



A U T O M A T I O N

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Consolidated Financial Statements

For the period ended January 1, 2017

(Unaudited)

(Condensed)

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

As at	Note	January 1 2017	March 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 203,737	\$ 170,034
Accounts receivable		196,192	195,911
Costs and earnings in excess of billings on contracts in progress	4	182,675	202,694
Inventories	4	55,178	46,200
Deposits, prepaids and other assets	5	16,707	22,324
		654,489	637,163
Non-current assets			
Property, plant and equipment		69,029	71,060
Other assets	6, 7	13,151	4,211
Goodwill		423,647	431,747
Intangible assets		159,097	177,065
Deferred income tax assets		3,277	2,534
Investment tax credit receivable		46,538	43,683
		714,739	730,300
Total assets		\$ 1,369,228	\$ 1,367,463
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	9	\$ 1,797	\$ 2,319
Accounts payable and accrued liabilities		172,399	178,826
Provisions	8	20,404	20,267
Billings in excess of costs and earnings on contracts in progress	4	112,875	126,127
Current portion of long-term debt	9	1,285	5,259
		308,760	332,798
Non-current liabilities			
Employee benefits		27,989	28,252
Long-term debt	9	328,578	316,120
Deferred income tax liabilities		37,677	39,740
		394,244	384,112
Total liabilities		\$ 703,004	\$ 716,910
Commitments and contingencies	9, 13		
EQUITY			
Share capital	10	\$ 530,976	\$ 528,184
Contributed surplus		14,419	13,201
Accumulated other comprehensive income		53,053	68,319
Retained earnings		67,508	40,634
Equity attributable to shareholders		665,956	650,338
Non-controlling interests		268	215
Total equity		666,224	650,553
Total liabilities and equity		\$ 1,369,228	\$ 1,367,463

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	
		January 1 2017	December 27 2015	January 1 2017	December 27 2015
Revenues					
Revenues from construction contracts		\$ 136,767	\$ 166,556	\$ 446,402	\$ 476,990
Sale of goods		21,152	18,807	59,942	59,257
Services rendered		79,480	89,531	238,895	256,619
Total revenues		237,399	274,894	745,239	792,866
Operating costs and expenses					
Cost of revenues		176,183	204,768	558,526	595,269
Selling, general and administrative		44,118	42,518	126,665	125,769
Stock-based compensation	12	1,824	786	4,912	3,140
Earnings from operations		15,274	26,822	55,136	68,688
Net finance costs	15	6,297	6,962	19,276	18,732
Income before income taxes		8,977	19,860	35,860	49,956
Income tax expense	11	2,328	4,364	8,637	11,794
Net income		\$ 6,649	\$ 15,496	\$ 27,223	\$ 38,162
Attributable to					
Shareholders		\$ 6,625	\$ 15,484	\$ 27,170	\$ 38,134
Non-controlling interests		24	12	53	28
		\$ 6,649	\$ 15,496	\$ 27,223	\$ 38,162
Earnings per share					
attributable to shareholders					
Basic and diluted	16	\$ 0.07	\$ 0.16	\$ 0.29	\$ 0.41

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	
	January 1 2017	December 27 2015	January 1 2017	December 27 2015
Net income	\$ 6,649	\$ 15,496	\$ 27,223	\$ 38,162
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	(12,889)	10,403	(14,572)	47,178
Net unrealized loss on derivative financial instruments designated as cash flow hedges	(1,726)	(1,218)	(3,188)	(2,181)
Tax impact	447	317	837	544
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	(446)	1,102	(776)	2,903
Tax impact	108	(273)	185	(725)
Cash flow hedge reserve adjustment	1,593	—	2,997	—
Tax impact	(398)	—	(749)	—
Other comprehensive income (loss)	(13,311)	10,331	(15,266)	47,719
Comprehensive income (loss)	\$ (6,662)	\$ 25,827	\$ 11,957	\$ 85,881
Attributable to				
Shareholders	\$ (6,686)	\$ 25,815	\$ 11,904	\$ 85,853
Non-controlling interests	24	12	53	28
	\$ (6,662)	\$ 25,827	\$ 11,957	\$ 85,881

See accompanying notes to the interim condensed consolidated financial statement.

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

Nine months ended January 1, 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, 2016	\$ 528,184	\$ 13,201	\$ 40,634	\$ 66,482	\$ 1,837	\$ 68,319	\$ 215	\$ 650,553
Net income	—	—	27,170	—	—	—	53	27,223
Other comprehensive loss	—	—	—	(14,572)	(694)	(15,266)	—	(15,266)
Total comprehensive income (loss)	—	—	27,170	(14,572)	(694)	(15,266)	53	11,957
Non-controlling interests	—	—	(296)	—	—	—	—	(296)
Stock-based compensation	—	1,706	—	—	—	—	—	1,706
Exercise of stock options	2,792	(488)	—	—	—	—	—	2,304
Balance, as at January 1, 2017	\$ 530,976	\$ 14,419	\$ 67,508	\$ 51,910	\$ 1,143	\$ 53,053	\$ 268	\$ 666,224

Nine months ended December 27, 2015

	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, 2015	\$ 519,118	\$ 14,420	\$ 3,590	\$ 35,702	\$ (2,268)	\$ 33,434	\$ 170	\$ 570,732
Net income	—	—	38,134	—	—	—	28	38,162
Other comprehensive income	—	—	—	47,178	541	47,719	—	47,719
Total comprehensive income	—	—	38,134	47,178	541	47,719	28	85,881
Stock-based compensation	—	1,697	—	—	—	—	—	1,697
Exercise of stock options	9,936	(2,549)	—	—	—	—	—	7,387
Repurchase of common shares	(2,750)	—	(3,291)	—	—	—	—	(6,041)
Balance, as at December 27, 2015	\$ 526,304	\$ 13,568	\$ 38,433	\$ 82,880	\$ (1,727)	\$ 81,153	\$ 198	\$ 659,656

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)

	Note	Three months ended		Nine months ended	
		January 1 2017	December 27 2015	January 1 2017	December 27 2015
Operating activities					
Net income		\$ 6,649	\$ 15,496	\$ 27,223	\$ 38,162
Items not involving cash					
Depreciation of property, plant and equipment		3,344	2,362	7,957	7,121
Amortization of intangible assets		5,632	6,900	17,885	22,587
Deferred income taxes	11	(2,517)	(7,185)	(935)	(6,009)
Other items not involving cash		(1,316)	(1,480)	(4,453)	(7,969)
Stock-based compensation	12	1,824	786	4,912	3,140
Loss (gain) on disposal of property, plant and equipment		41	(3,639)	135	(4,724)
		13,657	13,240	52,724	52,308
Change in non-cash operating working capital		(27,803)	18,396	(5,527)	(50,187)
Cash flows provided by (used in) operating activities		\$ (14,146)	\$ 31,636	\$ 47,197	\$ 2,121
Investing activities					
Acquisition of property, plant and equipment		\$ (2,462)	\$ (2,128)	\$ (6,751)	\$ (7,536)
Acquisition of intangible assets		(1,485)	(995)	(4,757)	(3,758)
Proceeds from disposal of property, plant and equipment		84	13,119	203	14,920
Proceeds from sale of subsidiary		—	—	—	2,274
Cash flows provided by (used in) investing activities		\$ (3,863)	\$ 9,996	\$ (11,305)	\$ 5,900
Financing activities					
Bank indebtedness		\$ (288)	\$ (172)	\$ (523)	\$ 415
Repayment of long-term debt		(4,642)	(109)	(4,907)	(290,877)
Proceeds from long-term debt		331	266	633	302,823
Proceeds from exercise of options		—	420	2,304	7,387
Repurchase of common shares		—	(6,041)	—	(6,041)
Cash flows provided by (used in) financing activities		\$ (4,599)	\$ (5,636)	\$ (2,493)	\$ 13,707
Effect of exchange rate changes on cash and cash equivalents		(293)	2,881	304	7,728
Increase (decrease) in cash and cash equivalents		(22,901)	38,877	33,703	29,456
Cash and cash equivalents, beginning of period		226,638	97,105	170,034	106,526
Cash and cash equivalents, end of period		\$ 203,737	\$ 135,982	\$ 203,737	\$ 135,982
Supplemental information					
Cash income taxes paid		\$ 3,087	\$ 1,703	\$ 9,733	\$ 7,955
Cash interest paid		\$ 10,112	\$ 12,075	\$ 22,274	\$ 15,513

See accompanying notes to the interim condensed consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

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

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively “ATS” or “the Company”) operate in one segment: Automation Systems. The Automation Systems segment designs and builds custom-engineered turn-key automated manufacturing and test systems and provides pre-automation and post-automation services to its customers. See note 14 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 January 1, 2017 were authorized for issue by the Board of Directors on February 7, 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, 2016. 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, 2016.

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.

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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 financial year, have not changed from those disclosed in the Company's fiscal 2016 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	January 1 2017	March 31 2016
Contracts in progress:		
Costs incurred	\$ 1,304,800	\$ 1,338,603
Estimated earnings	384,831	415,450
	1,689,631	1,754,053
Progress billings	(1,619,831)	(1,677,486)
	\$ 69,800	\$ 76,567
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	\$ 182,675	\$ 202,694
Billings in excess of costs and earnings on contracts in progress	(112,875)	(126,127)
	\$ 69,800	\$ 76,567

As at	January 1 2017	March 31 2016
Inventories are summarized as follows:		
Raw materials	\$ 13,236	\$ 11,328
Work in progress	40,361	32,530
Finished goods	1,581	2,342
	\$ 55,178	\$ 46,200

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 January 1, 2017 was \$258 and \$267 respectively (three and nine months ended December 27, 2015 - \$18 and \$29 respectively). The amount of inventories carried at net realizable value as at January 1, 2017 was \$1,660 (March 31, 2016 - \$1,664).

5. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	January 1 2017	March 31 2016
Prepaid assets	\$ 6,824	\$ 7,557
Restricted cash ⁽ⁱ⁾	425	443
Supplier deposits	7,501	8,842
Forward foreign exchange contracts	1,934	5,453
Other assets	23	29
	\$ 16,707	\$ 22,324

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

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Notes to Interim Condensed Consolidated Financial Statements
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6. OTHER ASSETS

As at	January 1 2017	March 31 2016
Investment property	\$ 4,038	\$ 4,211
Cross-currency interest rate swap instrument ⁽ⁱ⁾	9,113	—
	\$ 13,151	\$ 4,211

(i) The details of this instrument are presented in note 7 to the interim condensed consolidated financial statements.

7. FINANCIAL INSTRUMENTS

During the nine months ended January 1, 2017 and the year ended March 31, 2016, 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 nine months ended January 1, 2017 and the year ended March 31, 2016, 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.

The following table summarizes the Company's outstanding cash flow hedge positions to buy and sell foreign currencies under forward foreign exchange contracts and cross-currency interest rate swaps:

As at		January 1, 2017						
		<u>Hedging instrument</u>			<u>Hedged item</u>		<u>Cash flow hedge reserves</u>	
Currency sold	Currency bought	Nominal amount (in CAD dollars)	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value used for calculating hedge ineffectiveness	For continuing hedges	For discontinued hedges
			Assets	Liabilities				
Derivative hedging instruments ⁽ⁱ⁾								
U.S. dollars	Canadian dollars	65,359	—	1,399	1,399	1,399	1,399	—
U.S. dollars	Euros	438	—	204	204	204	204	—
Euros	Canadian dollars	4,839	63	—	63	63	63	—
Euros	U.S. dollars	135	9	—	9	9	9	—
British pounds	Canadian dollars	128	—	14	14	14	14	—
Canadian dollars	Euros	245	—	2	2	2	2	—
Cross-currency interest rate swap instruments ⁽ⁱⁱ⁾								
U.S. dollars	Canadian dollars	201,390	3,048	—	3,048	3,048	3,048	—
Canadian dollars	Euros	189,971	6,065	—	6,065	6,065	6,065	—

- (i) Derivative hedging instruments in a gain position are included in deposits, prepaids, and other assets, and derivative hedging instruments in a loss position are included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.
- (ii) The cross-currency interest rate swap instrument is included in other assets on the interim consolidated statements of financial position.

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As at January 1, 2017, the Company is holding the following forward foreign exchange contracts to hedge the exposure on its revenues and purchases:

As at		January 1, 2017									
		Less than 3 months		3 to 6 months		6 to 9 months		9 to 12 months		1 to 2 years	
Currency sold	Currency bought	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate
Revenue hedges											
U.S. dollars	Canadian dollars	26,886	1.3266	14,131	1.2744	15,923	1.3004	14,258	1.3279	2,685	1.3181
U.S. dollars	Euros	1,171	0.8954	317	0.8894	159	0.8864	—	—	—	—
Euros	U.S. dollars	135	1.1247	—	—	—	—	—	—	—	—
Purchase hedges											
U.S. dollars	Canadian dollars	—	—	7,705	1.3093	820	1.3076	—	—	—	—
U.S. dollars	Euros	1,208	1.1563	—	—	—	—	—	—	—	—
Euros	Canadian dollars	—	—	4,840	1.4074	—	—	—	—	—	—
Canadian dollars	Euros	245	0.7108	—	—	—	—	—	—	—	—
British pounds	Canadian dollars	94	1.8394	33	1.8409	—	—	—	—	—	—

The following summarizes the Company's amounts included in other comprehensive income that relate to hedge accounting:

As at						January 1, 2017	
		Change in the value of the hedging instrument recognized in OCI gain / (loss)	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss gain / (loss)	Line item affected in profit or loss because of the reclassification	
Cash flow hedges							
Foreign exchange risk:							
		(1,609)	(1,609)	—	770	Revenues	
		62	62	—	6	Cost of revenues	
		2,420	2,420	—	—	Selling, general and administrative	
		9,113	9,113	—	—	Net finance costs	

Instruments not subject to hedge accounting

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 nine months ended January 1, 2017, the Company recorded risk management gains of \$5,741 (gains of \$630 for the nine months ended December 27, 2015) on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts were unrealized gains of \$2,009 (losses of \$6,777 during the nine months ended December 27, 2015) representing the change in fair value. In addition, during the nine months ended January 1, 2017, the Company realized gains in foreign exchange of \$3,732 (gains of \$7,407 during the nine months ended December 27, 2015), which were settled.

8. PROVISIONS

	Warranty	Restructuring	Executive transition expenses	Other	Total
Balance, at March 31, 2016	\$ 8,219	\$ 2,069	\$ 4,976	\$ 5,003	\$ 20,267
Provisions made	3,355	2,337	—	4,647	10,339
Provisions reversed	(854)	—	—	—	(854)
Provisions used	(2,034)	(2,008)	—	(5,203)	(9,245)
Exchange adjustments	(110)	(5)	—	12	(103)
Balance, at January 1, 2017	\$ 8,576	\$ 2,393	\$ 4,976	\$ 4,459	\$ 20,404

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

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 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 Euro 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% Euro. The terms of the hedging relationships will end on June 15, 2023. The details of this instrument are presented in note 7 to the interim condensed consolidated financial statements.

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 January 1, 2017, the Company had utilized \$95,575 under the Credit Facility, by way of letters of credit (March 31, 2016 - \$115,053). The Credit Facility matures on August 29, 2018.

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

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

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 January 1, 2017, all of the covenants were met.

The Company has additional credit facilities available of \$8,304 (3,457 Euro, 75,000 Indian Rupees, 50,000 Thai Baht and 972 Czech Koruna). The total amount outstanding on these facilities was \$4,492, of which \$1,797 was classified as bank indebtedness (March 31, 2016 - \$2,319) and \$2,695 was classified as long-term debt (March 31, 2016 - \$7,077). The interest rates applicable to the credit facilities range from 1.66% to 10.00% 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.

(i) Bank indebtedness

As at	January 1 2017	March 31 2016
Other facilities	\$ 1,797	\$ 2,319

(ii) Long-term debt

As at	January 1 2017	March 31 2016
Senior Notes	\$ 335,650	\$ 324,675
Other facilities	2,695	7,077
Issuance costs	(8,482)	(10,373)
	329,863	321,379
Less: current portion	1,285	5,259
	\$ 328,578	\$ 316,120

Scheduled principal repayments and interest payments on long-term debt as at January 1, 2017 are as follows:

	Principal	Interest
Less than one year	\$ 1,285	\$ 21,886
One – two years	439	21,895
Two – three years	427	21,872
Three – four years	297	21,850
Four – five years	132	21,833
Thereafter	327,283	32,732
	\$ 329,863	\$ 142,068

10. SHARE CAPITAL

Authorized share capital of the Company consists of an unlimited number of common shares, without par value, for unlimited consideration.

On November 4, 2015, the Company announced its intention to implement a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 4,600,000 common shares before November 5, 2016. During fiscal 2016, the Company purchased 481,473 common shares for \$6,032 under the NCIB program. All purchases were made in accordance with the bid at prevalent market prices plus brokerage fees, or such other prices that may be permitted by the Toronto Stock Exchange, with consideration

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allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings. No shares were repurchased in the three and nine month periods ended January 1, 2017. The NCIB expired on November 5, 2016.

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, 2016	92,293,359	\$ 528,184
Exercise of stock options	272,250	2,792
Balance, at January 1, 2017	92,565,609	\$ 530,976

11. TAXATION

(i) 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	
	January 1 2017	December 27 2015	January 1 2017	December 27 2015
Income before income taxes and non-controlling interest	\$ 8,977	\$ 19,860	\$ 35,860	\$ 49,956
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	\$ 2,379	\$ 5,263	\$ 9,503	\$ 13,238
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	374	221	1,291	1,191
Non-taxable income net of non-deductible expenses	(1,933)	(688)	(4,102)	(1,149)
Recognition/use of previously unrecognized assets	789	86	1,490	(370)
Income taxed at different rates and statutory rate changes	730	(384)	653	(642)
Manufacturing and processing allowance and all other items	(11)	(134)	(198)	(474)
	\$ 2,328	\$ 4,364	\$ 8,637	\$ 11,794
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 4,845	\$ 11,549	\$ 9,572	\$ 17,803
Deferred tax expense	(2,517)	(7,185)	(935)	(6,009)
	\$ 2,328	\$ 4,364	\$ 8,637	\$ 11,794
Deferred tax related to items charged or credited directly to equity:				
Net gain (loss) on revaluation of cash flow hedges	\$ 157	\$ 44	\$ 273	\$ (181)
Other items recognized through equity	1,430	(230)	1,557	(3,194)
Income tax charged directly to equity	\$ 1,587	\$ (186)	\$ 1,830	\$ (3,375)

12. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock. During the three and nine months ended January 1, 2017, the Company granted nil and 294,000 time vesting stock options (50,000 and 793,500 in the three and nine months ended December 27, 2015). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

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For the nine months ended	January 1 2017		December 27 2015	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	3,433,866	\$ 11.68	4,221,283	\$ 10.10
Granted	294,000	10.46	793,500	15.63
Exercised ⁽ⁱ⁾	(272,250)	8.46	(988,417)	7.50
Forfeited/cancelled	(13,500)	11.00	(262,500)	15.13
Stock options outstanding, end of period	3,442,116	\$ 11.83	3,763,866	\$ 11.60
Stock options exercisable, end of period, time vested options	1,189,038	\$ 11.33	939,425	\$ 9.60
Stock options exercisable, end of period, performance based options	1,092,666	\$ 10.57	1,305,791	\$ 10.25

⁽ⁱ⁾ For the nine months ended January 1, 2017, the weighted average share price at the date of exercise was \$10.69 (December 27, 2015 – \$15.46).

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	January 1 2017	December 27 2015
Weighted average risk-free interest rate	0.90%	0.90%
Dividend yield	0%	0%
Weighted average expected volatility	30%	29%
Weighted average expected life	4.75 years	4.75 years
Number of stock options granted:		
Time vested	294,000	793,500
Weighted average exercise price per option	\$ 10.46	\$ 15.63
Weighted average value per option:		
Time vested	\$ 2.88	\$ 4.05

Share Appreciation Rights

During the nine months ended January 1, 2017 and December 27, 2015, the Company did not grant any share appreciation rights ("SARs"). The fair values of the Company's unvested SARs are measured at each reporting date using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined by considering historical share price volatility. The expected SARs grant life was determined by considering the average of the estimated grant vesting period and the grant expected life.

For the nine months ended	January 1 2017	December 27 2015
Weighted average risk-free interest rate	0.69%	0.62%
Dividend yield	0%	0%
Weighted average expected volatility	31%	27%
Weighted average expected life	2.06 years	2.79 years
Weighted average exercise price per SAR	\$ 8.87	\$ 8.87
Weighted average value per SAR	\$ 3.65	\$ 4.31

The Company has recorded a liability of \$65 as at January 1, 2017 (March 31, 2016 - \$200) based on the fair value of the SARs. The market value of a common share of the Company as at January 1, 2017 was \$12.52 (March 31, 2016 - \$10.59). During the nine months ended January 1, 2017, 39,375 SARs vested (39,375 in the nine months ended December 27, 2015).

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Restricted Share Unit Plan

During the nine months ended January 1, 2017, the Company granted 157,639 time vesting restricted share units ("RSUs") (89,250 in the nine months ended December 27, 2015). 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 nine months ended January 1, 2017, the Company granted 128,785 performance-based RSUs (103,000 in the nine months ended December 27, 2015). 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 1.5 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 January 1, 2017, the value of the outstanding liability related to the RSU plan was \$2,261 (March 31, 2016 - \$1,572).

Deferred Stock Unit Plan

The Deferred Stock Unit Plan ("DSU Plan") 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 January 1, 2017, the value of the outstanding liability related to the DSU Plan was \$5,524 (March 31, 2016 - \$3,932).

13. 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	\$ 9,173	\$ 69,620
One – two years	8,414	3,113
Two – three years	7,516	143
Three – four years	6,755	75
Four – five years	5,871	—
Due in over five years	5,502	—
	<u>\$ 43,231</u>	<u>\$ 72,951</u>

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 January 1, 2017, the total value of outstanding letters of credit was approximately \$117,193 (March 31, 2016 - \$136,991).

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.

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14. 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	January 1, 2017	
	Property, plant and equipment	Intangible assets
Canada	\$ 23,078	\$ 10,001
United States	16,623	23,986
Germany	25,084	124,426
China	978	49
Malaysia	1,769	96
Other Europe	979	413
Asia-Pacific and other	518	126
Total Company	\$ 69,029	\$ 159,097

As at	March 31, 2016	
	Property, plant and equipment	Intangible assets
Canada	\$ 23,087	\$ 9,000
United States	17,434	25,703
Germany	26,192	141,730
China	1,082	54
Malaysia	1,784	72
Other Europe	712	312
Asia-Pacific and other	769	194
Total Company	\$ 71,060	\$ 177,065

Revenues from external customers for the three months ended	January 1 2017	December 27 2015
Canada	\$ 6,767	\$ 20,381
United States and Mexico	97,103	100,059
Germany	45,455	53,004
China	14,713	29,059
Malaysia	11,918	7,869
Other Europe	50,204	52,213
Asia-Pacific and other	11,239	12,309
Total Company	\$ 237,399	\$ 274,894

Revenues from external customers for the nine months ended	January 1 2017	December 27 2015
Canada	\$ 25,062	\$ 64,844
United States and Mexico	237,607	298,814
Germany	139,746	153,072
China	46,339	80,867
Malaysia	115,132	21,658
Other Europe	150,530	140,473
Asia-Pacific and other	30,823	33,138
Total Company	\$ 745,239	\$ 792,866

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15. NET FINANCE COSTS

	Three months ended		Nine months ended	
	January 1 2017	December 27 2015	January 1 2017	December 27 2015
Interest expense	\$ 6,514	\$ 7,022	\$ 19,726	\$ 18,862
Interest income	(217)	(60)	(450)	(130)
	\$ 6,297	\$ 6,962	\$ 19,276	\$ 18,732

16. EARNINGS PER SHARE

For the three months ended	January 1 2017	December 27 2015
Weighted average number of common shares outstanding	92,565,609	92,364,041
Dilutive effect of stock option conversion	212,889	518,380
Diluted weighted average number of common shares outstanding	92,778,498	92,882,421
For the nine months ended	January 1 2017	September 27 2015
Weighted average number of common shares outstanding	92,425,037	92,196,341
Dilutive effect of stock option conversion	161,981	662,931
Diluted weighted average number of common shares outstanding	92,587,018	92,859,272

For the three and nine months ended January 1, 2017, stock options to purchase 2,082,366 and 2,335,477 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 (1,368,200 and 1,504,867 common shares were excluded for the three and nine months ended December 27, 2015).