



A U T O M A T I O N

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Condensed Consolidated Financial Statements

For the period ended December 31, 2017

(Unaudited)

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

As at	Note	December 31 2017	March 31 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 307,570	\$ 286,697
Accounts receivable		198,882	166,069
Costs and earnings in excess of billings on contracts in progress	4	147,618	144,708
Inventories	4	45,377	47,981
Deposits, prepaids and other assets	5	19,894	16,119
		719,341	661,574
Non-current assets			
Property, plant and equipment		75,590	69,233
Other assets	6	4,297	13,291
Goodwill		438,487	423,250
Intangible assets		147,060	156,069
Deferred income tax assets		2,357	2,138
Investment tax credit receivable		56,283	49,015
		724,074	712,996
Total assets		\$ 1,443,415	\$ 1,374,570
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	9	\$ 375	\$ 1,411
Accounts payable and accrued liabilities		191,926	183,839
Provisions	8	22,521	14,124
Billings in excess of costs and earnings on contracts in progress	4	106,080	96,490
Current portion of long-term debt	9	857	1,321
		321,759	297,185
Non-current liabilities			
Employee benefits		26,988	26,668
Long-term debt	9	306,418	325,947
Deferred income tax liabilities		36,043	38,761
Other long-term liabilities	10	20,590	—
		390,039	391,376
Total liabilities		\$ 711,798	\$ 688,561
Commitments and contingencies	9, 14		
EQUITY			
Share capital	11	\$ 547,348	\$ 543,317
Contributed surplus		12,691	12,871
Accumulated other comprehensive income		64,479	54,974
Retained earnings		106,816	74,599
Equity attributable to shareholders		731,334	685,761
Non-controlling interests		283	248
Total equity		731,617	686,009
Total liabilities and equity		\$ 1,443,415	\$ 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)

	Note	Three months ended		Nine months ended	
		December 31 2017	January 1 2017	December 31 2017	January 1 2017
Revenues					
Revenues from construction contracts		\$ 169,649	\$ 136,767	\$ 474,940	\$ 446,402
Sale of goods		17,971	21,152	56,903	59,942
Services rendered		89,973	79,480	284,663	238,895
Total revenues		277,593	237,399	816,506	745,239
Operating costs and expenses					
Cost of revenues		205,493	176,183	606,808	558,526
Selling, general and administrative		55,182	44,118	144,711	126,665
Stock-based compensation	13	2,142	1,824	5,040	4,912
Earnings from operations		14,776	15,274	59,947	55,136
Net finance costs	16	5,763	6,297	18,105	19,276
Income before income taxes		9,013	8,977	41,842	35,860
Income tax expense	12	2,108	2,328	9,590	8,637
Net income		\$ 6,905	\$ 6,649	\$ 32,252	\$ 27,223
Attributable to					
Shareholders		\$ 6,892	\$ 6,625	\$ 32,217	\$ 27,170
Non-controlling interests		13	24	35	53
		\$ 6,905	\$ 6,649	\$ 32,252	\$ 27,223
Earnings per share					
attributable to shareholders	17				
Basic and diluted		\$ 0.07	\$ 0.07	\$ 0.34	\$ 0.29

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 31 2017	January 1 2017	December 31 2017	January 1 2017
Net income	\$ 6,905	\$ 6,649	\$ 32,252	\$ 27,223
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	5,446	(12,889)	12,613	(14,572)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	17	(1,726)	4,827	(3,188)
Tax impact	(10)	447	(1,269)	837
Gain transferred to net income for derivatives designated as cash flow hedges	(875)	(446)	(794)	(776)
Tax impact	240	108	236	185
Cash flow hedge reserve adjustment	116	1,593	(8,144)	2,997
Tax impact	(29)	(398)	2,036	(749)
Other comprehensive income (loss)	4,905	(13,311)	9,505	(15,266)
Comprehensive income (loss)	\$ 11,810	\$ (6,662)	\$ 41,757	\$ 11,957
Attributable to				
Shareholders	\$ 11,797	\$ (6,686)	\$ 41,722	\$ 11,904
Non-controlling interests	13	24	35	53
	\$ 11,810	\$ (6,662)	\$ 41,757	\$ 11,957

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 December 31, 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	—	—	32,217	—	—	—	35	32,252
Other comprehensive income (loss)	—	—	—	12,613	(3,108)	9,505	—	9,505
Total comprehensive income (loss)	—	—	32,217	12,613	(3,108)	9,505	35	41,757
Stock-based compensation	—	767	—	—	—	—	—	767
Exercise of stock options	4,031	(947)	—	—	—	—	—	3,084
Balance, as at December 31, 2017	\$ 547,348	\$ 12,691	\$ 106,816	\$ 68,117	\$ (3,638)	\$ 64,479	\$ 283	\$ 731,617

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

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		Nine months ended	
	Note	December 31 2017	January 1 2017	December 31 2017	January 1 2017
Operating activities					
Net income		\$ 6,905	\$ 6,649	\$ 32,252	\$ 27,223
Items not involving cash					
Depreciation of property, plant and equipment		2,542	3,344	7,591	7,957
Amortization of intangible assets		6,969	5,632	19,734	17,885
Deferred income taxes	12	(3,609)	(2,517)	(3,732)	(935)
Other items not involving cash		(6,219)	(1,316)	(5,470)	(4,453)
Stock-based compensation	13	2,142	1,824	5,040	4,912
Loss (gain) on disposal of property, plant and equipment		195	41	(71)	135
		8,925	13,657	55,344	52,724
Change in non-cash operating working capital		(3,460)	(27,803)	(15,569)	(5,527)
Cash flows provided by (used in) operating activities		\$ 5,465	\$ (14,146)	\$ 39,775	\$ 47,197
Investing activities					
Acquisition of property, plant and equipment		\$ (6,515)	\$ (2,462)	\$ (13,692)	\$ (6,751)
Acquisition of intangible assets		(1,519)	(1,485)	(4,447)	(4,757)
Proceeds from disposal of property, plant and equipment		10	84	546	203
Cash flows used in investing activities		\$ (8,024)	\$ (3,863)	\$ (17,593)	\$ (11,305)
Financing activities					
Bank indebtedness		\$ (806)	\$ (288)	\$ (1,056)	\$ (523)
Repayment of long-term debt		(91)	(4,642)	(1,600)	(4,907)
Proceeds from long-term debt		25	331	122	633
Proceeds from exercise of options		2,876	—	3,084	2,304
Cash flows provided by (used in) financing activities		\$ 2,004	\$ (4,599)	\$ 550	\$ (2,493)
Effect of exchange rate changes on cash and cash equivalents		1,820	(293)	(1,859)	304
Increase (decrease) in cash and cash equivalents		1,265	(22,901)	20,873	33,703
Cash and cash equivalents, beginning of period		306,305	226,638	286,697	170,034
Cash and cash equivalents, end of period		\$ 307,570	\$ 203,737	\$ 307,570	\$ 203,737
Supplemental information					
Cash income taxes paid		\$ 3,242	\$ 3,087	\$ 8,598	\$ 9,733
Cash interest paid		\$ 9,791	\$ 10,112	\$ 20,486	\$ 22,274

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 and nine months ended December 31, 2017 were authorized for issue by the Board of Directors on February 6, 2018.

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.

Standards issued but not yet effective

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ended March 31, 2018 and, accordingly, have not been applied in preparing these consolidated financial statements. This listing is of standards issued which the Company reasonably expects to be applicable at a future date.

(i) IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which establishes a single comprehensive model for entities to use in accounting for revenues arising from

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contracts with customers. Under IFRS 15, revenues are recognized to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenues. The new revenue standard will supersede all current revenue recognition requirements under IFRS.

The standard currently requires a full or modified retrospective application for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not anticipate early adoption and plans to adopt the standard for the annual period beginning on April 1, 2018. The Company has not yet determined the impact on its consolidated financial statements.

(ii) IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*, which requires lessees to recognize assets and liabilities for most leases. There are minimal changes to the existing accounting in IAS 17 – *Leases* from the perspective of lessors.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided IFRS 15 has been adopted or is adopted at the same date. The Company does not anticipate early adoption and plans to adopt the standard for the annual period beginning on April 1, 2019. The Company has not yet determined the impact on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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.

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4. CONSTRUCTION CONTRACTS AND INVENTORIES

As at	December 31 2017	March 31 2017
Contracts in progress:		
Costs incurred	\$ 1,143,244	\$ 1,273,795
Estimated earnings	395,040	440,017
	1,538,284	1,713,812
Progress billings	(1,496,746)	(1,665,594)
	\$ 41,538	\$ 48,218
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	\$ 147,618	\$ 144,708
Billings in excess of costs and earnings on contracts in progress	(106,080)	(96,490)
	\$ 41,538	\$ 48,218

As at	December 31 2017	March 31 2017
Inventories are summarized as follows:		
Raw materials	\$ 12,304	\$ 11,597
Work in progress	31,397	34,616
Finished goods	1,676	1,768
	\$ 45,377	\$ 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 and nine months ended December 31, 2017 was \$2 and \$78 respectively (three and nine months ended January 1, 2017 - \$258 and \$267 respectively). The amount of inventories carried at net realizable value as at December 31, 2017 was \$1,415 (March 31, 2017 - \$1,298).

5. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	December 31 2017	March 31 2017
Prepaid assets	\$ 7,310	\$ 8,864
Restricted cash ⁽ⁱ⁾	452	426
Supplier deposits	8,187	5,768
Forward foreign exchange contracts	3,935	1,051
Other assets	10	10
	\$ 19,894	\$ 16,119

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

6. OTHER ASSETS

As at	December 31 2017	March 31 2017
Investment property	\$ 4,297	\$ 4,043
Cross-currency interest rate swap instrument	—	9,248
	\$ 4,297	\$ 13,291

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the nine months ended December 31, 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 nine months ended December 31, 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 and nine months ended December 31, 2017, the Company recorded risk management gains of \$558 and \$64, respectively, (three and nine months ended January 1, 2017 – gains of \$2,665 and \$5,741, respectively), on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts, during the three and nine months ended December 31, 2017 were an unrealized loss of \$233 and a gain of \$2,458, respectively, (three and nine months ended January 1, 2017 – gains of \$381 and \$2,009, respectively) representing the change in fair value. In addition, during the three and nine months ended December 31, 2017, the Company realized a gain of \$791 and a loss of \$2,394, respectively, in foreign exchange (three and nine months ended January 1, 2017 – gains of \$2,284 and \$3,732, respectively), which were settled.

8. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2017	\$ 8,175	\$ 978	\$ 4,971	\$ 14,124
Provisions made	3,473	9,247	6,066	18,786
Provisions reversed	(1,173)	—	—	(1,173)
Provisions used	(1,542)	(3,045)	(4,690)	(9,277)
Exchange adjustments	103	(17)	(25)	61
Balance, at December 31, 2017	\$ 9,036	\$ 7,163	\$ 6,322	\$ 22,521

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.

Other provisions

Other provisions are related to medical insurance expenses which have been incurred during the period but are not yet paid and other miscellaneous provisions.

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

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the balance 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 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.

On July 28, 2017, the Company amended its Credit Facility to extend the agreement by three years to mature on August 29, 2021. 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 December 31, 2017, the Company had utilized \$112,028 under the Credit Facility, by way of letters of credit (March 31, 2017 - \$115,034).

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 December 31, 2017, all of the covenants were met.

The Company has additional credit facilities available of \$7,149 (2,435 Euros, 75,000 Indian Rupees, 50,000 Thai Baht and 1,187 Czech Koruna). The total amount outstanding on these facilities was \$1,593, of which \$375 was classified as bank indebtedness (March 31, 2017 - \$1,411) and \$1,218 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

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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	December 31 2017	March 31 2017
Other facilities	\$ 375	\$ 1,411

(ii) Long-term debt

As at	December 31 2017	March 31 2017
Senior Notes	\$ 314,150	\$ 332,500
Other facilities	1,218	2,619
Issuance costs	(8,093)	(7,851)
	307,275	327,268
Less: current portion	857	1,321
	\$ 306,418	\$ 325,947

Scheduled principal repayments and interest payments on long-term debt as at December 31, 2017 are as follows:

	Principal	Interest
Less than one year	\$ 857	\$ 20,434
One – two years	280	20,427
Two – three years	80	20,420
Three – four years	—	20,420
Four – five years	—	20,420
Thereafter	314,150	10,210
	\$ 315,367	\$ 112,331

10. OTHER LONG-TERM LIABILITIES

As at	December 31 2017	March 31 2017
Cross-currency interest rate swap instrument	\$ 20,590	\$ —

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	307,291	4,031
Balance, at December 31, 2017	93,909,317	\$ 547,348

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12. 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	
	December 31 2017	January 1 2017	December 31 2017	January 1 2017
Income before income taxes and non-controlling interest	\$ 9,013	\$ 8,977	\$ 41,842	\$ 35,860
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	\$ 2,388	\$ 2,379	\$ 11,088	\$ 9,503
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	71	374	404	1,291
Non-taxable income net of non-deductible expenses	(663)	(1,933)	(1,891)	(4,102)
Recognition/use of previously unrecognized assets	416	789	706	1,490
Income taxed at different rates and statutory rate changes	92	730	(151)	653
Manufacturing and processing allowance and all other items	(196)	(11)	(566)	(198)
	\$ 2,108	\$ 2,328	\$ 9,590	\$ 8,637
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 5,717	\$ 4,845	\$ 13,322	\$ 9,572
Deferred tax recovery	(3,609)	(2,517)	(3,732)	(935)
	\$ 2,108	\$ 2,328	\$ 9,590	\$ 8,637
Deferred tax related to items charged or credited directly to equity:				
Net gain on revaluation of cash flow hedges	\$ 201	\$ 157	\$ 1,003	\$ 273
Other items recognized through equity	(646)	1,430	(2,030)	1,557
Income tax charged directly to equity	\$ (445)	\$ 1,587	\$ (1,027)	\$ 1,830

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 and nine months ended December 31, 2017, the Company granted nil and 300,625 time vesting stock options (nil and 294,000 in the three and nine months ended January 1, 2017). 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	December 31 2017		January 1 2017	
	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⁾	(307,291)	10.03	(272,250)	8.46
Forfeited	(323,350)	14.72	(13,500)	11.00
Stock options outstanding, end of period	1,944,708	\$ 12.68	3,442,116	\$ 11.83
Stock options exercisable, end of period, time vested options	830,625	\$ 12.80	1,189,038	\$ 11.33
Stock options exercisable, end of period, performance-based options	333,333	\$ 11.60	1,092,666	\$ 10.57

(i) For the nine months ended December 31, 2017, the weighted average share price at the date of exercise was \$14.83 (January 1, 2017 – \$10.69).

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	December 31 2017	January 1 2017
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 nine months ended December 31, 2017 and January 1, 2017, the Company did not grant any share appreciation rights ("SARs"). The Company has recorded a liability of \$63 as at December 31, 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 December 31, 2017 was \$15.55 (March 31, 2017 - \$13.57). During the nine months ended December 31, 2017, no SARs vested (39,375 in the nine months ended January 1, 2017).

Restricted Share Unit Plan

During the three and nine months ended December 31, 2017, the Company granted 6,000 and 211,398 time vesting restricted share units ("RSUs") respectively (three and nine months ended January 1, 2017 – nil and 157,639 respectively). 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 and nine months ended December 31, 2017, the Company granted nil and 211,712 performance-based RSUs respectively (three and nine months ended January 1, 2017 – nil and 128,785 respectively). 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 1.6 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 December 31, 2017, the value of the outstanding liability related to the RSU plan was \$4,103 (March 31, 2017 - \$2,722).

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Deferred Stock Unit Plan: During the three and nine months ended December 31, 2017, the Company granted 3,486 and 81,436 DSU units respectively (three and nine months ended January 1, 2017 – nil and 93,191 respectively). 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 December 31, 2017, the value of the outstanding liability related to the DSUs was \$8,109 (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	\$ 8,773	\$ 97,306
One – two years	8,293	608
Two – three years	6,953	523
Three – four years	4,971	—
Four – five years	2,472	—
Due in over five years	990	—
	\$ 32,452	\$ 98,437

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 December 31, 2017, the total value of outstanding letters of credit was approximately \$126,012 (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.

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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	December 31, 2017	
	Property, plant and equipment	Intangible assets
Canada	\$ 28,049	\$ 9,966
United States	14,980	19,331
Germany	27,812	117,021
China	1,161	43
Malaysia	1,678	76
Other Europe	1,485	533
Other	425	90
Total Company	\$ 75,590	\$ 147,060

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
Other	532	138
Total Company	\$ 69,233	\$ 156,069

Revenues from external customers for the three months ended	December 31 2017	January 1 2017
Canada	\$ 18,771	\$ 6,767
United States	98,270	93,650
Germany	51,666	45,455
China	16,155	14,713
Malaysia	8,241	11,918
Other Europe	54,441	50,204
Other	30,049	14,692
Total Company	\$ 277,593	\$ 237,399

Revenues from external customers for the nine months ended	December 31 2017	January 1 2017
Canada	\$ 50,185	\$ 25,062
United States	318,473	230,046
Germany	140,175	139,746
China	59,984	46,339
Malaysia	24,882	115,132
Other Europe	158,503	150,530
Other	64,304	38,384
Total Company	\$ 816,506	\$ 745,239

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16. NET FINANCE COSTS

	Three months ended		Nine months ended	
	December 31 2017	January 1 2017	December 31 2017	January 1 2017
Interest expense	\$ 6,286	\$ 6,514	\$ 19,266	\$ 19,726
Interest income	(523)	(217)	(1,161)	(450)
	\$ 5,763	\$ 6,297	\$ 18,105	\$ 19,276

17. EARNINGS PER SHARE

	December 31 2017	January 1 2017
For the three months ended		
Weighted average number of common shares outstanding	93,754,216	92,565,609
Dilutive effect of stock option conversion	298,304	212,889
Diluted weighted average number of common shares outstanding	94,052,520	92,778,498
For the nine months ended		
Weighted average number of common shares outstanding	93,661,745	92,425,037
Dilutive effect of stock option conversion	242,798	161,981
Diluted weighted average number of common shares outstanding	93,904,543	92,587,018

For the three and nine months ended December 31, 2017, stock options to purchase 761,250 and 974,000 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 and 2,335,477 common shares were excluded for the three and nine months ended January 1, 2017).