ATS AUTOMATION

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Condensed Consolidated Financial Statements

For the period ended December 30, 2018

(Unaudited)

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

As at	Note	December 30 2018	March 31 2018
ASSETS	11		
Current assets			
Cash and cash equivalents		**$ 374,090**	$ 330,148
Accounts receivable		**239,693**	213,006
Contract assets	2, 5	**204,259**	164,917
Inventories	5	**54,483**	58,509
Deposits, prepaids and other assets	6	**21,639**	22,510
		894,164	789,090
Non-current assets			
Property, plant and equipment		**92,381**	85,102
Other assets	7	**8,442**	—
Goodwill	4	**476,466**	459,159
Intangible assets	8	**142,284**	148,869
Deferred income tax assets		**2,392**	2,987
Investment tax credit receivable		**58,600**	57,012
		780,565	753,129
Total assets		**$ 1,674,729**	$ 1,542,219
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	11	**$ 1,390**	$ 2,668
Accounts payable and accrued liabilities		**239,399**	246,384
Provisions	10	**13,142**	20,994
Contract liabilities	2, 5	**187,355**	95,912
Current portion of long-term debt	11	**395**	393
		441,681	366,351
Non-current liabilities			
Employee benefits		**27,406**	28,151
Long-term debt	11	**335,202**	315,129
Deferred income tax liabilities		**49,184**	42,907
Other long-term liabilities	7	**20,011**	30,908
		431,803	417,095
Total liabilities		**$ 873,484**	$ 783,446
Commitments and contingencies	11, 15		
EQUITY			
Share capital	12	**$ 536,287**	$ 548,747
Contributed surplus		**12,772**	12,535
Accumulated other comprehensive income		**77,963**	75,830
Retained earnings		**173,913**	121,369
Equity attributable to shareholders		**800,935**	758,481
Non-controlling interests		**310**	292
Total equity		**801,245**	758,773
Total liabilities and equity		**$ 1,674,729**	$ 1,542,219

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)

		Three months ended		Nine months ended	
	Note	**December 30 2018**	December 31 2017	**December 30 2018**	December 31 2017
Revenues					
Automation construction contracts		**$ 195,441**	$ 169,649	**$ 554,002**	$ 474,940
Sale of goods		**21,038**	17,971	**62,804**	56,903
Services rendered		**104,918**	89,973	**288,194**	284,663
Total revenues		**321,397**	277,593	**905,000**	816,506
Operating costs and expenses					
Cost of revenues		**236,836**	205,493	**668,848**	606,808
Selling, general and administrative		**52,408**	55,182	**147,978**	144,711
Stock-based compensation	14	**(6,310)**	2,142	**3,692**	5,040
Earnings from operations		**38,463**	14,776	**84,482**	59,947
Net finance costs	17	**4,761**	5,763	**15,084**	18,105
Income before income taxes		**33,702**	9,013	**69,398**	41,842
Income tax expense	13	**8,601**	2,108	**16,836**	9,590
Net income		**$ 25,101**	$ 6,905	**$ 52,562**	$ 32,252
Attributable to					
Shareholders		**$ 25,094**	$ 6,892	**$ 52,544**	$ 32,217
Non-controlling interests		**7**	13	**18**	35
		$ 25,101	$ 6,905	**$ 52,562**	$ 32,252
Earnings per share attributable to shareholders					
Basic and diluted	18	**$ 0.27**	$ 0.07	**$ 0.56**	$ 0.34

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 30 2018	December 31 2017	**December 30 2018**	December 31 2017
Net income	**$ 25,101**	$ 6,905	**$ 52,562**	$ 32,252
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of $nil)	**9,476**	5,446	**(6,473)**	12,613
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	**(5,257)**	17	**(1,594)**	4,827
Tax impact	**1,316**	(10)	**399**	(1,269)
Gain transferred to net income for derivatives designated as cash flow hedges	**(815)**	(875)	**(773)**	(794)
Tax impact	**213**	240	**208**	236
Cash flow hedge reserve adjustment	**13,012**	116	**13,822**	(8,144)
Tax impact	**(3,254)**	(29)	**(3,456)**	2,036
Other comprehensive income	**14,691**	4,905	**2,133**	9,505
Comprehensive income	**$ 39,792**	$ 11,810	**$ 54,695**	$ 41,757
Attributable to				
Shareholders	**$ 39,785**	$ 11,797	**$ 54,677**	$ 41,722
Non-controlling interests	**7**	13	**18**	35
	$ 39,792	$ 11,810	**$ 54,695**	$ 41,757

See accompanying notes to the interim condensed consolidated financial statements.

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

Nine months ended December 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	**—**	**—**	**52,544**	**—**	**—**	**—**	**18**	**52,562**
Other comprehensive income (loss)	**—**	**—**	**—**	**(6,473)**	**8,606**	**2,133**	**—**	**2,133**
Total comprehensive income (loss)	**—**	**—**	**52,544**	**(6,473)**	**8,606**	**2,133**	**18**	**54,695**
Stock-based compensation	**—**	**729**	**—**	**—**	**—**	**—**	**—**	**729**
Exercise of stock options	**2,315**	**(492)**	**—**	**—**	**—**	**—**	**—**	**1,823**
Repurchase of common shares (note 12)	**(14,775)**	**—**	**—**	**—**	**—**	**—**	**—**	**(14,775)**
Balance, as at December 30, 2018	**$ 536,287**	**$ 12,772**	**$ 173,913**	**$ 73,445**	**$ 4,518**	**$ 77,963**	**$ 310**	**$ 801,245**

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

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 30 2018**	December 31 2017	**December 30 2018**	December 31 2017
Operating activities					
Net income		**$ 25,101**	$ 6,905	**$ 52,562**	$ 32,252
Items not involving cash					
Depreciation of property, plant and equipment		**2,988**	2,542	**8,756**	7,591
Amortization of intangible assets	8	**7,246**	6,969	**21,302**	19,734
Deferred income taxes	13	**4,564**	(3,609)	**4,664**	(3,732)
Other items not involving cash		**(2,932)**	(6,024)	**(5,365)**	(5,541)
Stock-based compensation	14	**(6,310)**	2,142	**3,692**	5,040
		30,657	8,925	**85,611**	55,344
Change in non-cash operating working capital		**31,577**	(3,460)	**15,736**	(15,569)
Cash flows provided by operating activities		**$ 62,234**	$ 5,465	**$ 101,347**	$ 39,775
Investing activities					
Acquisition of property, plant and equipment		**$ (4,019)**	$ (6,515)	**$ (13,417)**	$ (13,692)
Acquisition of intangible assets	8	**(11,672)**	(1,519)	**(14,633)**	(4,447)
Business acquisition, net of cash acquired	4	**(24,279)**	—	**(24,279)**	—
Proceeds from disposal of property, plant and equipment		**5,046**	10	**5,196**	546
Cash flows used in investing activities		**$ (34,924)**	$ (8,024)	**$ (47,133)**	$ (17,593)
Financing activities					
Bank indebtedness		**$ 198**	$ (806)	**$ (1,111)**	$ (1,056)
Repayment of long-term debt		**(28)**	(91)	**(320)**	(1,600)
Proceeds from long-term debt		**38**	25	**76**	122
Proceeds from exercise of options		**51**	2,876	**1,823**	3,084
Repurchase of common shares	12	**(14,775)**	—	**(14,775)**	—
Cash flows provided by (used in) financing activities		**$ (14,516)**	$ 2,004	**$ (14,307)**	$ 550
Effect of exchange rate changes on cash and cash equivalents		**7,068**	1,820	**4,035**	(1,859)
Increase in cash and cash equivalents		**19,862**	1,265	**43,942**	20,873
Cash and cash equivalents, beginning of period		**354,228**	306,305	**330,148**	286,697
Cash and cash equivalents, end of period		**$ 374,090**	$ 307,570	**$ 374,090**	$ 307,570
Supplemental information					
Cash income taxes paid		**$ 1,575**	$ 3,242	**$ 6,355**	$ 8,598
Cash interest paid		**$ 11,090**	$ 9,791	**$ 24,027**	$ 20,486

See accompanying notes to the interim condensed consolidated financial statements.

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 30, 2018 were authorized for issue by the Board of Directors (the "Board") on February 5, 2019.

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, 2018.

Standards adopted in fiscal 2019
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, 2018, except as noted below:

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

Effective April 1, 2018, the Company adopted IFRS 15 - *Revenue from Contracts with Customers ("IFRS 15")*, in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the Company's revenue recognition policies required on the adoption of this standard. As required, in the interim consolidated statements of income, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard requires contract assets and contract liabilities to be separately presented in the statement of financial position. Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Previously, the Company recognized contract assets as "costs and earnings in excess of billings on contracts in progress" and contract liabilities as "billings in excess of costs and earnings on contracts in progress." Based on IFRS 15, contract assets and contract liabilities have been disclosed as current assets and current liabilities, respectively, in the statement of financial position.

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 on 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, 2019 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 16 - *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), 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 is currently assessing the full impact of adopting this new standard on its consolidated financial statements and expects that IFRS 16 will result in higher non-current assets and non-current liabilities on the consolidated statements of financial position.

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 2018 audited consolidated financial statements. In addition, acquisitions that meet the definition of a business combination require the Company to recognize the assets acquired and liabilities at their fair market value on the date of the acquisition. The calculation of fair value of the assets and liabilities may require the use of estimates and assumptions, based on discounted cash flows, market information and using independent valuations and management's best estimates.

(in thousands of Canadian dollars, except per share amounts – unaudited)

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) On October 31, 2018, the Company completed its acquisition of 100% of the shares of Konstruktion, Maschinen- & Werkzeugbau GmbH & Co. KG, and KMW GmbH (collectively, "KMW"). KMW is a German-based supplier of custom micro-assembly systems and test equipment solutions. The total purchase price was $27,326 (18,330 Euro) subject to finalization of certain working capital and other items. Cash consideration paid in the third quarter of fiscal 2019 was $24,506 (16,438 Euro) with the balance to be paid within 18 months from the acquisition date.

Cash used in investing activities was determined as follows:

Cash consideration	$	24,506
Less: cash acquired		(227)
	$	24,279

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, and using independent valuations and management's best estimates. Final valuations of intangible assets and certain assets including property, plant and equipment 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	$	227
Current assets		5,747
Property, plant and equipment		4,552
Intangible assets with a definite life		
Customer relationships		1,300
Other		79
Current liabilities		(2,153)
Deferred income tax liability		(386)
Net identifiable assets		9,366
Residual purchase price allocated to goodwill		17,960
	$	27,326

Current assets include accounts receivable of $3,180, representing gross contractual amounts receivable of $3,219 less management's best estimate of the contractual cash flows not expected to be collected of $39.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the existing KMW business; the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company's growth plan. 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 KMW. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, October, 31, 2018.

(ii) On December 19, 2018, the Company entered into a definitive agreement to acquire Comecer S.p.A. ("Comecer"), a leader in the design, engineering, manufacture and servicing of advanced aseptic containment and processing systems for the nuclear and pharmaceutical industries. The total cash purchase price for the acquisition will be 113 million Euro, subject to working capital and other adjustments. The Company will fund the acquisition primarily from cash on hand and its credit facilities. The transaction is expected to close in the first calendar quarter of 2019, subject to customary closing conditions.

(in thousands of Canadian dollars, except per share amounts – unaudited)

5. CONTRACTS IN PROGRESS AND INVENTORIES

As at	December 30 2018	March 31 2018
Contracts in progress:		
Costs incurred	**$ 1,301,756**	$ 1,139,038
Estimated earnings	**461,668**	391,009
	1,763,424	1,530,047
Progress billings	**(1,746,520)**	(1,461,042)
	$ 16,904	$ 69,005
Disclosed as:		
Contract assets	**$ 204,259**	$ 164,917
Contract liabilities	**(187,355)**	(95,912)
	$ 16,904	$ 69,005

As at	December 30 2018	March 31 2018
Inventories are summarized as follows:		
Raw materials	**$ 15,641**	$ 15,880
Work in progress	**37,078**	40,858
Finished goods	**1,764**	1,771
	$ 54,483	$ 58,509

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 30, 2018 was $9 and $202 respectively (three and nine months ended December 31, 2017 - $2 and $78, respectively). The amount of inventories carried at net realizable value as at December 30, 2018 was $1,382 (March 31, 2018 - $1,336).

6. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	December 30 2018	March 31 2018
Prepaid assets	**$ 9,164**	$ 9,424
Restricted cash (i)	**466**	477
Supplier deposits	**10,648**	10,396
Forward foreign exchange contracts	**1,361**	2,213
	$ 21,639	$ 22,510

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

7. CROSS-CURRENCY INTEREST RATE SWAP

As at	December 30 2018	March 31 2018
Cross-currency interest rate swap instrument	**$ (11,569)**	$ (30,908)
Disclosed as:		
Other assets	**$ 8,442**	$ —
Other long-term liabilities	**(20,011)**	(30,908)
	$ (11,569)	$ (30,908)

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.

(in thousands of Canadian dollars, except per share amounts – unaudited)

8. INTANGIBLE ASSETS

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands[i]	Total
Cost:						
Balance, as at March 31, 2018	$ 20,332	$ 37,357	$ 21,572	$ 193,341	$ 14,282	$ 286,884
Additions	2,400	2,233	10,000	—	—	14,633
Acquisition of a subsidiary	—	79	—	1,300	—	1,379
Disposals	—	(688)	—	—	—	(688)
Exchange and other adjustments	(75)	(62)	(192)	(800)	(231)	(1,360)
Balance, as at December 30, 2018	**$ 22,657**	**$ 38,919**	**$ 31,380**	**$ 193,841**	**$ 14,051**	**$ 300,848**

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Amortization:						
Balance, as at March 31, 2018	$ (8,489)	$ (25,998)	$ (14,266)	$ (89,262)	$ —	$ (138,015)
Amortization	(1,939)	(2,889)	(1,599)	(13,302)	(1,573)	(21,302)
Disposals	—	589	—	—	—	589
Exchange and other adjustments	(74)	174	34	74	(44)	164
Balance, as at December 30, 2018	**$ (10,502)**	**$ (28,124)**	**$ (15,831)**	**$ (102,490)**	**$ (1,617)**	**$ (158,564)**
Net book value:						
As at December 30, 2018	**$ 12,155**	**$ 10,795**	**$ 15,549**	**$ 91,351**	**$ 12,434**	**$ 142,284**
As at March 31, 2018	$ 11,843	$ 11,359	$ 7,306	$ 104,079	$ 14,282	$ 148,869

(i) At April 1, 2018, the Company assessed its brand intangible assets to have a remaining useful life of five to eight years. Previously these assets were estimated to have indefinite useful lives.

On December 6, 2018, the Company acquired substantially all of the intellectual property assets of Transformix Engineering Inc. ("Transformix"). Transformix's CNCAssembly system, based on its patented Rapid Speed Matching ("RSM") technology, provides a method of linking and synchronizing the movements of devices and tooling to enable faster and more efficient assembly systems. Total consideration included $10,000 paid upon closing from the Company's cash holdings. The acquired intellectual property asset is included in technology additions at December 30, 2018. Amortization of the intangible asset will begin when the asset is available for use which is expected to be in the second half of fiscal 2020. Over the next five years, potential future payments of up to $20,000 are payable based on sales which incorporate the acquired intellectual property assets. The commission expenses will be recognized as they are incurred.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the nine months ended December 30, 2018 and the year ended March 31, 2018, 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 30, 2018 and the year ended March 31, 2018, 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.

(in thousands of Canadian dollars, except per share amounts – unaudited)

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 three and nine months ended December 30, 2018, the Company recorded risk management losses of $4,022 and $5,745, respectively, (three and nine months ended December 31, 2017 – gains of $558 and $64, 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 30, 2018, were unrealized losses of $3,386 and $5,098, respectively, (three and nine months ended December 31, 2017 – loss of $233 and a gain of $2,458, respectively) representing the change in fair value. In addition, during the three and nine months ended December 30, 2018, the Company realized losses of $636 and $647, respectively, in foreign exchange (three and nine months ended December 31, 2017 – gain of $791 and a loss of $2,394, respectively), which were settled.

10. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2018	$ 9,165	$ 5,933	$ 5,896	$ 20,994
Provisions made	2,287	—	5,152	7,439
Provisions reversed	(2,259)	(21)	(600)	(2,880)
Provisions used	(2,017)	(4,837)	(5,557)	(12,411)
Exchange adjustments	13	(38)	25	—
Balance, at December 30, 2018	**$ 7,189**	**$ 1,037**	**$ 4,916**	**$ 13,142**

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 that have been incurred during the year 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 December 30, 2018, the Company had utilized $129,748 under the Credit Facility, by way of letters of credit (March 31, 2018 - $108,541).

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%.

(in thousands of Canadian dollars, except per share amounts – unaudited)

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 December 30, 2018, all of the covenants were met.

The Company has additional credit facilities available of $19,413 (2,296 Euros, $10,000 U.S., 50,000 Thai Baht and 1,257 Czech Koruna). The total amount outstanding on these facilities at December 30, 2018 was $1,928, of which $1,390 was classified as bank indebtedness (March 31, 2018 - $2,668) and $538 was classified as long-term debt (March 31, 2018 - $739). The interest rates applicable to the credit facilities range from 1.66% to 8.25% 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. At December 30, 2018, 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 7).

(i) Bank indebtedness

As at	**December 30 2018**	March 31 2018
Other facilities	**$ 1,390**	$ 2,668

(ii) Long-term debt

As at	**December 30 2018**	March 31 2018
Senior Notes	**$ 341,350**	$ 322,425
Other facilities	**538**	739
Issuance costs	**(6,291)**	(7,642)
	335,597	315,522
Less: current portion	**395**	393
	$ 335,202	$ 315,129

(in thousands of Canadian dollars, except per share amounts – unaudited)

Scheduled principal repayments and interest payments on long-term debt as at December 30, 2018 are as follows:

	Principal	Interest
Less than one year	$ 395	$ 22,195
One – two years	124	22,188
Two – three years	19	22,188
Three – four years	—	22,188
Four – five years	341,350	11,094
	$ 341,888	$ 99,853

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. As at December 30, 2018, the Company had purchased 979,152 common shares for $14,775 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 weighted average price per share repurchased for the quarter ended December 30, 2018 was $15.09.

The changes in the common shares issued, repurchased and outstanding during the period presented were as follows:

	Number of common shares	Share capital
Balance, at March 31, 2018	94,001,692	$ 548,747
Exercise of stock options	137,405	2,315
Repurchase of common shares	(979,152)	(14,775)
Balance, at December 30, 2018	**93,159,945**	**$ 536,287**

(in thousands of Canadian dollars, except per share amounts – unaudited)

13. TAXATION

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		Nine months ended	
	December 30 2018	December 31 2017	**December 30 2018**	December 31 2017
Income before income taxes and non-controlling interest	**$ 33,702**	$ 9,013	**$ 69,398**	$ 41,842
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	**$ 8,931**	$ 2,388	**$ 18,390**	$ 11,088
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	**921**	71	**981**	404
Non-taxable income net of non-deductible expenses	**(764)**	(663)	**(2,432)**	(1,891)
Recognition/use of previously unrecognized assets	**164**	416	**841**	706
Income taxed at different rates and statutory rate changes	**(53)**	92	**(17)**	(151)
Manufacturing and processing allowance and all other items	**(598)**	(196)	**(927)**	(566)
	$ 8,601	$ 2,108	**$ 16,836**	$ 9,590
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	**$ 4,037**	$ 5,717	**$ 12,172**	$ 13,322
Deferred tax expense (recovery)	**4,564**	(3,609)	**4,664**	(3,732)
	$ 8,601	$ 2,108	**$ 16,836**	$ 9,590
Deferred tax related to items charged or credited directly to equity:				
Net gain (loss) on revaluation of cash flow hedges	**$ (1,725)**	$ 201	**$ (2,849)**	$ 1,003
Other items recognized through equity	**(1,325)**	(646)	**376**	(2,030)
Income tax charged directly to equity	**$ (3,050)**	$ (445)	**$ (2,473)**	$ (1,027)

14. 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 30, 2018, the Company granted nil and 199,688 time vesting stock options respectively (nil and 300,625 in the three and nine months ended December 31, 2017 respectively). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

(in thousands of Canadian dollars, except per share amounts – unaudited)

For the nine months ended	December 30 2018			December 31 2017		
	Number of stock options		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Stock options outstanding, beginning of period	**1,818,958**	**$**	**12.73**	2,274,724	$	12.60
Granted	**199,688**		**20.30**	300,625		12.77
Exercised [(i)]	**(137,405)**		**13.27**	(307,291)		10.03
Forfeited	**(52,930)**		**14.16**	(323,350)		14.72
Stock options outstanding, end of period	**1,828,311**	**$**	**13.47**	1,944,708	$	12.68
Stock options exercisable, end of period, time-vested options	**888,218**	**$**	**13.14**	830,625	$	12.80
Stock options exercisable, end of period, performance-based options	**333,333**	**$**	**11.60**	333,333	$	11.60

(i) For the nine months ended December 30, 2018, the weighted average share price at the date of exercise was $21.23 (December 31, 2017 - $14.83).

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 30 2018**		December 31 2017
Weighted average risk-free interest rate		**2.11%**		0.92%
Dividend yield		**0%**		0%
Weighted average expected volatility		**28%**		29%
Weighted average expected life		**4.75 years**		4.75 years
Number of stock options granted:				
Time-vested		**199,688**		300,625
Weighted average exercise price per option	**$**	**20.30**	$	12.77
Weighted average value per option:				
Time-vested	**$**	**5.61**	$	3.37

Restricted Share Unit Plan

During the three and nine months ended December 30, 2018, the Company granted 12,500 and 179,201 time-vesting restricted share units ("RSUs") respectively (three and nine months ended December 31, 2017 – 6,000 and 211,398 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 30, 2018, the Company granted nil and 145,900 performance-based RSUs respectively (three and nine months ended December 31, 2017 – nil and 211,712 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 1.4 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 30, 2018, the value of the outstanding liability related to the RSU plan was $5,282 (March 31, 2018 - $5,699). The RSU liability is included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.

Deferred Stock Unit Plan

During the three and nine months ended December 30, 2018, the Company granted nil and 50,069 units respectively (three and nine months ended December 31, 2017 – 3,486 and 81,436 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 30, 2018, the value of the outstanding liability related to the DSUs was $7,880

(in thousands of Canadian dollars, except per share amounts – unaudited)

(March 31, 2018 - $9,542). The DSU liability is included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.

15. 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	$ 9,527	$ 103,054
One – two years	10,600	1,576
Two – three years	8,423	665
Three – four years	4,511	604
Four – five years	2,187	174
Due in over five years	2,038	174
	$ 37,286	$ 106,247

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 30, 2018, the total value of outstanding letters of credit was approximately $193,945 (March 31, 2018 - $137,148).

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 and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

As at		**December 30, 2018**
	Property, plant and equipment	**Intangible assets**
Canada	**$ 33,405**	**$ 19,762**
United States	**14,125**	**17,705**
Germany	**39,597**	**104,237**
Other Europe	**1,526**	**426**
Other	**3,728**	**154**
Total Company	**$ 92,381**	**$ 142,284**

(in thousands of Canadian dollars, except per share amounts – unaudited)

As at		March 31, 2018
	Property, plant and equipment	Intangible assets
Canada	$ 30,148	$ 10,147
United States	15,701	19,018
Germany	33,748	118,961
Other Europe	1,657	496
Other	3,848	247
Total Company	$ 85,102	$ 148,869

Revenues from external customers for the three months ended	**December 30 2018**	December 31 2017
Canada	**$ 29,506**	$ 18,771
United States	**100,119**	98,270
Germany	**92,684**	51,666
Other Europe	**61,051**	54,441
Other	**38,037**	54,445
Total Company	**$ 321,397**	$ 277,593

Revenues from external customers for the nine months ended	**December 30 2018**	December 31 2017
Canada	**$ 63,230**	$ 50,185
United States	**295,004**	318,473
Germany	**240,246**	140,175
Other Europe	**173,736**	158,503
Other	**132,784**	149,170
Total Company	**$ 905,000**	$ 816,506

17. NET FINANCE COSTS

	Three months ended		**Nine months ended**	
	December 30 2018	December 31 2017	**December 30 2018**	December 31 2017
Interest expense	**$ 6,133**	$ 6,286	**$ 18,884**	$ 19,266
Interest income	**(1,372)**	(523)	**(3,800)**	(1,161)
	$ 4,761	$ 5,763	**$ 15,084**	$ 18,105

18. EARNINGS PER SHARE

For the three months ended	**December 30 2018**	December 31 2017
Weighted average number of common shares outstanding	**94,000,411**	93,754,216
Dilutive effect of stock option conversion	**452,082**	298,304
Diluted weighted average number of common shares outstanding	**94,452,493**	94,052,520

For the nine months ended	**December 30 2018**	December 31 2017
Weighted average number of common shares outstanding	**94,041,637**	93,661,745
Dilutive effect of stock option conversion	**546,987**	242,798
Diluted weighted average number of common shares outstanding	**94,588,624**	93,904,543

For the three and nine months ended December 30, 2018, stock options to purchase 190,195 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 (761,250 and 974,000 common shares were excluded for the three and nine months ended December 31, 2017).