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## ATS REPORTS THIRD QUARTER FISCAL 2016 RESULTS

Cambridge, Ontario (February 3, 2016): ATS Automation Tooling Systems Inc. (TSX: ATA) (“ATS” or the “Company”) today reported financial results for the three and nine months ended December 27, 2015.

### Third Quarter Summary

- Revenues from continuing operations were \$274.9 million, 10% higher than the third quarter a year ago, primarily reflecting foreign exchange rate changes and the timing of project activities;
- Earnings from continuing operations were \$26.8 million (10% operating margin), compared to \$15.9 million (6% operating margin) in the third quarter of fiscal 2015. Adjusted earnings from continuing operations<sup>1</sup> were \$32.1 million (12% margin), compared to \$27.2 million (11% margin) in the third quarter a year ago;
- EBITDA<sup>1</sup> was \$36.0 million (13% margin), compared to \$28.7 million (12% margin) in the third quarter of fiscal 2015. Excluding a gain of \$3.7 million from the sale of a redundant U.S. facility and restructuring and severance costs of \$3.4 million, third quarter 2016 EBITDA was \$35.7 million (13% margin), up from \$30.4 million (12% margin), which excluded \$1.7 million of acquisition-related costs;
- Earnings per share from continuing operations were 16 cents basic compared to 9 cents basic a year ago. Adjusted basic earnings per share from continuing operations<sup>1</sup> were 21 cents compared to 18 cents in the third quarter a year ago;
- Order Bookings were \$228 million, a 21% decrease from the third quarter of fiscal 2015;
- Period end Order Backlog was \$546 million, 9% lower than at December 28, 2014; and
- The Company’s balance sheet and financial capacity to support growth remained strong, with unutilized credit facilities of \$616 million and \$8.9 million of credit available under letter of credit facilities.

<sup>1</sup> Non-IFRS measure: see “Notice to Reader: Non-IFRS Measures and Additional IFRS Measures”.

## Financial Results

In millions of Canadian dollars,  
except per share data

		3 months ended December 27, 2015	3 months ended December 28, 2014	9 months ended December 27, 2015	9 months ended December 28, 2014
Revenues	Continuing Operations	\$ 274.9	\$ 248.8	\$ 792.9	\$ 646.7
Earnings from operations <sup>1</sup>	Continuing Operations	\$ 26.8	\$ 15.9	\$ 68.7	\$ 44.4
Adjusted earnings from operations <sup>1</sup>	Continuing Operations	\$ 32.1	\$ 27.2	\$ 91.2	\$ 75.1
EBITDA <sup>1</sup>	Continuing Operations	\$ 36.0	\$ 28.7	\$ 98.4	\$ 72.3
Net income	Continuing Operations	\$ 15.5	\$ 8.6	\$ 38.2	\$ 25.0
	Discontinued Operations	\$ —	\$ —	\$ —	\$ 14.0
Earnings per share	From continuing operations (basic and diluted)	\$ 0.16	\$ 0.09	\$ 0.41	\$ 0.27
	From discontinued operations (basic and diluted)	\$ —	\$ (0.00)	\$ —	\$ 0.15
Adjusted earnings per share <sup>1</sup>	From continuing operations (basic)	\$ 0.21	\$ 0.18	\$ 0.58	\$ 0.53

<sup>1</sup> Non-IFRS measure: see "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures".

"Third quarter performance was strong with increased revenues and earnings which reflected our solid operating foundation," said Anthony Caputo, Chief Executive Officer. "Market conditions have challenged the front end of our business, with some customers delaying significant investment decisions. Despite this, our funnel remains strong and proposal activity robust. We have a strong balance sheet and significant financial resources available to pursue our growth strategy."

### Third Quarter Summary Continuing Operations

Fiscal 2016 third quarter revenues were 10% higher than in the corresponding period a year ago, primarily reflecting foreign exchange rate changes and the timing of project activities. Foreign exchange rate changes positively impacted the translation of revenues earned by foreign-based subsidiaries compared to the corresponding period a year ago, primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar and Euro.

By market, fiscal 2016 third quarter revenues from consumer products & electronics were consistent with the corresponding period a year ago. Revenues generated in the energy market decreased 18% due to the timing of project activities. Revenues generated in the life sciences market increased 19% primarily due to foreign exchange rate changes and the timing of project activities. Transportation revenues increased 13% primarily due to foreign exchange rate changes and the timing of project activities.

Fiscal 2016 third quarter earnings from operations were \$26.8 million (10% operating margin) compared to \$15.9 million (6% operating margin) in the third quarter of fiscal 2015. Third quarter fiscal 2016 earnings from operations included a gain of \$3.7 million from the sale of a redundant U.S. facility, \$3.4 million of restructuring and severance costs and \$5.6 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, and sortimat. Excluding these items, third quarter fiscal 2016 adjusted earnings from operations were \$32.1 million (12% margin), compared to adjusted earnings from operations of \$27.2 million (11% margin) a year ago. Higher adjusted earnings from operations primarily reflected increased revenues.

Depreciation and amortization expense was \$9.2 million in the third quarter of fiscal 2016, compared to \$12.8 million a year ago. The decrease primarily reflects lower amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, and sortimat compared to the third quarter of fiscal 2015.

EBITDA was \$36.0 million (13% EBITDA margin) in the third quarter of fiscal 2016 compared to \$28.7 million (12% EBITDA margin) in the third quarter of fiscal 2015. Excluding restructuring and severance costs and the gain on the sale of a U.S. facility, third quarter fiscal 2016 EBITDA was \$35.7 million (13% EBITDA margin). Comparably, excluding acquisition-related costs, third quarter fiscal 2015 EBITDA was \$30.4 million (12% EBITDA margin).

In the third quarter of fiscal 2016, the Company's investment in non-cash working capital decreased by \$18.4 million from September 27, 2015. The Company has made progress towards its goal of reducing its overall investment in non-cash working capital as a percentage of revenues. However, at the end of the third quarter of fiscal 2016 the Company's non-cash working capital as a percentage of revenues was 15.4%. This remains above the Company's target of 15% or lower, which management expects to work towards over time.

### **Order Bookings**

Third quarter fiscal 2016 Order Bookings were \$228.0 million, a 21% decrease from the third quarter of fiscal 2015, primarily reflecting normal volatility in the Company's Order Bookings including the timing of customer decisions on various larger opportunities. Lower Order Bookings were realized in all customer markets with the exception of energy. The most significant decreases were realized in the life sciences and consumer products and electronics markets.

### **Quarterly Conference Call**

ATS's quarterly conference call begins at 10 am eastern on Wednesday February 3 and can be accessed live at [www.atsautomation.com](http://www.atsautomation.com) or on the phone by dialing (647) 427-7450 five minutes prior. A replay of the conference will be available on the ATS website following the call. Alternatively, a telephone recording of the call will be available for one week (until midnight February 10, 2016) by dialing (416) 849-0833 and entering passcode 35564430 followed by the number sign.

## **About ATS**

ATS is an industry-leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services including pre-automation and after-sales services to address the sophisticated manufacturing automation systems and service needs of multinational customers in markets such as life sciences, chemicals, consumer products, electronics, food, beverage, transportation, energy, and oil and gas. Founded in 1978, ATS employs approximately 3,500 people at 24 manufacturing facilities and over 50 offices in North America, Europe, Southeast Asia and China.

### **For more information, contact:**

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## **Management's Discussion and Analysis**

For the Quarter Ended December 27, 2015

*This Management's Discussion and Analysis ("MD&A") for the three and nine months ended December 27, 2015 (third quarter of fiscal 2016) is as of February 2, 2015 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the third quarter of fiscal 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and the MD&A of the Company for the year ended March 31, 2015 (fiscal 2015) and, accordingly, the purpose of this document is to provide a fiscal 2016 third quarter update to the information contained in the fiscal 2015 MD&A. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.atsautomation.com](http://www.atsautomation.com).*

### **Notice to Reader: Non-IFRS Measures and Additional IFRS Measures**

Throughout this document management uses certain non-IFRS measures to evaluate the performance of the Company. These terms do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. The terms "operating margin", "EBITDA", "EBITDA margin", "adjusted net income from continuing operations", "adjusted earnings from operations", "adjusted basic earnings per share from continuing operations", "non-cash working capital", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In addition, management uses "earnings from operations" which is an additional IFRS measure to evaluate the performance of the Company. Earnings from operations is presented on the Company's consolidated statements of income as

net income from continuing operations excluding income tax expense and net finance costs. Operating margin is an expression of the Company's earnings from operations as a percentage of revenues. EBITDA is defined as earnings from operations excluding depreciation and amortization (which includes amortization of intangible assets). EBITDA margin is an expression of the Company's EBITDA as a percentage of revenues. Adjusted earnings from operations is defined as earnings from operations before items excluded from management's internal analysis of operating results, such as amortization expense of acquisition-related intangible assets, acquisition-related transaction and integration costs, restructuring charges, and certain other adjustments which would be non-recurring in nature ("adjustment items"). Adjusted basic earnings per share from continuing operations is defined as adjusted net income from continuing operations on a basic per share basis, where adjusted net income from continuing operations is defined as adjusted earnings from operations less net finance costs and income tax expense, plus tax effects of adjustment items. Non-cash working capital is defined as the sum of accounts receivable, costs and earnings in excess of billing on contracts in progress, inventories, deposits, prepaids and other assets, less accounts payable, accrued liabilities, provisions and billings in excess of costs and earnings on contracts in progress. Order Bookings represent new orders for the supply of automation systems, services and products that management believes are firm. Order Backlog is the estimated unearned portion of revenues on customer contracts that are in process and have not been completed at the specified date.

Earnings from operations and EBITDA are used by the Company to evaluate the performance of its operations. Management believes earnings from operations is an important indicator in measuring the performance of the Company's operations on a pre-tax basis and without consideration as to how the Company finances its operations. Management believes that EBITDA is an important indicator of the Company's ability to generate operating cash flows to fund continued investment in its operations. Management believes that adjusted earnings from operations and adjusted basic earnings per share from continuing operations (including adjusted net income from continuing operations) are important measures to increase comparability of performance between periods. The adjustment items used by management to arrive at these metrics are not considered to be indicative of the business's ongoing operating performance. Management uses the measure non-cash working capital as a percentage of revenues to evaluate the Company's management of its investment in non-cash working capital. Management calculates non-cash working capital as a percentage of revenues using period end non-cash working capital divided by trailing two fiscal quarter revenues annualized. Order Bookings provides an indication of the Company's ability to secure new orders for work during a specified period, while Order Backlog provides a measure of the value of Order Bookings that have not been completed at a specified point in time. Both Order Bookings and Order Backlog are indicators of future revenues the Company expects to generate based on contracts that management believes to be firm. Management believes that ATS shareholders and potential investors in ATS use these additional IFRS measures and non-IFRS financial measures in making

investment decisions and measuring operational results. EBITDA should not be construed as a substitute for net income determined in accordance with IFRS. Adjusted earnings from operations is not necessarily indicative of earnings from operations or cash flows from operations as determined under IFRS and may not be comparable to similar measures presented by other companies.

A reconciliation of (i) earnings from operations and EBITDA to net income from continuing operations, and (ii) adjusted earnings from operations to earnings from operations, adjusted net income from continuing operations to net income from continuing operations and adjusted basic earnings per share from continuing operations to basic earnings per share from continuing operations, in each case for the three and nine month periods ending December 27, 2015 and December 28, 2014 is contained in this MD&A (see “Reconciliation of Non-IFRS Measures to IFRS Measures”). A reconciliation of Order Bookings and Order Backlog to total Company revenues for the three and nine month periods ending December 27, 2015 and December 28, 2014 is also contained in the MD&A (see “Order Backlog Continuity”).

#### **COMPANY PROFILE**

ATS is an industry-leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services including pre-automation and after-sales services to address the sophisticated manufacturing automation systems and service needs of multinational customers in markets such as life sciences, chemicals, consumer products, electronics, food, beverage, transportation, energy, and oil and gas. Founded in 1978, ATS employs approximately 3,500 people at 24 manufacturing facilities and over 50 offices in North America, Europe, Southeast Asia and China.

#### **Value Creation Strategy**

To drive value creation, the Company is focused on its growth strategy: Grow, Expand and Scale. The strategy is designed to leverage the strong foundation of ATS' core automation business, continue the growth and development of ATS and create value for all stakeholders.

##### ***Grow***

To further the Company's organic growth, ATS will continue to target providing comprehensive, value-based programs and enterprise solutions for customers built on differentiating technological solutions, value of customer outcomes achieved and global capability.

### *Expand*

The Company seeks to expand its offering of products and services to the market. The Company intends to build on its automation systems business to offer: engineering, including design, modelling and simulation, and program management; products, including contract manufacturing, automation and other manufacturing products; and services, including pre automation, post automation, training, life cycle material management, and other after sales services.

### *Scale*

The Company is committed to growth through acquisition and management believes that the Company has the organizational structure, business processes and experience to successfully integrate acquired companies. Acquisition targets are evaluated on their ability to bring ATS market or technology leadership, scale and/or a market opportunity. For each of ATS' markets, the Company has analyzed the capability value chain and made a grow, team or acquire decision. Financially, targets are reviewed on a number of criteria including their potential to add accretive earnings to current operations. To date, ATS has successfully acquired four complementary and accretive businesses: sortimat Group ("sortimat") on June 1, 2010; Assembly & Test Worldwide ("ATW") on January 5, 2011; IWK Verpackungstechnik and Oystar IWK USA, Inc. ("IWK") on September 30, 2013 and M+W Process Automation GmbH and ProFocus LLC (collectively "Process Automation Solutions" or "PA") on September 1, 2014.

### **OVERVIEW – OPERATING RESULTS FROM CONTINUING OPERATIONS**

Results from continuing operations comprise the results of ATS' continuing operations and corporate costs not directly attributable to Solar. The results of the Solar segment are reported in discontinued operations.

### **Consolidated Revenues from Continuing Operations**

(In millions of dollars)

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014	<b>Nine Months Ended December 27, 2015</b>	Nine Months Ended December 28, 2014
<b>Revenue by Market</b>				
Consumer products & electronics	\$ 45.8	\$ 45.7	\$ 121.5	\$ 126.2
Energy	16.5	20.1	56.1	46.4
Life sciences	114.0	95.6	330.0	254.3
Transportation	98.6	87.4	285.3	219.8
<b>Total revenues from continuing operations</b>	<b>\$ 274.9</b>	<b>\$ 248.8</b>	<b>\$ 792.9</b>	<b>\$ 646.7</b>

### **Third Quarter**

Fiscal 2016 third quarter revenues were 10% higher than in the corresponding period a year ago, primarily reflecting foreign exchange rate changes and the timing of project activities. Foreign exchange rate changes positively impacted the translation of

revenues earned by foreign-based subsidiaries compared to the corresponding period a year ago, primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar and Euro.

By market, fiscal 2016 third quarter revenues from consumer products & electronics were consistent with the corresponding period a year ago. Revenues generated in the energy market decreased 18% due to the timing of project activities. Revenues generated in the life sciences market increased 19% primarily due to foreign exchange rate changes and the timing of project activities. Transportation revenues increased 13% primarily due to foreign exchange rate changes and the timing of project activities.

### **Year-to-date**

Revenues for the nine months ended December 27, 2015 were 23% higher than in the corresponding period a year ago, primarily reflecting revenues earned by PA. PA revenues for the nine months ended December 27, 2015 were \$205.0 million compared to \$81.0 million for the nine months ended December 28, 2014. Excluding PA, revenues increased \$22.2 million, or 4% from the corresponding period a year ago reflecting foreign exchange rate changes (primarily the weakening of the Canadian dollar relative to the U.S. dollar) which positively impacted the translation of revenues earned by foreign-based subsidiaries compared to the corresponding period a year ago.

By market, fiscal 2016 year-to-date revenues from consumer products & electronics decreased 4%, primarily reflecting lower activity in the consumer products market. Revenues generated in the energy market increased 21%, primarily due to increased revenues in the nuclear energy market. Revenues generated in the life sciences market increased 30% primarily on revenues earned by PA. Transportation revenues increased 30% primarily on revenues earned by PA and foreign exchange translation.

## Consolidated Operating Results

(In millions of dollars)

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014	<b>Nine Months Ended December 27, 2015</b>	Nine Months Ended December 28, 2014
<b>Earnings from operations</b>	\$ 26.8	\$ 15.9	\$ 68.7	\$ 44.4
Amortization of acquisition-related intangible assets	5.6	9.6	18.9	19.0
Acquisition-related transaction and integration costs	—	1.7	—	11.7
Restructuring charges	3.4	—	7.3	—
Gain on sale of assets	(3.7)	—	(3.7)	—
<b>Adjusted earnings from operations<sup>1</sup></b>	<b>\$ 32.1</b>	<b>\$ 27.2</b>	<b>\$ 91.2</b>	<b>\$ 75.1</b>

<sup>1</sup>See "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures."

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014	<b>Nine Months Ended December 27, 2015</b>	Nine Months Ended December 28, 2014
<b>Earnings from operations</b>	\$ 26.8	\$ 15.9	\$ 68.7	\$ 44.4
Depreciation and amortization	9.2	12.8	29.7	27.9
<b>EBITDA<sup>1</sup></b>	<b>\$ 36.0</b>	<b>\$ 28.7</b>	<b>\$ 98.4</b>	<b>\$ 72.3</b>

<sup>1</sup>See "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures."

### Third Quarter

Fiscal 2016 third quarter earnings from operations were \$26.8 million (10% operating margin) compared to \$15.9 million (6% operating margin) in the third quarter of fiscal 2015. Third quarter fiscal 2016 earnings from operations included a gain of \$3.7 million from the sale of a redundant U.S. facility, \$3.4 million of restructuring and severance costs and \$5.6 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, and sortimat. Excluding these items, third quarter fiscal 2016 adjusted earnings from operations were \$32.1 million (12% margin), compared to adjusted earnings from operations of \$27.2 million (11% margin) a year ago. Higher adjusted earnings from operations primarily reflected increased revenues.

Depreciation and amortization expense was \$9.2 million in the third quarter of fiscal 2016, compared to \$12.8 million a year ago. The decrease primarily reflects lower amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, and sortimat compared to the third quarter of fiscal 2015.

EBITDA was \$36.0 million (13% EBITDA margin) in the third quarter of fiscal 2016 compared to \$28.7 million (12% EBITDA margin) in the third quarter of fiscal 2015. Excluding restructuring and severance costs and the gain on the sale of a U.S. facility,

third quarter fiscal 2016 EBITDA was \$35.7 million (13% EBITDA margin). Comparably, excluding acquisition-related costs, third quarter fiscal 2015 EBITDA was \$30.4 million (12% EBITDA margin).

### **Year-to-date**

For the nine months ended December 27, 2015, earnings from operations were \$68.7 million (9% operating margin) compared to \$44.4 million (7% operating margin) in the corresponding period a year ago. Earnings from operations included a gain of \$3.7 million from the sale of a redundant U.S. facility, \$7.3 million of restructuring and severance costs and \$18.9 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, ATW and sortimat. Excluding these items, adjusted earnings from operations were \$91.2 million (12% operating margin) compared to adjusted earnings from operations of \$75.1 million (12% operating margin) in the corresponding period a year ago. Higher adjusted earnings from operations primarily reflected increased revenues, lower employee incentive costs and other discretionary spending reductions. These were partially offset by higher cost of revenues caused by some lower margin programs which were bid and executed by the Company, and certain programs where costs exceeded budgets.

Depreciation and amortization expense was \$29.7 million in the first nine months of fiscal 2016 compared to \$27.9 million a year ago.

Year to date fiscal 2016 EBITDA was \$98.4 million (12% EBITDA margin) compared to \$72.3 million (11% EBITDA margin) in the first nine months of fiscal 2015. Excluding restructuring costs, and the gain on the sale of the U.S. facility, fiscal 2016 year to date EBITDA was \$102.0 million (13% EBITDA margin). Comparably, excluding acquisition-related costs, fiscal 2015 year-to-date EBITDA was \$84.0 million (13% EBITDA margin).

### **Order Bookings**

Third quarter fiscal 2016 Order Bookings were \$228 million, a 21% decrease from the third quarter of fiscal 2015, primarily reflecting normal volatility in the Company's Order Bookings including the timing of customer decisions on various larger opportunities. Lower Order Bookings were realized in all customer markets with the exception of energy. The most significant decreases were realized in the life sciences and consumer products and electronics markets.

## Order Backlog Continuity

(In millions of dollars)

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014	<b>Nine Months Ended December 27, 2015</b>	Nine Months Ended December 28, 2014
Opening Order Backlog	\$ 589	\$ 561	\$ 632	\$ 474
Revenues	(275)	(249)	(793)	(647)
Order Bookings	228	287	680	663
Order Backlog adjustments <sup>1</sup>	4	3	27	112
<b>Total</b>	<b>\$ 546</b>	<b>\$ 602</b>	<b>\$ 546</b>	<b>\$ 602</b>

<sup>1</sup> Order Backlog adjustments include foreign exchange adjustments, cancellations and for the nine months ended December 28, 2014, incremental Order Backlog of \$131 million acquired with PA.

## Order Backlog by Market

(In millions of dollars)

<b>As at</b>	<b>December 27, 2015</b>	December 28, 2014
Consumer products & electronics	\$ 89	\$ 68
Energy	48	43
Life sciences	229	290
Transportation	180	201
<b>Total</b>	<b>\$ 546</b>	<b>\$ 602</b>

At December 27, 2015, Order Backlog was \$546 million, 9% lower than at December 28, 2014. Lower Order Backlog in life sciences, and transportation markets was partially offset by higher Order Backlog in consumer products & electronics, and energy markets as well as the impact of foreign exchange rate changes.

## Outlook

The global economic environment has continued to show signs of volatility, and uncertainty remains. In the U.S., economic growth remains slow, and Canadian and European economies remain weak. Economic growth continues to decelerate in China and other parts of Asia. A prolonged or more significant downturn in an economy where the Company operates could negatively impact Order Bookings and may add to volatility in Order Bookings.

Many customers remain cautious in their approach to capital investment. Although funnel activity in life sciences and transportation markets has remained strong, customers have continued to delay investment decisions as reflected in the Company's lower Order Bookings. Opportunities in energy markets are sporadic. Funnel activity in the consumer products and electronics market has improved, however it remains low relative to other customer markets. Overall, funnel activity remains strong and proposal activity robust. The Company has several large proposals pending, subject to customer decisions on those opportunities.

The Company's sales organization continues to work to engage customers on enterprise-type solutions. The Company expects that this will provide ATS with more strategic relationships, increased predictability, better program control and less sensitivity to macroeconomic forces. This approach to market and the timing of customer decisions on larger opportunities may cause variability in Order Bookings from quarter to quarter and, as is already the case, lengthen the performance period and revenue recognition for certain customer programs. The Company expects its Order Backlog of \$546 million at the end of the third quarter of fiscal 2016 to partially mitigate the impact of volatile Order Bookings on revenues in the short term. Management expects that approximately 40% to 45% of its Order Backlog would typically be completed each quarter. In the fourth quarter of fiscal 2016, management expects to operate at the higher end of this range.

Management's disciplined focus on program management, cost reductions, standardization and quality is expected to put ATS in a strong competitive position to capitalize on opportunities. In the third quarter of fiscal 2016, the Company initiated the closure of its India-based operations, completed the previously announced closure of a U.S. operation and initiated additional actions to re-balance global capacity and improve the Company's cost structure which, resulted in charges of \$3.4 million being incurred in the third quarter of fiscal 2016. Over the first nine months of the fiscal year, restructuring charges of \$7.3 million were incurred, with an expected payback period of less than one year. Management is continuing to evaluate its global capacity and cost structure, and taking into consideration the Company's decreased Order Backlog, expects to incur additional restructuring expenses in the range of \$2.0 million in the fourth quarter of fiscal 2016. However, these actions are not expected to fully offset the expected negative impact of the Company's decreased Order Backlog on revenues and earnings from operations in the near term. Over the long term, management expects that the application of its ongoing efforts to improve ATS' cost structure, business processes, leadership and supply chain management will have a positive impact on ATS operations.

The Company seeks to continue to expand its position in the global automation market organically and through acquisition. The Company's solid foundation and strong cash flow generation capability provide the flexibility to pursue its growth strategy.

## CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(In millions of dollars)

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014	<b>Nine Months Ended December 27, 2015</b>	Nine Months Ended December 28, 2014
Revenues	\$ 274.9	\$ 248.8	\$ 792.9	\$ 646.7
Cost of revenues	204.8	186.0	595.3	473.8
Selling, general and administrative	42.5	44.5	125.8	124.7
Stock-based compensation	0.8	2.4	3.1	3.8
<b>Earnings from operations</b>	<b>\$ 26.8</b>	<b>\$ 15.9</b>	<b>\$ 68.7</b>	<b>\$ 44.4</b>
Net finance costs	\$ 6.9	\$ 4.4	\$ 18.7	\$ 7.6
Provision for income taxes	4.4	2.9	11.8	11.8
<b>Net income from continuing operations</b>	<b>\$ 15.5</b>	<b>\$ 8.6</b>	<b>\$ 38.2</b>	<b>\$ 25.0</b>
<b>Income (loss) from discontinued operations, net of tax</b>	<b>—</b>	<b>(0.0)</b>	<b>—</b>	<b>14.0</b>
<b>Net income</b>	<b>\$ 15.5</b>	<b>\$ 8.6</b>	<b>\$ 38.2</b>	<b>\$ 39.0</b>
<b>Earnings (loss) per share</b>				
Basic and diluted from continuing operations	\$ 0.16	\$ 0.09	\$ 0.41	\$ 0.27
Basic and diluted from discontinued operations	—	(0.00)	—	0.15
	<b>\$ 0.16</b>	<b>\$ 0.09</b>	<b>\$ 0.41</b>	<b>\$ 0.42</b>

**Revenues.** At \$274.9 million, consolidated revenues from continuing operations for the third quarter of fiscal 2016 were \$26.1 million or 10% higher than in the corresponding period a year ago. At \$792.9 million, year-to-date revenues were \$146.2 million or 23% higher than in the corresponding period a year ago. See “Overview - Operating Results from Continuing Operations.”

**Cost of revenues.** At \$204.8 million, third quarter fiscal 2016 cost of revenues increased over the corresponding period a year ago by \$18.8 million or 10% primarily on higher revenues. Year-to-date cost of revenues of \$595.3 million increased by \$121.5 million or 26%, primarily on higher revenues generated compared to the corresponding period last year.

At 26%, gross margin in the third quarter of fiscal 2016 increased marginally over the corresponding period a year ago, primarily reflecting program mix which included some higher margin programs compared to the corresponding period a year ago. Year-to-date gross margin of 25% decreased 2% from the corresponding period a year ago. Lower year-to-date gross margins primarily reflected the addition of PA, which has typically operated with a lower gross margin than ATS. For PA, higher cost of sales is partially offset by lower selling, general and administrative costs relative to revenues as compared to ATS. In addition, lower gross margins reflected some lower margin

programs which were bid and are being executed by the Company, and certain programs where costs have exceeded budgets.

**Selling, general and administrative (“SG&A”) expenses.** SG&A expenses for the third quarter of fiscal 2016 were \$42.5 million. This included \$3.4 million of restructuring and severance costs, offset by a \$3.7 million gain on the sale of a redundant U.S. facility. Excluding these items, SG&A expenses were \$42.8 million, equal to the \$42.8 million of expenses in the corresponding period a year ago, which was exclusive of \$1.7 million of costs related to the Company’s acquisition activity. Lower amortization of acquisition-related intangible assets was offset by higher employee-related costs and foreign exchange rate changes which increased the translation of reported SG&A expenses of foreign-based subsidiaries, primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar and Euro.

For the nine months ended December 27, 2015, SG&A expenses were \$125.8 million, which included \$7.3 million of restructuring and severance costs, partially offset by the \$3.7 million gain on the sale of the U.S. facility. Excluding these items, year-to-date SG&A spending was \$122.2 million, \$9.2 million or 8% higher compared to the same period a year ago. Higher SG&A costs primarily reflected the addition of PA SG&A expenses and foreign exchange rate changes which increased the translation of reported SG&A expenses of foreign-based subsidiaries primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar and Euro.

**Stock-based compensation.** Stock-based compensation expense amounted to \$0.8 million in the third quarter of fiscal 2016 compared to \$2.4 million of stock-based compensation expense in the corresponding period a year ago. For the nine month period ended December 27, 2015, stock-based compensation expense decreased to \$3.1 million from \$3.8 million a year earlier. The decrease in stock-based compensation costs is attributable to lower expenses from stock options and the revaluation of deferred stock units, share appreciation rights, and restricted share units.

**Earnings from operations.** For the three and nine month periods ended December 27, 2015, consolidated earnings from operations were \$26.8 million (10% operating margin) and \$68.7 million (9% operating margin) respectively, compared to earnings from operations of \$15.9 million and \$44.4 million in the corresponding periods a year ago (operating margins of 6% and 7% respectively). See “Overview – Operating Results from Continuing Operations.”

**Net finance costs.** Net finance costs were \$6.9 million in the third quarter of fiscal 2016, \$2.5 million higher than the corresponding period a year ago. For the nine months ended December 27, 2015, finance costs were \$18.7 million compared to \$7.6 million in the corresponding period a year ago. The increases reflected greater usage of the Company’s primary credit facility and interest on the Company’s Senior Notes, which were issued in June 2015 (see “Liquidity, Cash Flow and Financial Resources”). The

increased usage was used to finance the acquisition of PA and to support letters of credit.

**Income tax provision.** For the three and nine months ended December 27, 2015, the Company's effective income tax rates of 22% and 24% respectively, differed from the combined Canadian basic federal and provincial income tax rate of 27% primarily as a result of income earned in certain jurisdictions with different statutory tax rates. The Company expects its effective tax rate to continue to be in the range of 25%.

**Net income from continuing operations.** Fiscal 2016 third quarter net income from continuing operations was \$15.5 million (16 cents per share basic and diluted) compared to \$8.6 million (9 cents per share basic and diluted) for the third quarter of fiscal 2015. Adjusted basic earnings per share from continuing operations were 21 cents in the third quarter of fiscal 2016 compared to 18 cents for the third quarter of fiscal 2015. See "Reconciliation of Non-IFRS Measures to IFRS Measures."

Net income from continuing operations in the nine months ended December 27, 2015, was \$38.2 million (41 cents per share basic and diluted) compared to \$25.0 million (27 cents per share basic and diluted) for the corresponding period a year ago. Adjusted basic earnings per share from continuing operations were 58 cents in the nine months ended December 27, 2015 compared to 53 cents in the corresponding period a year ago. See "Reconciliation of Non-IFRS Measures to IFRS Measures."

### Reconciliation of Non-IFRS Measures to IFRS Measures

(In millions of dollars)

The following table reconciles EBITDA to the most directly comparable IFRS measure (net income from continuing operations):

	<b>Three Months Ended December 27, 2015</b>	Three Months Ended December 28, 2014
<b>EBITDA</b>	<b>\$ 36.0</b>	<b>\$ 28.7</b>
Less: depreciation and amortization expense	<b>9.2</b>	12.8
<b>Earnings from operations</b>	<b>\$ 26.8</b>	<b>\$ 15.9</b>
Less: net finance costs	<b>6.9</b>	4.4
Provision for income taxes	<b>4.4</b>	2.9
<b>Net income from continuing operations</b>	<b>\$ 15.5</b>	<b>\$ 8.6</b>

	Nine Months Ended December 27, 2015	Nine Months Ended December 28, 2014
<b>EBITDA</b>	<b>\$ 98.4</b>	<b>\$ 72.3</b>
Less: depreciation and amortization expense	29.7	27.9
<b>Earnings from operations</b>	<b>\$ 68.7</b>	<b>\$ 44.4</b>
Less: net finance costs	18.7	7.6
Provision for income taxes	11.8	11.8
<b>Net income from continuing operations</b>	<b>\$ 38.2</b>	<b>\$ 25.0</b>

The following table reconciles adjusted earnings from operations and adjusted basic earnings per share from continuing operations to the most directly comparable IFRS measure (net income from continuing operations):

	Three Months Ended December 27, 2015			Three Months Ended December 28, 2014		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
<b>Earnings from operations</b>	<b>\$ 26.8</b>	<b>\$ —</b>	<b>\$ 26.8</b>	<b>\$ 15.9</b>	<b>\$ —</b>	<b>\$ 15.9</b>
Amortization of acquisition-related intangible assets	—	5.6	5.6	—	9.6	9.6
Acquisition-related transaction costs	—	—	—	—	1.7	1.7
Restructuring charges	—	3.4	3.4	—	—	—
Gain on sale of assets	—	(3.7)	(3.7)	—	—	—
	<b>\$ 26.8</b>	<b>\$ 5.3</b>	<b>\$ 32.1</b>	<b>\$ 15.9</b>	<b>\$ 11.3</b>	<b>\$ 27.2</b>
Less: net finance costs	\$ 6.9	\$ —	\$ 6.9	\$ 4.4	\$ —	\$ 4.4
<b>Income from continuing operations before income taxes</b>	<b>\$ 19.9</b>	<b>\$ 5.3</b>	<b>\$ 25.2</b>	<b>\$ 11.5</b>	<b>\$ 11.3</b>	<b>\$ 22.8</b>
Provision for income taxes	\$ 4.4	\$ —	\$ 4.4	\$ 2.9	\$ —	\$ 2.9
Adjustment to provision for income taxes <sup>1</sup>	—	1.4	1.4	—	3.3	3.3
	<b>\$ 4.4</b>	<b>\$ 1.4</b>	<b>\$ 5.8</b>	<b>\$ 2.9</b>	<b>\$ 3.3</b>	<b>\$ 6.2</b>
<b>Net income from continuing operations</b>	<b>\$ 15.5</b>	<b>\$ 3.9</b>	<b>\$ 19.4</b>	<b>\$ 8.6</b>	<b>\$ 8.0</b>	<b>\$ 16.6</b>
<b>Basic earnings per share from continuing operations</b>	<b>\$ 0.16</b>	<b>\$ 0.05</b>	<b>\$ 0.21</b>	<b>\$ 0.09</b>	<b>\$ 0.09</b>	<b>\$ 0.18</b>

<sup>1</sup> Adjustments to provision for income taxes relate to the income tax effects of adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income from continuing operations.

	Nine Months Ended December 27, 2015			Nine Months Ended December 28, 2014		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
<b>Earnings from operations</b>	\$ 68.7	\$ —	\$ 68.7	\$ 44.4	\$ —	\$ 44.4
Amortization of acquisition- related intangible assets	—	18.9	18.9	—	19.0	19.0
Acquisition-related transaction costs	—	—	—	—	11.7	11.7
Restructuring charges	—	7.3	7.3	—	—	—
Gain on sale of assets	—	(3.7)	(3.7)	—	—	—
	\$ 68.7	\$ 22.5	\$ 91.2	\$ 44.4	\$ 30.7	\$ 75.1
Less: net finance costs	\$ 18.7	\$ —	\$ 18.7	\$ 7.6	\$ —	\$ 7.6
<b>Income from continuing operations before income taxes</b>	\$ 50.0	\$ 22.5	\$ 72.5	\$ 36.8	\$ 30.7	\$ 67.5
Provision for income taxes	\$ 11.8	\$ —	\$ 11.8	\$ 11.8	\$ —	\$ 11.8
Adjustment to provision for income taxes <sup>1</sup>	—	6.7	6.7	—	7.9	7.9
	\$ 11.8	\$ 6.7	\$ 18.5	\$ 11.8	\$ 7.9	\$ 19.7
<b>Net income from continuing operations</b>	\$ 38.2	\$ 15.8	\$ 54.0	\$ 25.0	\$ 22.8	\$ 47.8
<b>Basic earnings per share from continuing operations</b>	\$ 0.41	\$ 0.17	\$ 0.58	\$ 0.27	\$ 0.26	\$ 0.53

<sup>1</sup> Adjustments to provision for income taxes relate to the income tax effects of adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income from continuing operations.

## LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

(In millions of dollars, except ratios)

As at	<b>December 27, 2015</b>	March 31, 2015
Cash and cash equivalents	\$ 136.0	\$ 106.1
Debt-to-equity ratio	0.59:1	0.54:1
For the three months ended	<b>December 27, 2015</b>	December 28, 2014
Cash flows provided by operating activities from continuing operations	\$ 31.6	\$ 31.2

At December 27, 2015, the Company had cash and cash equivalents of \$136.0 million compared to \$106.1 million at March 31, 2015. At December 27, 2015, the Company's debt-to-total equity ratio was 0.59:1.

At December 27, 2015, the Company had \$616 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional \$8.9 million available under letter of credit facilities.

In the three months ended December 27, 2015, cash flows provided by operating activities from continuing operations were \$31.6 million (\$31.2 million provided by operating activities in the corresponding period a year ago). In the nine months ended December 27, 2015, cash flows provided by operating activities from continuing operations were \$2.1 million (\$37.9 million provided by operating activities in the corresponding period a year ago). The decrease in operating cash flows related primarily to the timing of investments in non-cash working capital in certain customer programs.

In the third quarter of fiscal 2016, the Company's investment in non-cash working capital decreased by \$18.4 million from September 27, 2015. The Company has made progress towards its goal of reducing its overall investment in non-cash working capital as a percentage of revenues. However, at the end of the third quarter of fiscal 2016 the Company's non-cash working capital as a percentage of revenues was 15.4%. This remains above the Company's target of 15% or lower, which management expects to work towards over time. On a year-to-date basis, investment in non-cash working capital increased by \$50.2 million. Accounts receivable increased 39% or \$56.1 million compared to March 31, 2015 due to timing of billings on certain customer contracts. Net contracts in progress increased 18% or \$21.2 million compared to March 31, 2015. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts, collection efforts and supplier payment terms. Inventories increased 10% or \$4.0 million due to the timing of inventory purchases. Deposits and prepaid assets increased 12% or \$1.7 million compared to March 31, 2015 due to the timing of program execution. Accounts payable and accrued liabilities increased 11% or \$21.3 million compared to March 31, 2015.

Capital expenditures totalled \$7.5 million in the first nine months of fiscal 2016, primarily related to computer hardware.

Intangible assets expenditures totalled \$3.8 million in the first nine months of fiscal 2016, primarily related to computer software and internal development projects.

During the first quarter of fiscal 2016, the Company completed a private placement of U.S. \$250 million aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$7.2 million were deferred and will be amortized over the term of the Senior Notes. The Senior Notes are unsecured, were issued at par, bear interest at a rate of 6.50% per annum and mature on June 15, 2023. ATS used the majority of net proceeds from the Senior Notes to repay amounts outstanding under its senior secured credit facility, with the balance to be used for general corporate purposes. The Company may redeem the Senior Notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid

interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. Subject to certain exceptions, the Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility.

The Company's senior secured credit facility (the "Credit Facility") provides a four-year committed revolving credit facility of \$750.0 million. The Credit Facility is secured by (i) the Company's assets, including real estate; (ii) assets, including certain real estate, of certain of the Company's North American subsidiaries; and (iii) a pledge of shares of certain of the Company's non-North American subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At December 27, 2015, the Company had utilized \$134.2 million under the Credit Facility by way of letters of credit (March 31, 2015 - \$290.0 million classified as long-term debt and \$85.0 million by way of letters of credit). The Credit Facility matures on August 29, 2018.

The Credit Facility is available in Canadian dollars by way of prime rate advances and/or bankers' acceptances, in U.S. dollars by way of base rate advances and/or LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. The interest rates applicable to the Credit Facility are determined based on a debt to EBITDA ratio as defined in the Credit Facility. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus a margin ranging from 0.45% to 2.00%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus a margin that varies from 1.45% to 3.00%. The Company pays a fee for usage of financial letters of credit which ranges from 1.45% to 3.00% and a fee for usage of non-financial letters of credit which ranges from 0.97% to 2.00%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.29% to 0.68%.

The Credit Facility is subject to a debt to EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At December 27, 2015, all of the covenants were met.

The Company has additional credit facilities available of \$12.2 million (3.6 million Euro, 230.0 million Indian Rupees, 50.0 million Thai Baht and 1.0 million Czech Koruna). The total amount outstanding on these facilities at December 27, 2015 was \$8.9 million, of which \$2.1 million was classified as bank indebtedness (March 31, 2015 - \$1.7 million)

and \$6.7 million was classified as long-term debt (March 31, 2015 - \$4.9 million). The interest rates applicable to the credit facilities range from 1.66% to 10.00% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 230.0 million Indian Rupees credit facilities are secured by letters of credit under the Credit Facility.

Over the long-term, the Company generally expects to continue increasing its overall investment in non-cash working capital to support the growth of its business, with fluctuations on a quarter-over-quarter basis. The Company's goal is to maintain its investment in non-cash working capital as a percentage of annualized revenues at a level below 15%. The Company expects that continued cash flows from operations, together with cash and cash equivalents on hand and credit available under operating and long-term credit facilities will be sufficient to fund its requirements for investments in non-cash working capital and capital assets and to fund strategic investment plans including some potential acquisitions. Significant acquisitions could result in additional debt or equity financing requirements. The Company expects to continue to use leverage to support its growth strategy.

### **Contractual Obligations**

(In millions of dollars)

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	\$ 9.8	\$ 55.8
One - two years	8.6	1.1
Two - three years	7.3	0.1
Three - four years	6.4	0.1
Four - five years	6.1	0.1
Due in over five years	5.4	—
	<u>\$ 43.6</u>	<u>\$ 57.2</u>

The Company's off-balance sheet arrangements consist of purchase obligations and various operating lease financing arrangements related primarily to facilities and equipment which have been entered into in the normal course of business. The Company's purchase obligations consist primarily of materials purchase commitments.

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 bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company provides bank guarantees for post-retirement obligations and may provide bank guarantees as security on equipment under lease and on order. At December 27,

2015, the total value of outstanding bank guarantees was approximately \$152.9 million (March 31, 2015 - \$118.0 million).

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

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to major financial institutions and monitoring their creditworthiness. The Company's credit exposure to forward foreign exchange contracts is the current replacement value of contracts that are in a gain position. For further information related to the Company's use of derivative financial instruments, refer to note 10 of the interim condensed consolidated financial statements. The Company is also exposed to credit risk from its customers. Substantially all of the Company's trade accounts receivable are due from customers in a variety of industries and, as such, are subject to normal credit risks from their respective industries. The Company regularly monitors customers for changes in credit risk. The Company does not believe that any single market or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated as the Company primarily serves large, multinational customers and obtains insurance in certain instances.

During the first nine months of fiscal 2016, 988,417 stock options were exercised. At February 2, 2016 the total number of shares outstanding was 92,138,609 and there were 3,761,866 stock options outstanding to acquire common shares of the Company.

### **Normal Course Issuer Bid**

On November 4, 2015, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by it of its intention to make a normal course issuer bid ("NCIB"). Under the NCIB, ATS has the ability to purchase for cancellation up to a maximum of 4,600,000 common shares, representing approximately 5% of the 92,541,582 common shares that were issued and outstanding as of October 31, 2015.

Purchases under the NCIB will be made through the facilities of the TSX and/or alternative trading systems in accordance with applicable regulatory requirements, during the twelve month period which commenced on November 6, 2015 and ending on or before November 5, 2016. The average daily trading volume of the common shares on the TSX for the six calendar months ending October 31, 2015 was 160,087 common shares. On any trading day ATS will not purchase more than 25% of such average daily trading volume representing 40,021 common shares, except where such

purchases are made in accordance with available block purchase exemptions. The common shares purchased under this NCIB will be cancelled.

Some purchases under the NCIB may be made pursuant to an automatic purchase plan between ATS and its broker. This plan would enable the purchase of ATS common shares when ATS would not ordinarily be active in the market due to internal trading blackout periods, insider trading rules, or otherwise.

ATS believes that there are times when the market price of ATS common shares may not reflect their underlying value and that the purchase of shares by ATS will both provide liquidity to existing shareholders and benefit remaining shareholders. The NCIB is viewed by ATS management as one component of an overall capital structure strategy and complimentary to its acquisition growth plans.

As at December 27, 2015, the Company had purchased 481,473 common shares for \$6.0 million under the NCIB. The weighted average price per share repurchased in the three month period ended December 27, 2015 was \$12.45. ATS security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company.

#### **RELATED-PARTY TRANSACTIONS**

The Company has entered into an agreement with a shareholder, Mason Capital Management, LLC (“Mason Capital”), pursuant to which Mason Capital has agreed to provide ATS with ongoing strategic and capital markets advisory services for an annual fee of U.S. \$0.5 million. As part of the agreement, members of the Company’s board of directors who are associated with Mason Capital have waived any fees to which they may have otherwise been entitled for serving as members of the board of directors or as members of any committee of the board of directors.

There were no other significant related-party transactions in the first nine months of fiscal 2016.

#### **FOREIGN EXCHANGE**

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian dollar, through borrowings made by the Company in currencies other than its functional currency and through its investments in its foreign-based subsidiaries.

The Company’s Canadian operations generate significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this foreign currency exposure, the Company has entered into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contract requirements are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company’s markets and the Company’s past

experience. Certain of the Company's foreign subsidiaries will also enter into forward foreign exchange contracts to hedge identified balance sheet, revenue and purchase exposures. The Company's forward foreign exchange contract hedging program is intended to mitigate movements in currency rates primarily over a four to six month period. See note 10 to the interim condensed consolidated financial statements for details on the derivative financial instruments outstanding at December 27, 2015.

In addition, from time to time, the Company may hedge the foreign exchange risk arising from foreign currency debt, intercompany loans, net investments in foreign-based subsidiaries and committed acquisitions through the use of forward foreign exchange contracts or other non-derivative financial instruments. The Company uses hedging as a risk management tool, not to speculate.

### Period average exchange rates in CDN\$

	Three months ended			Nine months ended		
	December 27, 2015	December 28, 2014	% change	December 27, 2015	December 28, 2014	% change
U.S. Dollar	<b>1.3348</b>	1.1356	17.5%	<b>1.2902</b>	1.1048	16.8%
Euro	<b>1.4601</b>	1.4191	2.9%	<b>1.4249</b>	1.4521	(1.9)%

## CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenues from continuing operations	\$ 274.9	\$ 263.7	\$ 254.3	\$ 289.4	\$ 248.8	\$ 207.0	\$ 190.9	\$ 200.7
Earnings from operations	\$ 26.8	\$ 24.4	\$ 17.5	\$ 22.6	\$ 15.9	\$ 14.1	\$ 14.4	\$ 17.2
Adjusted earnings from operations	\$ 32.1	\$ 31.7	\$ 27.4	\$ 34.7	\$ 27.2	\$ 27.0	\$ 21.1	\$ 22.2
Income from continuing operations	\$ 15.5	\$ 12.8	\$ 9.8	\$ 13.9	\$ 8.6	\$ 7.4	\$ 9.0	\$ 11.7
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ 2.2	\$ (0.0)	\$ 7.1	\$ 6.9	\$ (0.4)
Net income	\$ 15.5	\$ 12.8	\$ 9.8	\$ 16.1	\$ 8.6	\$ 14.5	\$ 15.9	\$ 11.3
Basic earnings per share from continuing operations	\$ 0.16	\$ 0.14	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13
Adjusted basic earnings per share from continuing operations	\$ 0.21	\$ 0.19	\$ 0.18	\$ 0.24	\$ 0.18	\$ 0.19	\$ 0.15	\$ 0.17
Basic earnings (loss) per share from discontinued operations	\$ —	\$ —	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.08	\$ (0.01)
Basic earnings per share	\$ 0.16	\$ 0.14	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.18	\$ 0.12
Diluted earnings per share from continuing operations	\$ 0.16	\$ 0.14	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13
Diluted earnings (loss) per share from discontinued operations	\$ —	\$ —	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.07	\$ (0.01)
Diluted earnings per share	\$ 0.16	\$ 0.14	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.17	\$ 0.12
Order Bookings	\$ 228	\$ 230.0	\$ 222.0	\$ 317.0	\$ 287.0	\$ 216.0	\$ 160.0	\$ 197.0
Order Backlog	\$ 546	\$ 589.0	\$ 590.0	\$ 632.0	\$ 602.0	\$ 561.0	\$ 425.0	\$ 474.0

Interim financial results are not necessarily indicative of annual or longer-term results because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact revenues and operating performance. ATS typically experiences some seasonality with its Order Bookings, revenues and earnings from operations due to summer plant shutdowns by its customers. Operating performance quarter to quarter may also be affected by the timing of revenue recognition on large programs in Order Backlog, which is impacted by such factors as customer delivery schedules, the timing of third-party content and by the timing of acquisitions.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's 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. 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 Company based its assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates as they occur. There have been no material changes to the critical accounting estimates as described in the Company's fiscal 2015 MD&A.

#### **ACCOUNTING STANDARDS CHANGE**

##### **IAS 19 - Employee Benefits**

Effective April 1, 2015, the Company adopted the amendments to IAS 19 - *Employee Benefits*. The amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. When the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The application of the amendments to IAS 19 had no impact on the interim condensed consolidated financial statements of the Company.

#### **CONTROLS AND PROCEDURES**

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the "Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

During the three and nine months ended December 27, 2015, there have been no changes in the design of the Company's internal controls over financial reporting that

have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Note to Readers: Forward-Looking Statements:**

This news release and management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: the Company's growth strategy: grow, expand, and scale; potential impact of general economic environment, including impact on Order Bookings; activity in the markets that the Company serves; the engagement with customers on enterprise solutions providing ATS with more strategic relationships, increased predictability, better program control and less sensitivity to macroeconomic forces; the expected impact of the sales organization's approach to market on Order Bookings, performance period, and timing of revenue recognition; the Company's Order Backlog partially mitigating the impact of volatility in Order Bookings; the rate of completion of Order Backlog; management's expectations in relation to the impact of management focus and strategic initiatives on ATS operations; expected payback period in relation to restructuring charges; expected additional restructuring charges in fourth quarter and expectation that any measures taken will not fully offset expected negative impact of decreased Order Backlog on revenues and earnings in the near term; the Company's strategy to expand organically and through acquisition; the Company's expectation with respect to effective tax rate; management's expectation with respect to non-cash working capital as a percentage of revenues; Company's expectation to continue to increase its investment in working capital; expectation in relation to meeting funding requirements for investments; and expectation to use increased leverage to support growth strategy. The risks and uncertainties that may affect forward-looking statements include, among others: impact of the global economy; general market performance including capital market conditions and availability and cost of credit; performance of the markets that ATS serves; foreign currency and exchange risk; the relative strength of the Canadian dollar; impact of factors such as increased pricing pressure and possible margin compression; the regulatory and tax environment; failure or delays associated with new customer programs; timing of customer decisions related to large enterprise programs and potential for greater negative impact associated with any non-performance in relation thereto; variations in the amount of Order Backlog completed in any given quarter; that customers are more difficult to engage than expected; that strategic initiatives are delayed, not completed, or do not have intended positive impact; that measures to re-balance global capacity and improve cost structure are delayed or that charges are greater than expected and/or that the payback is not realized as quickly as anticipated; that restructuring expenses in the fourth quarter are other than expected; that near term Order Bookings are made and revenue quickly so as to offset decreased Order Backlog to a degree other than expected; inability to successfully expand organically or through acquisition, due to an inability to grow expertise, personnel, and/or facilities at required rates or to identify, negotiate and conclude one or more acquisitions; or to raise, through debt or equity, or otherwise have available, required capital; that acquisitions made are not integrated as quickly or effectively as planned or expected and, as a result, anticipated benefits and synergies are not realized; that the effective tax rate is other than expected, due to reasons including income spread among jurisdictions being other than anticipated; non-cash working capital as a percentage of revenues operating at a level other than as expected due to reasons, including, the timing and nature of Order Bookings, the timing of payment milestones and payment terms in customer contracts, and delays in

customer programs; that one or more customers, or other entities with which the Company has contracted, experience insolvency or bankruptcy with resulting delays, costs or losses to the Company; political, labour or supplier disruptions; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is or may become a party; exposure to product liability claims; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS' filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and other than as required by applicable securities laws, ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

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

As at	Note	December 27 2015	March 31 2015
<b>ASSETS</b>			
	12		
<b>Current assets</b>			
Cash and cash equivalents		\$ 135,982	\$ 106,052
Accounts receivable		201,453	145,342
Costs and earnings in excess of billings on contracts in progress	6	228,370	192,813
Inventories	6	46,118	42,079
Deposits, prepaids and other assets	7	16,465	14,731
		<b>628,388</b>	<b>501,017</b>
Assets held for sale	5	—	4,221
		<b>628,388</b>	<b>505,238</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	80,294	83,901
Investment property		4,322	3,880
Goodwill		446,449	405,881
Intangible assets	9	187,694	183,610
Deferred income tax assets		3,941	5,057
Investment tax credit receivable		41,206	33,107
		<b>763,906</b>	<b>715,436</b>
<b>Total assets</b>		<b>\$ 1,392,294</b>	<b>\$ 1,220,674</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank indebtedness	12	\$ 2,135	\$ 1,731
Accounts payable and accrued liabilities		222,183	200,871
Provisions	11	14,469	10,419
Billings in excess of costs and earnings on contracts in progress	6	90,356	76,031
Current portion of long-term debt	12	4,779	3,372
		<b>333,922</b>	<b>292,424</b>
Liabilities directly associated with assets held for sale	5	—	5,717
		<b>333,922</b>	<b>298,141</b>
<b>Non-current liabilities</b>			
Employee benefits		27,553	24,777
Long-term debt	12	337,107	286,154
Deferred income tax liabilities		34,056	40,870
		<b>398,716</b>	<b>351,801</b>
<b>Total liabilities</b>		<b>\$ 732,638</b>	<b>\$ 649,942</b>
Commitments and Contingencies	12, 16		
<b>EQUITY</b>			
Share capital	13	\$ 526,304	\$ 519,118
Contributed surplus		13,568	14,420
Accumulated other comprehensive income		81,153	33,434
Retained earnings		38,433	3,590
Equity attributable to shareholders		<b>659,458</b>	<b>570,562</b>
Non-controlling interests		198	170
<b>Total equity</b>		<b>659,656</b>	<b>570,732</b>
<b>Total liabilities and equity</b>		<b>\$ 1,392,294</b>	<b>\$ 1,220,674</b>

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

	Note	Three months ended		Nine months ended	
		December 27 2015	December 28 2014	December 27 2015	December 28 2014
<b>Revenues</b>					
Revenues from construction contracts		\$ 166,556	\$ 154,303	\$ 476,990	\$ 472,188
Sale of goods		18,807	18,145	59,257	44,761
Services rendered		89,531	76,309	256,619	129,717
<b>Total revenues</b>		<b>274,894</b>	248,757	<b>792,866</b>	646,666
Operating costs and expenses					
Cost of revenues		204,768	185,972	595,269	473,794
Selling, general and administrative		42,518	44,459	125,769	124,712
Stock-based compensation	15	786	2,439	3,140	3,796
<b>Earnings from operations</b>		<b>26,822</b>	15,887	<b>68,688</b>	44,364
Net finance costs	18	6,962	4,449	18,732	7,606
<b>Income from continuing operations before income taxes</b>		<b>19,860</b>	11,438	<b>49,956</b>	36,758
Income tax expense	14	4,364	2,864	11,794	11,790
<b>Income from continuing operations</b>		<b>15,496</b>	8,574	<b>38,162</b>	24,968
Income (loss) from discontinued operations, net of tax		—	(22)	—	13,961
<b>Net income</b>		<b>\$ 15,496</b>	\$ 8,552	<b>\$ 38,162</b>	\$ 38,929
<b>Attributable to</b>					
Shareholders		\$ 15,484	\$ 8,468	\$ 38,134	\$ 38,789
Non-controlling interests		12	84	28	140
		<b>\$ 15,496</b>	\$ 8,552	<b>\$ 38,162</b>	\$ 38,929
<b>Earnings (loss) per share attributable to shareholders</b>	19				
Basic and diluted – from continuing operations		\$ 0.16	\$ 0.09	\$ 0.41	\$ 0.27
Basic and diluted – from discontinued operations		—	(0.00)	—	0.15
		<b>\$ 0.16</b>	\$ 0.09	<b>\$ 0.41</b>	\$ 0.42

**ATS AUTOMATION TOOLING SYSTEMS INC.**  
**Interim Consolidated Statements of Comprehensive Income**  
(in thousands of Canadian dollars - unaudited)

	Three months ended		Nine months ended	
	December 27 2015	December 28 2014	December 27 2015	December 28 2014
Net income	\$ 15,496	\$ 8,552	\$ 38,162	\$ 38,929
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustments (net of income taxes of \$nil)	10,403	10,822	47,178	(7,300)
Net unrealized loss on derivative financial instruments designated as cash flow hedges	(1,218)	(1,637)	(2,181)	(2,691)
Tax impact	317	387	544	653
Loss transferred to net income for derivatives designated as cash flow hedges	1,102	589	2,903	1,109
Tax impact	(273)	(143)	(725)	(275)
<b>Other comprehensive income (loss)</b>	<b>10,331</b>	<b>10,018</b>	<b>47,719</b>	<b>(8,504)</b>
<b>Comprehensive income</b>	<b>\$ 25,827</b>	<b>\$ 18,570</b>	<b>\$ 85,881</b>	<b>\$ 30,425</b>
<b>Attributable to</b>				
Shareholders	\$ 25,815	\$ 18,486	\$ 85,853	\$ 30,285
Non-controlling interests	12	84	28	140
	<b>\$ 25,827</b>	<b>\$ 18,570</b>	<b>\$ 85,881</b>	<b>\$ 30,425</b>

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

**Nine months ended December 27, 2015**

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
<b>Balance, at March 31, 2015</b>	\$ 519,118	\$ 14,420	\$ 3,590	\$ 35,702	\$ (2,268)	\$ 33,434	\$ 170	\$ 570,732
Net income	—	—	38,134	—	—	—	28	38,162
Other comprehensive income	—	—	—	47,178	541	47,719	—	47,719
Total comprehensive income	—	—	38,134	47,178	541	47,719	28	85,881
Stock-based compensation	—	1,697	—	—	—	—	—	1,697
Exercise of stock options	9,936	(2,549)	—	—	—	—	—	7,387
Repurchase of common shares	(2,750)	—	(3,291)	—	—	—	—	(6,041)
<b>Balance, at December 27, 2015</b>	\$ 526,304	\$ 13,568	\$ 38,433	\$ 82,880	\$ (1,727)	\$ 81,153	\$ 198	\$ 659,656

**Nine months ended December 28, 2014**

	Share capital	Contributed surplus	Retained earnings (deficit)	Currency translation adjustments	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, at March 31, 2014	\$ 510,725	\$ 15,025	\$ (44,311)	\$ 36,616	\$ (646)	\$ 35,970	\$ 129	\$ 517,538
Net income	—	—	38,789	—	—	—	140	38,929
Other comprehensive loss	—	—	—	(7,300)	(1,204)	(8,504)	—	(8,504)
Total comprehensive income (loss)	—	—	38,789	(7,300)	(1,204)	(8,504)	140	30,425
Non-controlling interests	—	—	—	—	—	—	319	319
Stock-based compensation	—	1,243	—	—	—	—	—	1,243
Exercise of stock options	8,193	(2,424)	—	—	—	—	—	5,769
Balance, at December 28, 2014	\$ 518,918	\$ 13,844	\$ (5,522)	\$ 29,316	\$ (1,850)	\$ 27,466	\$ 588	\$ 555,294

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

	Note	Three months ended		Nine months ended	
		December 27 2015	December 28 2014	December 27 2015	December 28 2014
<b>Operating activities:</b>					
Income from continuing operations		\$ 15,496	\$ 8,574	\$ 38,162	\$ 24,968
Items not involving cash					
Depreciation of property, plant and equipment		2,362	2,117	7,121	5,941
Amortization of intangible assets		6,900	10,643	22,587	21,936
Deferred income taxes	14	(7,185)	1,780	(6,009)	(308)
Other items not involving cash		(1,480)	(2,871)	(7,969)	(5,646)
Stock-based compensation	15	786	2,439	3,140	3,796
Gain on disposal of property, plant and equipment		(3,639)	(11)	(4,724)	(334)
		\$ 13,240	\$ 22,671	\$ 52,308	\$ 50,353
Change in non-cash operating working capital		18,396	8,516	(50,187)	(12,485)
Cash flows used in operating activities of discontinued operations		—	(195)	—	(3,223)
<b>Cash flows provided by operating activities</b>		<b>\$ 31,636</b>	<b>\$ 30,992</b>	<b>\$ 2,121</b>	<b>\$ 34,645</b>
<b>Investing activities:</b>					
Acquisition of property, plant and equipment	8	\$ (2,128)	\$ (2,830)	\$ (7,536)	\$ (7,115)
Acquisition of intangible assets	9	(995)	(1,770)	(3,758)	(4,545)
Business acquisition, net of cash acquired		—	67	—	(352,797)
Proceeds from disposal of property, plant and equipment		13,119	56	14,920	8,816
Proceeds from sale of subsidiary	5	—	—	2,274	—
Cash flows provided by investing activities of discontinued operations		—	5,015	—	18,658
<b>Cash flows provided by (used in) investing activities</b>		<b>\$ 9,996</b>	<b>\$ 538</b>	<b>\$ 5,900</b>	<b>\$ (336,983)</b>
<b>Financing activities:</b>					
Restricted cash	7	\$ —	\$ 395	\$ —	\$ 328
Bank indebtedness		(172)	473	415	366
Repayment of long-term debt		(109)	(28,978)	(290,877)	(44,097)
Proceeds from long-term debt		266	1,049	302,823	368,400
Issuance of common shares		420	4,514	7,387	5,769
Repurchase of common shares	13	(6,041)	—	(6,041)	—
<b>Cash flows provided by (used in) financing activities</b>		<b>\$ (5,636)</b>	<b>\$ (22,547)</b>	<b>\$ 13,707</b>	<b>\$ 330,766</b>
Effect of exchange rate changes on cash and cash equivalents		2,881	2,365	7,728	1,150
Increase in cash and cash equivalents		38,877	11,348	29,456	29,578
Cash and cash equivalents, beginning of period		97,105	96,844	106,526	78,614
<b>Cash and cash equivalents, end of period</b>		<b>\$ 135,982</b>	<b>\$ 108,192</b>	<b>\$ 135,982</b>	<b>\$ 108,192</b>
<b>Supplemental information</b>					
Cash income taxes paid by continuing operations		\$ 1,703	\$ 3,093	\$ 7,955	\$ 7,375
Cash interest paid by continuing operations		\$ 12,075	\$ 4,273	\$ 15,513	\$ 7,016