



**ATS AUTOMATION TOOLING SYSTEMS INC.**

**Interim Condensed Consolidated Financial Statements**

**For the period ended December 27, 2020**

**(Unaudited)**

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

As at	Note	December 27 2020	March 31 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	\$ 224,544	\$ 358,645
Accounts receivable		291,058	291,126
Income tax receivable		1,517	3,720
Contract assets	17	233,911	231,531
Inventories	5	67,599	68,436
Deposits, prepaids and other assets	6	31,021	31,149
		<b>849,650</b>	<b>984,607</b>
<b>Non-current assets</b>			
Property, plant and equipment		125,284	136,284
Right-of-use assets	7	52,334	61,156
Other assets	8	—	20,220
Goodwill		608,304	608,243
Intangible assets		197,211	220,169
Deferred income tax assets		10,940	2,725
Investment tax credit receivable		61,787	64,569
		<b>1,055,860</b>	<b>1,113,366</b>
<b>Total assets</b>		<b>\$ 1,905,510</b>	<b>\$ 2,097,973</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank indebtedness	11	\$ 1,180	\$ 4,572
Accounts payable and accrued liabilities		252,895	289,313
Income tax payable		10,269	3,084
Contract liabilities	17	211,979	117,757
Provisions	10	27,898	32,126
Current portion of lease liabilities	7	13,701	15,696
Current portion of long-term debt	11	90	133
		<b>518,012</b>	<b>462,681</b>
<b>Non-current liabilities</b>			
Employee benefits		25,561	26,247
Long-term lease liabilities	7	40,634	47,209
Long-term debt	11	316,003	597,965
Deferred income tax liabilities		83,916	86,821
Other long-term liabilities	8	17,338	8,037
		<b>483,452</b>	<b>766,279</b>
<b>Total liabilities</b>		<b>\$ 1,001,464</b>	<b>\$ 1,228,960</b>
Commitments and contingencies	11, 15		
<b>EQUITY</b>			
Share capital	12	\$ 525,482	\$ 521,884
Contributed surplus		11,085	11,680
Accumulated other comprehensive income		90,085	92,585
Retained earnings		276,644	242,076
Equity attributable to shareholders		<b>903,296</b>	<b>868,225</b>
Non-controlling interests		750	788
<b>Total equity</b>		<b>904,046</b>	<b>869,013</b>
<b>Total liabilities and equity</b>		<b>\$ 1,905,510</b>	<b>\$ 2,097,973</b>

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		Nine months ended	
		December 27 2020	December 29 2019	December 27 2020	December 29 2019
<b>Revenues</b>					
Revenues from construction contracts		\$ 217,244	\$ 228,901	\$ 636,980	\$ 626,960
Sale of goods		35,497	29,925	89,500	94,905
Services rendered		116,990	108,359	303,650	325,778
<b>Total revenues</b>	17	<b>369,731</b>	367,185	<b>1,030,130</b>	1,047,643
<b>Operating costs and expenses</b>					
Cost of revenues		267,028	274,985	756,960	774,224
Selling, general and administrative		59,331	58,508	174,498	174,748
Restructuring costs	10	6,208	18,797	14,355	20,773
Stock-based compensation	14	4,891	4,544	7,510	7,221
<b>Earnings from operations</b>		<b>32,273</b>	10,351	<b>76,807</b>	70,677
Net finance costs	18	7,271	6,440	23,502	20,294
<b>Income before income taxes</b>		<b>25,002</b>	3,911	<b>53,305</b>	50,383
Income tax expense (recovery)	13	6,112	(162)	13,036	10,527
<b>Net income</b>		<b>\$ 18,890</b>	\$ 4,073	<b>\$ 40,269</b>	\$ 39,856
<b>Attributable to</b>					
Shareholders		\$ 18,838	\$ 3,983	\$ 40,307	\$ 39,764
Non-controlling interests		52	90	(38)	92
		<b>\$ 18,890</b>	\$ 4,073	<b>\$ 40,269</b>	\$ 39,856
<b>Earnings per share</b>					
<b>attributable to shareholders</b>					
Basic and diluted	19	\$ 0.20	\$ 0.04	\$ 0.44	\$ 0.43

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	December 27 2020	December 29 2019	December 27 2020	December 29 2019
Net income	\$ 18,890	\$ 4,073	\$ 40,269	\$ 39,856
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of \$nil)	4,351	3,452	11,297	(9,087)
Net unrealized gain on derivative financial instruments designated as cash flow hedges	2,336	1,258	7,104	3,375
Tax impact	(589)	(315)	(1,781)	(849)
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	(416)	(470)	775	(1,283)
Tax impact	104	118	(196)	327
Cash flow hedge reserve adjustment	(12,721)	(2,426)	(26,266)	56
Tax impact	3,181	607	6,567	(14)
<b>Other comprehensive income (loss)</b>	<b>(3,754)</b>	<b>2,224</b>	<b>(2,500)</b>	<b>(7,475)</b>
<b>Comprehensive income</b>	<b>\$ 15,136</b>	<b>\$ 6,297</b>	<b>\$ 37,769</b>	<b>\$ 32,381</b>
<b>Attributable to</b>				
Shareholders	\$ 15,084	\$ 6,207	\$ 37,807	\$ 32,289
Non-controlling interests	52	90	(38)	92
	<b>\$ 15,136</b>	<b>\$ 6,297</b>	<b>\$ 37,769</b>	<b>\$ 32,381</b>

See accompanying notes to the interim condensed consolidated financial statements.

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

**Nine months ended December 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
<b>Balance, as at March 31, 2020</b>	\$ 521,884	\$ 11,680	\$ 242,076	\$ 81,158	\$ 11,427	\$ 92,585	\$ 788	\$ 869,013
Net income (loss)	—	—	40,307	—	—	—	(38)	40,269
Other comprehensive income (loss)	—	—	—	11,297	(13,797)	(2,500)	—	(2,500)
Total comprehensive income (loss)	—	—	40,307	11,297	(13,797)	(2,500)	(38)	37,769
Stock-based compensation	—	574	—	—	—	—	—	574
Exercise of stock options	6,521	(1,169)	—	—	—	—	—	5,352
Repurchase of common shares (note 12)	(2,923)	—	(5,739)	—	—	—	—	(8,662)
<b>Balance, as at December 27, 2020</b>	\$ 525,482	\$ 11,085	\$ 276,644	\$ 92,455	\$ (2,370)	\$ 90,085	\$ 750	\$ 904,046

**Nine months ended December 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	—	—	39,764	—	—	—	92	39,856
Other comprehensive income (loss)	—	—	—	(9,087)	1,612	(7,475)	—	(7,475)
Total comprehensive income (loss)	—	—	39,764	(9,087)	1,612	(7,475)	92	32,381
Non-controlling interest	—	—	—	—	—	—	755	755
Stock-based compensation	—	696	—	—	—	—	—	696
Exercise of stock options	4,871	(720)	—	—	—	—	—	4,151
Repurchase of common shares	(10)	—	—	—	—	—	—	(10)
<b>Balance, as at December 29, 2019</b>	\$ 521,474	\$ 11,685	\$ 230,992	\$ 58,686	\$ 3,388	\$ 62,074	\$ 1,158	\$ 827,383

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		Nine months ended	
		December 27 2020	December 29 2019	December 27 2020	December 29 2019
<b>Operating activities</b>					
Net income		\$ 18,890	\$ 4,073	\$ 40,269	\$ 39,856
Items not involving cash					
Depreciation of property, plant and equipment		3,715	3,785	11,073	10,838
Amortization of right-of-use assets	7	3,926	4,030	12,176	11,615
Amortization of intangible assets		9,711	8,608	30,291	30,681
Deferred income taxes	13	(100)	(2,489)	(5,443)	2,844
Other items not involving cash		(400)	(2,134)	1,709	(248)
Stock-based compensation	14	4,891	4,544	7,510	7,221
Loss (gain) on disposal of property, plant and equipment		(5,348)	13	(6,598)	85
		<b>35,285</b>	<b>20,430</b>	<b>90,987</b>	<b>102,892</b>
Change in non-cash operating working capital		<b>43,645</b>	<b>(27,381)</b>	<b>55,234</b>	<b>(92,268)</b>
<b>Cash flows provided by (used in) operating activities</b>		<b>\$ 78,930</b>	<b>\$ (6,951)</b>	<b>\$ 146,221</b>	<b>\$ 10,624</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment		\$ (5,134)	\$ (13,718)	\$ (11,052)	\$ (30,237)
Acquisition of intangible assets		(1,858)	(2,007)	(7,413)	(8,014)
Business acquisition, net of cash acquired	4	(3,050)	(46,701)	(3,050)	(53,367)
Proceeds from disposal of property, plant and equipment		8,461	9	11,525	82
<b>Cash flows used in investing activities</b>		<b>\$ (1,581)</b>	<b>\$ (62,417)</b>	<b>\$ (9,990)</b>	<b>\$ (91,536)</b>
<b>Financing activities</b>					
Bank indebtedness		\$ (4,318)	\$ 986	\$ (3,389)	\$ 2,345
Repayment of long-term debt		(417)	(53)	(302,896)	(17,057)
Proceeds from long-term debt		640	111	55,720	177
Proceeds from exercise of stock options		1,546	1,877	5,352	4,151
Repurchase of common shares		(8,662)	(10)	(8,662)	(10)
Lease payments		(3,719)	(6,190)	(11,408)	(13,098)
<b>Cash flows used in financing activities</b>		<b>\$ (14,930)</b>	<b>\$ (3,279)</b>	<b>\$ (265,283)</b>	<b>\$ (23,492)</b>
Effect of exchange rate changes on cash and cash equivalents		(518)	(258)	(5,049)	(2,388)
Increase (decrease) in cash and cash equivalents		<b>61,901</b>	<b>(72,905)</b>	<b>(134,101)</b>	<b>(106,792)</b>
Cash and cash equivalents, beginning of period		<b>162,643</b>	<b>190,653</b>	<b>358,645</b>	<b>224,540</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 224,544</b>	<b>\$ 117,748</b>	<b>\$ 224,544</b>	<b>\$ 117,748</b>
<b>Supplemental information</b>					
Cash income taxes paid		\$ 3,325	\$ 5,686	\$ 2,946	\$ 8,411
Cash interest paid		\$ 12,581	\$ 12,210	\$ 29,465	\$ 27,140

See accompanying notes to the interim condensed consolidated financial statements.

**ATS AUTOMATION TOOLING SYSTEMS INC.**  
Notes to Interim Condensed Consolidated Financial Statements  
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## **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 nine months ended December 27, 2020 were authorized for issue by the Board of Directors (the "Board") on February 2, 2021.

## **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.

## ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Condensed Consolidated Financial Statements  
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Management will continue to monitor and assess the impact of the pandemic on its judgments, 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 nine months ended December 27, 2020, the Company received payments of \$2,302 and \$13,536, respectively, under the CEWS program, of which \$1,766 and \$10,154, respectively, was included in cost of revenues and \$536 and \$3,382, respectively, was included in selling, general and administrative expenses in the interim condensed consolidated financial statements.

### 4. ACQUISITIONS

(i) On December 7, 2020, the Company announced its intention to launch a voluntary public tender offer to acquire CFT S.p.A. (“CFT”), a global supplier of automated processing and packaging equipment to the food and beverage equipment market. The tender offer of 4.60 Euros per share represents a total equity value of 88,000 Euros and a total enterprise value of 166,000 Euros. In the event the tender offer is successful, the acquisition of CFT is expected to close in the first quarter of calendar 2021.

(ii) On November 24, 2020, the Company completed its acquisition of 100% of the shares of Inimco CV (“Inimco”). Inimco is a Belgium-based company that offers knowledge, resources and IoT-based solutions for the process and manufacturing industry on MS Azure and equivalent platforms. The total purchase price was \$5,441 (3,519 Euros). Cash consideration paid in the third quarter of fiscal 2021 was \$3,895 (2,519 Euros). Included in the purchase price is contingent consideration of up to \$1,546 (1,000 Euros) which is payable if certain performance targets are met within three fiscal years of the acquisition date.

Cash used in investing activities was determined as follows:

Cash consideration	\$	3,895
Less: cash acquired		(845)
	\$	3,050

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair value of the assets acquired and the liabilities assumed based on discounted cash flows, market information and information that was available to the Company. The purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

The preliminary allocation of the purchase price at fair value is as follows:

Purchase price allocation		
Cash	\$	845
Current assets		603
Property, plant and equipment		50
Intangible assets with a definite life		160
Liabilities		(353)
Net identifiable assets		1,305
Residual purchase price allocated to goodwill		4,136
	\$	5,441

Current assets include accounts receivable of \$591, representing gross contractual amounts receivable of \$594 less management’s best estimate of the contractual cash flows not expected to be collected of \$3.

The primary factors that contributed to a residual purchase price that resulted in the recognition of goodwill are: the acquired workforce; access to growth opportunities in new markets and with existing customers; and the combined strategic value to the Company’s growth plan. The amounts assigned to goodwill and intangible assets are not expected to be deductible for tax purposes. This acquisition was accounted for as



**ATS AUTOMATION TOOLING SYSTEMS INC.**

Notes to Interim Condensed Consolidated Financial Statements  
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a business combination with the Company as the acquirer of Inimco. The purchase method of accounting was used and the earnings were consolidated from the acquisition date, November 24, 2020.

(iii) 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	December 27 2020	March 31 2020
Inventories are summarized as follows:		
Raw materials	\$ 31,791	\$ 32,133
Work in progress	32,253	34,436
Finished goods	3,555	1,867
	<b>\$ 67,599</b>	<b>\$ 68,436</b>

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 nine months ended December 27, 2020 were \$23 and \$127, respectively (three and nine months ended December 29, 2019 - \$nil and \$355, respectively). The amount of inventories carried at net realizable value as at December 27, 2020 was \$1,181 (March 31, 2020 - \$1,177).

**6. DEPOSITS, PREPAIDS AND OTHER ASSETS**

As at	December 27 2020	March 31 2020
Prepaid assets	\$ 12,788	\$ 15,228
Supplier deposits	14,555	10,497
Forward foreign exchange contracts	3,678	5,424
	<b>\$ 31,021</b>	<b>\$ 31,149</b>

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

	Buildings	Vehicles and equipment	Total
Balance, at March 31, 2020	\$ 50,322	\$ 10,834	\$ 61,156
Additions	2,829	3,088	5,917
Amortization	(7,967)	(4,209)	(12,176)
Exchange and other adjustments	(3,018)	455	(2,563)
<b>Balance, at December 27, 2020</b>	<b>\$ 42,166</b>	<b>\$ 10,168</b>	<b>\$ 52,334</b>

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

Balance, at March 31, 2020	\$ 62,905
Additions	5,917
Interest	2,132
Payments	(13,540)
Exchange and other adjustments	(3,079)
<b>Balance, at December 27, 2020</b>	<b>\$ 54,335</b>
Less: current portion	13,701
	<b>\$ 40,634</b>

The right-of-use assets and lease liabilities relate to leases of real estate properties, automobiles and other equipment. For the three and nine months ended December 27, 2020, the Company recognized expense related to short-term and low-value leases of \$381 and \$1,248, respectively, in cost of revenues

## ATS AUTOMATION TOOLING SYSTEMS INC.

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

(December 29, 2019 - \$744 and \$2,364, respectively), and \$274 and \$798, respectively, in selling, general and administrative expenses (December 29, 2019 - \$366 and \$1,074, respectively) in the interim consolidated statements of income.

### 8. CROSS-CURRENCY INTEREST RATE SWAP

As at	December 27 2020	March 31 2020
Cross-currency interest rate swap instrument	\$ (17,338)	\$ 12,183
Disclosed as:		
Other assets	\$ —	\$ 20,220
Other long-term liabilities	(17,338)	(8,037)
	\$ (17,338)	\$ 12,183

Subsequent to December 27, 2020 (on January 13, 2021), the Company settled the cross-currency interest rate swap instrument to swap U.S. \$150,000 into Canadian dollars that was outstanding at December 27, 2020. The Company received interest of 6.50% U.S. per annum and paid interest of 6.501% Canadian. The Company also settled a cross-currency interest rate swap instrument to swap 134,084 Euros into Canadian dollars that was outstanding at December 27, 2020. The Company received interest of 6.501% Canadian per annum and paid interest of 5.094% Euros. The Company paid \$16,920 to settle the cross-currency swaps.

Subsequent to December 27, 2020 (on January 13, 2021), the Company entered into a cross-currency interest rate swap instrument to swap U.S. \$175,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S. dollar-denominated Senior Notes. The Company will receive interest of 4.125% U.S. per annum and pay interest of 4.257% Canadian. The Company also entered into a cross-currency interest rate swap instrument to swap 143,855 Euros into Canadian dollars to hedge a portion of the foreign exchange risk related to its Euro-denominated net investment. The Company will receive interest of 4.257% Canadian per annum and pay interest of 3.145% Euros. The terms of the hedging relationship will end on December 15, 2025.

### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

During the three and nine months ended December 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 nine months ended December 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 nine months ended December 27, 2020, the Company recorded risk management losses of \$521 and \$1,344, respectively (three and nine months ended December 29, 2019 – gains of \$38 and \$6,218, respectively), on foreign currency risk management forward contracts in the interim consolidated statements of income. Included in these amounts, during the three and nine months ended December 27, 2020, were unrealized losses of \$1,175 and \$2,161, respectively (three and nine months ended December 29, 2019 – gains of \$558 and \$3,025, respectively), representing the change in fair value.

## ATS AUTOMATION TOOLING SYSTEMS INC.

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

In addition, during the three and nine months ended December 27, 2020, the Company realized gains in foreign exchange of \$654 and \$817, respectively (three and nine months ended December 29, 2019 – losses of \$520 and gains of \$3,193, 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	3,168	14,355	4,220	21,743
Provisions reversed	(410)	—	(71)	(481)
Provisions used	(852)	(20,092)	(4,319)	(25,263)
Exchange adjustments	(117)	(56)	(54)	(227)
<b>Balance, at December 27, 2020</b>	<b>\$ 9,751</b>	<b>\$ 14,003</b>	<b>\$ 4,144</b>	<b>\$ 27,898</b>

#### 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. During the three and nine months ended December 27, 2020, the Company recognized restructuring costs of \$6,208 and \$14,355, respectively, related to the plan. In addition, the Company completed the sale of a German-based subsidiary which was part of the reorganization plan. The Company recorded a gain of \$5,339 on the sale of the facility which was included in selling, general and administrative expenses in the interim condensed consolidated financial statements.

#### Other provisions

Other provisions are related to medical insurance expenses that have been incurred during the period 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 December 27, 2020, the Company had utilized \$2,232 under the Credit Facility, of which \$nil was classified as long-term debt (March 31, 2020 - \$250,000) and \$2,232 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 December 27, 2020, all covenants were met.

The Company has additional credit facilities available of \$30,799 (10,078 Euros, \$10,000 U.S., 50,000 Thai Baht and 673 Czech Koruna). The total amount outstanding on these facilities as at December 27, 2020 was \$1,342, of which \$1,180 was classified as bank indebtedness (March 31, 2020 - \$4,572) and \$162 was classified as long-term debt (March 31, 2020 - \$215). The interest rates applicable to the credit facilities range from 1.75% to 6.25% per annum. A portion of the long-term debt is secured by certain assets of the Company.

Subsequent to December 27, 2020 (on December 29, 2020), the Company completed a private placement of U.S. \$350,000 aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$8,100 were deferred and will be amortized over the term of the Senior Notes. On January 13, 2021, ATS used the net proceeds from the Senior Notes to fund the redemption of its U.S. \$250,000 6.500% senior notes due in 2023 (the "Existing Notes"), which were outstanding as at December 27, 2020, and intends to use the remainder of the net proceeds for general corporate purposes. Subsequent to December 27, 2020, the Company recorded finance costs of approximately \$9,000 related to the redemption of the Existing Notes.

The Senior Notes were issued at par, bear interest at a rate of 4.125% per annum and mature on December 15, 2028. The Company may redeem the Senior Notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. Subject to certain exceptions, the Senior Notes are guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility. 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	December 27 2020	March 31 2020
Other facilities	\$ 1,180	\$ 4,572

### (ii) Long-term debt

As at	December 27 2020	March 31 2020
Credit Facility	\$ —	\$ 250,000
Existing Notes	321,125	351,925
Other facilities	162	215
Issuance costs	(5,194)	(4,042)
	<b>316,093</b>	598,098
Less: current portion	90	133
	<b>\$ 316,003</b>	<b>\$ 597,965</b>

## 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 December 27, 2020 are as follows:

	<b>Principal</b>	<b>Interest</b>
Less than one year	\$ 90	\$ 20,873
One – two years	72	20,873
Two – three years	321,125	10,437
	<b>\$ 321,287</b>	<b>\$ 52,183</b>

The amounts listed above include a principal amount of \$321,125 related to the Existing Notes, which were redeemed subsequent to December 27, 2020, and related interest commitments of \$52,183.

## 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 21, 2020, 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 7,351,834 common shares.

For the nine months ended December 27, 2020, the Company purchased nil common shares under the recently announced NCIB program and 511,528 common shares for \$8,662 under the previous 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 share was \$16.93.

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

	<b>Number of common shares</b>	<b>Share capital</b>
Balance, at March 31, 2020	92,130,955	\$ 521,884
Exercise of stock options	408,363	6,521
Repurchase of common stock	(511,528)	(2,923)
<b>Balance, at December 27, 2020</b>	<b>92,027,790</b>	<b>\$ 525,482</b>

**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		Nine months ended	
	December 27 2020	December 29 2019	December 27 2020	December 29 2019
Income before income taxes and non-controlling interest	\$ 25,002	\$ 3,911	\$ 53,305	\$ 50,383
Combined Canadian basic federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	\$ 6,626	\$ 1,036	\$ 14,126	\$ 13,351
Increase (decrease) in income taxes resulting from:				
Adjustments in respect to current income tax of previous periods	79	(255)	(300)	578
Non-taxable income net of non-deductible expenses	590	(329)	1,171	(1,841)
Unrecognized assets	279	545	2,547	1,479
Income taxed at different rates and statutory rate changes	(1,254)	(748)	(3,197)	(1,572)
Manufacturing and processing allowance and all other items	(208)	(411)	(1,311)	(1,468)
	\$ 6,112	\$ (162)	\$ 13,036	\$ 10,527
Income tax expense (recovery) reported in the interim consolidated statements of income:				
Current tax expense	\$ 6,212	\$ 2,327	\$ 18,479	\$ 7,683
Deferred tax recovery	(100)	(2,489)	(5,443)	2,844
	\$ 6,112	\$ (162)	\$ 13,036	\$ 10,527
Deferred tax related to items charged or credited directly to equity:				
Gain (loss) on revaluation of cash flow hedges	\$ 2,696	\$ 410	\$ 4,590	\$ (536)
Other items recognized through equity	63	(440)	1	982
<b>Income tax charged directly to equity</b>	<b>\$ 2,759</b>	<b>\$ (30)</b>	<b>\$ 4,591</b>	<b>\$ 446</b>

**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 nine months ended December 27, 2020, the Company granted nil and 253,491 time vesting stock options respectively (660 and 187,089 in the three and nine months ended December 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 nine months ended	December 27 2020		December 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	187,089	20.86
Exercised <sup>(i)</sup>	(408,363)	13.11	(368,927)	11.25
Forfeited	(61,006)	19.50	(23,571)	14.67
Stock options outstanding, end of period	946,271	\$ 17.88	1,318,789	\$ 15.28
Stock options exercisable, end of period, time-vested options	446,199	\$ 15.96	666,493	\$ 14.27
Stock options exercisable, end of period, performance-based options	—	\$ —	166,666	\$ 12.69

(i) For the nine months ended December 27, 2020, the weighted average share price at the date of exercise was \$18.88 (December 29, 2019 - \$20.07).

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

For the nine months ended	December 27 2020	December 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	187,089
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 nine months ended December 27, 2020, the Company granted nil and 285,457 time-vesting restricted share units ("RSUs"), respectively (three and nine months ended December 29, 2019 - 184 and 144,073, respectively). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. During the three and nine months ended December 27, 2020, the Company granted nil and 137,652 performance-based RSUs, respectively (three and nine months ended December 29, 2019 - 490 and 141,681, 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 1.9 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 December 27, 2020 the value of the outstanding liability related to the RSU plan was \$8,729 (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 nine months ended December 27, 2020, the Company granted nil and 51,386 deferred stock units ("DSUs"), respectively (three and nine months ended December 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.

## ATS AUTOMATION TOOLING SYSTEMS INC.

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

The change in the value of the DSU liability is included in the interim consolidated statements of income in the period of the change. As at December 27, 2020, the value of the outstanding liability related to the DSUs was \$9,862 (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 December 27, 2020:

Less than one year	\$	173,560
One – two years		4,827
Two – three years		984
Three – four years		233
Four – five years		2
	\$	179,606

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 December 27, 2020, the total value of outstanding letters of credit was approximately \$160,610 (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	December 27, 2020		
	Right-of-use assets	Property, plant and equipment	Intangible assets
Canada	\$ 8,113	\$ 56,728	\$ 26,643
United States	822	23,985	10,401
Germany	24,837	36,695	68,832
Italy	7,024	2,008	70,006
United Kingdom	176	2,823	20,951
Other Europe	7,029	2,035	251
Other	4,333	1,010	127
Total Company	\$ 52,334	\$ 125,284	\$ 197,211



**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
<b>Total Company</b>	<b>\$ 61,156</b>	<b>\$ 136,284</b>	<b>\$</b>	<b>220,169</b>

	December 27 2020		December 29 2019	
Revenues from external customers for the three months ended				
Canada	\$	24,733	\$	16,858
United States		140,793		139,341
Germany		70,743		75,771
Italy		3,178		4,586
United Kingdom		14,900		32,606
Other Europe		65,517		62,623
Other		49,867		35,400
<b>Total Company</b>	<b>\$</b>	<b>369,731</b>	<b>\$</b>	<b>367,185</b>

	December 27 2020		December 29 2019	
Revenues from external customers for the nine months ended				
Canada	\$	80,288	\$	49,188
United States		408,874		356,041
Germany		188,374		245,791
Italy		9,303		14,038
United Kingdom		48,608		97,005
Other Europe		181,185		177,493
Other		113,498		108,087
<b>Total Company</b>	<b>\$</b>	<b>1,030,130</b>	<b>\$</b>	<b>1,047,643</b>

**17. REVENUE FROM CONTRACTS WITH CUSTOMERS**

(a) Disaggregation of revenue from contracts with customers:

	December 27 2020		December 29 2019	
Revenues by market for the three months ended				
Life sciences	\$	213,227	\$	207,556
Transportation		66,704		104,160
Consumer products		61,122		32,451
Energy		28,678		23,018
<b>Total Company</b>	<b>\$</b>	<b>369,731</b>	<b>\$</b>	<b>367,185</b>

	December 27 2020		December 29 2019	
Revenues by market for the nine months ended				
Life sciences	\$	576,640	\$	570,464
Transportation		205,007		268,807
Consumer products		168,364		131,479
Energy		80,119		76,893
<b>Total Company</b>	<b>\$</b>	<b>1,030,130</b>	<b>\$</b>	<b>1,047,643</b>

	December 27 2020		December 29 2019	
Timing of revenue recognition based on transfer of control for the three months ended				
Goods and services transferred at a point in time	\$	35,497	\$	29,925
Goods and services transferred over time		334,234		337,260
<b>Total Company</b>	<b>\$</b>	<b>369,731</b>	<b>\$</b>	<b>367,185</b>

**ATS AUTOMATION TOOLING SYSTEMS INC.**

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

	December 27 2020	December 29 2019
Timing of revenue recognition based on transfer of control for the nine months ended		
Goods and services transferred at a point in time	\$ 89,500	\$ 94,905
Goods and services transferred over time	940,630	952,738
<b>Total Company</b>	<b>\$ 1,030,130</b>	<b>\$ 1,047,643</b>

(b) Contract balances:

As at	December 27 2020	March 31 2020
Trade receivables	\$ 281,054	\$ 270,756
Contract assets	233,911	231,531
Contract liabilities	(211,979)	(117,757)
Unearned revenue <sup>(i)</sup>	(30,824)	(28,460)
<b>Net contract balances</b>	<b>\$ 272,162</b>	<b>\$ 356,070</b>

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

As at	December 27 2020	March 31 2020
Contracts in progress:		
Costs incurred	\$ 1,772,900	\$ 1,689,539
Estimated earnings	699,119	630,908
	2,472,019	2,320,447
Progress billings	(2,450,087)	(2,206,673)
<b>Net contract assets</b>	<b>\$ 21,932</b>	<b>\$ 113,774</b>

**18. NET FINANCE COSTS**

	Three months ended		Nine months ended	
	December 27 2020	December 29 2019	December 27 2020	December 29 2019
Interest expense	\$ 6,820	\$ 6,197	\$ 22,507	\$ 19,388
Interest on lease liabilities	678	897	2,132	2,696
Interest income	(227)	(654)	(1,137)	(1,790)
	\$ 7,271	\$ 6,440	\$ 23,502	\$ 20,294

**19. EARNINGS PER SHARE**

	December 27 2020	December 29 2019
For the three months ended		
Weighted average number of common shares outstanding	92,169,762	92,149,984
Dilutive effect of stock option conversion	109,960	345,689
<b>Diluted weighted average number of common shares outstanding</b>	<b>92,279,722</b>	<b>92,495,673</b>
For the nine months ended		
Weighted average number of common shares outstanding	92,246,938	92,045,387
Dilutive effect of stock option conversion	152,846	410,705
<b>Diluted weighted average number of common shares outstanding</b>	<b>92,399,784</b>	<b>92,456,092</b>

For the three and nine months ended December 27, 2020, stock options to purchase 560,179 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 (363,875 common shares were excluded for the three and nine months ended December 29, 2019).