



A U T O M A T I O N

ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Consolidated Financial Statements

For the period ended October 2, 2016

(Unaudited)

(Condensed)

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

As at	Note	October 2 2016	March 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 226,638	\$ 170,034
Accounts receivable		159,027	195,911
Costs and earnings in excess of billings on contracts in progress	4	185,798	202,694
Inventories	4	48,747	46,200
Deposits, prepaids and other assets	5	33,044	22,324
		653,254	637,163
Non-current assets			
Property, plant and equipment		70,680	71,060
Other assets	6, 7	5,654	4,211
Goodwill		434,588	431,747
Intangible assets		167,771	177,065
Deferred income tax assets		2,881	2,534
Investment tax credit receivable		46,474	43,683
		728,048	730,300
Total assets		\$ 1,381,302	\$ 1,367,463
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	9	\$ 2,104	\$ 2,319
Accounts payable and accrued liabilities		178,391	178,826
Provisions	8	19,334	20,267
Billings in excess of costs and earnings on contracts in progress	4	112,595	126,127
Current portion of long-term debt	9	5,533	5,259
		317,957	332,798
Non-current liabilities			
Employee benefits		28,329	28,252
Long-term debt	9	320,386	316,120
Deferred income tax liabilities		41,207	39,740
Other long-term liabilities	7	1,067	—
		390,989	384,112
Total liabilities		\$ 708,946	\$ 716,910
Commitments and contingencies	9, 13		
EQUITY			
Share capital	10	\$ 530,976	\$ 528,184
Contributed surplus		13,889	13,201
Accumulated other comprehensive income		66,364	68,319
Retained earnings		60,883	40,634
Equity attributable to shareholders		672,112	650,338
Non-controlling interests		244	215
Total equity		672,356	650,553
Total liabilities and equity		\$ 1,381,302	\$ 1,367,463

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended		Six months ended	
		October 2 2016	September 27 2015	October 2 2016	September 27 2015
Revenues					
Revenues from construction contracts		\$ 144,695	\$ 158,984	\$ 309,635	\$ 310,434
Sale of goods		20,206	20,061	38,790	40,450
Services rendered		77,587	84,663	159,415	167,088
Total revenues		242,488	263,708	507,840	517,972
Operating costs and expenses					
Cost of revenues		181,786	197,200	382,343	390,501
Selling, general and administrative		41,219	42,300	82,547	83,251
Stock-based compensation	12	2,219	(190)	3,088	2,354
Earnings from operations		17,264	24,398	39,862	41,866
Net finance costs	15	6,339	7,424	12,979	11,770
Income before income taxes		10,925	16,974	26,883	30,096
Income tax expense	11	2,452	4,156	6,309	7,430
Net income		\$ 8,473	\$ 12,818	\$ 20,574	\$ 22,666
Attributable to					
Shareholders		\$ 8,451	\$ 12,811	\$ 20,545	\$ 22,650
Non-controlling interests		22	7	29	16
		\$ 8,473	\$ 12,818	\$ 20,574	\$ 22,666
Earnings per share					
attributable to shareholders	16				
Basic and diluted		\$ 0.09	\$ 0.14	\$ 0.22	\$ 0.25

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	October 2 2016	September 27 2015	October 2 2016	September 27 2015
Net income	\$ 8,473	\$ 12,818	\$ 20,574	\$ 22,666
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	4,872	41,451	(1,683)	36,775
Net unrealized loss on derivative financial instruments designated as cash flow hedges	(849)	(1,544)	(1,462)	(963)
Tax impact	207	389	390	227
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	(20)	660	(330)	1,801
Tax impact	(1)	(160)	77	(452)
Cash flow hedge reserve adjustment	1,772	—	1,404	—
Tax impact	(443)	—	(351)	—
Other comprehensive income (loss)	5,538	40,796	(1,955)	37,388
Comprehensive income	\$ 14,011	\$ 53,614	\$ 18,619	\$ 60,054
Attributable to				
Shareholders	\$ 13,989	\$ 53,607	\$ 18,590	\$ 60,038
Non-controlling interests	22	7	29	16
	\$ 14,011	\$ 53,614	\$ 18,619	\$ 60,054

See accompanying notes to the interim condensed consolidated financial statement.

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

Six months ended October 2, 2016

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at March 31, 2016	\$ 528,184	\$ 13,201	\$ 40,634	\$ 66,482	\$ 1,837	\$ 68,319	\$ 215	\$ 650,553
Net income	—	—	20,545	—	—	—	29	20,574
Other comprehensive loss	—	—	—	(1,683)	(272)	(1,955)	—	(1,955)
Total comprehensive income (loss)	—	—	20,545	(1,683)	(272)	(1,955)	29	18,619
Non-controlling interests	—	—	(296)	—	—	—	—	(296)
Stock-based compensation	—	1,176	—	—	—	—	—	1,176
Exercise of stock options	2,792	(488)	—	—	—	—	—	2,304
Balance, as at October 2, 2016	\$ 530,976	\$ 13,889	\$ 60,883	\$ 64,799	\$ 1,565	\$ 66,364	\$ 244	\$ 672,356

Six months ended September 27, 2015

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at March 31, 2015	\$ 519,118	\$ 14,420	\$ 3,590	\$ 35,702	\$ (2,268)	\$ 33,434	\$ 170	\$ 570,732
Net income	—	—	22,650	—	—	—	16	22,666
Other comprehensive income	—	—	—	36,775	613	37,388	—	37,388
Total comprehensive income	—	—	22,650	36,775	613	37,388	16	60,054
Stock-based compensation	—	1,432	—	—	—	—	—	1,432
Exercise of stock options	9,297	(2,330)	—	—	—	—	—	6,967
Balance, as at September 27, 2015	\$ 528,415	\$ 13,522	\$ 26,240	\$ 72,477	\$ (1,655)	\$ 70,822	\$ 186	\$ 639,185

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended		Six months ended	
		October 2 2016	September 27 2015	October 2 2016	September 27 2015
Operating activities					
Net income		\$ 8,473	\$ 12,818	\$ 20,574	\$ 22,666
Items not involving cash					
Depreciation of property, plant and equipment		2,314	2,454	4,613	4,759
Amortization of intangible assets		5,641	6,844	12,253	15,687
Deferred income taxes	11	125	2,820	1,582	1,176
Other items not involving cash		(721)	(2,135)	(3,137)	(6,489)
Stock-based compensation	12	2,219	(190)	3,088	2,354
Loss (gain) on disposal of property, plant and equipment		90	(1,081)	94	(1,085)
		18,141	21,530	39,067	39,068
Change in non-cash operating working capital		(14,322)	(41,783)	22,276	(68,583)
Cash flows provided by (used in) operating activities		\$ 3,819	\$ (20,253)	\$ 61,343	\$ (29,515)
Investing activities					
Acquisition of property, plant and equipment		\$ (2,443)	\$ (2,640)	\$ (4,289)	\$ (5,408)
Acquisition of intangible assets		(1,835)	(1,669)	(3,272)	(2,763)
Proceeds from disposal of property, plant and equipment		88	1,767	119	1,801
Proceeds from sale of subsidiary		—	—	—	2,274
Cash flows used in investing activities		\$ (4,190)	\$ (2,542)	\$ (7,442)	\$ (4,096)
Financing activities					
Bank indebtedness		\$ 520	\$ 333	\$ (235)	\$ 587
Repayment of long-term debt		(121)	(713)	(265)	(290,768)
Proceeds from long-term debt		236	40	302	302,557
Proceeds from exercise of options		1,778	228	2,304	6,967
Cash flows provided by (used in) financing activities		\$ 2,413	\$ (112)	\$ 2,106	\$ 19,343
Effect of exchange rate changes on cash and cash equivalents		2,064	6,920	597	4,847
Increase (decrease) in cash and cash equivalents		4,106	(15,987)	56,604	(9,421)
Cash and cash equivalents, beginning of period		222,532	113,092	170,034	106,526
Cash and cash equivalents, end of period		\$ 226,638	\$ 97,105	\$ 226,638	\$ 97,105
Supplemental information					
Cash income taxes paid		\$ 2,241	\$ 2,654	\$ 6,646	\$ 6,252
Cash interest paid		\$ 926	\$ 10	\$ 12,162	\$ 3,438

See accompanying notes to the interim condensed consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

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

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively “ATS” or “the Company”) operate in one segment: Automation Systems. The Automation Systems segment designs and builds custom-engineered turn-key automated manufacturing and test systems and provides pre-automation and post-automation services to its customers. See note 14 to the interim condensed consolidated financial statements.

The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Ontario, Canada. The address of its registered office is 730 Fountain Street North, Cambridge, Ontario, Canada.

The interim condensed consolidated financial statements of the Company for the three and six months ended October 2, 2016 were authorized for issue by the Board of Directors on November 8, 2016.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. All interim consolidated financial information is presented in Canadian dollars and has been rounded to the nearest thousand, except where otherwise stated.

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2016. The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the presentation of the Company’s annual consolidated financial statements for the year ended March 31, 2016.

Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities where the Company directly or indirectly owns the majority of the voting power or can otherwise control the activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Non-controlling interests in the equity and results of the Company’s subsidiaries are presented separately in the interim consolidated statements of income and within equity in the interim consolidated statements of financial position.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, have not changed from those disclosed in the Company's fiscal 2016 audited consolidated financial statements. The Company based its estimates, judgments and assumptions on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates when they occur.

4. CONSTRUCTION CONTRACTS AND INVENTORIES

As at	October 2 2016	March 31 2016
Contracts in progress:		
Costs incurred	\$ 1,284,522	\$ 1,338,603
Estimated earnings	365,154	415,450
	1,649,676	1,754,053
Progress billings	(1,576,473)	(1,677,486)
	\$ 73,203	\$ 76,567
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	\$ 185,798	\$ 202,694
Billings in excess of costs and earnings on contracts in progress	(112,595)	(126,127)
	\$ 73,203	\$ 76,567

As at	October 2 2016	March 31 2016
Inventories are summarized as follows:		
Raw materials	\$ 11,220	\$ 11,328
Work in progress	35,366	32,530
Finished goods	2,161	2,342
	\$ 48,747	\$ 46,200

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three and six months ended October 2, 2016 was \$9 (three and six months ended September 27, 2015 - \$4 and \$11 respectively). The amount of inventories carried at net realizable value as at October 2, 2016 was \$1,568 (March 31, 2016 - \$1,664).

5. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	October 2 2016	March 31 2016
Prepaid assets	\$ 9,357	\$ 7,557
Restricted cash ⁽ⁱ⁾	442	443
Supplier deposits	20,215	8,842
Forward foreign exchange contracts	2,349	5,453
Other assets	681	29
	\$ 33,044	\$ 22,324

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

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Notes to Interim Condensed Consolidated Financial Statements
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6. OTHER ASSETS

As at	October 2 2016	March 31 2016
Investment property	\$ 4,200	\$ 4,211
Cross-currency interest rate swap instrument ⁽ⁱ⁾	1,454	—
	\$ 5,654	\$ 4,211

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

7. FINANCIAL INSTRUMENTS

During the six months ended October 2, 2016 and the year ended March 31, 2016, there were no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

During the six months ended October 2, 2016 and the year ended March 31, 2016, there were no transfers of financial instruments between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

As at		October 2, 2016							
		<u>Hedging instrument</u>			<u>Hedged item</u>		<u>Cash flow hedge reserves</u>		
Currency sold	Currency bought	Nominal amount (in CAD dollars)	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value used for calculating hedge ineffectiveness	For continuing hedges	For discontinued hedges	
			Assets	Liabilities					
Derivative hedging instruments ⁽ⁱ⁾									
U.S. dollars	Canadian dollars	74,194	638	—	638	638	638	—	
U.S. dollars	Euros	5,101	—	38	38	38	38	—	
Euros	U.S. dollars	523	—	1	1	1	1	—	
Chinese renminbi	Canadian dollars	31	—	—	—	—	—	—	
British pounds	Canadian dollars	242	—	19	19	19	19	—	
Canadian dollars	Euros	4,890	45	—	45	45	45	—	
Cross-currency interest rate swap instruments ⁽ⁱⁱ⁾									
U.S. dollars	Canadian dollars	196,740	1,454	—	1,454	1,454	1,454	—	
Canadian dollars	Euros	197,586	—	1,067	1,067	1,067	1,067	—	

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

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As at October 2, 2016, the Company is holding the following forward foreign exchange contracts to hedge the exposure on its revenues and purchases:

As at		October 2, 2016									
		Less than 3 months		3 to 6 months		6 to 9 months		9 to 12 months		1 to 2 years	
Currency sold	Currency bought	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate
Revenue hedges											
U.S. dollars	Canadian dollars	11,280	1.3560	22,815	1.3252	25,379	1.3010	16,867	1.3061	8,683	1.3272
U.S. dollars	Euros	2,127	0.8767	2,509	0.8788	310	0.8894	155	0.8864	—	—
Euros	U.S. dollars	383	1.1219	140	1.1247	—	—	—	—	—	—
Chinese renminbi	Canadian dollars	31	0.1953	—	—	—	—	—	—	—	—
Purchase hedges											
British pounds	Canadian dollars	111	1.8375	97	1.8394	34	1.8409	—	—	—	—
Canadian dollars	Euros	105	0.6788	—	—	—	—	—	—	—	—
Euros	Canadian dollars	4,995	1.4643	—	—	—	—	—	—	—	—
U.S. dollars	Canadian dollars	2,820	1.2857	—	—	7,209	1.3080	801	1.3076	—	—

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

As at		October 2, 2016				
		Change in the value of the hedging instrument recognized in OCI gain / (loss)	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss gain / (loss)	Line item affected in profit or loss because of the reclassification
Cash flow hedges						
Foreign exchange risk:						
	Revenue hedges	641	641	—	340	Revenues
	Purchase hedges	(16)	(16)	—	(10)	Cost of revenues
	Senior Notes hedge	(680)	(680)	—	—	Selling, general and administrative
	Euro net investment hedge	387	387	—	—	Net finance costs

Instruments not subject to hedge accounting

As part of the Company's risk management strategy, forward contract derivative financial instruments are used to manage foreign currency exposure related to the translation of foreign currency net assets to the subsidiary's functional currency. As these instruments have not been designated as hedges, the change in fair value is recorded in selling, general and administrative expenses in the interim consolidated statements of income.

During the six months ended October 2, 2016, the Company recorded risk management gains of \$3,076 (gains of \$841 for the six months ended September 27, 2015) on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts were unrealized gains of \$1,628 (losses of \$2,735 during the six months ended September 27, 2015) representing the change in fair value. In addition, during the six months ended October 2, 2016, the Company realized gains in foreign exchange of \$1,448 (gains of \$3,576 during the six months ended September 27, 2015), which were settled.

8. PROVISIONS

	Warranty	Restructuring	Executive transition expenses	Other	Total
Balance, at March 31, 2016	\$ 8,219	\$ 2,069	\$ 4,976	\$ 5,003	\$ 20,267
Provisions made	2,530	—	—	3,712	6,242
Provisions reversed	(657)	—	—	—	(657)
Provisions used	(1,413)	(1,027)	—	(3,975)	(6,415)
Exchange adjustments	(5)	(103)	—	5	(103)
Balance, at October 2, 2016	\$ 8,674	\$ 939	\$ 4,976	\$ 4,745	\$ 19,334

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Notes to Interim Condensed Consolidated Financial Statements
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Warranty provisions

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

Restructuring

Restructuring charges are recognized in the period incurred and when the criteria for provisions are fulfilled. Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed through a formal restructuring plan.

9. BANK INDEBTEDNESS AND LONG-TERM DEBT

On June 17, 2015, the Company completed a private placement of U.S. \$250,000 aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$7,200 were deferred and 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 Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility.

On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap U.S. \$150,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S.-dollar-denominated Senior Notes. The Company will receive interest of 6.50% U.S. per annum and pay interest of 6.501% Canadian. On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap 134,084 Euro into Canadian dollars to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company will receive interest of 6.501% Canadian per annum and pay interest of 5.094% Euro. The terms of the hedging relationships will end on June 15, 2023. The details of this instrument are presented in note 7 to the interim condensed consolidated financial statements.

The Company's senior secured credit facility (the "Credit Facility") provides a committed revolving credit facility of \$750,000. The Credit Facility is secured by (i) the Company's assets, including real estate; (ii) assets, including certain real estate, of certain of the Company's North American subsidiaries; and (iii) a pledge of shares of certain of the Company's non-North American subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At October 2, 2016, the Company had utilized \$111,158 under the Credit Facility, by way of letters of credit (March 31, 2016 - \$115,053). The Credit Facility matures on August 29, 2018.

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

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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 October 2, 2016, all of the covenants were met.

The Company has additional credit facilities available of \$12,595 (3,541 Euro, 275,000 Indian Rupees, 50,000 Thai Baht and 1,179 Czech Koruna). The total amount outstanding on these facilities was \$9,235, of which \$2,104 was classified as bank indebtedness (March 31, 2016 - \$2,319) and \$7,131 was classified as long-term debt (March 31, 2016 - \$7,077). The interest rates applicable to the credit facilities range from 1.66% to 10.00% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 275,000 Indian Rupees and the 50,000 Thai Baht credit facilities are secured by letters of credit under the Credit Facility.

(i) Bank indebtedness

As at	October 2 2016	March 31 2016
Other facilities	\$ 2,104	\$ 2,319

(ii) Long-term debt

As at	October 2 2016	March 31 2016
Senior Notes	\$ 327,900	\$ 324,675
Other facilities	7,131	7,077
Issuance costs	(9,112)	(10,373)
	325,919	321,379
Less: current portion	5,533	5,259
	\$ 320,386	\$ 316,120

Scheduled principal repayments and interest payments on long-term debt as at October 2, 2016 are as follows:

	Principal	Interest
Less than one year	\$ 5,533	\$ 21,389
One – two years	432	21,392
Two – three years	438	21,377
Three – four years	363	21,353
Four – five years	169	21,333
Thereafter	318,984	37,309
	\$ 325,919	\$ 144,153

10. SHARE CAPITAL

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

On November 4, 2015, the Company announced its intention to implement a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 4,600,000 common shares before November 5, 2016. As at October 2, 2016, the Company had purchased 481,473 common shares for \$6,032 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

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allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings. No shares were repurchased in the three and six month periods ended October 2, 2016.

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

	Number of common shares	Share capital
Balance, at March 31, 2016	92,293,359	\$ 528,184
Exercise of stock options	272,250	2,792
Balance, at October 2, 2016	92,565,609	\$ 530,976

11. TAXATION

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

	Three months ended		Six months ended	
	October 2 2016	September 27 2015	October 2 2016	September 27 2015
Income before income taxes and non-controlling interest	\$ 10,925	\$ 16,974	\$ 26,883	\$ 30,096
Combined Canadian basic federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	\$ 2,895	\$ 4,498	\$ 7,124	\$ 7,975
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	477	117	917	970
Non-taxable income net of non-deductible expenses	(1,420)	(427)	(2,169)	(461)
Recognition/use of previously unrecognized assets	647	61	701	(456)
Income taxed at different rates and statutory rate changes	(67)	68	(77)	(258)
Manufacturing and processing allowance and all other items	(80)	(161)	(187)	(340)
	\$ 2,452	\$ 4,156	\$ 6,309	\$ 7,430
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 2,327	\$ 1,336	\$ 4,727	\$ 6,254
Deferred tax expense	125	2,820	1,582	1,176
	\$ 2,452	\$ 4,156	\$ 6,309	\$ 7,430
Deferred tax related to items charged or credited directly to equity:				
Net gain (loss) on revaluation of cash flow hedges	\$ (237)	\$ 229	\$ 116	\$ (225)
Other items recognized through equity	(965)	(2,514)	127	(2,964)
Income tax charged directly to equity	\$ (1,202)	\$ (2,285)	\$ 243	\$ (3,189)

12. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock. During the three and six months ended October 2, 2016, the Company granted nil and 294,000 time vesting stock options (nil and 743,500 in the three and six months ended September 27, 2015). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

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For the six months ended	October 2 2016		September 27 2015	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	3,433,866	\$ 11.68	4,221,283	\$ 10.10
Granted	294,000	10.46	743,500	15.83
Exercised ⁽ⁱ⁾	(272,250)	8.46	(901,917)	7.73
Forfeited/cancelled	(13,500)	11.00	(12,500)	13.19
Stock options outstanding, end of period	3,442,116	\$ 11.83	4,050,366	\$ 11.66
Stock options exercisable, end of period, time vested options	1,038,113	\$ 10.94	863,500	\$ 8.45
Stock options exercisable, end of period, performance based options	1,132,041	\$ 10.51	1,292,666	\$ 10.26

⁽ⁱ⁾ For the six months ended October 2, 2016, the weighted average share price at the date of exercise was \$10.69 (September 27, 2015 – \$15.74).

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

For the six months ended	October 2 2016	September 27 2015
Weighted average risk-free interest rate	0.90%	0.89%
Dividend yield	0%	0%
Weighted average expected volatility	30%	29%
Weighted average expected life	4.75 years	4.75 years
Number of stock options granted: Time vested	294,000	743,500
Weighted average exercise price per option	\$ 10.46	\$ 15.83
Weighted average value per option: Time vested	\$ 2.88	\$ 4.10

Share Appreciation Rights

During the six months ended October 2, 2016 and September 27, 2015, the Company did not grant any share appreciation rights ("SARs"). The fair values of the Company's unvested SARs are measured at each reporting date using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined by considering historical share price volatility. The expected SARs grant life was determined by considering the average of the estimated grant vesting period and the grant expected life.

For the six months ended	October 2 2016	September 27 2015
Weighted average risk-free interest rate	0.57%	0.47%
Dividend yield	0%	0%
Weighted average expected volatility	30%	26%
Weighted average expected life	2.18 years	2.92 years
Weighted average exercise price per SAR	\$ 8.87	\$ 8.87
Weighted average value per SAR	\$ 2.13	\$ 4.45

The Company has recorded a liability of \$84 as at October 2, 2016 (March 31, 2016 - \$200) based on the fair value of the SARs. The market value of a common share of the Company as at October 2, 2016 was \$11.00 (March 31, 2016 - \$10.59). During the six months ended October 2, 2016, 39,375 SARs vested (39,375 in the six months ended September 27, 2015).

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Restricted Share Unit Plan

During the six months ended October 2, 2016, the Company granted 156,679 time vesting restricted share units ("RSUs") (89,250 in the six months ended September 27, 2015). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. During the six months ended October 2, 2016, the Company granted 128,785 performance-based RSUs (103,000 in the six months ended September 27, 2015). The performance-based RSUs vest upon successful achievement of certain operational and share price targets. The performance-based RSUs give the employee the right to receive a cash payment based on the market value of a common share of the Company. The weighted average remaining vesting period for the time vesting RSUs and performance-based RSUs is 1.4 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 October 2, 2016, the value of the outstanding liability related to the RSU plan was \$2,853 (March 31, 2016 - \$1,572).

Deferred Stock Unit Plan

The Deferred Stock Unit Plan ("DSU Plan") liability is revalued at each reporting date based on the change in the Company's stock price. The change in the value of the DSU liability is included in the interim consolidated statements of income in the period of the change. As at October 2, 2016, the value of the outstanding liability related to the DSU Plan was \$4,597 (March 31, 2016 - \$3,932).

13. COMMITMENTS AND CONTINGENCIES

The minimum operating lease payments, related primarily to facilities and equipment, and purchase obligations are as follows:

	Operating leases	Purchase obligations
Less than one year	\$ 10,305	\$ 75,495
One – two years	8,498	3,271
Two – three years	7,412	140
Three – four years	6,536	116
Four – five years	5,903	—
Due in over five years	6,479	—
	<u>\$ 45,133</u>	<u>\$ 79,022</u>

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

The Company's purchase obligations consist primarily of commitments for materials purchases.

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. As at October 2, 2016, the total value of outstanding letters of credit was approximately \$131,520 (March 31, 2016 - \$136,991).

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

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14. SEGMENTED DISCLOSURE

The Company's operations are reported as one operating segment, Automation Systems, which plans, allocates resources, builds capabilities and implements best practices on a global basis.

Geographic segmentation of revenues is determined based on the customer's installation site. Non-current assets represent property, plant and equipment and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

As at	October 2, 2016	
	Property, plant and equipment	Intangible assets
Canada	\$ 22,778	\$ 9,878
United States	17,148	24,282
Germany	26,310	132,923
China	1,040	46
Malaysia	1,757	100
Other Europe	1,002	392
Asia-Pacific and other	645	150
Total Company	\$ 70,680	\$ 167,771

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

Revenues from external customers for the three months ended	October 2 2016	September 27 2015
Canada	\$ 7,782	\$ 23,207
United States and Mexico	67,275	95,952
Germany	49,704	47,215
China	18,115	28,274
Malaysia	41,425	9,192
Other Europe	49,242	48,097
Asia-Pacific and other	8,945	11,771
Total Company	\$ 242,488	\$ 263,708

Revenues from external customers for the six months ended	October 2 2016	September 27 2015
Canada	\$ 18,292	\$ 44,463
United States and Mexico	140,505	198,755
Germany	94,291	100,068
China	31,626	51,808
Malaysia	103,216	13,790
Other Europe	100,326	88,260
Asia-Pacific and other	19,584	20,828
Total Company	\$ 507,840	\$ 517,972

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15. NET FINANCE COSTS

	Three months ended		Six months ended	
	October 2 2016	September 27 2015	October 2 2016	September 27 2015
Interest expense	\$ 6,479	\$ 7,469	\$ 13,212	\$ 11,840
Interest income	(140)	(45)	(233)	(70)
	\$ 6,339	\$ 7,424	\$ 12,979	\$ 11,770

16. EARNINGS PER SHARE

For the three months ended	October 2 2016	September 27 2015
Weighted average number of common shares outstanding	92,399,098	92,505,801
Dilutive effect of stock option conversion	131,454	770,081
Diluted weighted average number of common shares outstanding	92,530,552	93,275,882
For the six months ended	October 2 2016	September 27 2015
Weighted average number of common shares outstanding	92,355,890	92,111,559
Dilutive effect of stock option conversion	137,455	769,351
Diluted weighted average number of common shares outstanding	92,493,345	92,880,910

For the three and six months ended October 2, 2016, stock options to purchase 2,841,700 and 2,462,000 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (1,568,200 and 1,573,200 common shares were excluded for the three and six months ended September 27, 2015).