



ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Condensed Consolidated Financial Statements

For the period ended September 27, 2020

(Unaudited)

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

As at	Note	September 27 2020	March 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	11	\$ 162,643	\$ 358,645
Accounts receivable		230,522	291,126
Income tax receivable		1,585	3,720
Contract assets	17	280,623	231,531
Inventories	5	74,064	68,436
Deposits, prepaids and other assets	6	32,039	31,149
		781,476	984,607
Non-current assets			
Property, plant and equipment		130,396	136,284
Right-of-use assets	7	55,194	61,156
Other assets	8	6,675	20,220
Goodwill		604,705	608,243
Intangible assets		204,192	220,169
Deferred income tax assets		8,525	2,725
Investment tax credit receivable		61,530	64,569
		1,071,217	1,113,366
Total assets		\$ 1,852,693	\$ 2,097,973
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	11	\$ 5,494	\$ 4,572
Accounts payable and accrued liabilities		255,844	289,313
Income tax payable		8,457	3,084
Contract liabilities	17	150,665	117,757
Provisions	10	30,666	32,126
Current portion of lease liabilities	7	14,707	15,696
Current portion of long-term debt	11	106	133
		465,939	462,681
Non-current liabilities			
Employee benefits		25,955	26,247
Long-term lease liabilities	7	42,470	47,209
Long-term debt	11	330,453	597,965
Deferred income tax liabilities		84,434	86,821
Other long-term liabilities	8	7,679	8,037
		490,991	766,279
Total liabilities		\$ 956,930	\$ 1,228,960
Commitments and contingencies	11, 15		
EQUITY			
Share capital	12	\$ 526,466	\$ 521,884
Contributed surplus		11,215	11,680
Accumulated other comprehensive income		93,839	92,585
Retained earnings		263,545	242,076
Equity attributable to shareholders		895,065	868,225
Non-controlling interests		698	788
Total equity		895,763	869,013
Total liabilities and equity		\$ 1,852,693	\$ 2,097,973

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended		Six months ended	
		September 27 2020	September 29 2019	September 27 2020	September 29 2019
Revenues					
Revenues from construction contracts		\$ 206,725	\$ 199,774	\$ 419,736	\$ 398,059
Sale of goods		28,776	31,593	54,003	64,980
Services rendered		100,031	109,867	186,660	217,419
Total revenues	17	335,532	341,234	660,399	680,458
Operating costs and expenses					
Cost of revenues		244,308	251,573	489,932	499,239
Selling, general and administrative		58,669	56,891	115,167	116,240
Restructuring costs	10	8,147	1,976	8,147	1,976
Stock-based compensation	14	983	(961)	2,619	2,677
Earnings from operations		23,425	31,755	44,534	60,326
Net finance costs	18	8,037	6,725	16,231	13,854
Income before income taxes		15,388	25,030	28,303	46,472
Income tax expense	13	3,763	5,661	6,924	10,689
Net income		\$ 11,625	\$ 19,369	\$ 21,379	\$ 35,783
Attributable to					
Shareholders		\$ 11,770	\$ 19,366	\$ 21,469	\$ 35,781
Non-controlling interests		(145)	3	(90)	2
		\$ 11,625	\$ 19,369	\$ 21,379	\$ 35,783
Earnings per share					
attributable to shareholders					
Basic and diluted	19	\$ 0.13	\$ 0.21	\$ 0.23	\$ 0.39

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	September 27 2020	September 29 2019	September 27 2020	September 29 2019
Net income	\$ 11,625	\$ 19,369	\$ 21,379	\$ 35,783
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	8,305	(10,252)	6,946	(12,539)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	1,148	(530)	4,768	2,117
Tax impact	(287)	123	(1,192)	(534)
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	(675)	(677)	1,191	(813)
Tax impact	168	175	(300)	209
Cash flow hedge reserve adjustment	(5,470)	4,291	(13,545)	2,482
Tax impact	1,367	(1,073)	3,386	(621)
Other comprehensive income (loss)	4,556	(7,943)	1,254	(9,699)
Comprehensive income	\$ 16,181	\$ 11,426	\$ 22,633	\$ 26,084
Attributable to				
Shareholders	\$ 16,326	\$ 11,423	\$ 22,723	\$ 26,082
Non-controlling interests	(145)	3	(90)	2
	\$ 16,181	\$ 11,426	\$ 22,633	\$ 26,084

See accompanying notes to the interim condensed consolidated financial statements.

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

Six months ended September 27, 2020

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at March 31, 2020	\$ 521,884	\$ 11,680	\$ 242,076	\$ 81,158	\$ 11,427	\$ 92,585	\$ 788	\$ 869,013
Net income	—	—	21,469	—	—	—	(90)	21,379
Other comprehensive income (loss)	—	—	—	6,946	(5,692)	1,254	—	1,254
Total comprehensive income (loss)	—	—	21,469	6,946	(5,692)	1,254	(90)	22,633
Stock-based compensation	—	311	—	—	—	—	—	311
Exercise of stock options	4,582	(776)	—	—	—	—	—	3,806
Balance, as at September 27, 2020	\$ 526,466	\$ 11,215	\$ 263,545	\$ 88,104	\$ 5,735	\$ 93,839	\$ 698	\$ 895,763

Six months ended September 29, 2019

	Share capital	Contributed surplus	Retained earnings	Currency translation adjustments	Cash flow hedge reserve	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, as at April 1, 2019	\$ 516,613	\$ 11,709	\$ 191,228	\$ 67,773	\$ 1,776	\$ 69,549	\$ 311	\$ 789,410
Net income	—	—	35,781	—	—	—	2	35,783
Other comprehensive income (loss)	—	—	—	(12,539)	2,840	(9,699)	—	(9,699)
Total comprehensive income (loss)	—	—	35,781	(12,539)	2,840	(9,699)	2	26,084
Stock-based compensation	—	471	—	—	—	—	—	471
Exercise of stock options	2,818	(544)	—	—	—	—	—	2,274
Balance, as at September 29, 2019	\$ 519,431	\$ 11,636	\$ 227,009	\$ 55,234	\$ 4,616	\$ 59,850	\$ 313	\$ 818,239

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended		Six months ended	
		September 27 2020	September 29 2019	September 27 2020	September 29 2019
Operating activities					
Net income		\$ 11,625	\$ 19,369	\$ 21,379	\$ 35,783
Items not involving cash					
Depreciation of property, plant and equipment		3,706	3,507	7,358	7,053
Amortization of right-of-use assets	7	4,130	3,847	8,250	7,585
Amortization of intangible assets		10,294	10,718	20,580	22,073
Deferred income taxes	13	(3,750)	5,529	(5,343)	5,333
Other items not involving cash		1,527	(4,240)	859	1,958
Stock-based compensation	14	983	(961)	2,619	2,677
		28,515	37,769	55,702	82,462
Change in non-cash operating working capital		(8,213)	19,825	11,589	(64,887)
Cash flows provided by operating activities		\$ 20,302	\$ 57,594	\$ 67,291	\$ 17,575
Investing activities					
Acquisition of property, plant and equipment		\$ (1,921)	\$ (10,104)	\$ (5,918)	\$ (16,519)
Acquisition of intangible assets		(3,814)	(3,074)	(5,555)	(6,007)
Business acquisition, net of cash acquired		—	(6,666)	—	(6,666)
Proceeds from disposal of property, plant and equipment		417	27	3,064	73
Cash flows used in investing activities		\$ (5,318)	\$ (19,817)	\$ (8,409)	\$ (29,119)
Financing activities					
Restricted cash		\$ 51	\$ —	\$ —	\$ —
Bank indebtedness		752	523	929	1,359
Repayment of long-term debt		(247,444)	(46)	(302,479)	(17,004)
Proceeds from long-term debt		—	47	55,080	66
Proceeds from exercise of stock options		1,537	1,535	3,806	2,274
Principal lease payments		(3,918)	(3,618)	(7,689)	(6,908)
Cash flows used in financing activities		\$ (249,022)	\$ (1,559)	\$ (250,353)	\$ (20,213)
Effect of exchange rate changes on cash and cash equivalents		(1,876)	(427)	(4,531)	(2,130)
Increase (decrease) in cash and cash equivalents		(235,914)	35,791	(196,002)	(33,887)
Cash and cash equivalents, beginning of period		398,557	154,862	358,645	224,540
Cash and cash equivalents, end of period		\$ 162,643	\$ 190,653	\$ 162,643	\$ 190,653
Supplemental information					
Cash income taxes paid (received)		\$ (3,265)	\$ (1,446)	\$ (379)	\$ 2,725
Cash interest paid		\$ 3,195	\$ 2,501	\$ 16,884	\$ 14,930

See accompanying notes to the interim condensed consolidated financial statements.

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

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively, "ATS" or the "Company") 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.

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

The interim condensed consolidated financial statements of the Company for the three and six months ended September 27, 2020 were authorized for issue by the Board of Directors (the "Board") on November 3, 2020.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except where otherwise stated.

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2020. The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the presentation of the Company's annual consolidated financial statements for the year ended March 31, 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are consistent with those disclosed in the Company's fiscal 2020 audited consolidated financial statements.

The Company based its estimates, judgments and assumptions on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates when they occur.

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,

ATS AUTOMATION TOOLING SYSTEMS INC.

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

estimates, accounting policies and amounts recognized in these interim condensed consolidated financial statements.

In response to the COVID-19 pandemic, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) in April 2020. For the three and six months ended September 27, 2020, the Company received payments of \$3,735 and \$11,234, respectively, under the CEWS program, of which \$2,768 and \$8,388, respectively, was included in cost of revenues and \$967 and \$2,846, respectively, was included in selling, general and administrative expenses in the interim condensed consolidated financial statements.

4. ACQUISITION

During the three months ended June 28, 2020, the Company finalized the allocation of the purchase price for the previously completed acquisition of MARCO Limited (“MARCO”). There were no changes to the MARCO purchase price allocation during the three months ended June 28, 2020.

5. INVENTORIES

As at	September 27 2020	March 31 2020
Raw materials	\$ 33,198	\$ 32,133
Work in progress	36,903	34,436
Finished goods	3,963	1,867
	\$ 74,064	\$ 68,436

The amounts charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three and six months ended September 27, 2020 were \$72 and \$104, respectively (three and six months ended September 29, 2019 - \$507 and \$531, respectively). The amount of inventories carried at net realizable value as at September 27, 2020 was \$1,485 (March 31, 2020 - \$1,177).

6. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	September 27 2020	March 31 2020
Prepaid assets	\$ 14,823	\$ 15,228
Supplier deposits	14,128	10,497
Forward foreign exchange contracts	3,088	5,424
	\$ 32,039	\$ 31,149

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Changes in the net balance of right-of-use assets during the six months ended September 27, 2020 were as follows:

	Buildings	Vehicles and equipment	Total
Balance, at March 31, 2020	\$ 50,322	\$ 10,834	\$ 61,156
Additions	1,467	1,835	3,302
Amortization	(5,398)	(2,852)	(8,250)
Exchange and other adjustments	(1,567)	553	(1,014)
Balance, at September 27, 2020	\$ 44,824	\$ 10,370	\$ 55,194

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

Changes in the balance of lease liabilities during the six months ended September 27, 2020 were as follows:

Balance, at March 31, 2020	\$	62,905
Additions		3,302
Interest		1,454
Payments		(9,143)
Exchange and other adjustments		(1,341)
Balance, at September 27, 2020	\$	57,177
Less: current portion		14,707
	\$	42,470

The right-of-use assets and lease liabilities relate to leases of real estate properties, automobiles and other equipment. For the three and six months ended September 27, 2020, the Company recognized expense related to short-term, and low-value leases of \$205 and \$867, respectively, in cost of revenues (September 29, 2019 - \$662 and \$1,620, respectively), and \$200 and \$524, respectively, in selling, general and administrative expenses (September 29, 2019 - \$357 and \$708, respectively) in the consolidated statements of income.

8. CROSS-CURRENCY INTEREST RATE SWAP

As at	September 27 2020	March 31 2020
Cross-currency interest rate swap instrument	\$ (1,004)	\$ 12,183
Disclosed as:		
Other assets	\$ 6,675	\$ 20,220
Other long-term liabilities	(7,679)	(8,037)
	\$ (1,004)	\$ 12,183

The Company holds a cross-currency interest rate swap instrument to swap U.S. \$150,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. The Company receives interest of 6.50% U.S. per annum and pays interest of 6.501% Canadian. The Company holds a cross-currency interest rate swap instrument to swap 134,084 Euros into Canadian dollars to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company receives interest of 6.501% Canadian per annum and pays interest of 5.094% Euros. The terms of the hedging relationships will end on June 15, 2023.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the three and six months ended September 27, 2020 and the year ended March 31, 2020, there were no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

During the three and six months ended September 27, 2020 and the year ended March 31, 2020, there were no transfers of financial instruments between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Instruments not subject to hedge accounting

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

For the three and six months ended September 27, 2020, the Company recorded risk management losses of \$2,695 and \$823, respectively (three and six months ended September 29, 2019 – gains of \$5,354 and

ATS AUTOMATION TOOLING SYSTEMS INC.

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

\$6,180, respectively) on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts, during the three and six months ended September 27, 2020, were unrealized losses of \$529 and \$986 respectively (three and six months ended September 29, 2019 – gains of \$1,609 and \$2,467, respectively), representing the change in fair value. In addition, during the three and six months ended September 27, 2020, the Company realized losses in foreign exchange of \$2,166 and gains in foreign exchange of \$163, respectively (three and six months ended September 29, 2019 – gains of \$3,745 and \$3,713, respectively), which were settled.

10. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2020	\$ 7,962	\$ 19,796	\$ 4,368	\$ 32,126
Provisions made	2,196	8,147	5,363	15,706
Provisions reversed	(377)	—	(135)	(512)
Provisions used	(470)	(10,804)	(5,168)	(16,442)
Exchange adjustments	(74)	(102)	(36)	(212)
Balance, at September 27, 2020	\$ 9,237	\$ 17,037	\$ 4,392	\$ 30,666

Warranty provisions

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

Restructuring

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

On September 8, 2020, the Company announced a reorganization plan to help mitigate the expected impact of a downturn in its transportation markets brought on by the COVID-19 pandemic. The plan includes the closure of facilities along with workforce reductions primarily in Europe and Asia. In the second quarter of fiscal 2021, the Company recognized restructuring costs of \$8,147 related to the plan.

Other provisions

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

11. BANK INDEBTEDNESS AND LONG-TERM DEBT

On July 29, 2020, the Company amended its senior secured credit facility (the "Credit Facility") and extended its maturity to August 29, 2022. The Credit Facility provides a committed revolving credit facility of \$750,000. The Credit Facility is secured by the Company's assets, including a pledge of shares of certain of the Company's subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At September 27, 2020, the Company had utilized \$21,325 under the Credit Facility, of which \$nil was classified as long-term debt (March 31, 2020 - \$250,000) and \$21,325 by way of letters of credit (March 31, 2020 - \$149,351).

The Credit Facility is available in Canadian dollars by way of prime rate advances and/or bankers' acceptances, in U.S. dollars by way of base rate advances and/or LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. The interest rates applicable to the Credit Facility are determined based on a net debt-to-EBITDA ratio as defined in the Credit Facility. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus a margin ranging from 0.95% to 2.50%. 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 1.95% to 3.50%. The Company pays a fee for usage of financial letters of credit that ranges from 1.95% to 3.50%, and a fee for usage of non-financial letters of credit that ranges from 1.30% to 2.33%.

ATS AUTOMATION TOOLING SYSTEMS INC.

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

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 0.39% to 0.79%.

The Credit Facility is subject to financial covenants including a net debt-to-EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At September 27, 2020, all covenants were met.

The Company has additional credit facilities available of \$31,208 (10,055 Euros, \$10,000 U.S., 50,000 Thai Baht and 991 Czech Koruna). The total amount outstanding on these facilities at September 27, 2020 was \$5,636, of which \$5,494 was classified as bank indebtedness (March 31, 2020 - \$4,572) and \$142 was classified as long-term debt (March 31, 2020 - \$215). 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. \$250,000 aggregate principal amount of senior notes (the "Senior Notes") are unsecured, were issued at par, bear interest at a rate of 6.50% per annum and mature on June 15, 2023. The Company may redeem the Senior Notes, in whole at any time or in part, from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. At September 27, 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 \$7,200 were deferred and are being amortized over the term of the Senior Notes. The Company uses a cross-currency interest rate swap instrument to hedge a portion of its U.S.-dollar-denominated Senior Notes (see note 8).

(i) Bank indebtedness

As at	September 27 2020	March 31 2020
Other facilities	\$ 5,494	\$ 4,572

(ii) Long-term debt

As at	September 27 2020	March 31 2020
Credit Facility	\$ —	\$ 250,000
Senior Notes	334,675	351,925
Other facilities	142	215
Issuance costs	(4,258)	(4,042)
	330,559	598,098
Less: current portion	106	133
	\$ 330,453	\$ 597,965

ATS AUTOMATION TOOLING SYSTEMS INC.

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

Scheduled principal repayments and interest payments on long-term debt as at September 27, 2020 are as follows:

	Principal	Interest
Less than one year	\$ 106	\$ 21,754
One – two years	32	21,754
Two – three years	334,679	10,877
	\$ 334,817	\$ 54,385

12. SHARE CAPITAL

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

On December 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.

As at September 27, 2020 the Company had purchased 300,768 common shares for \$4,775 under the NCIB program. All purchases are made in accordance with the bid at prevalent market prices plus brokerage fees, or such other prices that may be permitted by the TSX, with consideration allocated to share capital up to the average carrying amount of the shares, and any excess allocated to retained earnings. The weighted average price per repurchased was \$15.87.

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

	Number of common shares	Share capital
Balance, at March 31, 2020	92,130,955	\$ 521,884
Exercise of stock options	290,103	4,582
Balance, at September 27, 2020	92,421,058	\$ 526,466

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

13. TAXATION

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

	Three months ended		Six months ended	
	September 27 2020	September 29 2019	September 27 2020	September 29 2019
Income before income taxes and non-controlling interest	\$ 15,388	\$ 25,030	\$ 28,303	\$ 46,472
Combined Canadian basic federal and provincial income tax rate	26.5%	26.50%	26.5%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	\$ 4,078	\$ 6,633	\$ 7,500	\$ 12,315
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	(289)	579	(379)	833
Non-taxable income net of non-deductible expenses	845	(1,267)	581	(1,512)
Unrecognized assets	471	684	2,268	934
Income taxed at different rates and statutory rate changes	(891)	(421)	(1,943)	(824)
Manufacturing and processing allowance and all other items	(451)	(547)	(1,103)	(1,057)
	\$ 3,763	\$ 5,661	\$ 6,924	\$ 10,689
Income tax expense reported in the interim consolidated statements of income:				
Current tax expense	\$ 7,513	\$ 132	\$ 12,267	\$ 5,356
Deferred tax expense (recovery)	(3,750)	5,529	(5,343)	5,333
	\$ 3,763	\$ 5,661	\$ 6,924	\$ 10,689
Deferred tax related to items charged or credited directly to equity:				
Gain (loss) on revaluation of cash flow hedges	\$ 1,248	\$ (775)	\$ 1,894	\$ (946)
Other items recognized through equity	(297)	1,321	(62)	1,422
Income tax charged directly to equity	\$ 951	\$ 546	\$ 1,832	\$ 476

14. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair value of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock. During the three and six months ended September 27, 2020, the Company granted 253,491 time vesting stock options (2,201 and 186,429 in the three and six months ended September 29, 2019, respectively). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue.

ATS AUTOMATION TOOLING SYSTEMS INC.

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

For the six months ended	September 27 2020		September 29 2019	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of period	1,162,149	\$ 15.78	1,524,198	\$ 13.61
Granted	253,491	20.22	186,429	20.86
Exercised ⁽ⁱ⁾	(290,103)	13.12	(194,697)	11.68
Forfeited	(59,686)	19.47	(14,580)	13.91
Stock options outstanding, end of period	1,065,851	\$ 17.35	1,501,350	\$ 14.76
Stock options exercisable, end of period, time-vested options	564,624	\$ 15.36	711,556	\$ 14.06
Stock options exercisable, end of period, performance-based options	—	\$ —	283,333	\$ 11.79

(i) For the six months ended September 27, 2020, the weighted average share price at the date of exercise was \$19.17 (September 29, 2019 - \$19.51).

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

For the six months ended	September 27 2020	September 29 2019
Weighted average risk-free interest rate	0.36%	1.48%
Dividend yield	0%	0%
Weighted average expected volatility	32%	30%
Weighted average expected life	4.75 years	4.75 years
Number of stock options granted:		
Time-vested	253,491	186,429
Weighted average exercise price per option	\$ 20.22	\$ 20.86
Weighted average value per option:		
Time-vested	\$ 5.55	\$ 5.87

Restricted Share Unit Plan

During the three and six months ended September 27, 2020, the Company granted 285,457 time-vesting restricted share units ("RSUs") (three and six months ended September 29, 2019 - 625 and 143,889, respectively). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. During the three and six months ended September 27, 2020, the Company granted 137,652 performance-based RSUs (three and six months ended September 29, 2019 - 1,667 and 141,191, respectively). The performance-based RSUs vest upon successful achievement of certain operational and share price targets. The performance-based RSUs give the employee the right to receive a cash payment based on the market value of a common share of the Company. The weighted average remaining vesting period for the time-vesting RSUs and performance-based RSUs is 1.6 years. The RSU liability is recognized quarterly based on the expired portion of the vesting period, the change in the Company's stock price and for performance-based RSUs, the estimated achievement of certain operational and share price targets. At September 27, 2020 the value of the outstanding liability related to the RSU plan was \$6,848 (March 31, 2020 - \$5,234). The RSU liability is included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.

Deferred Stock Unit Plan

During the three and six months ended September 27, 2020, the Company granted 51,386 units (three and six months ended September 29, 2019 - nil and 47,569, respectively). The DSU liability is revalued at each reporting date based on the change in the Company's stock price. The change in the value of the DSU liability is included in the interim consolidated statements of income in the period of the change. As at September 27, 2020, the value of the outstanding liability related to the DSUs was \$7,157

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

(March 31, 2020 - \$6,454). The DSU liability is included in accounts payable and accrued liabilities on the interim consolidated statements of financial position.

15. COMMITMENTS AND CONTINGENCIES

The minimum purchase obligations are as follows as at September 27, 2020:

Less than one year	\$ 146,715
One – two years	4,644
Two – three years	983
Three – four years	247
Four – five years	7
	\$ 152,596

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

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. As at September 27, 2020, the total value of outstanding letters of credit was approximately \$192,278 (March 31, 2020 - \$219,039).

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

16. SEGMENTED DISCLOSURE

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

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

As at	September 27, 2020		
	Right-of-use assets	Property, plant and equipment	Intangible assets
Canada	\$ 8,610	\$ 54,602	\$ 27,214
United States	1,297	25,027	11,673
Germany	26,012	42,640	72,084
Italy	7,426	2,116	71,327
United Kingdom	187	2,790	21,673
Other Europe	7,123	2,134	89
Other	4,539	1,087	132
Total Company	\$ 55,194	\$ 130,396	\$ 204,192

ATS AUTOMATION TOOLING SYSTEMS INC.

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

As at	March 31, 2020		
	Right-of-use assets	Property, plant and equipment	Intangible assets
Canada	\$ 9,324	\$ 53,968	\$ 25,943
United States	1,829	26,748	14,006
Germany	28,196	44,542	80,736
Italy	8,239	2,338	74,579
United Kingdom	—	2,909	24,505
Other Europe	7,631	2,578	231
Other	5,937	3,201	169
Total Company	\$ 61,156	\$ 136,284	\$ 220,169

Revenues from external customers for the three months ended	September 27 2020	September 29 2019
Canada	\$ 31,083	\$ 16,352
United States	133,838	114,707
Germany	54,062	81,596
Italy	3,211	2,841
United Kingdom	18,623	30,095
Other Europe	60,137	54,591
Other	34,578	41,052
Total Company	\$ 335,532	\$ 341,234

Revenues from external customers for the six months ended	September 27 2020	September 29 2019
Canada	\$ 55,555	\$ 32,330
United States	268,081	216,700
Germany	117,631	170,020
Italy	6,125	9,452
United Kingdom	33,708	64,399
Other Europe	115,668	114,870
Other	63,631	72,687
Total Company	\$ 660,399	\$ 680,458

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers:

Revenues by market for the three months ended	September 27 2020	September 29 2019
Life sciences	\$ 181,899	\$ 191,151
Transportation	71,193	77,777
Consumer products	59,081	45,237
Energy	23,359	27,069
Total Company	\$ 335,532	\$ 341,234

Revenues by market for the six months ended	September 27 2020	September 29 2019
Life sciences	\$ 363,413	\$ 362,908
Transportation	138,303	164,647
Consumer products	107,242	99,028
Energy	51,441	53,875
Total Company	\$ 660,399	\$ 680,458

Timing of revenue recognition based on transfer of control for the three months ended	September 27 2020	September 29 2019
Goods and services transferred at a point in time	\$ 28,776	\$ 31,593
Goods and services transferred over time	306,756	309,641
Total Company	\$ 335,532	\$ 341,234

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

	September 27 2020	September 29 2019
Timing of revenue recognition based on transfer of control for the six months ended		
Goods and services transferred at a point in time	\$ 54,003	\$ 64,980
Goods and services transferred over time	606,396	615,478
Total Company	\$ 660,399	\$ 680,458

(b) Contract balances

	September 27 2020	March 31 2020
As at		
Trade receivables	\$ 218,326	\$ 270,756
Contract assets	280,623	231,531
Contract liabilities	(150,665)	(117,757)
Unearned revenue ⁽ⁱ⁾	(25,498)	(28,460)
Net contract balances	\$ 322,786	\$ 356,070

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

	September 27 2020	March 31 2020
As at		
Contracts in progress:		
Costs incurred	\$ 1,678,056	\$ 1,689,539
Estimated earnings	647,500	630,908
	2,325,556	2,320,447
Progress billings	(2,195,598)	(2,206,673)
Net contract assets & liabilities	\$ 129,958	\$ 113,774

18. NET FINANCE COSTS

	Three months ended		Six months ended	
	September 27 2020	September 29 2019	September 27 2020	September 29 2019
Interest expense	\$ 7,696	\$ 6,377	\$ 15,687	\$ 13,191
Interest on lease liabilities	725	886	1,454	1,799
Interest income	(384)	(538)	(910)	(1,136)
	\$ 8,037	\$ 6,725	\$ 16,231	\$ 13,854

19. EARNINGS PER SHARE

	September 27 2020	September 29 2019
For the three months ended		
Weighted average number of common shares outstanding	92,414,134	92,021,326
Dilutive effect of stock option conversion	123,486	401,896
Diluted weighted average number of common shares outstanding	92,537,620	92,423,222
For the six months ended		
Weighted average number of common shares outstanding	92,285,954	91,979,966
Dilutive effect of stock option conversion	174,106	445,414
Diluted weighted average number of common shares outstanding	92,460,060	92,425,380

For the three and six months ended September 27, 2020, stock options to purchase 563,477 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (367,394 common shares were excluded for the three and six months ended September 29, 2019).