



A U T O M A T I O N

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Condensed Consolidated Financial Statements

For the period ended July 2, 2017

(Unaudited)

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

As at	Note	July 2 2017	March 31 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 279,358	\$ 286,697
Accounts receivable		189,900	166,069
Costs and earnings in excess of billings on contracts in progress	4	132,991	144,708
Inventories	4	52,607	47,981
Deposits, prepaids and other assets	5	23,842	16,119
		678,698	661,574
Non-current assets			
Property, plant and equipment		70,750	69,233
Other assets	6	4,221	13,291
Goodwill		435,179	423,250
Intangible assets		155,350	156,069
Deferred income tax assets		1,457	2,138
Investment tax credit receivable		50,367	49,015
		717,324	712,996
Total assets		\$ 1,396,022	\$ 1,374,570
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	9	\$ 985	\$ 1,411
Accounts payable and accrued liabilities		172,001	183,839
Provisions	8	15,010	14,124
Billings in excess of costs and earnings on contracts in progress	4	105,894	96,490
Current portion of long-term debt	9	1,110	1,321
		295,000	297,185
Non-current liabilities			
Employee benefits		27,310	26,668
Long-term debt	9	318,225	325,947
Deferred income tax liabilities		40,642	38,761
Other long-term liabilities	10	5,639	—
		391,816	391,376
Total liabilities		\$ 686,816	\$ 688,561
Commitments and contingencies	9, 14		
EQUITY			
Share capital	11	\$ 543,604	\$ 543,317
Contributed surplus		13,169	12,871
Accumulated other comprehensive income		66,076	54,974
Retained earnings		86,093	74,599
Equity attributable to shareholders		708,942	685,761
Non-controlling interests		264	248
Total equity		709,206	686,009
Total liabilities and equity		\$ 1,396,022	\$ 1,374,570

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)

For the three months ended	Note	July 2 2017	July 3 2016
Revenues			
Revenues from construction contracts		\$ 143,823	\$ 164,940
Sale of goods		18,867	18,584
Services rendered		101,272	81,828
Total revenues		263,962	265,352
Operating costs and expenses			
Cost of revenues		197,133	200,557
Selling, general and administrative		44,325	41,328
Stock-based compensation	13	1,229	869
Earnings from operations		21,275	22,598
Net finance costs	16	6,195	6,640
Income before income taxes		15,080	15,958
Income tax expense	12	3,570	3,857
Net income		\$ 11,510	\$ 12,101
Attributable to			
Shareholders		\$ 11,494	\$ 12,094
Non-controlling interests		16	7
		\$ 11,510	\$ 12,101
Earnings per share attributable to shareholders			
Basic and diluted	17	\$ 0.12	\$ 0.13

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)

For the three months ended	July 2 2017	July 3 2016
Net income	\$ 11,510	\$ 12,101
Other comprehensive income (loss):		
Items to be reclassified subsequently to net income:		
Currency translation adjustment (net of income taxes of \$nil)	10,333	(6,555)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	2,684	(613)
Tax impact	(712)	183
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	421	(310)
Tax impact	(104)	78
Cash flow hedge reserve adjustment	(2,027)	(368)
Tax impact	507	92
Other comprehensive income (loss)	11,102	(7,493)
Comprehensive income	\$ 22,612	\$ 4,608
Attributable to		
Shareholders	\$ 22,596	\$ 4,601
Non-controlling interests	16	7
	\$ 22,612	\$ 4,608

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)

Three months ended July 2, 2017

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at March 31, 2017	\$ 543,317	\$ 12,871	\$ 74,599	\$ 55,504	\$ (530)	\$ 54,974	\$ 248	\$ 686,009
Net income	—	—	11,494	—	—	—	16	11,510
Other comprehensive income	—	—	—	10,333	769	11,102	—	11,102
Total comprehensive income	—	—	11,494	10,333	769	11,102	16	22,612
Stock-based compensation	—	377	—	—	—	—	—	377
Exercise of stock options	287	(79)	—	—	—	—	—	208
Balance, as at July 2, 2017	\$ 543,604	\$ 13,169	\$ 86,093	\$ 65,837	\$ 239	\$ 66,076	\$ 264	\$ 709,206

Three months ended July 3, 2016

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at March 31, 2016	\$ 528,184	\$ 13,201	\$ 40,634	\$ 66,482	\$ 1,837	\$ 68,319	\$ 215	\$ 650,553
Net income	—	—	12,094	—	—	—	7	12,101
Other comprehensive loss	—	—	—	(6,555)	(938)	(7,493)	—	(7,493)
Total comprehensive income (loss)	—	—	12,094	(6,555)	(938)	(7,493)	7	4,608
Stock-based compensation	—	601	—	—	—	—	—	601
Exercise of stock options	760	(234)	—	—	—	—	—	526
Balance, as at July 3, 2016	\$ 528,944	\$ 13,568	\$ 52,728	\$ 59,927	\$ 899	\$ 60,826	\$ 222	\$ 656,288

See accompanying notes to the interim condensed consolidated financial statements.

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

Three months ended	Note	July 2 2017	July 3 2016
Operating activities			
Income from operations		\$ 11,510	\$ 12,101
Items not involving cash			
Depreciation of property, plant and equipment		2,486	2,299
Amortization of intangible assets		6,390	6,612
Deferred income taxes	12	862	1,457
Other items not involving cash		39	(2,416)
Stock-based compensation	13	1,229	869
Loss on disposal of property, plant and equipment		24	4
		22,540	20,926
Change in non-cash operating working capital		(25,899)	36,598
Cash flows provided by (used in) operating activities		\$ (3,359)	\$ 57,524
Investing activities			
Acquisition of property, plant and equipment		\$ (3,308)	\$ (1,846)
Acquisition of intangible assets		(855)	(1,437)
Proceeds from disposal of property, plant and equipment		15	31
Cash flows used in investing activities		\$ (4,148)	\$ (3,252)
Financing activities			
Bank indebtedness		\$ (420)	\$ (755)
Repayment of long-term debt		(348)	(144)
Proceeds from long-term debt		6	66
Proceeds from exercise of stock options		208	526
Cash flows used in financing activities		\$ (554)	\$ (307)
Effect of exchange rate changes on cash and cash equivalents		722	(1,467)
Increase (decrease) in cash and cash equivalents		(7,339)	52,498
Cash and cash equivalents, beginning of period		286,697	170,034
Cash and cash equivalents, end of period		\$ 279,358	\$ 222,532
Supplemental information			
Cash income taxes paid		\$ 3,457	\$ 4,405
Cash interest paid		\$ 9,907	\$ 11,236

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”) design and build custom-engineered turn-key automated manufacturing and test systems and provide pre-automation and post-automation services to their customers.

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 months ended July 2, 2017 were authorized for issue by the Board of Directors on August 15, 2017.

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 thousand, 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, 2017. The accounting policies adopted in 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, 2017.

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.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, have not changed from those disclosed in the Company's fiscal 2017 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. CONSTRUCTION CONTRACTS AND INVENTORIES

As at	July 2 2017	March 31 2017
Contracts in progress:		
Costs incurred	\$ 1,227,180	\$ 1,273,795
Estimated earnings	416,828	440,017
	1,644,008	1,713,812
Progress billings	(1,616,911)	(1,665,594)
	\$ 27,097	\$ 48,218
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	\$ 132,991	\$ 144,708
Billings in excess of costs and earnings on contracts in progress	(105,894)	(96,490)
	\$ 27,097	\$ 48,218

As at	July 2 2017	March 31 2017
Inventories are summarized as follows:		
Raw materials	\$ 12,013	\$ 11,597
Work in progress	38,719	34,616
Finished goods	1,875	1,768
	\$ 52,607	\$ 47,981

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three months ended July 2, 2017 was \$61 (July 3, 2016 - \$nil). The amount of inventories carried at net realizable value as at July 2, 2017 was \$1,430 (March 31, 2017 - \$1,298).

5. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	July 2 2017	March 31 2017
Prepaid assets	\$ 9,953	\$ 8,864
Restricted cash ⁽ⁱ⁾	444	426
Supplier deposits	7,710	5,768
Forward foreign exchange contracts	5,701	1,051
Other assets	34	10
	\$ 23,842	\$ 16,119

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

6. OTHER ASSETS

As at	July 2 2017	March 31 2017
Investment property	\$ 4,221	\$ 4,043
Cross-currency interest rate swap instrument	—	9,248
	\$ 4,221	\$ 13,291

ATS AUTOMATION TOOLING SYSTEMS INC.

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the three months ended July 2, 2017 and the year ended March 31, 2017, there were no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

During the three months ended July 2, 2017 and the year ended March 31, 2017, there were no transfers of financial instruments between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

As part of the Company's risk management strategy, forward contract derivative financial instruments are used to manage foreign currency exposure related to the translation of foreign currency net assets to the subsidiary's functional currency. As these instruments have not been designated as hedges, the change in fair value is recorded in selling, general and administrative expenses in the interim consolidated statements of income.

During the three months ended July 2, 2017, the Company recorded risk management losses of \$2,594 (gains of \$3,526 for the three months ended July 3, 2016) on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts were unrealized gains of \$1,577 (gains of \$1,398 during the three months ended July 3, 2016) representing the change in fair value. In addition, during the three months ended July 2, 2017, the Company realized losses in foreign exchange of \$4,171 (gains of \$2,128 during the three months ended July 3, 2016), which were settled.

8. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2017	\$ 8,175	\$ 978	\$ 4,971	\$ 14,124
Provisions made	1,286	—	2,348	3,634
Provisions reversed	(517)	—	—	(517)
Provisions used	(562)	(508)	(1,236)	(2,306)
Exchange adjustments	86	—	(11)	75
Balance, at July 2, 2017	\$ 8,468	\$ 470	\$ 6,072	\$ 15,010

Warranty provisions

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

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.

9. BANK INDEBTEDNESS AND LONG-TERM DEBT

On June 17, 2015, the Company completed a private placement of U.S. \$250,000 aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$7,200 were deferred and are being 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

ATS AUTOMATION TOOLING SYSTEMS INC.

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

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 Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility.

On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap U.S. \$150,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S.-dollar-denominated Senior Notes. The Company will receive interest of 6.50% U.S. per annum and pay interest of 6.501% Canadian. On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap 134,084 Euros into Canadian dollars to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company will receive interest of 6.501% Canadian per annum and pay interest of 5.094% Euros. The terms of the hedging relationships will end on June 15, 2023.

The Company's senior secured credit facility (the "Credit Facility") provides a 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 July 2, 2017, the Company had utilized \$116,731 under the Credit Facility, by way of letters of credit (March 31, 2017 - \$115,034). Subsequent to the three months ended July 2, 2017, the Company amended its Credit Facility to extend the agreement by three years to mature on August 29, 2021.

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 July 2, 2017, all of the covenants were met.

The Company has additional credit facilities available of \$8,134 (3,145 Euros, 75,000 Indian Rupees, 50,000 Thai Baht and 1,023 Czech Koruna). The total amount outstanding on these facilities was \$3,341, of which \$985 was classified as bank indebtedness (March 31, 2017 - \$1,411) and \$2,356 was classified as long-term debt (March 31, 2017 - \$2,619). The interest rates applicable to the credit facilities range from 1.66% to 9.18% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 75,000 Indian Rupees and the 50,000 Thai Baht credit facilities are secured by letters of credit under the Credit Facility.

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

(i) Bank indebtedness

As at	July 2 2017	March 31 2017
Other facilities	\$ 985	\$ 1,411

(ii) Long-term debt

As at	July 2 2017	March 31 2017
Senior Notes	\$ 324,200	\$ 332,500
Other facilities	2,356	2,619
Issuance costs	(7,221)	(7,851)
	319,335	327,268
Less: current portion	1,110	1,321
	\$ 318,225	\$ 325,947

Scheduled principal repayments and interest payments on long-term debt as at July 2, 2017 are as follows:

	Principal	Interest
Less than one year	\$ 1,110	\$ 21,150
One – two years	452	21,142
Two – three years	419	21,118
Three – four years	200	21,097
Four – five years	114	21,084
Thereafter	324,261	21,076
	\$ 326,556	\$ 126,667

10. OTHER LONG-TERM LIABILITIES

As at	July 2 2017	March 31 2017
Cross-currency interest rate swap instrument	\$ 5,639	\$ —

11. 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, 2017	93,602,026	\$ 543,317
Exercise of stock options	23,250	287
Balance, at July 2, 2017	93,625,276	\$ 543,604

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

12. 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:

For the three months ended	July 2 2017	July 3 2016
Income before income taxes and non-controlling interest	\$ 15,080	\$ 15,958
Combined Canadian basic federal and provincial income tax rate	26.50%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	\$ 3,996	\$ 4,229
Increase (decrease) in income taxes resulting from:		
Adjustments in respect to current income tax of previous periods	97	440
Non-taxable income net of non-deductible expenses	(765)	(749)
Losses for which a tax benefit has not been recognized	378	54
Income taxed at different rates and statutory rate changes	36	(10)
Manufacturing and processing allowance and all other items	(172)	(107)
At the effective income tax rate of 24% (July 3, 2016 – 24%)	\$ 3,570	\$ 3,857
Income tax expense reported in the consolidated statements of income:		
Current tax expense	\$ 2,708	\$ 2,400
Deferred tax expense	862	1,457
	\$ 3,570	\$ 3,857
Deferred tax related to items charged or credited directly to equity:		
Net gain (loss) on revaluation of cash flow hedges	\$ (309)	\$ 353
Other items recognized through equity	(1,474)	1,092
Income tax charged directly to equity	\$ (1,783)	\$ 1,445

13. 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 months ended July 2, 2017, the Company granted 300,625 time vesting stock options (294,000 in the three months ended July 3, 2016). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

For the three months ended	July 2 2017		July 3 2016	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	2,274,724	\$ 12.60	3,433,866	\$ 11.68
Granted	300,625	12.77	294,000	10.46
Exercised ⁽ⁱ⁾	(23,250)	8.95	(64,750)	8.12
Forfeited	(200,725)	15.15	(13,500)	11.00
Stock options outstanding, end of period	2,351,374	\$ 12.44	3,649,616	\$ 11.65
Stock options exercisable, end of period, time vested options	993,125	\$ 12.15	1,045,613	\$ 10.91
Stock options exercisable, end of period, performance-based options	391,499	\$ 11.44	1,292,666	\$ 10.26

(i) For the three months ended July 2, 2017, the weighted average share price at the date of exercise was \$12.61 (July 3, 2016 – \$10.80).

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

ATS AUTOMATION TOOLING SYSTEMS INC.

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

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 three months ended	July 2 2017	July 3 2016
Weighted average risk-free interest rate	0.92%	0.90%
Dividend yield	0%	0%
Weighted average expected volatility	29%	30%
Weighted average expected life	4.75 years	4.75 years
Number of stock options granted:		
Time vested	300,625	294,000
Weighted average exercise price per option	\$ 12.77	\$ 10.46
Weighted average value per option:		
Time vested	\$ 3.37	\$ 2.88

Share Appreciation Rights

During the three months ended July 2, 2017 and July 3, 2016, the Company did not grant any share appreciation rights ("SARs"). The Company has recorded a liability of \$41 as at July 2, 2017 (March 31, 2017 - \$44) based on the fair value of the vested SARs. The market value of a common share of the Company as at July 2, 2017 was \$13.29 (March 31, 2017 - \$13.57). During the three months ended July 2, 2017 and July 3, 2016, no SARs vested.

Restricted Share Unit Plan

During the three months ended July 2, 2017, the Company granted 205,398 time vesting restricted share units ("RSUs") (156,679 in the three months ended July 3, 2016). 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 three months ended July 2, 2017, the Company granted 211,712 performance-based RSUs (128,785 in the three months ended July 3, 2016). 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 1.8 years. The RSU liability is recognized quarterly based on the expired portion of the vesting period and the change in the Company's stock price. At July 2, 2017, the value of the outstanding liability related to the RSU plan was \$3,442 (March 31, 2017 - \$2,722).

Deferred Stock Unit Plan: The DSU liability is revalued at each reporting date based on the change in the Company's stock price. The change in the value of the DSU liability is included in the interim consolidated statements of income in the period of the change. As at July 2, 2017, the value of the outstanding liability related to the DSUs was \$6,432 (March 31, 2017 - \$6,303).

14. 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	\$ 9,956	\$ 88,974
One – two years	7,964	6,348
Two – three years	6,906	591
Three – four years	5,944	3
Four – five years	4,292	—
Due in over five years	944	—
	\$ 36,006	\$ 95,916

ATS AUTOMATION TOOLING SYSTEMS INC.

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

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 commitments for materials purchases.

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 letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. As at July 2, 2017, the total value of outstanding letters of credit was approximately \$137,447 (March 31, 2017 - \$136,021).

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.

15. 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	July 2, 2017	
	Property, plant and equipment	Intangible assets
Canada	\$ 23,705	\$ 9,766
United States	15,781	21,691
Germany	26,757	123,134
China	899	51
Malaysia	1,793	92
Other Europe	1,305	502
Asia-Pacific and other	510	114
Total Company	\$ 70,750	\$ 155,350

As at	March 31, 2017	
	Property, plant and equipment	Intangible assets
Canada	\$ 22,866	\$ 10,454
United States	16,287	22,942
Germany	25,671	121,918
China	944	45
Malaysia	1,773	101
Other Europe	1,160	471
Asia-Pacific and other	532	138
Total Company	\$ 69,233	\$ 156,069

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

	July 2 2017	July 3 2016
Revenues from external customers for the three months ended		
Canada	\$ 12,784	\$ 10,510
United States and Mexico	112,534	73,230
Germany	43,528	44,586
China	25,540	13,510
Malaysia	6,465	61,791
Other Europe	50,143	51,085
Asia-Pacific and other	12,968	10,640
Total Company	\$ 263,962	\$ 265,352

16. NET FINANCE COSTS

	July 2 2017	July 3 2016
For the three months ended		
Interest expense	\$ 6,489	\$ 6,733
Interest income	(294)	(93)
	\$ 6,195	\$ 6,640

17. EARNINGS PER SHARE

	July 2 2017	July 3 2016
For the three months ended		
Weighted average number of common shares outstanding	93,606,948	92,314,061
Dilutive effect of stock option conversion	172,066	190,417
Diluted weighted average number of common shares outstanding	93,779,014	92,504,478

For the three months ended July 2, 2017, stock options to purchase 1,408,541 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 (2,082,366 common shares were excluded for the three months ended July 3, 2016).