



ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Condensed Consolidated Financial Statements

For the period ended September 29, 2019

(Unaudited)

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

As at	Note	September 29 2019	March 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	11	\$ 190,653	\$ 224,540
Accounts receivable		219,429	217,245
Income tax receivable		972	4,938
Contract assets	17	229,835	213,553
Inventories	5	81,592	67,998
Deposits, prepaids and other assets	6	31,420	28,719
		753,901	756,993
Non-current assets			
Property, plant and equipment		107,783	97,669
Right-of-use assets	7	68,410	—
Other assets	8	4,928	2,446
Goodwill		550,659	551,643
Intangible assets		196,758	213,945
Deferred income tax assets		3,036	3,194
Investment tax credit receivable		64,444	62,953
		996,018	931,850
Total assets		\$ 1,749,919	\$ 1,688,843
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	11	\$ 3,166	\$ 1,950
Accounts payable and accrued liabilities		247,843	254,227
Income tax payable		1,212	7,721
Contract liabilities	17	154,807	161,139
Provisions	10	14,366	13,943
Current portion of lease liabilities	7	13,933	—
Current portion of long-term debt	11	101	18,550
		435,428	457,530
Non-current liabilities			
Employee benefits		27,102	28,187
Long-term lease liabilities	7	55,254	—
Long-term debt	11	326,207	328,247
Deferred income tax liabilities		87,262	78,585
Other long-term liabilities	8	427	6,663
		496,252	441,682
Total liabilities		\$ 931,680	\$ 899,212
Commitments and contingencies	11, 15		
EQUITY			
Share capital	12	\$ 519,431	\$ 516,613
Contributed surplus		11,636	11,709
Accumulated other comprehensive income		59,850	69,549
Retained earnings		227,009	191,449
Equity attributable to shareholders		817,926	789,320
Non-controlling interests		313	311
Total equity		818,239	789,631
Total liabilities and equity		\$ 1,749,919	\$ 1,688,843

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended		Six months ended	
		September 29 2019	September 30 2018	September 29 2019	September 30 2018
Revenues					
Revenues from construction contracts		\$ 199,774	\$ 172,269	\$ 398,059	\$ 358,561
Sale of goods		31,593	20,142	64,980	41,766
Services rendered		109,867	91,212	217,419	183,276
Total revenues	17	341,234	283,623	680,458	583,603
Operating costs and expenses					
Cost of revenues		251,573	209,969	499,239	432,012
Selling, general and administrative		58,867	48,079	118,216	95,570
Stock-based compensation	14	(961)	6,567	2,677	10,002
Earnings from operations		31,755	19,008	60,326	46,019
Net finance costs	18	6,725	5,090	13,854	10,323
Income before income taxes		25,030	13,918	46,472	35,696
Income tax expense	13	5,661	3,132	10,689	8,235
Net income		\$ 19,369	\$ 10,786	\$ 35,783	\$ 27,461
Attributable to					
Shareholders		\$ 19,366	\$ 10,780	\$ 35,781	\$ 27,450
Non-controlling interests		3	6	2	11
		\$ 19,369	\$ 10,786	\$ 35,783	\$ 27,461
Earnings per share					
attributable to shareholders					
Basic and diluted	19	\$ 0.21	\$ 0.11	\$ 0.39	\$ 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		Six months ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Net income	\$ 19,369	\$ 10,786	\$ 35,783	\$ 27,461
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	(10,252)	(397)	(12,539)	(15,949)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	(530)	2,300	2,117	3,663
Tax impact	123	(576)	(534)	(917)
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	(677)	37	(813)	42
Tax impact	175	—	209	(5)
Cash flow hedge reserve adjustment	4,291	(8,552)	2,482	810
Tax impact	(1,073)	2,138	(621)	(202)
Other comprehensive loss	(7,943)	(5,050)	(9,699)	(12,558)
Comprehensive income	\$ 11,426	\$ 5,736	\$ 26,084	\$ 14,903
Attributable to				
Shareholders	\$ 11,423	\$ 5,730	\$ 26,082	\$ 14,892
Non-controlling interests	3	6	2	11
	\$ 11,426	\$ 5,736	\$ 26,084	\$ 14,903

See accompanying notes to the interim condensed consolidated financial statements.

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

Six months ended September 29, 2019

	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, 2019	\$ 516,613	\$ 11,709	\$ 191,449	\$ 67,773	\$ 1,776	\$ 69,549	\$ 311	\$ 789,631
Adoption of IFRS 16 (note 2)	—	—	(221)	—	—	—	—	(221)
At April 1, 2019 (adjusted)	\$ 516,613	\$ 11,709	\$ 191,228	\$ 67,773	\$ 1,776	\$ 69,549	\$ 311	\$ 789,410
Net income	—	—	35,781	—	—	—	2	35,783
Other comprehensive income (loss)	—	—	—	(12,539)	2,840	(9,699)	—	(9,699)
Total comprehensive income (loss)	—	—	35,781	(12,539)	2,840	(9,699)	2	26,084
Stock-based compensation	—	471	—	—	—	—	—	471
Exercise of stock options	2,818	(544)	—	—	—	—	—	2,274
Balance, as at September 29, 2019	\$ 519,431	\$ 11,636	\$ 227,009	\$ 55,234	\$ 4,616	\$ 59,850	\$ 313	\$ 818,239

Six months ended September 30, 2018

	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, 2018	\$ 548,747	\$ 12,535	\$ 121,369	\$ 79,918	\$ (4,088)	\$ 75,830	\$ 292	\$ 758,773
Net income	—	—	27,450	—	—	—	11	27,461
Other comprehensive income (loss)	—	—	—	(15,949)	3,391	(12,558)	—	(12,558)
Total comprehensive income (loss)	—	—	27,450	(15,949)	3,391	(12,558)	11	14,903
Stock-based compensation	—	544	—	—	—	—	—	544
Exercise of stock options	2,249	(477)	—	—	—	—	—	1,772
Balance, as at September 30, 2018	\$ 550,996	\$ 12,602	\$ 148,819	\$ 63,969	\$ (697)	\$ 63,272	\$ 303	\$ 775,992

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		Six months ended	
		September 29 2019	September 30 2018	September 29 2019	September 30 2018
Operating activities					
Net income		\$ 19,369	\$ 10,786	\$ 35,783	\$ 27,461
Items not involving cash					
Depreciation of property, plant and equipment		3,507	2,981	7,053	5,768
Amortization of right-of-use assets	7	3,847	—	7,585	—
Amortization of intangible assets		10,718	6,997	22,073	14,056
Deferred income taxes	13	5,529	(1,288)	5,333	100
Other items not involving cash		(4,240)	(654)	1,958	(2,433)
Stock-based compensation	14	(961)	6,567	2,677	10,002
		37,769	25,389	82,462	54,954
Change in non-cash operating working capital		19,825	14,105	(64,887)	(15,841)
Cash flows provided by operating activities		\$ 57,594	\$ 39,494	\$ 17,575	\$ 39,113
Investing activities					
Acquisition of property, plant and equipment		\$ (10,104)	\$ (4,835)	\$ (16,519)	\$ (9,398)
Acquisition of intangible assets		(3,074)	(1,385)	(6,007)	(2,961)
Business acquisition, net of cash acquired	4	(6,666)	—	(6,666)	—
Proceeds from disposal of property, plant and equipment		27	20	73	150
Cash flows used in investing activities		\$ (19,817)	\$ (6,200)	\$ (29,119)	\$ (12,209)
Financing activities					
Bank indebtedness		\$ 523	\$ (1,327)	\$ 1,359	\$ (1,309)
Repayment of long-term debt		(46)	(93)	(17,004)	(292)
Proceeds from long-term debt		47	2	66	38
Proceeds from exercise of stock options		1,535	717	2,274	1,772
Lease payments		(3,618)	—	(6,908)	—
Cash flows provided by (used in) financing activities		\$ (1,559)	\$ (701)	\$ (20,213)	\$ 209
Effect of exchange rate changes on cash and cash equivalents		(427)	(3,009)	(2,130)	(3,033)
Increase (decrease) in cash and cash equivalents		35,791	29,584	(33,887)	24,080
Cash and cash equivalents, beginning of period		154,862	324,644	224,540	330,148
Cash and cash equivalents, end of period		\$ 190,653	\$ 354,228	\$ 190,653	\$ 354,228
Supplemental information					
Cash income taxes paid (received)		\$ (1,446)	\$ 4,028	\$ 2,725	\$ 4,780
Cash interest paid		\$ 2,501	\$ 1,791	\$ 14,930	\$ 12,937

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 six months ended September 29, 2019 were authorized for issue by the Board of Directors (the “Board”) on November 5, 2019.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars and all values are 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, 2019.

Standards adopted in fiscal 2020

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the presentation of the Company’s annual consolidated financial statements for the year ended March 31, 2019, except for the adoption of IFRS 16 – *Leases* (“IFRS 16”), which was effective April 1, 2019 and supercedes IAS 17 – *Leases* (“IAS 17”), *Leases* and related interpretations. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Impact of application of IFRS 16 – Leases

The Company adopted IFRS 16 - *Leases*, using the modified retrospective approach and accordingly the information presented for the 2019 reporting period has not been restated.

IFRS 16 introduced significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset (“ROU asset”) and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low-value assets. In applying IFRS 16, the Company recognized ROU assets and lease liabilities in the interim consolidated statement of financial position, initially measured at the present value of future lease payments; recognized depreciation of ROU assets and interest on lease liabilities in the interim consolidated statements of income; and separated the total amount of lease payments into a principal portion (presented in financing activities) and interest (presented in operating activities) in the consolidated statements of cash flows. For short-term leases and leases of low-value assets, the Company has elected not to recognize right-of-use assets and lease liabilities. The respective lease payments associated with these leases are recognized in the interim consolidated statements of income on a straight-line basis.

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For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate of 5% as at April 1, 2019.

The Company has used the following practical expedients permitted by the standard:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Applied the standard only to contracts that were previously identified as leases under IAS 17 at the date of initial application;
- Applied the recognition exemptions for low-value leases and leases that end within 12 months of the date of application, and accounted for them as low-value and short-term leases respectively;
- Accounted for non-lease components and lease components as a single lease component;
- Relied on previous assessments of whether leases are onerous;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to IFRS 16 at April 1, 2019, the Company recognized ROU assets of \$74,296 and lease liabilities of \$74,517, and reduced retained earnings by \$221 in the interim consolidated statement of financial position.

At March 31, 2019, the minimum operating lease obligations of the Company were \$42,878, as presented in the audited consolidated financial statements. The difference between the lease liabilities of \$74,517 at April 1, 2019 and the minimum lease obligation disclosed at March 31, 2019 was mainly due to: (i) the impact of discounting the remaining lease payments; (ii) the exclusion of short-term leases and leases of low-value assets; (iii) the inclusion of non-lease components in measuring the lease liability; and (iv) assumptions made on the probability of exercising early termination or renewal options.

The following accounting policy is applicable from April 1, 2019:

At the inception of a contract, the Company determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company recognizes an ROU asset and a lease liability on the date the leased asset is available for use by the Company (at the commencement of the lease).

Right-of-use assets

ROU assets are initially measured at cost, which is comprised of the initial amount of the lease liability, any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset or site on which it is located, less any lease payments made at or before the commencement date. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, a recognized ROU asset is depreciated using the straight-line method over the shorter of its estimated useful life or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of the lease liability and the interest portion. The finance cost is charged to net finance costs in the interim consolidated statements of income over the lease period. Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value

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assets are recognized on a straight-line basis as an expense in the interim consolidated statements of income as permitted by IFRS 16.

The carrying amount of the lease liability is remeasured if there is a modification resulting in a change in the lease term, a change in the future lease payments, or a change in the Company's estimate of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured, a corresponding adjustment is made to the ROU asset.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components, but instead account for any lease and associated non-lease components as a single arrangement. The Company has applied this practical expedient.

Determining the lease term of contracts with renewal or termination options

The lease term includes the non-cancellable term of the lease including extension and termination options if the Company is reasonably certain to exercise the option. The Company applies judgment in evaluating whether it is reasonably certain to exercise the options. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

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, are consistent with those disclosed in the Company's fiscal 2019 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. ACQUISITIONS

(i) During the three months ended June 30, 2019, the Company finalized the allocation of the purchase price for the previously completed acquisition of Konstruktion, Maschinen- & Werkzeugbau GmbH & Co. KG, and KMW GmbH (collectively, "KMW"). There were no changes to the KMW purchase price allocation during the three months ended June 30, 2019.

(ii) During the six months ended September 29, 2019, the Company finalized the allocation of the purchase price for the previously completed acquisition of Comecer S.p.A ("Comecer"). During the six months ended September 29, 2019, changes to the purchase price allocation resulted in a decrease in working capital of \$3,867, an increased deferred tax asset of \$889, an increase in intangible assets of \$4,223, an increase in goodwill of \$3,390 and an increased deferred tax liability of \$1,169.

(iii) On September 19, 2019, the Company completed its acquisition of 100% of the shares of iXLOG Unternehmensberatung GmbH ("iXLOG"), a German-based IT consulting service provider specializing in business process optimization, business intelligence and analytics, primarily for large and medium-sized

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industrial manufacturing customers. The total purchase price was \$10,588 (7,228 Euros). Cash consideration paid in the second quarter of fiscal 2019 was \$7,658 (5,228 Euros) with the balance related to an earn-out to be paid within 20 months of the acquisition date.

Cash used in investing activities was determined as follows:

Cash consideration	\$	7,658
Less: cash acquired		(992)
	\$	6,666

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis based on information that is currently available to the Company. Final valuations of certain assets including working capital and intangible assets are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

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

Purchase price allocation		
Cash	\$	992
Current assets		1,332
Property, plant and equipment		72
Brand and other intangible assets with definite life		287
Current liabilities		(534)
Deferred income tax liability		(81)
Net identifiable assets		2,068
Residual purchase price allocated to goodwill		8,520
	\$	10,588

Current assets include accounts receivable of \$1,231, representing gross contractual amounts receivable of \$1,231 less management's best estimate of the contractual cash flows not expected to be collected of nil.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. The amounts assigned to goodwill and intangible assets are not expected to be deductible for tax purposes. This acquisition was accounted for as a business combination with the Company as the acquirer of iXLOG. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, September 19, 2019.

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5. INVENTORIES

As at	September 29 2019	March 31 2019
Inventories are summarized as follows:		
Raw materials	\$ 30,348	\$ 29,462
Work in progress	47,031	35,878
Finished goods	4,213	2,658
	\$ 81,592	\$ 67,998

The amounts charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three and six months ended September 29, 2019 were \$507 and \$531, respectively (three and six months ended September 30, 2018 - \$10 and \$193, respectively). The amount of inventories carried at net realizable value as at September 29, 2019 was \$2,048 (March 31, 2019 - \$1,166).

6. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	September 29 2019	March 31 2019
Prepaid assets	\$ 12,476	\$ 13,819
Restricted cash ⁽ⁱ⁾	—	447
Supplier deposits	14,807	12,373
Forward foreign exchange contracts	4,137	2,080
	\$ 31,420	\$ 28,719

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

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at	Right-of-use assets	Lease liabilities
Balance, at April, 1, 2019 (note 2)	\$ 74,296	\$ 74,517
Additions	3,183	3,183
Amortization	(7,585)	—
Interest	—	1,799
Payments	—	(8,707)
Exchange adjustments	(1,484)	(1,605)
Balance, at September 29, 2019	\$ 68,410	\$ 69,187
Less: current portion		13,933
		\$ 55,254

The right-of-use assets and lease liabilities relate to leases of real estate properties, automobiles and other equipment. For the three and six months ended September 29, 2019, the Company recognized expense related to short-term and low-value leases of \$662 and \$1,620, respectively, in cost of revenues, and \$357 and \$708, respectively, in selling, general and administrative expenses in the consolidated statements of income.

8. CROSS-CURRENCY INTEREST RATE SWAP

As at	September 29 2019	March 31 2019
Cross-currency interest rate swap instrument	\$ 4,501	\$ (4,217)
Disclosed as:		
Other assets	\$ 4,928	\$ 2,446
Other long-term liabilities	(427)	(6,663)
	\$ 4,501	\$ (4,217)

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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 receives interest of 6.50% U.S. per annum and pays 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 receives interest of 6.501% Canadian per annum and pays interest of 5.094% Euros. The terms of the hedging relationships will end on June 15, 2023.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the three and six months ended September 29, 2019 and the year ended March 31, 2019, 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 and six months ended September 29, 2019 and the year ended March 31, 2019, 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.

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.

For the three and six months ended September 29, 2019, the Company recorded risk management gains of \$5,354 and \$6,180, respectively, (three and six months ended September 30, 2018 - losses of \$546 and \$1,723, respectively) on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts, during the three and six months ended September 29, 2019, were unrealized gains of \$1,609 and \$2,467, respectively (three and six months ended September 30, 2018 - losses of \$253 and \$1,712, respectively), representing the change in fair value. In addition, during the three and six months ended September 29, 2019, the Company realized gains in foreign exchange of \$3,745 and \$3,713, respectively (three and six months ended September 30, 2018 - losses of \$293 and \$11, respectively), which were settled.

10. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2019	\$ 8,286	\$ 785	\$ 4,872	\$ 13,943
Provisions made	1,954	1,976	3,449	7,379
Provisions reversed	(900)	—	(737)	(1,637)
Provisions used	(878)	(820)	(3,440)	(5,138)
Exchange adjustments	(157)	(23)	(1)	(181)
Balance, at September 29, 2019	\$ 8,305	\$ 1,918	\$ 4,143	\$ 14,366

Warranty provisions

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

Restructuring provisions

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.

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On November 6, 2019, the Company announced a reorganization plan which will result in the consolidation of certain operations and the closure of several underperforming facilities and small branch offices. The Company expects to incur restructuring costs of approximately \$25,000, primarily in the third and fourth quarters of fiscal 2020.

Other provisions

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

11. BANK INDEBTEDNESS AND LONG-TERM DEBT

On July 28, 2017, the Company amended its senior secured credit facility to extend the agreement by three years to mature on August 29, 2021 (the "Credit Facility"). The Credit Facility provides a committed revolving credit facility of \$750,000. The Credit Facility is secured by the Company's assets, including certain real estate in North America and a pledge of shares of certain of the Company's subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At September 29, 2019, the Company had utilized \$107,252 under the Credit Facility, by way of letters of credit (March 31, 2019 - \$134,336).

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 net 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 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 that ranges from 1.45% to 3.00%, and a fee for usage of non-financial letters of credit that 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 financial covenants including a net debt-to-EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At September 29, 2019, all of the covenants were met.

The Company has additional credit facilities available of \$19,744 (2,926 Euros, \$10,000 U.S., 50,000 Thai Baht and 1,791 Czech Koruna). The total amount outstanding on these facilities at September 29, 2019 was \$3,340, of which \$3,166 was classified as bank indebtedness (March 31, 2019 - \$1,950) and \$174 was classified as long-term debt (March 31, 2019 - \$18,639). The interest rates applicable to the credit facilities range from 1.88% to 6.25% per annum. A portion of the long-term debt is secured by certain assets of the Company.

The Company's U.S. \$250,000 aggregate principal amount of 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. 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.

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At September 29, 2019, all of the covenants were met. 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. Transaction fees of \$7,200 were deferred and are being amortized over the term of the Senior Notes. The Company uses a cross-currency interest rate swap instrument to hedge a portion of its U.S.-dollar-denominated Senior Notes (see note 8).

(i) Bank indebtedness

As at	September 29 2019	March 31 2019
Other facilities	\$ 3,166	\$ 1,950

(ii) Long-term debt

As at	September 29 2019	March 31 2019
Senior Notes	\$ 331,075	\$ 334,000
Other facilities	174	18,639
Issuance costs	(4,941)	(5,842)
	326,308	346,797
Less: current portion	101	18,550
	\$ 326,207	\$ 328,247

Scheduled principal repayments and interest payments on long-term debt as at September 29, 2019 are as follows:

	Principal	Interest
Less than one year	\$ 101	\$ 21,520
One – two years	73	21,520
Two – three years	—	21,520
Three – four years	331,075	21,520
	\$ 331,249	\$ 86,080

12. SHARE CAPITAL

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

On December 3, 2018, the Company announced its intention to make a normal course issuer bid (“NCIB”) to purchase for cancellation up to 3,000,000 common shares before December 4, 2019. On February 6, 2019, the Company announced the Toronto Stock Exchange’s approval of its amended notice to increase the maximum number of shares that may be purchased under the NCIB to 6,366,405 common shares. As at September 29, 2019 the Company had purchased 2,509,120 common shares for \$39,279 under the NCIB program. All purchases are 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 allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings.

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, 2019	91,909,414	\$ 516,613
Exercise of stock options	194,697	2,818
Balance, at September 29, 2019	92,104,111	\$ 519,431

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13. TAXATION

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

	Three months ended		Six months ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Income before income taxes	\$ 25,030	\$ 13,918	\$ 46,472	\$ 35,696
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	\$ 6,633	\$ 3,688	\$ 12,315	\$ 9,459
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	579	117	833	60
Non-taxable income net of non-deductible expenses	(1,267)	(914)	(1,512)	(1,668)
Unrecognized assets	684	357	934	677
Income taxed at different rates and statutory rate changes	(421)	33	(824)	36
Manufacturing and processing allowance and all other items	(547)	(149)	(1,057)	(329)
	\$ 5,661	\$ 3,132	\$ 10,689	\$ 8,235
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 132	\$ 4,420	\$ 5,356	\$ 8,135
Deferred tax expense (recovery)	5,529	(1,288)	5,333	100
	\$ 5,661	\$ 3,132	\$ 10,689	\$ 8,235
Deferred tax related to items charged or credited directly to equity:				
Gain (loss) on revaluation of cash flow hedges	\$ (775)	\$ 1,562	\$ (946)	\$ (1,124)
Other items recognized through equity	1,321	604	1,422	1,701
Income tax charged directly to equity	\$ 546	\$ 2,166	\$ 476	\$ 577

14. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair value of the Company's stock option grants were estimated using Black-Scholes option pricing model for time vesting stock. During the three and six months ended September 29, 2019, the Company granted 2,201 and 186,429 time vesting stock options, respectively (nil and 199,688 in the three and six months ended September 30, 2018, respectively). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

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For the six months ended	September 29 2019		September 30 2018	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	1,524,198	\$ 13.61	1,818,958	\$ 12.73
Granted	186,429	20.86	199,688	20.30
Exercised ⁽ⁱ⁾	(194,697)	11.68	(132,405)	13.38
Forfeited	(14,580)	13.91	(9,707)	14.50
Stock options outstanding, end of period	1,501,350	\$ 14.76	1,876,534	\$ 13.48
Stock options exercisable, end of period, time-vested options	711,556	\$ 14.06	846,343	\$ 13.09
Stock options exercisable, end of period, performance-based options	283,333	\$ 11.79	333,333	\$ 11.60

(i) For the six months ended September 29, 2019, the weighted average share price at the date of exercise was \$19.51 (September 30, 2018 - \$21.12).

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

For the six months ended	September 29 2019	September 30 2018
Weighted average risk-free interest rate	1.48%	2.11%
Dividend yield	0%	0%
Weighted average expected volatility	30%	28%
Weighted average expected life	4.75 years	4.75 years
Number of stock options granted:		
Time-vested	186,429	199,688
Weighted average exercise price per option	\$ 20.86	\$ 20.30
Weighted average value per option:		
Time-vested	\$ 5.87	\$ 5.61

Restricted Share Unit Plan

During the three and six months ended September 29, 2019, the Company granted 625 and 143,889 time-vesting restricted share units ("RSUs"), respectively (three and six months ended September 30, 2018 – 4,422 and 166,701, 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 six months ended September 29, 2019, the Company granted 1,667 and 141,191 performance-based RSUs, respectively (three and six months ended September 30, 2018 – nil and 145,900, 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 1.1 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 September 29, 2019, the value of the outstanding liability related to the RSU plan was \$10,871 (March 31, 2019 - \$8,559).

Deferred Stock Unit Plan

During the three and six months ended September 29, 2019, the Company granted nil and 47,569 units, respectively (three and six months ended September 30, 2018 – 7,164 and 50,069, 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 September 29, 2019, the value of the outstanding liability related to the DSUs was \$6,641 (March 31, 2019 - \$6,767). The DSU liability is included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.

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15. COMMITMENTS AND CONTINGENCIES

The minimum purchase obligations are as follows:

Less than one year	\$ 164,221
One – two years	1,327
Two – three years	1,208
Three – four years	224
Four – five years	197
	\$ 167,177

The Company's off-balance sheet arrangements consist of purchase obligations which consist primarily of commitments for material purchases, which have been entered into in the normal course of business.

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 September 29, 2019, the total value of outstanding letters of credit was approximately \$168,932 (March 31, 2019 - \$203,254).

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

16. 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 revenues by customer location. Non-current assets represent property, plant and equipment, right-of-use assets and intangible assets that are attributable to individual geographic segments, based on the location of the respective operations.

As at	September 29, 2019		
	Right-of-use assets	Property, plant and equipment	Intangible assets
Canada	\$ 8,118	\$ 42,584	\$ 24,906
United States	11,485	18,931	14,713
Germany	27,700	38,494	83,831
Italy	8,544	2,255	72,837
United Kingdom	—	13	—
Other Europe	5,955	2,116	265
Other	6,608	3,390	206
Total Company	\$ 68,410	\$ 107,783	\$ 196,758

As at	March 31, 2019		
		Property, plant and equipment	Intangible assets
Canada		\$ 34,977	\$ 22,353
United States		14,329	16,473
Germany		40,276	95,754
Italy		2,475	78,839
United Kingdom		17	—
Other Europe		1,991	393
Other		3,604	133
Total Company		\$ 97,669	\$ 213,945

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	September 29 2019	September 30 2018
Revenues from external customers for the three months ended		
Canada	\$ 16,352	\$ 17,050
United States	114,707	87,062
Germany	81,596	75,861
Italy	2,841	555
United Kingdom	30,095	7,929
Other Europe	54,591	48,079
Other	41,052	47,087
Total Company	\$ 341,234	\$ 283,623

	September 29 2019	September 30 2018
Revenues from external customers for the six months ended		
Canada	\$ 32,330	\$ 33,725
United States	216,700	194,885
Germany	170,020	147,563
Italy	9,452	1,904
United Kingdom	64,399	16,999
Other Europe	114,870	93,782
Other	72,687	94,745
Total Company	\$ 680,458	\$ 583,603

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers:

	September 29 2019	September 30 2018
Revenues by market for the three months ended		
Consumer products	\$ 45,237	\$ 51,529
Energy	27,069	30,812
Life sciences	191,151	134,330
Transportation	77,777	66,952
Total Company	\$ 341,234	\$ 283,623

	September 29 2019	September 30 2018
Revenues by market for the six months ended		
Consumer products	\$ 99,028	\$ 117,877
Energy	53,875	67,676
Life sciences	362,908	258,807
Transportation	164,647	139,243
Total Company	\$ 680,458	\$ 583,603

	September 29 2019	September 30 2018
Timing of revenue recognition based on transfer of control for the three months ended		
Goods and services transferred at a point in time	\$ 31,593	\$ 20,142
Goods and services transferred over time	309,641	263,481
Total Company	\$ 341,234	\$ 283,623

	September 29 2019	September 30 2018
Timing of revenue recognition based on transfer of control for the six months ended		
Goods and services transferred at a point in time	\$ 64,980	\$ 41,766
Goods and services transferred over time	615,478	544,837
Total Company	\$ 680,458	\$ 586,603

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(b) Contract balances

As at	September 29 2019	March 31 2019
Trade receivables	\$ 198,759	\$ 198,336
Contract assets	229,835	213,553
Contract liabilities	(154,807)	(161,139)
Unearned revenue ⁽ⁱ⁾	(26,430)	(30,475)
Net contract balances	\$ 247,357	\$ 220,275

(i) The unearned revenue liability is included in accounts payable and accrued liabilities on the interim consolidated statement of financial position.

As at	September 29 2019	March 31 2019
Contracts in progress:		
Costs incurred	\$ 1,359,287	\$ 1,284,332
Estimated earnings	525,863	510,381
	1,885,150	1,794,713
Progress billings	(1,810,122)	(1,742,299)
Net contract assets & liabilities	\$ 75,028	\$ 52,414

18. NET FINANCE COSTS

	Three months ended		Six months ended	
	September 29 2019	September 30 2018	September 29 2019	September 30 2018
Interest expense	\$ 6,377	\$ 6,454	\$ 13,191	\$ 12,751
Interest on lease liabilities	886	—	1,799	—
Interest income	(538)	(1,364)	(1,136)	(2,428)
	\$ 6,725	\$ 5,090	\$ 13,854	\$ 10,323

19. EARNINGS PER SHARE

For the three months ended	September 29 2019	September 30 2018
Weighted average number of common shares outstanding	92,021,326	94,095,866
Dilutive effect of stock option conversion	401,896	675,285
Diluted weighted average number of common shares outstanding	92,423,222	94,771,151

For the six months ended	September 29 2019	September 30 2018
Weighted average number of common shares outstanding	91,979,966	94,062,110
Dilutive effect of stock option conversion	445,414	613,796
Diluted weighted average number of common shares outstanding	92,425,380	94,675,906

For the three and six months ended September 29, 2019, stock options to purchase 367,394 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 (198,106 common shares were excluded for the three and six months ended September 30, 2018).