ATS Automation Tooling Systems Inc.

Management's Discussion and Analysis

For the Year Ended March 31, 2020

TSX: ATA

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This Management's Discussion and Analysis ("MD&A") for the year ended March 31, 2020 (fiscal 2020) is as of May 26, 2020 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 audited consolidated financial statements of the Company for fiscal 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. 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 and on the Company's website at 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. The terms "operating margin", "EBITDA", "EBITDA margin", "adjusted net income", "adjusted earnings from operations", "adjusted basic earnings per share", "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 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 and right-of-use 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 is defined as adjusted net income on a basic per share basis, where adjusted net income 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, contract assets, inventories, deposits, prepaids and other assets, less accounts payable, accrued liabilities, provisions and contract liabilities. 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 that 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 (including adjusted net income) 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' 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 provide 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 that 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.

A reconciliation of (i) earnings from operations and EBITDA to net income, and (ii) adjusted earnings from operations to earnings from operations, adjusted net income to net income and adjusted basic earnings per share to basic earnings per share, in each case for the three- and 12-month periods ended March 31, 2020 and March 31, 2019, 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 12-month periods ended March 31, 2020 and March 31, 2019 is also contained in this 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 4,500 people at 22 manufacturing facilities and has over 50 offices in North America, Europe, Southeast Asia and China.

STRATEGY
To drive the creation of long-term sustainable shareholder value, the Company has developed a three-part value creation strategy: Build, Grow and Expand.

Build: To build on the Company's foundation and drive performance improvements, management is focused on the advancement of the ATS Business Model ("ABM"), the pursuit and measurement of value drivers and key performance indicators, a rigorous strategic planning process, succession planning, talent management and employee engagement, and driving autonomy and accountability into its businesses.

Grow: To drive growth, management is focused on growing organically through the development and implementation of growth tools under the ABM, providing innovation and value to the Company's customers and markets, and growing the Company's recurring revenue.

Expand: To expand the Company's reach, management is focused on the development of new markets and business platforms, expanding service offerings, investing in innovation and product development, and strategic and disciplined acquisitions that strengthen ATS.

The Company pursues these initiatives with a focus on strategic capital allocation in order to drive the creation of long-term sustainable shareholder value.

ATS Business Model
The ABM is a business management system that ATS has developed with the goal of enabling the Company to pursue its strategies, outpace its chosen markets, and drive year-over-year continuous improvement. The ABM brings focus to:

- **People:** developing, engaging and empowering ATS' people to build the best team;
- **Process:** aligning ATS people to implement and continuously improve robust and disciplined business processes throughout the organization; and
- **Performance:** consistently measuring performance in order to yield world-class performance for our customers and shareholders.

The ABM is ATS' playbook, serving as the framework utilized by the Company to achieve its business goals and objectives through disciplined, continuous improvement. The ABM has been rolled out across ATS divisions globally, supported with extensive training in the use of key problem-solving tools, and applied through various projects to drive continuous improvement.

Focus areas include:

- **Strengthening the core:** adopting a customer-first mindset; implementing a robust performance management system; adhering to eight value drivers; managing using Key Performance Indicators; and leveraging daily management to measure at the point of impact;
- **Delivering growth:** alignment with customer success; focusing on organizational talent development; constantly confirming that progress is being made toward stated goals; and developing annual operating and capital deployment plans for each ATS division;
- **Pursuing excellence:** deploying specific goals that segment strategies into relevant focus areas; and improving continuously using Kaizen events, problem solving and other continuous improvement initiatives, which increase performance annually; and
- **Pioneering innovation:** driving automation market technology leadership; creating innovative platforms and analytics that benefit customers by reducing complexity, shortening development cycles and improving production efficiencies; and expanding the reach and scope of ATS' capabilities for competitive advantage.

BUSINESS OVERVIEW

ATS and its subsidiaries serve customers in the following industrial markets: life sciences, which includes medical devices, pharmaceuticals, radiopharmaceuticals and chemicals; transportation, which includes electric vehicles, automotive and aerospace; energy, which includes nuclear energy and solar energy; and, consumer products, which includes warehousing automation, cosmetics, electronics, food, beverage, and durable goods. With broad and in-depth knowledge across multiple industries and technical fields, ATS delivers single-source solutions to customers that lower production costs, accelerate product delivery, and improve quality control. ATS engages with customers on both greenfield programs, such as equipping new factories, and brownfield programs, such as capacity expansions, line moves, equipment upgrades, software upgrades, efficiency improvements and factory optimization.

ATS engages at varying points in customers' automation cycles. During the pre-automation phase, ATS offers comprehensive services, including discovery and analysis, concept development, simulation and total cost of ownership modelling, all of which help to verify the feasibility of different types of automation, set objectives for factors such as line speed and yield, assess production processes for manufacturability and calculate the total cost of ownership.

For customers that have decided to proceed with an automation project, ATS offers specialized equipment for specific applications or industrial markets, as well as automation and integration services, including engineering design, prototyping, process verification, specification writing, software and manufacturing process controls development, equipment design and build, standard automation products/platforms, third-party equipment qualification, procurement and integration, automation system installation, product line commissioning, validation and documentation. Following the installation of custom automation, ATS may supply duplicate or repeat automation systems to customers that leverage engineering design completed in the original customer program. For customers seeking complex equipment production or build-to-print manufacturing, ATS provides value engineering, supply chain management, integration and manufacturing capabilities, and other automation products and solutions.

Post automation, ATS offers a number of services, including training, process optimization, preventative maintenance, emergency and on-call support, spare parts, retooling, retrofits and equipment relocation. Service agreements are often attached at the time of new equipment sale or are available on an after-market basis on installed equipment. The Company employs a service strategy to increase the revenue derived from these activities. To enhance its service offering, the Company offers *Illuminate*™ *Manufacturing Intelligence*, a connected factory floor management system that captures, analyzes and uses real time machine performance data to quickly and accurately troubleshoot, deliver process and product solutions, prevent equipment downtime, drive greater operational efficiency and unlock performance for sustainable production improvements.

Contract values for individual automation systems vary and are often in excess of $1 million, with some contracts for enterprise-type programs well in excess of $10 million. Due to the custom nature of customer projects, contract durations vary, with typical durations ranging from six to 12 months, and some larger contracts extending up to 18 to 24 months. Contract values for pre-automation services and post-automation services range in value and can exceed $1 million with varying durations, which can sometimes extend over a number of years.

Competitive strengths
Management believes ATS has the following competitive strengths:

Global presence, size and critical mass: ATS' global presence and scale provide advantages in serving multinational customers, as many of the Company's competitors are smaller and operate with a narrower geographic and/or industrial market focus. ATS and its subsidiaries have locations in Canada, the United States, Germany, Italy, Belgium, Netherlands, United Kingdom, Austria, Switzerland, Czech Republic, Slovakia, Poland, Ireland, Turkey, Sweden, Mexico, India, China, Thailand, Malaysia, and Singapore. ATS can deliver localized service through its network of over 50 locations globally. Management believes that ATS' scale and global footprint provide it with competitive advantages in winning large, multinational customer programs and in delivering a life-cycle-oriented service platform to customers' global operations.

Technical skills, capabilities and experience: ATS has designed, manufactured, assembled and serviced over 24,000 automation systems worldwide and has an extensive knowledge base and accumulated design expertise. Management believes ATS' broad experience in many different industrial markets and with diverse technologies, its talented workforce, which includes over 1,700 engineers and over 300 program management personnel, and its ability to provide custom automation, repeat automation, automation products and value-added services, position the Company well to serve complex customer programs in a variety of markets.

Product and technology portfolio: Through its history of bringing thousands of unique automation projects to market, ATS has developed an extensive product and technology portfolio. ATS has a number of standard automation platforms and products, including: innovative linear motion transport systems; robust cam-driven assembly platforms; advanced vision systems used to ensure product or process quality; progressive material handling technologies; test systems; factory management and intelligence software; other software solutions; proprietary weighing hardware and process control software technologies; aseptic processing and containment technologies; and high-performance tube filling and cartoning systems. Management believes the Company's extensive product and technology portfolio provides advantages in developing unique and leading solutions for customers and in maintaining competitiveness.

Recognized brands: Management believes ATS is well known within the global automation industry due to its long history of innovation and broad scope of operations. In addition, ATS' subsidiaries include several strong brands: "sortimat", which specializes in the life sciences market; "IWK", which specializes in the packaging market; "Process Automation Solutions" ("PA"), which provides innovative automation solutions for process and production sectors; "KMW", which specializes in custom micro-assembly systems and test equipment solutions; "Comecer", which provides high-tech automation systems for the nuclear medicine and pharmaceutical industries; and "MARCO", which provides yield control and recipe formulation systems in the food, nutraceuticals and cosmetics sectors. Management believes that ATS' brand names and global reputation improve sales prospecting, allowing the Company to be considered for a wide variety of customer programs.

Trusted customer relationships: ATS serves some of the world's largest multinational companies. Most customer relationships are long-standing, often spanning a decade or more, and many customers are repeat buyers who return to ATS and its subsidiaries time after time to meet their automation manufacturing, assembly, processing, and services' needs.

Total solutions capabilities: Management believes the Company gains competitive advantages because ATS provides total turnkey solutions in automation. This allows customers to single-source their most complex projects to ATS rather than rely on multiple engineering firms and equipment builders. In addition, ATS can provide customers with other value-added services including pre-automation consulting, total cost of ownership studies, life-cycle material management, post-automation service, training and support.

OVERVIEW – OPERATING RESULTS

Consolidated Revenues

(In millions of dollars)

Revenues by market	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Life sciences	**$ 199.8**	$ 193.1	**$ 770.2**	$ 608.5
Transportation	**116.2**	82.3	**385.0**	302.3
Consumer products	**41.2**	39.2	**172.7**	203.3
Energy	**24.9**	34.0	**101.8**	139.5
Total revenues	**$ 382.1**	$ 348.6	**$ 1,429.7**	$ 1,253.6

Revenues by customer location	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
North America	**$ 172.3**	$ 137.6	**$ 588.3**	$ 510.5
Europe	**175.0**	186.4	**709.4**	600.4
Asia/Other	**34.8**	24.6	**132.0**	142.7
Total revenues	**$ 382.1**	$ 348.6	**$ 1,429.7**	$ 1,253.6

Fourth Quarter

Fiscal 2020 fourth quarter revenues were 10% higher than in the corresponding period a year ago and included $26.3 million of revenues earned by acquired companies (see “Business Acquisitions”). Excluding acquired companies, fourth quarter revenues increased $7.2 million, or 2% compared to the corresponding period a year ago. Compared to the corresponding period a year ago, revenues generated from construction contracts increased 23% primarily due to the timing of third-party materials. Revenues from services decreased 13% due primarily to travel restrictions and customer facility closures related to COVID-19.

By market, revenues generated in life sciences increased 3% primarily on revenues earned by Comecer. Revenues in the transportation market increased 41% due to higher Order Backlog for both electric vehicle and internal combustion engine projects entering the fourth quarter of fiscal 2020. Revenues from consumer products increased 5% on revenues earned by MARCO. Revenues from energy markets decreased 27% due to timing of projects, primarily in the nuclear market.

Full Year

Fiscal 2020 revenues were $1,429.7 million, 14% higher than in the prior fiscal year and included $126.8 million of revenues earned by acquired companies. Excluding acquired companies, revenues for fiscal 2020 increased $49.3 million, or 4% over the corresponding period a year ago, primarily reflecting higher Order Backlog entering fiscal 2020 compared to a year ago. Revenues generated from construction contracts and services both increased by 16% and 6%, respectively, compared to the corresponding period a year ago.

By market, fiscal 2020 revenues from life sciences markets increased 27%, primarily reflecting revenues earned by ATS’ Comecer, iXLOG and IAP BV subsidiaries and higher Order Backlog entering fiscal 2020 due to increased revenues for medical device, pharmaceutical and radiopharmaceutical applications. Revenues in the transportation market increased 27% due to higher Order Backlog entering fiscal 2020, primarily for automotive assembly systems and electric vehicle projects. Consumer products revenues decreased 15% compared to a year ago due primarily to lower activity in warehouse automation. Revenues from energy markets decreased 27% compared to a year ago, primarily due to lower Order Backlog for nuclear projects entering fiscal 2020.

Consolidated Operating Results
(In millions of dollars)

	Q4 2020	Q4 2019	**Fiscal 2020**	Fiscal 2019
Earnings from operations	**$ 24.9**	$ 30.3	**$ 95.6**	$ 114.8
Amortization of acquisition-related intangible assets	**8.5**	6.8	**33.7**	23.3
Restructuring charges	**5.8**	—	**26.6**	—
Acquisition-related transaction costs	**0.1**	1.1	**1.5**	4.7
Adjusted earnings from operations[1]	**$ 39.3**	$ 38.2	**$ 157.4**	$ 142.8

[1] See "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures."

	Q4 2020	Q4 2019	**Fiscal 2020**	Fiscal 2019
Earnings from operations	**$ 24.9**	$ 30.3	**$ 95.6**	$ 114.8
Depreciation and amortization	**18.3**	12.3	**71.4**	42.4
EBITDA[1]	**$ 43.2**	$ 42.6	**$ 167.0**	$ 157.2

[1] See "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures."

Fourth Quarter

Fiscal 2020 fourth quarter earnings from operations were $24.9 million (7% operating margin) compared to $30.3 million (9% operating margin) in the fourth quarter of fiscal 2019. Fourth quarter fiscal 2020 earnings from operations included $5.8 million of restructuring charges incurred as part of the Company's reorganization plan (see "Reorganization Plan"), $0.1 million of incremental costs related to the Company's acquisition activity, down from $1.1 million in the comparable period a year ago, and $8.5 million related to amortization of acquisition-related intangible assets, up from $6.8 million of amortization of acquisition-related intangible assets in the comparable period a year ago.

Excluding these items in both comparable quarters, fourth quarter fiscal 2020 adjusted earnings from operations were $39.3 million (10% margin), compared to adjusted earnings from operations of $38.2 million (11% margin) a year ago. Higher adjusted earnings from operations reflected higher revenues and a stock compensation recovery compared to higher stock compensation expenses a year ago. These increases were partially offset by higher costs of revenues and selling, general and administrative expenses. As expected, fourth quarter fiscal 2020 adjusted earnings from operations reflected a lower gross margin due to under absorption of employee and fixed costs in facilities affected by the reorganization plan, which negatively impacted earnings by approximately $5.0 million. In addition, gross margin was negatively impacted by certain programs that exceeded budget, which negatively impacted earnings by approximately $4.0 million. Operating margins were also negatively impacted by measures implemented in response to the COVID-19 pandemic, including protocols to enable physical distancing, and travel restrictions and customer closures, which disrupted customer activities. The adoption of IFRS 16 positively impacted earnings from operations by $0.9 million compared to the prior year due to the implied finance costs recorded on lease obligations.

Depreciation and amortization expense was $18.3 million in the fourth quarter of fiscal 2020, compared to $12.3 million a year ago. The increase primarily reflected $4.3 million of incremental depreciation of right-of-use assets as a result of the adoption of IFRS 16 and incremental amortization of acquisition-related intangible assets due to the acquisitions of Comecer, iXLOG, and MARCO.

EBITDA was $43.2 million (11% EBITDA margin) in the fourth quarter of fiscal 2020 compared to $42.6 million (12% EBITDA margin) in the fourth quarter of fiscal 2019. Higher EBITDA reflected higher revenues and lower stock compensation expenses and operating lease costs related to the adoption of IFRS 16, which positively impacted EBITDA by $5.2 million. These increases were partially offset by $5.8 million of restructuring charges, approximately $5.0 million of inefficiencies from the implementation of the reorganization plan, $4.0 million of costs related to certain programs that exceeded budget and the impacts from the COVID-19 pandemic.

Full Year

Earnings from operations were $95.6 million (7% operating margin) in fiscal 2020, compared to $114.8 million (9% operating margin) a year ago. Excluding $26.6 million of restructuring costs, $1.5 million of incremental costs related to the Company's acquisition activity, and $33.7 million related to amortization of identifiable intangible assets recorded on business acquisitions, adjusted earnings from operations were $157.4 million (11% operating margin) in fiscal 2020, compared to adjusted earnings from operations of

$142.8 million (11% operating margin) a year ago. Higher adjusted earnings from operations primarily reflected higher revenues in fiscal 2020, partially offset by higher selling, general and administrative expenses. Fiscal 2020 adjusted earnings from operations reflected a lower gross margin due to inefficiencies from the implementation of the reorganization plan, which negatively impacted earnings by approximately $10.0 million. This cost was partially offset by the adoption of IFRS 16 which positively impacted earnings from operations by $3.6 million due to the implied finance costs recorded on lease obligations.

Depreciation and amortization expense was $71.4 million in fiscal 2020 compared to $42.4 million a year ago. The increase primarily reflected $15.9 million of incremental depreciation of right-of-use assets as a result of the adoption of IFRS 16 and amortization of acquisition-related intangible assets of KMW, Comecer, iXLOG, and MARCO.

Fiscal 2020 EBITDA was $167.0 million (12% EBITDA margin) compared to $157.2 million (13% EBITDA margin) in fiscal 2019. Higher EBITDA reflected increased revenues and lower stock compensation expenses, partially offset by lower gross margin due to inefficiencies from the implementation of the reorganization plan and higher selling, general and administrative expenses. Higher selling, general and administrative expenses in the period were partially offset by $19.5 million of lower operating lease expenses related to the adoption of IFRS 16.

Impact of Adoption of IFRS 16 - Leases

The nature of expenses related to identified lease arrangements changed as IFRS 16 replaced straight-line operating lease expense with depreciation and interest expense relating to lease liabilities. For the three- and 12-months ended March 31, 2020, the adoption of IFRS 16 resulted in increased depreciation expenses related to right-of-use assets of $4.3 million and $15.9 million, respectively, with a corresponding decrease in operating lease costs which were recognized in cost of revenues and selling, general and administrative expenses. In addition, the adoption of IFRS 16 resulted in incremental interest expenses of $0.9 million and $3.6 million for the three- and 12-months ended March 31, 2020, respectively, with corresponding decreases in operating lease costs. The combined impact of these changes was to increase earnings from operations by $0.9 million and $3.6 million and to increase EBITDA by $5.2 million and $19.5 million for the three- and 12-months ended March 31, 2020, respectively. The impact on net income was negligible. See "*Accounting Standard Adopted in Fiscal 2020*."

Order Bookings by Quarter

(In millions of dollars)

	Fiscal 2020	Fiscal 2019
Q1	**$ 423**	$ 358
Q2	**321**	355
Q3	**368**	397
Q4	**356**	298
Total Order Bookings	**$ 1,468**	$ 1,408

Fourth Quarter

Fourth quarter fiscal 2020 Order Bookings were $356 million, a 19% increase compared to the fourth quarter of fiscal 2019. Organic growth in Order Bookings was 11% with 8% coming from acquisitions. By market, higher Order Bookings in the consumer products, energy, and transportation markets more than offset lower Order Bookings in the life sciences market. Order Bookings in the life sciences market decreased due primarily to timing of customer decisions.

Full Year

Fiscal 2020 Order Bookings were $1,468 million, a 4% increase over prior year Order Bookings of $1,408 million. Excluding Business Acquisitions, fiscal 2020 Order Bookings were $1,330 million, which excludes the $32 million joint ATS and Comecer Order Booking for a new pharmaceutical customer secured in October 2019 (third fiscal quarter of 2020). By market, higher Order Bookings in the life sciences, energy and transportation markets more than offset lower Order Bookings in the consumer products market.

Order Backlog Continuity
(In millions of dollars)

	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Opening Order Backlog	**$ 939**	$ 926	**$ 904**	$ 746
Revenues	**(382)**	(349)	**(1,430)**	(1,254)
Order Bookings	**356**	298	**1,468**	1,408
Order Backlog adjustments[1]	**29**	29	**—**	4
Total	**$ 942**	$ 904	**$ 942**	$ 904

[1] Order Backlog adjustments include incremental Order Backlog of $4 million acquired with MARCO, foreign exchange adjustments and cancellations.

Order Backlog by Market
(In millions of dollars)

As at	March 31, 2020	March 31, 2019
Life sciences	**$ 467**	$ 501
Transportation	**273**	244
Consumer products	**90**	86
Energy	**112**	73
Total	**$ 942**	$ 904

At March 31, 2020, Order Backlog was $942 million, 4% higher than at March 31, 2019. Order Backlog growth was primarily driven by Order Backlog from acquired businesses.

Reorganization Plan
In fiscal 2020, ATS announced the expansion and investment in targeted high-performing facilities globally, as part of a $60 million capital investment plan to increase capacity, address the Company's significant Order Backlog and enable long-term growth in strategic markets such as life sciences. To drive continued improvement in operations and focus investment in strategic growth areas of the business, the Company announced a reorganization plan in the third quarter of fiscal 2020. The reorganization plan included the consolidation of certain operations and the closure of some underperforming facilities and small branch offices – none of which were strategically important to future growth. Costs to implement the restructuring were comprised primarily of severances and lease termination costs. The Company has recorded charges of $2.0 million, $18.8 million and $5.8 million in the second, third and fourth quarters, respectively, in relation to the reorganization. In addition, and as expected, operating margins were negatively impacted by approximately $5 million in each of the third and fourth quarters due primarily to unabsorbed costs from closing facilities and cost inefficiencies from transferring projects. As a result of the improvements in the Company's cost structure and elimination of unprofitable facilities, commencing in fiscal 2021, management expects annualized improvements to operating earnings of approximately $15 million to $18 million. These improvements are expected to be offset in fiscal 2021 due to pressure on revenues and operating margins brought on by the current economic environment.

Outlook
The recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-isolation and quarantine periods, and physical distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand, disrupt global supply chains and increase government regulations or intervention, all of which may negatively impact the business, financial results and conditions of the Company.

Order Bookings are generally variable and sensitive to changes in the major economies the Company serves including the U.S., Canada, Europe and Asia. The global pandemic has caused uncertainty in the Company's end markets, which is expected to negatively impact customer ordering activity. Funnel activity (which includes customer requests for proposal and ATS identified customer opportunities) has been impacted, as some customers have delayed their planned project timing. Overall, the Company's funnel remains significant; however, the timing of conversion of opportunities into Order Bookings is more variable and uncertain.

By market, the life sciences funnel remains relatively strong, with some short-term opportunities related to the fight against the COVID-19 virus, such as the $65 million Order Booking announced by the Company on April 21, 2020, and other strategic customer opportunities. The addition of Comecer has improved ATS' customer offerings in both pharmaceuticals and radiopharmaceuticals, as demonstrated by the $32 million Order Booking for a pharmaceutical customer announced in the third quarter. In transportation, some strategic opportunities related to new technologies have proceeded, such as the $60 million EV program won by the Company in the fourth quarter. However, customer shut-downs have limited service opportunities and focused efforts by transportation companies to preserve liquidity have caused those customers to re-examine capital investment plans. Funnel activity in energy is variable and this market provides niche opportunities for ATS. Funnel activity in the consumer products market remains low relative to other customer markets and management expects customers to be cautious in deploying capital in these markets in the current economic environment. The Company expects its Order Backlog of $942 million at the end of the fourth quarter of fiscal 2020 to partially mitigate the impact of volatile Order Bookings on revenues in the short term.

The Company's sales organization continues to work to engage customers on enterprise-type solutions. Enterprise orders are expected to provide ATS with more strategic customer relationships, better program control and workload predictability and less short-term sensitivity to macroeconomic forces. This approach to market and the timing of customer decisions on larger opportunities is expected to cause variability in Order Bookings from quarter to quarter and lengthen the performance period and revenue recognition for certain customer programs.

The Company's Order Backlog includes several large enterprise programs. These enterprise programs have longer periods of performance and therefore longer revenue recognition cycles. To date, the Company has had one customer put a program on hold, which impacts approximately $30 million of the Company's reported Order Backlog. The Company has not experienced any material cancellations to date. In the first quarter of fiscal 2021, management expects the conversion of Order Backlog to revenues to be in the 30% to 35% range. Order Backlog conversion in the fourth quarter of fiscal 2020 was higher than expected due to higher than expected deliveries of third-party equipment. As well, inefficiencies as a result of travel restrictions, customer facility closures and measures implemented to enable physical distancing across the Company's operations are expected to cause revenues to be in this expected conversion range.

The services strategy is expected to add incremental revenues over time as the attach rate of services' contracts on new equipment increases and as the penetration of the installed base improves. The Company is working to grow service revenues as a percentage of overall revenues over time, which is expected to provide some balance to the capital expenditure cycle of the Company's customers but may not fully offset capital spending volatility.

Measures implemented to enable physical distancing across ATS' operations, including remote work and flexible schedules, have caused the Company to operate below full capacity. Travel restrictions and closures of customer facilities have disrupted customer projects and service activity. These factors are expected to negatively impact the Company's operating results in the first quarter of fiscal 2021. Partially offsetting these inefficiencies, the Company expects to benefit from the recently enacted Canada Emergency Wage Subsidy (CEWS), which provides a subsidy for a portion of the Company's Canadian workforce. Based on lower revenues in ATS' Canadian operations, the Company expects to receive between $4.0 million to $8.0 million from the CEWS, which will assist with workforce retention. Management is focused on cost-containment measures and the preservation of liquidity. Actions taken include reductions to discretionary expenditures, deferral of some capital investments, and in certain locations, temporary layoffs and reductions to working hours. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the duration and severity of these developments as well as the impact on the financial results and condition of the Company in future periods. ATS' businesses are currently characterized as essential in all jurisdictions requiring such a designation to date.

The initial roll-out of the ABM has been completed, which included Company-wide training and deployment of tools to standardize problem solving and continuous improvement processes. As the initial ABM tools are implemented, management will deploy additional tools as part of the ongoing advancement of the ABM, with the goal of driving growth and continuous, sustained performance improvements across the Company. Management expects that the ABM will provide the Company with a long-term competitive advantage in delivering value to its customers and shareholders.

The Company is pursuing several initiatives with the goal of expanding its adjusted earnings from operations margin over the long term including: growing the Company's higher margin after-sales service business; improving global supply chain management; increasing the use of standardized platforms and technologies; growing revenues while leveraging the Company's current cost structure; and the ongoing development and adoption of the ABM. In fiscal 2021, these initiatives will be affected by the economic impacts of the COVID-19 pandemic.

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. Based on the uncertainty associated with the existing business environment and the current business mix, the Company's investment in non-cash working capital as a percentage of annualized revenues could exceed 15% during fiscal 2021.

In order to increase capacity, the Company increased its investment in capital assets and intangible assets to $56.6 million in fiscal 2020 to fund expansions underway at several facilities. These expansions are largely complete, and as a result, the Company expects to reduce its investment in capital assets and intangible assets in fiscal 2021 to a range of $25 million to $30 million.

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: provide additional liquidity should the economic impacts of the COVID-19 pandemic persist for an extended period; fund its requirements for investments in non-cash working capital and capital assets; and fund strategic investment plans including some potential acquisitions. Significant acquisitions could result in additional debt or equity financing requirements.

BUSINESS ACQUISITIONS

MARCO Limited

On December 16, 2019, the Company acquired 100% of the shares of MARCO Limited ("MARCO"), a U.K. based provider of yield control and recipe formulation systems to help customers in the food, nutraceuticals and cosmetics sectors increase productivity and meet stringent industry regulations. MARCO's solutions are based on its proprietary weighing hardware and process control software technologies. MARCO provides ATS with the means of entering a product-based, niche segment of the food industry that is growing at a mid-single digit rate. The food industry is attractive because it is subject to industry and government regulations, driving a need for high-precision technologies.

Cash consideration paid in the third quarter of fiscal 2020 was $44.4 million (25.2 million U.K. pounds sterling). Additional contingent consideration of up to $12.8 million (7.3 million U.K. pounds sterling) is payable if certain performance targets are met within two years of the acquisition date. The fair value of the contingent consideration was valued at $7.4 million (4.2 million U.K. pounds sterling) at the acquisition date. This acquisition was accounted for as a business combination with the Company as the acquirer of MARCO. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, December 16, 2019.

iXLOG

On September 19, 2019, the Company acquired 100% of the shares of iXLOG Unternehmensberatung GmbH ("iXLOG"), a Germany-based IT consulting and service provider specializing in business process optimization, business intelligence and analytics, primarily for large- and medium-sized industrial manufacturing customers. The addition of iXLOG is highly complementary to ATS' Process Automation Solutions ("PA") business. iXLOG will play a critical role in expanding PA's data analytics and business intelligence offerings and in building additional solutions to broaden PA's digitization capabilities that are used to optimize customer manufacturing operations.

The total purchase price was $10.6 million (7.2 million Euros). Cash consideration paid in the second quarter was $7.7 million (5.2 million Euros), with the balance related to an earn-out to be paid within 20 months of the acquisition date. The cash consideration of the purchase price, along with transaction costs, were funded with existing cash on hand. The acquisition was accounted for as a business combination with the Company as the acquirer of iXLOG. The purchase method of accounting was used and the earnings of iXLOG were consolidated from the acquisition date, September 19, 2019.

IAP BV

On October 31, 2019, the Company acquired 60% of the shares of Industrial Automation Partners B.V. ("IAP"), a Netherlands-based provider of process automation services to medium-sized international companies.

The total purchase price paid in the third quarter of fiscal 2020 was $2.6 million (1.8 million Euros). This acquisition was accounted for as a business combination with the Company as the acquirer of IAP. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, October 31, 2019.

CONSOLIDATED RESULTS

(In millions of dollars, except per share data)

	Q4 2020	Q4 2019	**Fiscal 2020**	Fiscal 2019	Fiscal 2018
Revenues	**$ 382.1**	$ 348.6	**$ 1,429.7**	$ 1,253.6	$ 1,114.9
Cost of revenues	**293.4**	256.0	**1,067.6**	924.9	826.8
Selling, general and administrative	**59.0**	56.1	**233.7**	204.1	194.3
Restructuring costs	**5.8**	—	**26.6**	—	—
Stock-based compensation	**(1.0)**	6.2	**6.2**	9.8	8.3
Earnings from operations	**$ 24.9**	$ 30.3	**$ 95.6**	$ 114.8	$ 85.5
Net finance costs	**$ 7.8**	$ 5.8	**$ 28.1**	$ 20.9	$ 23.8
Provision for income taxes	**4.0**	6.3	**14.6**	23.1	14.5
Net income	**$ 13.1**	$ 18.2	**$ 52.9**	$ 70.8	$ 47.2
Basic earnings per share	**$ 0.14**	$ 0.20	**$ 0.57**	$ 0.76	$ 0.50
Diluted earnings per share	**$ 0.14**	$ 0.20	**$ 0.57**	$ 0.75	$ 0.50
Total assets			**$ 2,098.0**	$ 1,688.8	$ 1,542.2
Total cash and short-term investments			**$ 358.6**	$ 224.5	$ 330.1
Total debt			**$ 665.6**	$ 348.7	$ 318.2
Other non-current liabilities			**$ 121.1**	$ 113.4	$ 102.0

Revenues. At $382.1 million, consolidated revenues for the fourth quarter of fiscal 2020 were $33.5 million, or 10%, higher than in the corresponding period a year ago. At $1,429.7 million, annual consolidated revenues were $176.1 million, or 14%, higher than a year ago (see "Overview – operating results").

Cost of revenues. At $293.4 million, fourth quarter fiscal 2020 cost of revenues increased compared to the corresponding period a year ago by $37.4 million, or 15%, primarily due to higher revenues. Annual cost of revenues of $1,067.6 million increased $142.7 million, or 15%, primarily due to higher revenues. Fourth quarter fiscal 2020 gross margin was 23%, compared to 27% in the corresponding period a year ago, due primarily to inefficiencies from the implementation of the Company's reorganization plan, costs related to certain programs that exceeded budget and the impacts from the COVID-19 pandemic. Fiscal 2020 gross margin was 25%, compared to 26% in fiscal 2019. Lower gross margin for fiscal 2020 was due primarily to inefficiencies from the implementation of the Reorganization Plan, which negatively impacted earnings by approximately $10.0 million.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the fourth quarter of fiscal 2020 were $59.0 million, which included $8.5 million of costs related to the amortization of identifiable intangible assets on business acquisitions and $0.1 million of incremental costs related to the Company's acquisition activity. Excluding these costs, SG&A expenses were $50.4 million in the fourth quarter of fiscal 2020. Comparably, SG&A expenses for the fourth quarter of fiscal 2019 were $48.2 million, which excluded $6.8 million of costs related to the amortization of identifiable intangible assets recorded on business acquisitions and $1.1 million of acquisition-related transaction costs. Higher SG&A expenses in the fourth quarter of fiscal 2020 primarily reflected the additions of iXLOG, IAP and MARCO, increased professional fees, partially offset by lower employee incentive expenses.

Fiscal 2020 SG&A expenses were $233.7 million, which included $33.7 million of expenses related to the amortization of identifiable intangible assets on business acquisitions and $1.5 million of incremental costs related to the Company's acquisition activity. Excluding these costs, SG&A expenses were $198.5 million for fiscal 2020. Comparably, SG&A expenses for fiscal 2019 were $176.1 million, which excluded $23.3 million of expenses related to the amortization of identifiable intangible assets on business acquisitions and $4.7 million of acquisition-related transaction costs. Higher SG&A expenses in fiscal 2020 primarily reflected the additions of KMW, Comecer, iXLOG, IAP and MARCO and increased sales-related expenses.

Restructuring costs. For the three- and 12-months ended March 31, 2020, restructuring costs were $5.8 million and $26.6 million, respectively, compared to restructuring costs of $nil in the corresponding periods a year ago (see “Reorganization Plan”).

Stock-based compensation. Stock-based compensation recovery amounted to $1.0 million in the fourth quarter of fiscal 2020 compared to an expense of $6.2 million in the corresponding period a year ago. Fiscal 2020 stock-based compensation expense was $6.2 million compared to $9.8 million a year ago. The decrease in stock-based compensation costs is attributable to lower expenses from the revaluation of deferred stock units and restricted share units based on the Company’s stock price.

Earnings from operations. For the three- and 12-month periods ended March 31, 2020, earnings from operations were $24.9 million (7% operating margin) and $95.6 million (7% operating margin), respectively, compared to earnings from operations of $30.3 million (9% operating margin) and $114.8 million (9% operating margin) in the corresponding periods a year ago. Excluding the impact of adopting IFRS 16, earnings from operations were $24.0 million (6% operating margin) and $92.0 million (6% operating margin) for the three- and 12-month periods ended March 31, 2020, respectively (see “Overview – Operating Results”).

Net finance costs. Net finance costs were $7.8 million in the fourth quarter of fiscal 2020, compared to $5.8 million a year ago. Fiscal 2020 finance costs were $28.1 million compared to $20.9 million a year ago. The increase was primarily due to additional interest expense of $0.9 million and $3.6 million, respectively, recorded on lease liabilities on the adoption of IFRS 16, and lower interest income compared to the corresponding period a year ago.

Income tax provision. For the three and 12 months ended March 31, 2020, the Company’s effective income tax rates of 23% and 22%, respectively, differed from the combined Canadian basic federal and provincial income tax rate of 27% primarily due to losses in certain jurisdictions with different statutory tax rates, primarily as a result of the Reorganization Plan.

Net income. Fiscal 2020 fourth quarter net income was $13.1 million (14 cents per share basic and diluted) compared to $18.2 million (20 cents per share basic and diluted) for the fourth quarter of fiscal 2019. Adjusted basic earnings per share were 26 cents in the fourth quarter of fiscal 2020 compared to 26 cents in the fourth quarter of fiscal 2019 (see “Reconciliation of non-IFRS measures to IFRS measures”).

Fiscal 2020 net income was $52.9 million (57 cents per share basic and diluted) compared to $70.8 million (76 and 75 cents per share basic and diluted) for the corresponding period a year ago. Adjusted basic earnings per share were $1.06 in fiscal 2020 compared to 98 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, except per share data)

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

	Fiscal 2020	Fiscal 2019	Fiscal 2018
EBITDA	**$ 167.0**	$ 157.2	$ 122.1
Less: depreciation and amortization expense	**71.4**	42.4	36.6
Earnings from operations	**$ 95.6**	$ 114.8	$ 85.5
Less: net finance costs	**28.1**	20.9	23.8
Provision for income taxes	**14.6**	23.1	14.5
Net income	**$ 52.9**	$ 70.8	$ 47.2

	Q4 2020	Q4 2019
EBITDA	**$ 43.2**	$ 42.6
Less: depreciation and amortization expense	**18.3**	12.3
Earnings from operations	**$ 24.9**	$ 30.3
Less: net finance costs	**7.8**	5.8
Provision for income taxes	**4.0**	6.3
Net income	**$ 13.1**	$ 18.2

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

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	IFRS	**Adjustments**	**Adjusted (non-IFRS)**	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	**$ 24.9**	**$ —**	**$ 24.9**	$ 30.3	$ —	$ 30.3
Acquisition-related transaction costs	**—**	**0.1**	**0.1**	—	1.1	1.1
Amortization of acquisition-related intangible assets	**—**	**8.5**	**8.5**	—	6.8	6.8
Restructuring costs	**—**	**5.8**	**5.8**	—	—	—
	$ 24.9	**$ 14.4**	**$ 39.3**	$ 30.3	$ 7.9	$ 38.2
Less: net finance costs	**$ 7.8**	**$ —**	**$ 7.8**	$ 5.8	$ —	$ 5.8
Income before income taxes	**$ 17.1**	**$ 14.4**	**$ 31.5**	$ 24.5	$ 7.9	$ 32.4
Provision for income taxes	**$ 4.0**	**$ —**	**$ 4.0**	$ 6.3	$ —	$ 6.3
Adjustment to provision for income taxes[1]	**—**	**3.9**	**3.9**	—	2.2	2.2
	$ 4.0	**$ 3.9**	**$ 7.9**	$ 6.3	$ 2.2	$ 8.5
Net income	**$ 13.1**	**$ 10.5**	**$ 23.6**	$ 18.2	$ 5.7	$ 23.9
Basic earnings per share	**$ 0.14**	**$ 0.12**	**$ 0.26**	$ 0.20	$ 0.06	$ 0.26

[1] 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.

	Twelve Months Ended March 31, 2020			Twelve Months Ended March 31, 2019		
	IFRS	**Adjustments**	**Adjusted (non-IFRS)**	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	**$ 95.6**	**$ —**	**$ 95.6**	$ 114.8	$ —	$ 114.8
Acquisition-related transaction costs	**—**	**1.5**	**1.5**	—	4.7	4.7
Amortization of acquisition-related intangible assets	**—**	**33.7**	**33.7**	—	23.3	23.3
Restructuring costs	**—**	**26.6**	**26.6**	—	—	—
	$ 95.6	**$ 61.8**	**$ 157.4**	$ 114.8	$ 28.0	$ 142.8
Less: net finance costs	**$ 28.1**	**$ —**	**$ 28.1**	$ 20.9	$ —	$ 20.9
Income before income taxes	**$ 67.5**	**$ 61.8**	**$ 129.3**	$ 93.9	$ 28.0	$ 121.9
Provision for income taxes	**$ 14.6**	**$ —**	**$ 14.6**	$ 23.1	$ —	$ 23.1
Adjustment to provision for income taxes[1]	**—**	**16.9**	**16.9**	—	7.5	7.5
	$ 14.6	**$ 16.9**	**$ 31.5**	$ 23.1	$ 7.5	$ 30.6
Net income	**$ 52.9**	**$ 44.9**	**$ 97.8**	$ 70.8	$ 20.5	$ 91.3
Basic earnings per share	**$ 0.57**	**$ 0.49**	**$ 1.06**	$ 0.76	$ 0.22	$ 0.98

[1] 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.

INVESTMENTS, LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

Investments

(In millions of dollars)

		Fiscal 2020		Fiscal 2019
Investments – increase (decrease)				
Non-cash operating working capital	**$**	**112.6**	$	(2.5)
Acquisition of property, plant and equipment		**45.4**		21.1
Acquisition of intangible assets		**11.1**		19.8
Proceeds from disposal of assets		**(0.1)**		(5.2)
Total net investments	**$**	**169.0**	$	33.2

In fiscal 2020, the Company's investment in non-cash working capital increased $112.6 million, compared to a decrease of $2.5 million a year ago. Accounts receivable increased 34%, or $73.9 million, and net contracts in progress increased 117%, or $61.4 million, compared to March 31, 2019, due to increased revenue and the timing of billings on certain customer contracts. 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 1%, or $0.4 million, primarily due to an increase in work-in-process on certain customer projects. Deposits and prepaid assets increased 8%, or $2.4 million, compared to March 31, 2019 due to the timing of program execution. Accounts payable and accrued liabilities increased 14%, or $35.1 million, compared to March 31, 2019. Provisions increased 130%, or $18.2 million, compared to March 31, 2019, due to provisions related to the Company's Reorganization Plan.

Cash investments in property, plant and equipment totalled $45.4 million in fiscal 2020, primarily related to the expansion and improvement of certain manufacturing facilities, and investments in computer hardware and office equipment. Cash investments in property, plant and equipment totalled $21.1 million for fiscal 2019, primarily related to computer hardware, building additions, and office equipment.

Intangible assets expenditures were $11.1 million for fiscal 2020 and primarily related to computer software and various internal development projects. Intangible assets expenditures were $19.8 million for fiscal 2019 and primarily related to the $10.0 million acquisition of substantially all of the intellectual property assets of Transformix Engineering Inc.

Proceeds from disposal of assets were $0.1 million in fiscal 2020, compared to $5.2 million in fiscal 2019. The decrease primarily reflected the sale of redundant assets in fiscal 2019.

The Company performs impairment tests on its goodwill and intangible asset balances on an annual basis or as warranted by events or circumstances. The Company conducted its annual impairment assessment in the fourth quarter of fiscal 2020 and determined there is no impairment of goodwill or intangible assets as of March 31, 2020 (fiscal 2019 – $nil).

All the Company's investments involve risks and require that the Company make judgments and estimates regarding the likelihood of recovery of the respective costs. In the event management determines that any of the Company's investments have become permanently impaired or recovery is no longer reasonably assured, the value of the investment would be written down to its estimated net realizable value as a charge against earnings.

Liquidity, Cash Flow and Financial Resources

(In millions of dollars, except ratios)

As at		**March 31, 2020**		March 31, 2019
Cash and cash equivalents	**$**	**358.6**	$	224.5
Debt-to-equity ratio		**0.86:1**		0.48:1
Cash flows provided by operating activities	**$**	**20.3**	$	127.6

At March 31, 2020, the Company had cash and cash equivalents of $358.6 million compared to $224.5 million at March 31, 2019. At March 31, 2020, the Company's debt-to-total equity ratio was 0.86:1 and reflected $250.0 million utilized under the Company's senior secured credit facility and increased lease liabilities due to the adoption of IFRS 16.

In fiscal 2020, cash flows provided by operating activities were $20.3 million ($127.6 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.

At March 31, 2020, the Company had $377.4 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional $6.2 million available under letter of credit facilities.

On July 28, 2017, the Company amended its senior secured credit facility to extend the agreement by three years to mature on August 29, 2021 (the "Credit Facility"). The Credit Facility provides a committed revolving credit facility of $750.0 million. The Credit Facility is secured by the Company's assets, including certain real estate in North America and a pledge of shares of certain of the Company's subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At March 31, 2020, the Company had utilized $399.4 million under the Credit Facility, of which $250.0 million was classified as long-term debt (March 31, 2019 - $nil) and $149.4 million by way of letters of credit (March 31, 2019 - $134.3 million).

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

The Credit Facility is subject to financial covenants including a net debt-to-EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At March 31, 2020, all of the covenants were met.

The Company has additional credit facilities available of $32.0 million (10.1 million Euros, $10.0 million U.S., 50.0 million Thai Baht and 1.8 million Czech Koruna). The total amount outstanding on these facilities at March 31, 2020 was $4.8 million (March 31, 2019 - $20.6 million), of which $4.6 million was classified as bank indebtedness (March 31, 2019 - $2.0 million) and $0.2 million was classified as long-term debt (March 31, 2019 - $18.6 million). The interest rates applicable to the credit facilities range from 1.75% to 6.50% per annum. A portion of the long-term debt is secured by certain assets of the Company.

The Company's U.S. $250.0 million aggregate principal amount of senior notes (the "Senior Notes") are unsecured, were issued at par, bear interest at a rate of 6.50% per annum and mature on June 15, 2023. The Company may redeem the Senior Notes, in whole at any time or in part, from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. At March 31, 2020, all of the covenants were met. Subject to certain exceptions, the Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility. Transaction fees of $7.2 million were deferred and are being amortized over the seven-year term of the Senior Notes.

Contractual Obligations
(In millions of dollars)

The Company's minimum purchase obligations are as follows:

	Purchase obligations
Less than one year	$ 158.9
One – two years	4.1
Two – three years	2.1
Three – four years	0.4
Four – five years	0.1
	$ 165.6

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

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. At March 31, 2020, the total value of outstanding letters of credit was approximately $219.0 million (March 31, 2019 - $203.3 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 statements of 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. 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 receivables insurance in certain instances.

SHARE DATA
During fiscal 2020, 522,927 stock options were exercised. At May 26, 2020 the total number of shares outstanding was 92,130,955 and there were 1,162,149 stock options outstanding to acquire common shares of the Company.

NORMAL COURSE ISSUER BID
On December 19, 2019, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company 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 5,134,930 common shares, representing approximately 10% of the public float of 51,349,307 common shares of the Company during the 12 month period ending December 22, 2020. As at December 16, 2019, there were 92,196,223 common shares of the Company issued and outstanding. The NCIB followed the conclusion of a prior NCIB that expired on December 4, 2019.

Some purchases under the NCIB may be made pursuant to an automatic purchase plan between ATS and its broker. This plan enables 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 security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company.

In fiscal 2020, the Company purchased, for cancellation, a total of 301,386 common shares at an average cost of $15.87 per share for aggregate consideration of $4.8 million. At March 31, 2020, a total of 4,834,162 common shares remained available for repurchase under the NCIB program.

RELATED PARTY TRANSACTIONS
The Company has 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, a member of the Company's Board of Directors who is associated with Mason Capital has waived any fees to which he may have otherwise been entitled for serving as a member of the Board of Directors or as a member of any committee of the Board of Directors.

There were no other significant related party transactions in fiscal 2020.

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.

The Company uses cross-currency swaps as derivative financial instruments to hedge a portion of its foreign exchange risk related to its U.S.-dollar-denominated Senior Notes. On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap U.S. $150.0 million into Canadian dollars. The Company will receive interest of 6.50% U.S. per annum and pay interest of 6.501% Canadian. The terms of the hedging relationship will end on June 15, 2023.

The Company manages foreign exchange risk on its Euro-denominated net investments. The Company uses a cross-currency interest rate swap as derivative financial instruments to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap 134.1 million Euros into Canadian dollars. The Company will receive interest of 6.501% Canadian per annum and pay interest of 5.094% Euros. The terms of the hedging relationship will end on June 15, 2023.

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$

	Year-end actual exchange rates			Period average exchange rates		
	March 31, 2020	March 31, 2019	% change	**March 31, 2020**	March 31, 2019	% change
U.S. dollar	**1.408**	1.336	5.4%	**1.331**	1.313	1.4%
Euro	**1.552**	1.499	3.5%	**1.479**	1.518	(2.6%)

CONSOLIDATED QUARTERLY RESULTS
(In millions of dollars, except per share amounts)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenues	**$** 382.1	$ 367.2	$ 341.2	$ 339.2	$ 348.6	$ 321.4	$ 283.6	$ 300.0
Earnings from operations	**$** 24.9	$ 10.4	$ 31.7	$ 28.6	$ 30.3	$ 38.5	$ 19.0	$ 27.0
Adjusted earnings from operations[1]	**$** 39.3	$ 37.5	$ 42.5	$ 38.0	$ 38.2	$ 46.7	$ 25.4	$ 32.6
Net income	**$** 13.1	$ 4.1	$ 19.3	$ 16.4	$ 18.2	$ 25.1	$ 10.8	$ 16.7
Basic and diluted earning per share	**$** 0.14	$ 0.04	$ 0.21	$ 0.18	$ 0.20	$ 0.27	$ 0.11	$ 0.18
Adjusted basic earnings per share[1]	**$** 0.26	$ 0.26	$ 0.29	$ 0.25	$ 0.26	$ 0.33	$ 0.17	$ 0.22
Order Bookings[2]	**$** 356.0	$ 368.0	$ 321.0	$ 423.0	$ 298.0	$ 397.0	$ 355.0	$ 358.0
Order Backlog[3]	**$** 942.0	$ 939.0	$ 945.0	$ 982.0	$ 904.0	$ 926.0	$ 830.0	$ 789.0

[1] Non-IFRS measure. See “Notice to reader: Non-IFRS measures and additional IFRS measures” and “Reconciliation of Non-IFRS Measures to IFRS Measures.”
[2] Non-IFRS measure. See “Notice to reader: Non-IFRS measures and additional IFRS measures” and “Order Bookings by Quarter.”
[3] Non-IFRS measure. See “Notice to reader: Non-IFRS measures and additional IFRS measures” and “Order Backlog Continuity.”

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. 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. 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 employee vacation time and summer plant shutdowns by its customers. The COVID-19 pandemic may affect quarterly performance patterns in fiscal 2021.

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.

Notes 2 and 3 to the consolidated financial statements describe the basis of accounting and the Company’s significant accounting policies.

COVID-19

There is significant uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic on the Company’s operations. The impact of the pandemic on the Company’s financial condition, cash flows, operations, credit risk, liquidity and availability of credit is highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in the consolidated financial statements.

The Company tests for impairment on an annual basis and if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. The outbreak of COVID-19 presents significant measurement uncertainties associated with the assumptions about the Company's future operating results used in calculating the recoverable amount for impairment testing at March 31, 2020.

Revenue recognition and contracts in progress
The nature of ATS contracts requires the use of estimates to quote new business, and most automation systems are typically sold on a fixed-price basis. Revenues on construction contracts and other long-term contracts are recognized on a percentage of completion basis as outlined in note 3(c) "Revenue recognition – Construction contracts" to the consolidated financial statements. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed at each reporting period and by their nature may give rise to income volatility. If the actual costs incurred by the Company to complete a contract are significantly higher than estimated, the Company's earnings may be negatively affected. The use of estimates involves risks, since the work to be performed involves varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. In the event the Company is unable to meet the defined performance specification for a contracted automation system, it may need to redesign and rebuild all or a portion of the system at its expense without an increase in the selling price. Certain contracts may have provisions that reduce the selling price or provide for refund of purchase price if the Company fails to deliver or complete the contract by specified dates. These provisions may expose the Company to liabilities or adversely affect the Company's results of operations or financial position.

ATS' contracts may be terminated by customers in the event of a default by the Company or, in some cases, for the convenience of the customer. In the event of a termination for convenience, the Company typically negotiates a payment provision reflective of the progress achieved on the contract and/or the costs incurred to the termination date. If a contract is cancelled, Order Backlog is reduced and production utilization may be negatively impacted.

A complete provision, which can be significant, is made for losses on such contracts when the losses first become known. Revisions in estimates of costs and profits on contracts, which can also be significant, are recorded in the accounting period in which the relevant facts impacting the estimates become known.

A portion of ATS' revenue is recognized when earned, which is generally at the time of shipment and transfer of title to the customer, provided collection is reasonably assured.

Investment tax credits and income taxes
Investment tax credit assets, disclosed in note 18 to the consolidated financial statements, are recognized as a reduction of the related expenses in the year in which the expenses are incurred, provided there is reasonable assurance that the credits will be realized. Management has made estimates and assumptions in determining the expenditures eligible for the investment tax credits claim and the amount could be materially different from the recorded amount upon review by the government. Deferred income tax assets, disclosed in note 18 to the consolidated financial statements, are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax- planning strategies.

If the assessment of the Company's ability to utilize the deferred income tax asset changes, the Company would be required to recognize more or fewer deferred income tax assets, which would increase or decrease income tax expense in the period in which this is determined. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous taxation audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all the relevant factors. The Company reviews the adequacy of these provisions at each quarter. However, it is possible that at some future date an additional liability could result from audits by the taxation authorities. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Stock-based payment transactions
The Company measures the cost of transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the future forfeiture rate, the expected life of the share option, weighted average risk-free interest rate, volatility and dividend yield, and formation of assumptions. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in note 19 to the consolidated financial statements.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculations involve significant estimates and assumptions. Items estimated include cash flows, discount rates and assumptions on revenue growth rates. These estimates could affect the Company's future results if the current estimates of future performance and fair values change. Goodwill is assessed for impairment on an annual basis as described in note 11 to the consolidated financial statements. The Company performed its annual impairment test of goodwill as at March 31, 2020 and determined there was no impairment (March 31, 2019 – $nil).

Provisions
As described in note 3(n) to the consolidated financial statements, the Company records a provision when an obligation exists, an outflow of economic resources required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. The Company records a provision based on the best estimate of the required economic outflow to settle the present obligation at the consolidated statement of financial position date. While management believes these estimates are reasonable, differences in actual results or changes in estimates could have a material impact on the obligations and expenses reported by the Company.

Employee benefits
The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are provided in note 15 to the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

ACCOUNTING STANDARD ADOPTED IN FISCAL 2020
IFRS 16 – Leases
Effective April 1, 2019, the Company adopted IFRS 16, using the modified retrospective approach and accordingly the information presented for the 2019 reporting period has not been restated.

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

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

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

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

On transition to IFRS 16 at April 1, 2019, the Company recognized ROU assets of $74.3 million and lease liabilities of $74.5 million and reduced retained earnings by $0.2 million in the consolidated statement of financial position.

At March 31, 2019, the minimum operating lease obligations of the Company were $42.9 million, as presented in the audited consolidated financial statements. The difference between the lease liabilities of $74.5 million at April 1, 2019 and the minimum lease obligation disclosed at March 31, 2019 was mainly due to: (i) the impact of discounting the remaining lease payments; (ii) the exclusion of short-term leases and leases of low-value assets; (iii) the inclusion of non-lease components in measuring the lease liability; and (iv) assumptions made on the probability of exercising early termination or renewal options.

For the three- and 12-month periods ended March 31, 2020, the Company recognized expense related to short-term and low-value leases of $1.1 million and $3.5 million, respectively, in cost of revenues, and $0.4 million and $1.4 million, respectively, in selling, general and administrative expenses in the consolidated statements of income.

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

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

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

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. The lease

payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of the lease liability and the interest portion. The finance cost is charged to net finance costs in the consolidated statements of income over the lease period. Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of income as permitted by IFRS 16.

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

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

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

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company 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").

Disclosure Controls and Procedures
An evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures was conducted as of March 31, 2020 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Company and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal Control over Financial Reporting
CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Company, and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The CEO and CFO have, using the framework and criteria established in "Internal Control – Integrated Framework (2013)" issued by COSO, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting and concluded that, as of March 31, 2020, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

In response to the COVID-19 pandemic, the Company implemented measures to enable physical distancing across ATS' operations, including remote work. This change required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. The Company continues to monitor whether remote work arrangements have adversely affected the Company's ability to maintain internal controls over financial reporting and disclosure controls and procedures. Despite the changes required by the current environment, there have been no significant changes in the design of the Company's internal controls over financial reporting during the years ended March 31, 2020 and March 31, 2019, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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.

OTHER MAJOR CONSIDERATIONS AND RISK FACTORS

Any investment in ATS will be subject to risks inherent to ATS' business. The following risk factors are discussed in the Company's Annual Information Form, which may be found on SEDAR at www.sedar.com.

- Market volatility;
- Strategy execution risks;
- Acquisition risks;
- Expansion risks;
- Natural disasters, epidemics, pandemics, acts of war, terrorism, international conflicts or other disruptions;
- Industry consolidation;
- Liquidity, access to capital markets and leverage;
- Restrictive covenants;
- Availability of performance and other guarantees from financial institutions;
- Share price volatility;
- Competition;
- First-time program and production risks;
- Automation systems pricing;
- Revenue mix risk;
- Pricing, quality, delivery and volume risks;
- Product failure;
- New product market acceptance, obsolescence, and commercialization;
- Security breaches or disruptions of information technology systems;
- Insurance coverage;
- Availability of raw materials and other manufacturing inputs;
- Customer risks;
- Insolvency or financial distress of third parties;
- Availability of human resources and dependence on key personnel;
- Cumulative loss of several significant contracts;
- Lengthy sales cycle;
- Lack of long-term customer commitment;
- Foreign exchange risk;
- Doing business in foreign countries;
- Legislative compliance;
- Environmental compliance;
- Corruption of Foreign Public Officials Act, United States Foreign Corrupt Practices Act and Anti-bribery laws risk;
- Intellectual property protection risks;
- Infringement of third parties' intellectual property rights risk;
- Internal controls;

- Impairment of intangible assets risk;
- Income and other taxes and uncertain tax liabilities;
- Variations in quarterly results;
- Litigation;
- Manufacturing facilities disruption;
- Restructuring and work stoppage risk; and
- Dependence on performance of subsidiaries.

Note to Readers: Forward-Looking Statements
This 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 strategic framework; the Company's strategy to expand organically and through acquisition; the ATS Business Model ("ABM"); a reorganization plan, including impact on operating earnings and offset due to the current economic environment; the potential impact of COVID-19 and government emergency measures; conversion of opportunities into Order Bookings; the Company's Order Backlog partially mitigating the impact of volatile Order Bookings; the expected benefits where the company engages with customers on enterprise-type solutions and the potential impact on Order Bookings, performance period, and timing of revenue recognition; rate of Order Backlog conversion; expected benefits with respect to the Company's efforts to expand its services revenues; impact of the measures the Company has implemented to enable physical distancing and travel restrictions; expected benefit from Canadian Emergency Wage Subsidy (CEWS); the expected impact of the ABM; initiatives having the goal of expanding adjusted earnings from operations margin over long-term and the impact of the pandemic on those initiatives; non-cash working capital levels as a percentage of revenues; expectation to reduce investment in capital assets and intangible assets in fiscal 2021; expectation in relation to meeting liquidity and funding requirements for investments; potential to use leverage to support growth strategy; expected contribution of MARCO and iXLOG; and the Company's belief with respect to the outcome of certain lawsuits, claims and contingencies. The risks and uncertainties that may affect forward-looking statements include, among others: the progression of COVID-19 and its impacts on the Company's ability to operate its assets, including the possible shut-down of facilities due to COVID-19 outbreaks; the severity and duration of the COVID-19 pandemic in all jurisdictions where the Company conducts its business; the nature and extent of government imposed restrictions on travel and business activities and the nature, extent, and applicability of government assistance programs, in both cases related to the COVID-19 pandemic, as applicable in all jurisdictions where the Company conducts its business; the impact of the COVID-19 pandemic on the Company's employees, customers, and suppliers; impact of COVID-19 on 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; 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 reorganization plan does not achieve the anticipated benefits, resulting in delays, increased costs, and/or lower than expected improvements to operating performance; that some or all of the sales funnel is not converted to Order Bookings due to competitive factors or failure to meet customer needs; timing of customer decisions related to large enterprise programs and potential for negative impact associated with any cancellations or non-performance in relation thereto; variations in the amount of Order Backlog completed in any given quarter; that the Company is not successful in growing its service offering or that expected benefits are not realized; that the Company is unable to qualify for or benefit from the CEWS; that the impact of the ABM is other

than as expected; that efforts to expand adjusted earnings from operations margin over long-term is unsuccessful, due to any number of reasons, including less than anticipated increase in after-sales service revenues or reduced margins attached to those revenues, inability to achieve lower costs through supply chain management, failure to develop, adopt internally, or have customers adopt, standardized platforms and technologies, inability to maintain current cost structure if revenues were to grow, and failure of ABM to impact margins; 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 the Company changes its plans in regards to investment in capital assets or that the cost of capital assets are greater than expected; that MARCO's and/or iXLOG's impact is other than expected; risk that the ultimate outcome of lawsuits, claims, and contingencies give rise to material liabilities for which no provisions have been recorded; 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 and/or professional 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.