
| Tax impact   | 387                 | 255                 | 653                 | 527                 |
| Loss transferred to net income for derivatives designated as cash flow hedges          | 589                 | 340                 | 1,109               | 1,453               |
| Tax impact   | (143)               | (86)                | (275)               | (388)               |
| <b>Other comprehensive income (loss)</b>   | <b>10,018</b>       | <b>16,056</b>       | <b>(8,504)</b>      | <b>25,115</b>       |
| <b>Comprehensive income</b>  | <b>\$ 18,570</b>    | <b>\$ 34,544</b>    | <b>\$ 30,425</b>    | <b>\$ 76,033</b>    |
| <b>Attributable to</b>   |                     |                     |                     |                     |
| Shareholders   | \$ 18,486           | \$ 34,526           | \$ 30,285           | \$ 75,992           |
| Non-controlling interests  | 84                  | 18                  | 140                 | 41                  |
|  | <b>\$ 18,570</b>    | <b>\$ 34,544</b>    | <b>\$ 30,425</b>    | <b>\$ 76,033</b>    |

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)

**Nine months ended December 28, 2014**

|                                      | Share capital | Contributed surplus | Retained earnings (deficit) | Currency translation adjustments | Available-for-sale financial assets | Cash flow hedges | Total accumulated other comprehensive income | Non-controlling interests | Total equity |
|--------------------------------------|---------------|---------------------|-----------------------------|----------------------------------|-------------------------------------|------------------|--|---------------------------|--------------|
| <b>Balance, at March 31, 2014</b>    | \$ 510,725    | \$ 15,025           | \$ (44,311)                 | \$ 36,616                        | \$ —                                | \$ (646)         | \$ 35,970                                    | \$ 129                    | \$ 517,538   |
| Net income                           | —             | —                   | 38,789                      | —                                | —                                   | —                | —  | 140                       | 38,929       |
| Other comprehensive loss             | —             | —                   | —                           | (7,300)                          | —                                   | (1,204)          | (8,504)                                      | —                         | (8,504)      |
| Total comprehensive income (loss)    | —             | —                   | 38,789                      | (7,300)                          | —                                   | (1,204)          | (8,504)                                      | 140                       | 30,425       |
| Non-controlling interests            | —             | —                   | —                           | —                                | —                                   | —                | —  | 319                       | 319          |
| Stock-based compensation             | —             | 1,243               | —                           | —                                | —                                   | —                | —  | —                         | 1,243        |
| Exercise of stock options            | 8,193         | (2,424)             | —                           | —                                | —                                   | —                | —  | —                         | 5,769        |
| <b>Balance, at December 28, 2014</b> | \$ 518,918    | \$ 13,844           | \$ (5,522)                  | \$ 29,316                        | \$ —                                | \$ (1,850)       | \$ 27,466                                    | \$ 588                    | \$ 555,294   |

**Nine months ended December 29, 2013**

|                                   | Share capital | Contributed surplus | Retained earnings (deficit) | Currency translation adjustments | Available-for-sale financial assets | Cash flow hedges | Total accumulated other comprehensive income | Non-controlling interests | Total equity |
|-----------------------------------|---------------|---------------------|-----------------------------|----------------------------------|-------------------------------------|------------------|--|---------------------------|--------------|
| Balance, at March 31, 2013        | \$ 486,734    | \$ 19,317           | \$ (107,407)                | \$ (23)                          | \$ 239                              | \$ (339)         | \$ (123)                                     | \$ 83                     | \$ 398,604   |
| Net income                        | —             | —                   | 50,877                      | —                                | —                                   | —                | —  | 41                        | 50,918       |
| Other comprehensive income (loss) | —             | —                   | —                           | 25,372                           | 228                                 | (485)            | 25,115                                       | —                         | 25,115       |
| Total comprehensive income (loss) | —             | —                   | 50,877                      | 25,372                           | 228                                 | (485)            | 25,115                                       | 41                        | 76,033       |
| Stock-based compensation          | —             | 1,610               | —                           | —                                | —                                   | —                | —  | —                         | 1,610        |
| Exercise of stock options         | 18,068        | (4,842)             | —                           | —                                | —                                   | —                | —  | —                         | 13,226       |
| Balance, at December 29, 2013     | \$ 504,802    | \$ 16,085           | \$ (56,530)                 | \$ 25,349                        | \$ 467                              | \$ (824)         | \$ 24,992                                    | \$ 124                    | \$ 489,473   |

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)

|  |      | Three months ended  |                     | Nine months ended   |                     |
|--|------|---------------------|---------------------|---------------------|---------------------|
|  | Note | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| <b>Operating activities:</b>   |      |                     |                     |                     |                     |
| Income from continuing operations  |      | \$ 8,574            | \$ 18,781           | \$ 24,968           | \$ 37,697           |
| Items not involving cash   |      |                     |                     |                     |                     |
| Depreciation of property, plant and equipment                                    |      | 2,117               | 1,861               | 5,941               | 5,293               |
| Amortization of intangible assets  |      | 10,643              | 4,026               | 21,936              | 6,824               |
| Deferred income taxes  |      | 1,780               | (7,495)             | (308)               | (3,194)             |
| Other items not involving cash   |      | (2,871)             | 154                 | (5,646)             | (741)               |
| Stock-based compensation   | 16   | 2,439               | 1,508               | 3,796               | 5,453               |
| Gain on disposal of property, plant and equipment                                |      | (11)                | —                   | (334)               | —                   |
|  |      | \$ 22,671           | \$ 18,835           | \$ 50,353           | \$ 51,332           |
| Change in non-cash operating working capital                                     |      | 8,516               | 6,729               | (12,485)            | (4,514)             |
| Cash flows provided by (used in) operating activities of discontinued operations | 5    | (195)               | 2,743               | (3,223)             | (5,434)             |
| <b>Cash flows provided by operating activities</b>                               |      | <b>\$ 30,992</b>    | <b>\$ 28,307</b>    | <b>\$ 34,645</b>    | <b>\$ 41,384</b>    |
| <b>Investing activities:</b>   |      |                     |                     |                     |                     |
| Acquisition of property, plant and equipment                                     |      | \$ (2,830)          | \$ (1,053)          | \$ (7,115)          | \$ (2,699)          |
| Acquisition of intangible assets   |      | (1,770)             | (2,420)             | (4,545)             | (4,832)             |
| Business acquisition, net of cash acquired                                       |      | 67                  | (137,408)           | (352,797)           | (137,408)           |
| Proceeds from disposal of property, plant and equipment                          |      | 56                  | 61                  | 8,816               | 79                  |
| Proceeds on sale of portfolio investments  |      | —                   | 268                 | —                   | 268                 |
| Cash flows provided by investing activities of discontinued operations           | 5    | 5,015               | —                   | 18,658              | 19,679              |
| <b>Cash flows provided by (used in) investing activities</b>                     |      | <b>\$ 538</b>       | <b>\$ (140,552)</b> | <b>\$ (336,983)</b> | <b>\$ (124,913)</b> |
| <b>Financing activities:</b>   |      |                     |                     |                     |                     |
| Restricted cash  | 7    | \$ 395              | \$ 1,403            | \$ 328              | \$ 1,058            |
| Bank indebtedness  |      | 473                 | (2,475)             | 366                 | (313)               |
| Repayment of long-term debt  |      | (28,978)            | (25,100)            | (44,097)            | (25,195)            |
| Proceeds from long-term debt   |      | 1,049               | 1,094               | 368,400             | 42,166              |
| Issuance of common shares  |      | 4,514               | 8,375               | 5,769               | 13,226              |
| <b>Cash flows provided by (used in) financing activities</b>                     |      | <b>\$ (22,547)</b>  | <b>\$ (16,703)</b>  | <b>\$ 330,766</b>   | <b>\$ 30,942</b>    |
| Effect of exchange rate changes on cash and cash equivalents                     |      | 2,365               | 3,795               | 1,150               | 7,806               |
| Increase (decrease) in cash and cash equivalents                                 |      | 11,348              | (125,153)           | 29,578              | (44,781)            |
| Cash and cash equivalents, beginning of period                                   |      | 96,844              | 186,242             | 78,614              | 105,870             |
| <b>Cash and cash equivalents, end of period</b>                                  |      | <b>\$ 108,192</b>   | <b>\$ 61,089</b>    | <b>\$ 108,192</b>   | <b>\$ 61,089</b>    |
| <b>Attributable to</b>   |      |                     |                     |                     |                     |
| Cash and cash equivalents – continuing operations                                |      | \$ 108,192          | \$ 59,149           | \$ 108,192          | \$ 59,149           |
| Cash and cash equivalents – associated with discontinued operations              |      | —                   | 1,940               | —                   | 1,940               |
|  |      | \$ 108,192          | \$ 61,089           | \$ 108,192          | \$ 61,089           |
| <b>Supplemental information</b>  |      |                     |                     |                     |                     |
| Cash income taxes paid by continuing operations                                  |      | \$ 3,093            | \$ 451              | \$ 7,375            | \$ 1,559            |
| Cash interest paid by continuing operations                                      |      | \$ 4,273            | \$ 994              | \$ 7,016            | \$ 1,437            |

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 two segments: Automation Systems and Solar. The Automation Systems segment designs and builds custom-engineered turn-key automated manufacturing and test systems. The Solar segment is a turn-key solar project developer and manufacturer of photovoltaic products. The Company is in the process of divesting the Ontario-based Solar business. Ontario Solar is presented as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income. See note 5 to the interim condensed consolidated financial statements. As a result, ATS’ continuing operations are reported as one operating segment, Automation Systems. See note 18 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 nine months ended December 28, 2014 were authorized for issue by the Board of Directors on February 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 have been 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, 2014.

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, 2014, except as noted below:

#### (a) IFRIC 21 - Levies

Effective April 1, 2014, the Company applied IFRIC 21 for the first time. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The application of IFRIC 21 had no impact on the interim condensed consolidated financial statements of the Company.

#### *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

## ATS AUTOMATION TOOLING SYSTEMS INC.

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

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, JUDGMENTS 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.

In addition to the key assumptions concerning the future and other key sources of estimation uncertainty disclosed in the Company's fiscal 2014 audited consolidated financial statements, significant estimates and assumptions were used when determining the fair values of the assets and liabilities acquired in the business combination. 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 August 29, 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"), with effect as of September 1, 2014. PA is a global provider of engineering-based automation services and solutions focused on the control, performance monitoring and measurement of critical production processes. PA serves customers from 51 locations in 16 countries around the world. 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, pending post-closing adjustments, was \$364,626 (251,241 Euro). In addition, the Company incurred \$8,236 of transaction costs related to the acquisition which were recognized in selling, general and administrative expenses.

Cash used in investing activities is determined as follows:

|                    |    |          |
|--------------------|----|----------|
| Cash consideration | \$ | 364,626  |
| Less cash acquired |    | (11,829) |
|                    | \$ | 352,797  |

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. Final valuations of intangible assets are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.



## ATS AUTOMATION TOOLING SYSTEMS INC.

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

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

| Purchase price allocation                     |            |
|---|------------|
| Cash  | \$ 11,829  |
| Current assets                                | 65,980     |
| Property, plant and equipment                 | 3,233      |
| Intangible assets with a definite life        |            |
| Technology                                    | 290        |
| Customer relationships                        | 99,704     |
| Other   | 13,290     |
| Current liabilities                           | (51,854)   |
| Deferred income tax liability                 | (31,952)   |
| Other long-term liabilities                   | (1,833)    |
| Net identifiable assets                       | 108,687    |
| Residual purchase price allocated to goodwill | 255,939    |
|   | \$ 364,626 |

Non-cash working capital includes accounts receivable of \$21,810, representing gross contractual amounts receivable of \$21,943 less management's best estimate of the contractual cash flows not expected to be collected of \$133.

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 \$50,400 and \$22,500 of the amounts assigned to goodwill and intangible assets respectively are expected to be deductible for tax purposes.

During the three months ended December 28, 2014, changes to the purchase price allocation resulted in a decrease in working capital of \$4,296, an increase in other intangible assets of \$115, an increase in goodwill of \$4,145 and a decrease in other long-term liabilities of \$36.

The cash consideration of the purchase price along with transaction costs were primarily funded from the Company's amended \$750,000 credit facility. 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. PA has contributed approximately \$60,474 in revenue and \$470 in net income to the third quarter, and \$80,953 in revenue and \$280 in net income to fiscal 2015 results to date. If PA had been acquired at the beginning of ATS' fiscal year (April 1, 2014), the Company estimates that revenues from continuing operations and net income from continuing operations of the combined PA and ATS entity for the nine months ended December 28, 2014 would have been approximately \$746,000 and \$34,000 respectively.

### 5. DISCONTINUED OPERATIONS

The Board of Directors of ATS has approved a plan designed to implement the separation of Solar from ATS and the Company currently holds the related assets for sale. During the year ended March 31, 2014, the Company's 50% owned joint operation, Ontario Solar PV Fields ("OSPV"), sold four ground-mount solar projects. OSPV retained 25% ownership of the projects until the projects reached commercial operation in October 2014. Net proceeds to the Company were \$21,400, of which the Company received net proceeds of \$5,000 in the three months ended December 28, 2014 and \$2,500 subsequent to December 28, 2014. The Company had previously received net proceeds of \$13,900 during the years ended March 31, 2014 and March 31, 2013. During the three months ended September 28, 2014, the Company recognized a gain of \$7,000 on the sale of the projects.

**ATS AUTOMATION TOOLING SYSTEMS INC.**

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During the three months ended June 29, 2014, the Company sold the three remaining ground-mount solar projects. OSPV has retained 25% ownership of the projects until the projects reach commercial operation, which is expected to occur in early calendar 2015. Net proceeds to the Company are expected to be approximately \$14,600, of which the Company has received net proceeds of \$12,000 in the three months ended June 29, 2014. The remaining proceeds are expected to be received when the projects achieve commercial operation.

The financial results of Solar classified as discontinued operations in the interim condensed consolidated financial statements are as follows:

|   | Three months ended  |                     | Nine months ended   |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| Revenues  | \$ —                | \$ —                | \$ —                | \$ 1,079            |
| Gain on sale                                      | —                   | —                   | 14,225              | 13,815              |
| Operating costs and expenses                      | (22)                | (299)               | (263)               | (1,676)             |
| <b>Income (loss) from discontinued operations</b> | <b>(22)</b>         | <b>(299)</b>        | <b>13,962</b>       | <b>13,218</b>       |
| Net finance costs (recovery)                      | —                   | (6)                 | 1                   | (3)                 |
| <b>Income (loss) from discontinued operations</b> | <b>\$ (22)</b>      | <b>\$ (293)</b>     | <b>\$ 13,961</b>    | <b>\$ 13,221</b>    |
| <b>Income (loss) per share</b>                    |                     |                     |                     |                     |
| Basic and diluted – from discontinued operations  | \$ (0.00)           | \$ (0.00)           | \$ 0.15             | \$ 0.15             |

The major classes of assets and liabilities of Solar classified as associated with discontinued operations are as follows:

| As at  | December 28<br>2014 | March 31<br>2014 |
|--|---------------------|------------------|
| <b>Assets</b>  |                     |                  |
| Cash and cash equivalents                                  | \$ —                | \$ 2,148         |
| Accounts receivable  | —                   | 31               |
| Inventories  | —                   | 677              |
| Deposits and prepaid assets                                | —                   | 4,239            |
| Other assets <sup>(i)</sup>                                | 2,869               | 6,170            |
| <b>Assets associated with discontinued operations</b>      | <b>\$ 2,869</b>     | <b>\$ 13,265</b> |
| <b>Liabilities</b>   |                     |                  |
| Accounts payable and accrued liabilities                   | \$ —                | \$ 6,738         |
| Provisions   | —                   | 36               |
| <b>Liabilities associated with discontinued operations</b> | <b>\$ —</b>         | <b>\$ 6,774</b>  |
| <b>Net assets directly associated with disposal group</b>  | <b>\$ 2,869</b>     | <b>\$ 6,491</b>  |

(i) Other assets primarily consist of the remaining investment in the ground-mount solar projects.

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**6. CONSTRUCTION CONTRACTS AND INVENTORIES**

| As at   | December 28<br>2014 | March 31<br>2014 |
|---|---------------------|------------------|
| Contracts in progress:  |                     |                  |
| Costs incurred  | \$ 1,184,443        | \$ 870,970       |
| Estimated earnings  | 411,707             | 258,694          |
|   | <b>1,596,150</b>    | 1,129,664        |
| Progress billings   | <b>(1,517,459)</b>  | (1,042,796)      |
|   | <b>\$ 78,691</b>    | \$ 86,868        |
| Disclosed as:   |                     |                  |
| Costs and earnings in excess of billings on contracts in progress | \$ 172,280          | \$ 146,231       |
| Billings in excess of costs and earnings on contracts in progress | <b>(93,589)</b>     | (59,363)         |
|   | <b>\$ 78,691</b>    | \$ 86,868        |

| As at                                  | December 28<br>2014 | March 31<br>2014 |
|--|---------------------|------------------|
| Inventories are summarized as follows: |                     |                  |
| Raw materials                          | \$ 12,055           | \$ 12,832        |
| Work in progress                       | 29,814              | 10,358           |
| Finished goods                         | 996                 | 996              |
|  | <b>\$ 42,865</b>    | \$ 24,186        |

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 nine months ended December 28, 2014 was \$79 and \$510, respectively (three and nine months ended December 29, 2013 - \$91 and \$277, respectively). The amount of inventories carried at net realizable value as at December 28, 2014 was \$1,909 (March 31, 2014 - \$2,158).

**7. DEPOSITS, PREPAIDS AND OTHER ASSETS**

| As at                              | December 28<br>2014 | March 31<br>2014 |
|------------------------------------|---------------------|------------------|
| Prepaid assets                     | \$ 5,853            | \$ 5,071         |
| Restricted cash <sup>(i)</sup>     | 425                 | 813              |
| Supplier deposits                  | 4,711               | 2,941            |
| Forward foreign exchange contracts | 1,175               | 796              |
| Other assets                       | 63                  | 9                |
|                                    | <b>\$ 12,227</b>    | \$ 9,630         |

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

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**8. PROPERTY, PLANT AND EQUIPMENT**

|                                      |           | Buildings and<br>Land | Production<br>leaseholds | Production<br>equipment | Other<br>equipment | Total             |
|--------------------------------------|-----------|-----------------------|--------------------------|-------------------------|--------------------|-------------------|
| <b>Cost:</b>                         |           |                       |                          |                         |                    |                   |
| Balance, at March 31, 2014           | \$        | 21,851                | \$ 99,946                | \$ 15,427               | \$ 29,555          | \$ 166,779        |
| Additions                            |           | —                     | 2,015                    | 738                     | 4,362              | 7,115             |
| Acquisition of a subsidiary          |           | —                     | 944                      | 123                     | 2,166              | 3,233             |
| Disposals                            |           | (1,228)               | (19,366)                 | (528)                   | (1,943)            | (23,065)          |
| Exchange and other adjustments       |           | (376)                 | (877)                    | 370                     | 67                 | (816)             |
| <b>Balance, at December 28, 2014</b> | <b>\$</b> | <b>20,247</b>         | <b>\$ 82,662</b>         | <b>\$ 16,130</b>        | <b>\$ 34,207</b>   | <b>\$ 153,246</b> |

|                                      |           | Buildings and<br>Land | Production<br>leaseholds | Production<br>equipment | Other<br>equipment | Total              |
|--------------------------------------|-----------|-----------------------|--------------------------|-------------------------|--------------------|--------------------|
| <b>Depreciation:</b>                 |           |                       |                          |                         |                    |                    |
| Balance, at March 31, 2014           | \$        | —                     | \$ (50,645)              | \$ (12,497)             | \$ (18,225)        | \$ (81,367)        |
| Depreciation expense                 |           | —                     | (2,307)                  | (572)                   | (3,062)            | (5,941)            |
| Disposals                            |           | —                     | 12,282                   | 499                     | 1,825              | 14,606             |
| Exchange and other adjustments       |           | —                     | 643                      | (428)                   | (227)              | (12)               |
| <b>Balance, at December 28, 2014</b> | <b>\$</b> | <b>—</b>              | <b>\$ (40,027)</b>       | <b>\$ (12,998)</b>      | <b>\$ (19,689)</b> | <b>\$ (72,714)</b> |

**Net book value:**

|                             |           |               |                  |                 |                  |                  |
|-----------------------------|-----------|---------------|------------------|-----------------|------------------|------------------|
| <b>At December 28, 2014</b> | <b>\$</b> | <b>20,247</b> | <b>\$ 42,635</b> | <b>\$ 3,132</b> | <b>\$ 14,518</b> | <b>\$ 80,532</b> |
| At March 31, 2014           | \$        | 21,851        | \$ 49,301        | \$ 2,930        | \$ 11,330        | \$ 85,412        |

**9. GOODWILL**

|                                      |           |                |
|--------------------------------------|-----------|----------------|
| Balance, at March 31, 2014           | \$        | 151,731        |
| Acquisition of a subsidiary          |           | 255,939        |
| Foreign exchange                     |           | (6,372)        |
| <b>Balance, at December 28, 2014</b> | <b>\$</b> | <b>401,298</b> |

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**10. INTANGIBLE ASSETS**

|                                      | Development projects | Computer software, licenses and other Technology | Customer relationships | Brands             | Total            |                    |
|--------------------------------------|----------------------|--|------------------------|--------------------|------------------|--------------------|
| <b>Cost:</b>                         |                      |  |                        |                    |                  |                    |
| Balance, at March 31, 2014           | \$ 7,118             | \$ 25,447  | \$ 23,362              | \$ 78,701          | \$ 13,692        | \$ 148,320         |
| Additions                            | 2,491                | 2,054  | —                      | —                  | —                | 4,545              |
| Acquisition of a subsidiary          | 174                  | 13,116   | 290                    | 99,704             | —                | 113,284            |
| Disposals                            | —                    | (216)  | —                      | —                  | —                | (216)              |
| Exchange and other adjustments       | (217)                | (2,740)  | (1,424)                | (7,019)            | (958)            | (12,358)           |
| <b>Balance, at December 28, 2014</b> | <b>\$ 9,566</b>      | <b>\$ 37,661</b>                                 | <b>\$ 22,228</b>       | <b>\$ 171,386</b>  | <b>\$ 12,734</b> | <b>\$ 253,575</b>  |
| <b>Amortization:</b>                 |                      |  |                        |                    |                  |                    |
| Balance, at March 31, 2014           | \$ (3,398)           | \$ (13,522)                                      | \$ (5,469)             | \$ (14,633)        | \$ —             | \$ (37,022)        |
| Amortization                         | (428)                | (9,187)  | (1,978)                | (10,343)           | —                | (21,936)           |
| Disposals                            | —                    | 193  | —                      | —                  | —                | 193                |
| Exchange and other adjustments       | 12                   | 2,547  | 318                    | 881                | —                | 3,758              |
| <b>Balance, at December 28, 2014</b> | <b>\$ (3,814)</b>    | <b>\$ (19,969)</b>                               | <b>\$ (7,129)</b>      | <b>\$ (24,095)</b> | <b>\$ —</b>      | <b>\$ (55,007)</b> |
| <b>Net book value:</b>               |                      |  |                        |                    |                  |                    |
| <b>At December 28, 2014</b>          | <b>\$ 5,752</b>      | <b>\$ 17,692</b>                                 | <b>\$ 15,099</b>       | <b>\$ 147,291</b>  | <b>\$ 12,734</b> | <b>\$ 198,568</b>  |
| At March 31, 2014                    | \$ 3,720             | \$ 11,925  | \$ 17,893              | \$ 64,068          | \$ 13,692        | \$ 111,298         |

Included in development projects as at December 28, 2014 is \$2,172 of intangible assets which are in development and have not been depreciated (March 31, 2014 - \$1,719 in development projects and \$4,663 in computer software, licenses and other intangibles). Research and development costs that are not eligible for capitalization have been expensed and are recognized in cost of revenues.

**11. FINANCIAL INSTRUMENTS**

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

| As at  | December 28, 2014                 |                  |                                    |                    |                   |                      |
|--|-----------------------------------|------------------|------------------------------------|--------------------|-------------------|----------------------|
|  | Fair value through profit or loss | Cash flow hedges | Loans, borrowings, and receivables | Available-for-sale | Other liabilities | Total carrying value |
| Cash and cash equivalents  | \$ —                              | \$ —             | \$ 108,192                         | \$ —               | \$ —              | \$ 108,192           |
| Trade accounts receivable  | —                                 | —                | 164,477                            | —                  | —                 | 164,477              |
| Bank indebtedness  | —                                 | —                | (1,310)                            | —                  | —                 | (1,310)              |
| Trade accounts payable and accrued liabilities                   | —                                 | —                | —                                  | —                  | (150,438)         | (150,438)            |
| Long-term debt   | —                                 | —                | —                                  | —                  | (327,211)         | (327,211)            |
| Derivatives classified as held for trading – gain <sup>(i)</sup> | 299                               | —                | —                                  | —                  | —                 | 299                  |
| Derivatives designated as cash flow hedges – loss <sup>(i)</sup> | —                                 | (2,444)          | —                                  | —                  | —                 | (2,444)              |

(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 interim consolidated statements of financial position.

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| As at   | March 31, 2014                          |                     |  |                        |                      |                            |
|---|---|---------------------|--|------------------------|----------------------|----------------------------|
|   | Fair value<br>through<br>profit or loss | Cash flow<br>hedges | Loans,<br>borrowings<br>and<br>receivables | Available-<br>for-sale | Other<br>liabilities | Total<br>carrying<br>value |
| Cash and cash equivalents   | \$ —                                    | \$ —                | \$ 76,466                                  | \$ —                   | \$ —                 | \$ 76,466                  |
| Trade accounts receivable   | —                                       | —                   | 104,678                                    | —                      | —                    | 104,678                    |
| Bank indebtedness   | —                                       | —                   | (913)                                      | —                      | —                    | (913)                      |
| Trade accounts payable<br>and accrued liabilities                   | —                                       | —                   | —  | —                      | (121,306)            | (121,306)                  |
| Long-term debt  | —                                       | —                   | —  | —                      | (5,139)              | (5,139)                    |
| Derivatives classified as held<br>for trading – gain <sup>(i)</sup> | 535                                     | —                   | —  | —                      | —                    | 535                        |
| Derivatives designated as<br>cash flow hedges – loss <sup>(i)</sup> | —                                       | (862)               | —  | —                      | —                    | (862)                      |

(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 interim consolidated statements of financial position.

**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 nine months ended December 28, 2014, the fair value of derivative financial assets classified as held-for-trading and included in deposits, prepaids and other assets increased by \$263 (decreased by \$35 during the nine months ended December 29, 2013) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable and accrued liabilities decreased by \$499 during the nine months ended December 28, 2014 (decreased by \$502 during the nine months ended December 29, 2013).

**Cash flow hedges**

During the nine months ended December 28, 2014 and the nine months ended December 29, 2013, there was no unrealized gain or loss recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges. After-tax unrealized losses of \$1,850 are included in accumulated other comprehensive income at December 28, 2014 and are expected to be reclassified to net income over the next 12 months when the revenue and purchases are recorded (unrealized losses of \$824 at December 29, 2013).

**12. PROVISIONS**

|                                      | Warranty        | Restructuring | Other         | Total           |
|--------------------------------------|-----------------|---------------|---------------|-----------------|
| Balance, at March 31, 2014           | \$ 6,832        | \$ 1,735      | \$ 1,845      | \$ 10,412       |
| Provisions made                      | 3,353           | 308           | 4,523         | 8,184           |
| Acquisition of a subsidiary          | 297             | —             | —             | 297             |
| Provisions reversed                  | (719)           | —             | —             | (719)           |
| Provisions used                      | (1,934)         | (2,013)       | (5,553)       | (9,500)         |
| Exchange adjustments                 | (127)           | (18)          | 58            | (87)            |
| <b>Balance, at December 28, 2014</b> | <b>\$ 7,702</b> | <b>\$ 12</b>  | <b>\$ 873</b> | <b>\$ 8,587</b> |

**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.

### 13. BANK INDEBTEDNESS AND LONG-TERM DEBT

During the nine months ended December 28, 2014, the Company amended its senior secured credit facility (the "Credit Facility"). The Credit Facility provides a four-year committed revolving credit facility of \$750,000 and expires on August 29, 2018. The Credit Facility is secured by the assets, excluding real estate, of certain of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities. At December 28, 2014, the Company had utilized \$415,128 under the Credit Facility, of which \$325,000 was classified as long-term debt (March 31, 2014 - \$nil) and \$90,128 by way of letters of credit (March 31, 2014 - \$72,633).

The Credit Facility is available in Canadian dollars by way of prime rate advances, letters of credit for certain purposes and/or bankers' acceptances and in U.S. dollars by way of base rate advances and/or LIBOR advances. The interest rates applicable to the Credit Facility are determined based on a debt to EBITDA ratio. 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 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 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 agreement, 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.

The Company has additional credit facilities available of \$10,526 (1,745 Euro, 170,000 Indian Rupees, 500 Swiss Francs, 30,000 Thai Baht, 540 Czech Koruna and 17,500 Chinese Yuan). The total amount outstanding on these facilities was \$9,255, of which \$1,310 was classified as bank indebtedness (March 31, 2014 - \$913) and \$7,945 was classified as long-term debt (March 31, 2014 - \$5,774). The interest rates applicable to the credit facilities range from 1.70% to 10.25% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 500 Swiss Francs and 170,000 Indian Rupees credit facilities are secured by letters of credit under the Credit Facility.

#### (i) Bank indebtedness

|                  | December 28<br>2014 | March 31<br>2014 |
|------------------|---------------------|------------------|
| As at            |                     |                  |
| Other facilities | \$ 1,310            | \$ 913           |

#### (ii) Long-term debt

|                                | December 28<br>2014 | March 31<br>2014 |
|--------------------------------|---------------------|------------------|
| As at                          |                     |                  |
| Senior secured credit facility | \$ 325,000          | \$ —             |
| Other facilities               | 7,945               | 5,774            |
| Issuance costs                 | (5,734)             | (635)            |
|                                | 327,211             | 5,139            |
| Less: current portion          | 6,334               | 3,815            |
|                                | \$ 320,877          | \$ 1,324         |

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Scheduled principal repayments and interest payments on long-term debt from continuing operations as at December 28, 2014 are as follows:

|                    | Principal         | Interest      |
|--------------------|-------------------|---------------|
| Less than one year | \$ 6,334          | \$ 89         |
| One - two years    | 290               | 86            |
| Two - three years  | 276               | 70            |
| Three - four years | 319,555           | 78            |
| Four - five years  | 305               | 55            |
| Thereafter         | 451               | 55            |
|                    | <b>\$ 327,211</b> | <b>\$ 433</b> |

**14. 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<br>common shares | Share<br>capital  |
|--------------------------------------|----------------------------|-------------------|
| Balance, at March 31, 2014           | 90,793,547                 | \$ 510,725        |
| Exercise of stock options            | 812,518                    | 8,193             |
| <b>Balance, at December 28, 2014</b> | <b>91,606,065</b>          | <b>\$ 518,918</b> |



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**15. 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  |                     | Nine months ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| Income from continuing operations before income taxes and non-controlling interests        | \$ 11,438           | \$ 15,794           | \$ 36,758           | \$ 41,754           |
| 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 | \$ 3,031            | \$ 4,185            | \$ 9,741            | \$ 11,065           |
| Increase (decrease) in income taxes resulting from:  |                     |                     |                     |                     |
| Adjustments in respect to current income tax of previous periods                           | 1,040               | (401)               | 829                 | (821)               |
| Non-taxable income (loss) net of non-deductible expenses                                   | (924)               | 1,602               | 324                 | 1,338               |
| Recognition/use of previously unrecognized assets  | —                   | (8,767)             | —                   | (8,767)             |
| Income taxed at different rates and statutory rate changes                                 | (71)                | 410                 | 1,515               | 1,408               |
| Manufacturing and processing allowance   | (146)               | (60)                | (279)               | (195)               |
| Other items  | (66)                | 44                  | (340)               | 29                  |
| <b>Income tax expense (recovery)</b>   | <b>\$ 2,864</b>     | <b>\$ (2,987)</b>   | <b>\$ 11,790</b>    | <b>\$ 4,057</b>     |
| Income tax expense (recovery) reported in the interim consolidated statements of income:   |                     |                     |                     |                     |
| Current  | \$ 1,084            | \$ 4,508            | \$ 12,098           | \$ 7,251            |
| Deferred   | 1,780               | (7,495)             | (308)               | (3,194)             |
|  | <b>\$ 2,864</b>     | <b>\$ (2,987)</b>   | <b>\$ 11,790</b>    | <b>\$ 4,057</b>     |
| Deferred income tax related to items charged or credited directly to equity:               |                     |                     |                     |                     |
| Net gain on revaluation of cash flow hedges  | \$ (262)            | \$ (169)            | \$ (396)            | \$ (139)            |
| Other items recognized through equity  | 270                 | 55                  | (1,242)             | —                   |
| Income tax charged directly to equity  | \$ 8                | \$ (114)            | \$ (1,638)          | \$ (139)            |

**16. 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 options and binomial option pricing models for performance-based stock options.

During the three and nine months ended December 28, 2014, the Company granted 434,700 time vesting stock options (150,000 and 596,000 in the three and nine months ended December 29, 2013). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue. During the nine month periods ended December 28, 2014 and December 29, 2013, no performance-based stock options were granted. Performance-based stock options vest based on the Company's stock trading at or above certain thresholds for a specified number of minimum trading days. The performance-based stock options expire on the seventh anniversary after the date that the options vest. During the nine month period ended December 28, 2014, no performance-based stock options vested (1,773,464 in the nine months ended December 29, 2013).

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| For the nine months ended  | <b>December 28<br/>2014</b>            |  | December 29<br>2013           |  |
|--|--|--|-------------------------------|--|
|  | <b>Number of<br/>stock<br/>options</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> | Number of<br>stock<br>options | Weighted<br>average<br>exercise<br>price |
| Stock options outstanding, beginning of period                         | 4,421,876                              | \$ 8.81  | 7,011,842                     | \$ 7.39                                  |
| Granted  | 434,700                                | 14.37  | 596,000                       | 11.50                                    |
| Exercised <sup>(i)</sup>   | (812,518)                              | 7.10   | (2,253,359)                   | 5.87                                     |
| Forfeited/cancelled  | (44,675)                               | 9.40   | (210,688)                     | 8.40                                     |
| Stock options outstanding, end of period                               | <b>3,999,383</b>                       | <b>\$ 9.76</b>                                     | 5,143,795                     | \$ 8.49                                  |
| Stock options exercisable, end of period,<br>time vested options       | <b>932,500</b>                         | <b>\$ 7.67</b>                                     | 1,202,212                     | \$ 6.83                                  |
| Stock options exercisable, end of period,<br>performance-based options | <b>1,698,933</b>                       | <b>\$ 9.87</b>                                     | 2,370,083                     | \$ 8.89                                  |

(i) For the nine months ended December 28, 2014, the weighted average share price at the date of exercise was \$14.63 (December 29, 2013 - \$13.12).

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 nine months ended                  | <b>December 28<br/>2014</b> | December 29<br>2013 |
|--|-----------------------------|---------------------|
| Weighted average risk-free interest rate   | <b>1.53%</b>                | 1.51%               |
| Dividend yield                             | <b>0%</b>                   | 0%                  |
| Weighted average expected volatility       | <b>31%</b>                  | 42%                 |
| Weighted average expected life             | <b>4.75 years</b>           | 4.75 years          |
| Number of stock options granted:           |                             |                     |
| Time vested                                | <b>434,700</b>              | 596,000             |
| Weighted average exercise price per option | <b>\$ 14.37</b>             | \$ 11.50            |
| Weighted average value per option:         |                             |                     |
| Time vested                                | <b>\$ 4.03</b>              | \$ 4.33             |

**Share Appreciation Rights**

During the nine months ended December 28, 2014, the Company did not grant any share appreciation rights ("SARs") (500,000 in the nine months ended December 29, 2013). The SARs gave the employee the right to receive a cash payment equal to the excess of the market value of a common share of the Company at the time of exercise over the exercise price of the rights. The SARs granted during the nine months ended December 29, 2013 vested over 18 months. The SARs vest upon successful achievement of certain non-market performance criteria and expire 21 months from the date of issue. The Company's vested SARs are measured at each reporting date at their fair value.

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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|  | <b>December 28<br/>2014</b> | December 29<br>2013 |
|--|-----------------------------|---------------------|
| Weighted average risk-free interest rate | <b>1.32%</b>                | 1.16%               |
| Dividend yield                           | <b>0%</b>                   | 0%                  |
| Weighted average expected volatility     | <b>29%</b>                  | 27%                 |
| Weighted average expected life           | <b>3.48 years</b>           | 1.64 years          |
| Weighted average exercise price per SAR  | <b>\$ 8.87</b>              | \$ 9.91             |
| Weighted average value per SAR           | <b>\$ 7.03</b>              | \$ 4.32             |

The Company has recorded a liability of \$383 as at December 28, 2014 (March 31, 2014 - \$1,763) based on the SARs' fair value which includes both time-based and performance-based SARs. The market value of a common share of the Company as at December 28, 2014 was \$15.05. During the three and nine months ended December 28, 2014, 500,000 and 539,375 SARs vested respectively (nil and 43,125 in the three and nine months ended December 29, 2013).

**Restricted Share Unit Plan**

The Company granted 82,140 time vesting restricted share units ("RSUs") during the three and nine months ended December 28, 2014 (nil and 138,448 in the three and nine months ended December 29, 2013). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. The Company granted 85,677 performance-based RSUs during the three and nine months ended December 28, 2014 (nil and 86,000 in the three and nine months ended December 29, 2013). 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 1.41 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 December 28, 2014, the value of the outstanding liability related to the RSU plan was \$1,870 (March 31, 2014 - \$1,148).

**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 December 28, 2014, the value of the outstanding liability related to the DSU Plan was \$5,009 (March 31, 2014 - \$5,425).

**17. COMMITMENTS AND CONTINGENCIES**

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

From continuing operations:

|                        | <b>Operating<br/>leases</b> | <b>Purchase<br/>obligations</b> |
|------------------------|-----------------------------|---------------------------------|
| Less than one year     | \$ 6,945                    | \$ 62,485                       |
| One – two years        | 6,486                       | 362                             |
| Two – three years      | 4,173                       | —                               |
| Three – four years     | 2,549                       | —                               |
| Four – five years      | 1,802                       | —                               |
| Due in over five years | 2,894                       | —                               |
|                        | <b>\$ 24,849</b>            | <b>\$ 62,847</b>                |

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.

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

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. At December 28, 2014, the total value of outstanding bank guarantees was approximately \$142,642 with approximately \$128,469 under credit facilities from continuing operations (March 31, 2014 - \$95,250) and was \$nil (March 31, 2014 - \$2,125) from discontinued operations.

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 interim consolidated financial position.

**18. SEGMENTED DISCLOSURE**

Solar is currently classified as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income. As a result, the Company's continuing operations are reported as one operating segment, Automation Systems.

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                  | December 28, 2014                |                      |
|------------------------|----------------------------------|----------------------|
|                        | Property, plant<br>and equipment | Intangible<br>assets |
| Canada                 | \$ 23,954                        | \$ 9,923             |
| United States          | 23,538                           | 5,566                |
| Germany                | 22,861                           | 182,501              |
| China                  | 1,151                            | 51                   |
| Other Europe           | 6,486                            | 206                  |
| Asia-Pacific and other | 2,542                            | 321                  |
| Total Company          | \$ 80,532                        | \$ 198,568           |

| As at                  | March 31, 2014                   |                      |
|------------------------|----------------------------------|----------------------|
|                        | Property, plant<br>and equipment | Intangible<br>assets |
| Canada                 | \$ 31,016                        | \$ 9,774             |
| United States          | 21,483                           | 6,140                |
| Germany                | 22,863                           | 94,899               |
| China                  | 913                              | 33                   |
| Other Europe           | 6,380                            | 119                  |
| Asia-Pacific and other | 2,757                            | 333                  |
| Total Company          | \$ 85,412                        | \$ 111,298           |

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|   | <b>December 28</b> | December 29       |
|---|--------------------|-------------------|
|   | <b>2014</b>        | 2013              |
| Revenues from external customers for the three months ended |                    |                   |
| Canada  | \$ 14,571          | \$ 8,899          |
| United States and Mexico                                    | 98,537             | 68,643            |
| Germany   | 54,251             | 31,431            |
| China   | 25,654             | 14,460            |
| Other Europe  | 41,766             | 20,251            |
| Asia-Pacific and other                                      | 13,978             | 34,342            |
| <b>Total Company</b>  | <b>\$ 248,757</b>  | <b>\$ 178,026</b> |

|  | <b>December 28</b> | December 29       |
|--|--------------------|-------------------|
|  | <b>2014</b>        | 2013              |
| Revenues from external customers for the nine months ended |                    |                   |
| Canada   | \$ 39,162          | \$ 18,927         |
| United States and Mexico                                   | 259,428            | 202,181           |
| Germany  | 119,079            | 70,533            |
| China  | 63,680             | 43,933            |
| Other Europe   | 114,299            | 66,589            |
| Asia – Pacific and other                                   | 51,018             | 80,459            |
| <b>Total Company</b>                                       | <b>\$ 646,666</b>  | <b>\$ 482,622</b> |

**19. INTEREST IN JOINT OPERATIONS**

During the year ended March 31, 2010, Ontario Solar entered into an agreement to establish Ontario Solar PV Fields Inc., a joint operation. Ontario Solar PV Fields Inc. is a joint arrangement with both parties involved having joint control with rights to the assets and obligations for the liabilities relating to the arrangement and, accordingly, the Company recognizes its 50% share of assets, liabilities, revenues and expenses in the interim condensed consolidated financial statements. Ontario Solar PV Fields Inc. is currently presented as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income.

The following is a summary of the Company's share of the joint operation:

|                     | <b>December 28</b> | March 31      |
|---------------------|--------------------|---------------|
|                     | <b>2014</b>        | 2014          |
| As at               |                    |               |
| Current assets      | \$ 2,872           | \$ 7,394      |
| Current liabilities | —                  | (6,479)       |
| <b>Net assets</b>   | <b>\$ 2,872</b>    | <b>\$ 915</b> |

|  | <b>Three months ended</b> |             | <b>Nine months ended</b> |             |
|--|---------------------------|-------------|--------------------------|-------------|
|  | <b>December 28</b>        | December 29 | <b>December 28</b>       | December 29 |
|  | <b>2014</b>               | 2013        | <b>2014</b>              | 2013        |
| <b>Interim consolidated statements of income</b> |                           |             |                          |             |
| Net income (loss)                                | \$ (28)                   | \$ (55)     | \$ 14,197                | \$ 9,886    |

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**20. NET FINANCE COSTS**

|                  | Three months ended  |                     | Nine months ended   |                     |
|------------------|---------------------|---------------------|---------------------|---------------------|
|                  | December 28<br>2014 | December 29<br>2013 | December 28<br>2014 | December 29<br>2013 |
| Interest expense | \$ 4,492            | \$ 1,001            | \$ 7,697            | \$ 2,252            |
| Interest income  | (43)                | (73)                | (91)                | (209)               |
|                  | \$ 4,449            | \$ 928              | \$ 7,606            | \$ 2,043            |

**21. EARNINGS PER SHARE**

|  | December 28<br>2014 | December 29<br>2013 |
|--|---------------------|---------------------|
| For the three months ended                                   |                     |                     |
| Weighted average number of common shares outstanding         | 91,166,621          | 89,244,509          |
| Dilutive effect of stock option conversion                   | 1,078,330           | 1,742,166           |
| Diluted weighted average number of common shares outstanding | 92,244,951          | 90,986,675          |
| For the nine months ended                                    |                     |                     |
| Weighted average number of common shares outstanding         | 91,009,436          | 88,422,258          |
| Dilutive effect of stock option conversion                   | 1,144,649           | 1,350,068           |
| Diluted weighted average number of common shares outstanding | 92,154,085          | 89,772,326          |

For the three and nine months ended December 28, 2014, stock options to purchase 584,700 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (596,000 and 862,666 common shares were excluded for the three and nine months ended December 29, 2013).

**22. SUBSEQUENT EVENTS**

Included in the PA acquisition was the acquisition of a majority interest in a PA subsidiary, M+W Advanced Applications GmbH. On January 15, 2015, the Company increased its ownership from 74% to 100% of the subsidiary. The total cash consideration to be paid in respect of this increased ownership is expected to be \$4,532 (3,199 Euro), which includes expected future payments of \$1,359 (959 Euro) which are payable subject to the achievement of certain operating performance targets over the next two years.