Management's discussion and analysis

For the Year Ended March 31, 2019

This Management's Discussion and Analysis ("MD&A") for the year ended March 31, 2019 (fiscal 2019) is as of May 15, 2019 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 2019, 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). 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, 2019 and March 31, 2018, 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, 2019 and March 31, 2018 is also contained in the MD&A (see "Order Backlog Continuity").

Company profile

ATS is an industry-leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services, including pre-automation and after-sales services, to address the sophisticated manufacturing automation systems and service needs of multinational customers in markets such as life sciences, pharmaceuticals, chemicals, electric vehicles, transportation, consumer products, electronics, food, beverage, energy, and oil and gas. Founded in 1978, ATS employs approximately 4,400 people at 23 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 strategic initiatives including 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 and talent management, advancing 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, expansion of its service offerings, investing in innovation and product development, and strategic and disciplined acquisitions that strengthen ATS' business.

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:** alignment of ATS people to implement and continuously improve robust and disciplined business processes throughout the organization; and
- **Performance:** consistently measuring results 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. Management is now deploying additional tools as part of the ongoing advancement of ABM.

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 markets: life sciences, pharmaceuticals, nuclear medicine, chemicals, electric vehicles, transportation, consumer products, electronics, food, beverage, energy, and oil and gas. With broad and in-depth knowledge across multiple industries and technical fields, ATS delivers single-source solutions to customers that lower their production costs, accelerate delivery of their products 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 a number of 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 customer 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 recently unveiled *Illuminate™ Manufacturing Intelligence*, a 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 has manufacturing operations in Canada, the United States, Germany, Italy, Netherlands, China and Thailand. ATS can deliver localized service through a network of over 50 locations around the world. 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 200 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; 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; and "Comecer," which provides high-tech automation systems for the nuclear medicine and pharmaceutical industries. 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 2019		Q4 2018		Fiscal 2019		Fiscal 2018
Life sciences	$	193.1	$	132.2	$	608.5	$	518.0
Transportation		82.3		69.8		302.3		299.4
Consumer products & electronics		39.2		55.6		203.3		160.6
Energy		34.0		40.8		139.5		136.9
Total revenues	$	348.6	$	298.4	$	1,253.6	$	1,114.9

Revenues by customer location		Q4 2019		Q4 2018		Fiscal 2019		Fiscal 2018
North America	$	137.6	$	138.0	$	510.5	$	528.5
Europe		186.4		111.8		600.4		410.5
Asia/Other		24.6		48.6		142.7		175.9
Total revenues	$	348.6	$	298.4	$	1,253.6	$	1,114.9

Fourth quarter

Fiscal 2019 fourth quarter revenues were 17% higher than in the corresponding period a year ago and included $10.5 million of revenues earned by KMW and Comecer since acquisition. Excluding KMW and Comecer, fourth quarter revenues were $338.1 million, a 13% increase compared to the corresponding period a year ago, primarily reflecting Order Backlog, which was 34% higher entering the fourth quarter of fiscal 2019 compared to a year ago. Revenues generated from construction contracts and from services both increased 17% compared to the corresponding period a year ago.

By market, revenues generated in the life sciences market increased by 46% due to higher Order Backlog entering the fourth quarter of fiscal 2019 on improved Order Bookings in the year from both new and existing customers and, to a lesser extent, revenues earned by Comecer since acquisition on February 28, 2019. Revenues in the transportation market increased 18% primarily related to an electric vehicle (EV) enterprise program awarded in the first quarter of fiscal 2019 and revenues from KMW. Fiscal 2019 fourth quarter revenues from consumer products & electronics decreased 29% compared to a year ago, due to lower Order Backlog entering the fourth quarter of fiscal 2019. Revenues generated in the energy market decreased 17% primarily due to the timing of program execution.

Full year

Fiscal 2019 revenues were $1,253.6 million, 12% higher than in the prior fiscal year and included $12.8 million of revenues earned by KMW and Comecer since acquisition. Excluding KMW and Comecer, fiscal 2019 revenues were $1,240.8 million, an 11% increase compared to the corresponding period a year ago, primarily reflecting Order Backlog, which was 10% higher entering fiscal 2019 compared to a year ago, and Order Bookings, which increased 19% in fiscal 2019 compared to a year ago.

By market, fiscal 2019 year-to-date revenues from consumer products & electronics, life sciences, energy, and the transportation markets increased 27%, 17%, 2% and 1%, respectively, primarily reflecting higher Order Backlog entering fiscal 2019, and higher life sciences and transportation market Order Bookings in fiscal 2019 compared to a year ago.

Consolidated operating results

(In millions of dollars)

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Earnings from operations	$ 30.3	$ 25.5	$ 114.8	$ 85.5
Amortization of acquisition-related intangible assets	6.8	5.1	23.3	20.6
Restructuring charges	–	2.2	–	11.2
Acquisition-related transaction costs	1.1	–	4.7	–
Adjusted earnings from operations[1]	$ 38.2	$ 32.8	$ 142.8	$ 117.3

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

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Earnings from operations	$ 30.3	$ 25.5	$ 114.8	$ 85.5
Depreciation and amortization	12.3	9.3	42.4	36.6
EBITDA[2]	$ 42.6	$ 34.8	$ 157.2	$ 122.1

2 See "Notice to Reader: Non-IFRS Measures and Additional IFRS Measures."

Fourth quarter

Fiscal 2019 fourth quarter earnings from operations were $30.3 million (9% operating margin) compared to $25.5 million (9% operating margin) in the fourth quarter of fiscal 2018. Fourth quarter fiscal 2019 earnings from operations included $1.1 million of incremental costs related to the Company's acquisition activity and $6.8 million related to amortization of identifiable intangible assets recorded on business acquisitions. Included in fourth quarter fiscal 2018 earnings from operations were $2.2 million of restructuring costs and $5.1 million related to amortization of identifiable intangible assets recorded on business acquisitions.

Excluding these items in both comparable quarters, fourth quarter fiscal 2019 adjusted earnings from operations were $38.2 million (11% margin), compared to adjusted earnings from operations of $32.8 million (11% margin) a year ago. Fourth quarter fiscal 2019 adjusted earnings from operations reflected higher revenues and improved gross margin, offset by higher selling, general and administrative expenses, and increased stock compensation expenses (see "Stock-based compensation").

Depreciation and amortization expense was $12.3 million in the fourth quarter of fiscal 2019, compared to $9.3 million a year ago. The increase primarily reflected depreciation of internal development projects and incremental amortization of acquisition-related intangible assets due to the acquisitions of KMW and Comecer.

EBITDA was $42.6 million (12% EBITDA margin) in the fourth quarter of fiscal 2019 compared to $34.8 million (12% EBITDA margin) in the fourth quarter of fiscal 2018. EBITDA growth primarily reflected higher revenues and improved gross margin, partially offset by higher selling, general and administrative expenses and stock compensation expenses compared to a year ago. Excluding acquisition-related costs, fourth quarter fiscal 2019 EBITDA was $43.7 million (13% EBITDA margin). Comparably, excluding restructuring costs, fourth quarter fiscal 2018 EBITDA was $37.0 million (12% EBITDA margin).

Full year

Earnings from operations were $114.8 million (9% operating margin) in fiscal 2019, compared to $85.5 million (8% operating margin) in the corresponding period a year ago. Excluding $4.7 million of incremental costs related to the Company's acquisition activity and $23.3 million related to amortization of identifiable intangible assets recorded on business acquisitions, adjusted earnings from operations were $142.8 million (11% operating margin) in fiscal 2019, compared to adjusted earnings from operations of $117.3 million (11% operating margin) in the corresponding period a

year ago. Higher adjusted earnings from operations primarily reflected higher revenues and gross margin in fiscal 2019, partially offset by higher selling, general and administrative expenses, and stock compensation expenses compared to a year ago.

Depreciation and amortization expense was $42.4 million in fiscal 2019 compared to $36.6 million a year ago. The increase primarily reflected depreciation of internal development projects and amortization of acquisition-related intangible assets.

Fiscal 2019 EBITDA was $157.2 million (13% EBITDA margin) compared to $122.1 million (11% EBITDA margin) in fiscal 2018. Excluding acquisition-related costs, fiscal 2019 EBITDA was $161.9 million (13% EBITDA margin). Comparably, excluding restructuring costs, fiscal 2018 EBITDA was $133.3 million (12% EBITDA margin).

Order Bookings by quarter

(In millions of dollars)

	Fiscal 2019	Fiscal 2018
Q1	$ 358	$ 266
Q2	355	257
Q3	397	311
Q4	298	348
Total Order Bookings	$ 1,408	$ 1,182

Fourth quarter

Fourth quarter fiscal 2019 Order Bookings were $298 million, 14% lower than fourth quarter fiscal 2018 Order Bookings. Excluding KMW and Comecer, fourth quarter Order Bookings were $269 million, which primarily reflected lower consumer products & electronics and transportation Order Bookings compared to the prior year period when certain enterprise programs were recorded in those markets.

Full year

Fiscal 2019 Order Bookings were $1,408 million, a 19% increase over prior year Order Bookings of $1,182 million. Organic growth in Order Bookings was 16% compared to the prior year, and contributions from acquired businesses KMW and Comecer accounted for 3% of the growth. By market, higher Order Bookings in the life sciences and transportation markets more than offset lower Order Bookings in the consumer products & electronics market. Order Bookings in the energy market were flat. Life sciences fiscal 2019 Order Bookings included a $60 million enterprise program from a global life sciences customer for a fully automated manufacturing and packaging system. Higher Order Bookings in the transportation market included an $80 million enterprise program from a global automotive manufacturer for an electric vehicle program.

Order Backlog continuity

(In millions of dollars)

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018
Opening Order Backlog	$ 926	$ 689	$ 746	$ 681
Revenues	(349)	(298)	(1,254)	(1,115)
Order Bookings	298	348	1,408	1,182
Order Backlog adjustments[1]	29	7	4	(2)
Total	$ 904	$ 746	$ 904	$ 746

1 *Order Backlog adjustments include incremental Order Backlog of $2 million and $60 million acquired with KMW and Comecer, respectively, foreign exchange adjustments and cancellations.*

Order Backlog by market

(In millions of dollars)

As at		Fiscal 2019		Fiscal 2018
Life sciences	$	501	$	358
Transportation		244		188
Consumer products & electronics		86		118
Energy		73		82
Total	$	904	$	746

At March 31, 2019, Order Backlog was $904 million, 21% higher than at March 31, 2018. Order Backlog growth was primarily driven by higher Order Bookings in the life sciences and transportation markets in fiscal 2019 and Order Backlog from acquired businesses. Foreign exchange rate changes negatively impacted the translation of Order Backlog from foreign-based ATS subsidiaries by approximately 2% compared to fiscal 2018.

Outlook

The Company's 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 economic environment has shown recent signs of slowing growth and geopolitical risks remain. Ongoing trade negotiations and disputes between various jurisdictions in which the Company does business may impact its future sales and operations. Management will continue to closely monitor ongoing global trade discussions which could impact the Company and identify mitigation opportunities.

Funnel activity (which includes customer requests for proposal and ATS identified customer opportunities) in life sciences remains strong. Opportunities related to electric vehicles are significant; however, customers are cautious in their approach to capital investment. Funnel activity in energy is variable and this market provides niche opportunities for ATS. Funnel activity in the consumer products & electronics market remains low relative to other customer markets. Overall, the Company's funnel remains significant; however, conversion of opportunities into Order Bookings is variable.

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 expects its Order Backlog of $904 million at the end of the fourth quarter of fiscal 2019 to partially mitigate the impact of volatile Order Bookings on revenues in the short term. The composition of the Company's Order Backlog has changed in fiscal 2019, with the addition of several large, enterprise programs that the Company has won. These enterprise programs have longer periods of performance and therefore longer revenue recognition cycles. In the first quarter of fiscal 2020, management expects the conversion of Order Backlog to revenues to be in the 35% to 40% 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.

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.

Over the long term, the Company generally expects to continue increasing its overall investment in non-cash working capital to support the growth of its business, with fluctuations on a quarter-over-quarter basis. The Company's goal is to maintain its investment in non-cash working capital as a percentage of annualized revenues below 10%, although from time to time it could reach up to 15% or greater due to normal volatility associated with the Company's project-based business.

In fiscal 2020, the Company expects to increase its investment in capital assets and intangible assets to approximately $60 million due to planned expansions at several facilities in order to increase capacity. The actual investment will depend upon timing of the expansions.

The Company expects that continued cash flows from operations, together with cash and cash equivalents on hand and credit available under operating and long-term credit facilities, will be sufficient to fund its requirements for investments in non-cash working capital and capital assets and to fund strategic investment plans including some potential acquisitions. Significant acquisitions could result in additional debt or equity financing requirements.

Acquisitions

Business acquisition: Comecer

On February 28, 2019, the Company completed its acquisition of Comecer S.p.A. ("Comecer"), a leader in the design, engineering, manufacture, and servicing of advanced aseptic containment and processing systems for the nuclear medicine and pharmaceutical industries. Comecer is primarily focused in radiopharmaceutical equipment, where it supplies specialized radiation shielding systems used by customers in the production, handling and dispensing of radiopharmaceutical drugs. Applications for this type of equipment include the diagnosis and therapeutic treatment of several conditions including various forms of cancer and cardiovascular disorders. Additionally, Comecer provides equipment to support the aseptic processing, filling and handling of specialized pharmaceuticals as well as isolator and incubator equipment used in advanced therapy medicinal production (ATMP), a regenerative cell therapy that uses patient cells to grow new tissues. The addition of Comecer has strengthened ATS' customer offering in both pharma and biopharma, and added an innovative new platform in radiopharmaceuticals. Comecer's main production facility is in Castel-Bolognese, Italy.

For the 2018 calendar year, Comecer generated revenues of approximately 67 million Euro, with a low double-digit EBITDA margin. The total cash purchase price for the acquisition was 113 million Euro, subject to working capital and net debt adjustments. Cash consideration paid in the fourth quarter of fiscal 2019 was 95 million Euro. The acquisition has been accounted for as a business combination with the Company as the acquirer of Comecer. The purchase method of accounting has been used and the earnings of Comecer were consolidated beginning from the acquisition date. Integration of Comecer will target revenue synergies through cross selling, geographic expansion and commercial process best practices. Integration will also include the deployment of the ABM, which is intended to enable improvements in operations including project management, supply chain management and product life cycle management. The acquisition is aligned with ATS' strategy of expanding in attractive markets and is expected to increase the Company's overall revenues generated in life sciences to over 50% of consolidated revenues.

Business acquisition: KMW

On October 31, 2018, the Company completed its acquisition of Konstruktion, Maschinen- & Werkzeugbau GmbH & Co. KG, and KMW GmbH (collectively, "KMW"). KMW is a supplier of custom micro-assembly systems and test equipment solutions. KMW provides ATS with an internal source for complementary conveyorized micro-assembly and test capabilities, further enabling the Company to provide full automation solutions and meet customer demands for a complete turnkey offering. The addition of KMW's micro-assembly technology and expertise strengthens ATS' current offerings in the EV market. The acquisition is aligned with ATS' strategy of expanding its reach in current and new markets. KMW is headquartered in Koblenz, Germany.

In its fiscal year ended March 31, 2018, KMW had revenues of approximately 14.0 million Euro and an EBITDA margin of over 20%. The total purchase price was 18.3 million Euro. Cash consideration paid in the third quarter was 16.4 million Euro with the balance to be paid within 18 months from the acquisition date. The cash consideration of the purchase price along with transaction costs were funded with existing cash on hand. The acquisition has been accounted for as a business combination with the Company as the acquirer of KMW. The purchase method of accounting has been used and the earnings of KMW were consolidated beginning from the acquisition date.

Selected fourth quarter and annual information

Consolidated results

(In millions of dollars, except per share data)

	Q4 2019	Q4 2018	Fiscal 2019	Fiscal 2018	Fiscal 2017
Revenues	$ 348.6	$ 298.4	$ 1,253.6	$ 1,114.9	$ 1,010.9
Cost of revenues	256.0	219.9	924.9	826.8	760.3
Selling, general and administrative	56.1	49.7	204.1	194.3	171.9
Stock-based compensation	6.2	3.3	9.8	8.3	6.8
Earnings from operations	$ 30.3	$ 25.5	$ 114.8	$ 85.5	$ 71.9
Net finance costs	$ 5.8	$ 5.6	$ 20.9	$ 23.8	$ 25.6
Provision for income taxes	6.3	4.9	23.1	14.5	11.3
Net income	$ 18.2	$ 15.0	$ 70.8	$ 47.2	$ 35.0
Basic earnings per share	$ 0.20	$ 0.16	$ 0.76	$ 0.50	$ 0.38
Diluted earnings per share	$ 0.20	$ 0.16	$ 0.75	$ 0.50	$ 0.38
From operations:					
Total assets			$ 1,688.8	$ 1,542.2	$ 1,374.6
Total cash and short-term investments			$ 224.5	$ 330.1	$ 286.7
Total debt			$ 348.7	$ 318.2	$ 328.7
Other non-current liabilities			$ 113.4	$ 102.0	$ 65.4

Revenues. At $348.6 million, consolidated revenues for the fourth quarter of fiscal 2019 were $50.2 million, 17% higher than the corresponding period a year ago. At $1,253.6 million, annual consolidated revenues were $138.7 million, or 12% higher than a year ago (see "Overview – Operating Results").

Cost of revenues. At $256.0 million, fourth quarter fiscal 2019 cost of revenues increased compared to the corresponding period a year ago by $36.1 million, or 16%, primarily due to higher revenues. Annual cost of revenues of $924.9 million increased $98.1 million, or 12% primarily due to higher revenues. Fourth quarter fiscal 2019 gross margin was 27% compared to 26% in the corresponding period a year ago, due primarily to improved program execution and operational utilization. Fiscal 2019 gross margin was 26%, consistent with fiscal 2018.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the fourth quarter of fiscal 2019 were $56.1 million, which included $1.1 million of incremental costs related to the Company's acquisition activity and $6.8 million of amortization costs related to the amortization of identifiable intangible assets recorded on business acquisitions. Excluding these costs, SG&A expenses were $48.2 million in the fourth quarter of fiscal 2019. Comparably, SG&A expenses for the fourth quarter of fiscal 2018 were $42.4 million, which excluded $5.1 million of amortization costs related to the amortization of identifiable intangible assets recorded on business acquisitions and $2.2 million of restructuring costs. Higher SG&A expenses in the fourth quarter of fiscal 2019 primarily reflected the addition of KMW and Comecer, and increased employee costs.

Fiscal 2019 SG&A expenses were $204.1 million compared to $194.3 million last year. Fiscal 2019 SG&A expenses included $4.7 million of incremental costs related to the Company's acquisition activity and $23.3 million of expenses related to the amortization of identifiable intangible assets recorded on business acquisitions. Excluding these costs, SG&A expenses were $176.1 million for fiscal 2019. Comparably, SG&A expenses for fiscal 2018 were $162.5 million,

which excluded $11.2 million of restructuring costs, and $20.6 million of expenses related to the amortization of identifiable intangible assets recorded on business acquisitions. Higher SG&A expenses in fiscal 2019 primarily reflected increased: employee costs; spend on information technology systems and security; sales related expenses; and the addition of KMW and Comecer.

Stock-based compensation. Stock-based compensation expense amounted to $6.2 million in the fourth quarter of fiscal 2019 compared to $3.3 million in the corresponding period a year ago. Fiscal 2019 stock-based compensation expense was $9.8 million compared to $8.3 million a year ago. The increase in stock-based compensation costs is attributable to higher 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, 2019, earnings from operations were $30.3 million (9% operating margin) and $114.8 million (9% operating margin), respectively, compared to earnings from operations of $25.5 million (9% operating margin) and $85.5 million (8% operating margin) in the corresponding periods a year ago (see "Overview – Operating Results").

Net finance costs. Net finance costs were $5.8 million in the fourth quarter of fiscal 2019 compared to $5.6 million a year ago. Fiscal 2019 net finance costs were $20.9 million compared to $23.8 million a year ago. The decrease was primarily due to higher interest income earned in fiscal 2019 compared to a year ago.

Income tax provision. For the three and 12 months ended March 31, 2019, the Company's effective income tax rates of 26% and 25%, respectively, differed from the combined Canadian basic federal and provincial income tax rate of 27% primarily due to income earned in certain jurisdictions with different statutory tax rates. The Company expects its effective tax rate to remain in the range of 25% for fiscal 2020.

Net income. Fiscal 2019 fourth quarter net income was $18.2 million (20 cents per share basic and diluted), compared to $15.0 million (16 cents per share basic and diluted) for the fourth quarter of fiscal 2018. Adjusted basic earnings per share were 26 cents in the fourth quarter of fiscal 2019 compared to 22 cents for the fourth quarter of fiscal 2018 (see "Reconciliation of Non-IFRS Measures to IFRS Measures").

Fiscal 2019 net income was $70.8 million (76 and 75 cents per share basic and diluted) compared to $47.2 million (50 cents per share basic and diluted) a year ago. Adjusted basic earnings per share were 98 cents in fiscal 2019 compared to 74 cents 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 2019	Fiscal 2018	Fiscal 2017
EBITDA	$ 157.2	$ 122.1	$ 106.5
Less: depreciation and amortization expense	42.4	36.6	34.6
Earnings from operations	$ 114.8	$ 85.5	$ 71.9
Less: net finance costs	20.9	23.8	25.6
Provision for income taxes	23.1	14.5	11.3
Net income	$ 70.8	$ 47.2	$ 35.0

	Q4 2019	Q4 2018
EBITDA	$ 42.6	$ 34.8
Less: depreciation and amortization expense	12.3	9.3
Earnings from operations	$ 30.3	$ 25.5
Less: net finance costs	5.8	5.6
Provision for income taxes	6.3	4.9
Net income	$ 18.2	$ 15.0

The following tables reconcile adjusted earnings from operations, adjusted net income 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, 2019			Three Months Ended March 31, 2018		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	$ 30.3	$ –	$ 30.3	$ 25.5	$ –	$ 25.5
Amortization of acquisition-related intangible assets	–	6.8	6.8	–	5.1	5.1
Restructuring costs	–	–	–	–	2.2	2.2
Acquisition-related transaction costs	–	1.1	1.1	–	–	–
	$ 30.3	$ 7.9	$ 38.2	$ 25.5	$ 7.3	$ 32.8
Less: net finance costs	$ 5.8	$ –	$ 5.8	$ 5.6	$ –	$ 5.6
Income before income taxes	$ 24.5	$ 7.9	$ 32.4	$ 19.9	$ 7.3	$ 27.2
Provision for income taxes	$ 6.3	$ –	$ 6.3	$ 4.9	$ –	$ 4.9
Adjustment to provision for income taxes[1]	–	2.2	2.2	–	2.0	2.0
	$ 6.3	$ 2.2	$ 8.5	$ 4.9	$ 2.0	$ 6.9
Net income	$ 18.2	$ 5.7	$ 23.9	$ 15.0	$ 5.3	$ 20.3
Basic earnings per share	$ 0.20	$ 0.06	$ 0.26	$ 0.16	$ 0.06	$ 0.22

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, 2019			Twelve Months Ended March 31, 2018		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	$ 114.8	$ –	$ 114.8	$ 85.5	$ –	$ 85.5
Amortization of acquisition-related intangible assets	–	23.3	23.3	–	20.6	20.6
Restructuring charges	–	–	–	–	11.2	11.2
Acquisition-related transactions costs	–	4.7	4.7	–	–	–
	$ 114.8	$ 28.0	$ 142.8	$ 85.5	$ 31.8	$ 117.3
Less: net finance costs	$ 20.9	$ –	$ 20.9	$ 23.8	$ –	$ 23.8
Income before income taxes	$ 93.9	$ 28.0	$ 121.9	$ 61.7	$ 31.8	$ 93.5
Provision for income taxes	$ 23.1	$ –	$ 23.1	$ 14.5	$ –	$ 14.5
Adjustment to provision for income taxes[1]	–	7.5	7.5	–	9.2	9.2
	$ 23.1	$ 7.5	$ 30.6	$ 14.5	$ 9.2	$ 23.7
Net income	$ 70.8	$ 20.5	$ 91.3	$ 47.2	$ 22.6	$ 69.8
Basic earnings per share	$ 0.76	$ 0.22	$ 0.98	$ 0.50	$ 0.24	$ 0.74

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.*

Summary of investments, liquidity, cash flow and financial resources

Investments

(In millions of dollars)

	Fiscal 2019	Fiscal 2018
Investments – increase (decrease)		
Non-cash operating working capital	$ (2.5)	$ 27.0
Acquisition of property, plant and equipment	21.1	19.9
Acquisition of intangible assets	19.8	6.1
Proceeds from disposal of assets	(5.2)	(2.6)
Total net investments	$ 33.2	$ 50.4

In fiscal 2019, the Company's investment in non-cash working capital decreased $2.5 million, compared to an increase of $27.0 million a year ago. Accounts receivable increased 4%, or $9.2 million, driven by the acquisition of Comecer. Net contracts in progress decreased 24%, or $16.6 million, compared to March 31, 2018. 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 16%, or $9.5 million, primarily due to the acquisition of Comecer. Deposits and prepaid assets increased 28%, or $6.2 million, compared to March 31, 2018 due to timing of program execution. Accounts payable and accrued liabilities increased 6%, or $15.6 million, compared to March 31, 2018 due to the acquisition of Comecer. Provisions decreased 34%, or $7.1 million, compared to March 31, 2018.

Capital expenditures totalled $21.1 million for fiscal 2019, primarily related to computer hardware, building additions, and office equipment. Capital expenditures totalled $19.9 million in fiscal 2018, primarily related to computer hardware, and the improvement and expansion of certain manufacturing facilities.

Intangible asset expenditures for fiscal 2019 and fiscal 2018 were $19.8 million and $6.1 million, respectively. Fiscal 2019 intangible asset expenditures primarily related to the acquisition of substantially all of the intellectual property assets of Transformix Engineering Inc. ("Transformix") for $10.0 million. Transformix's CNCAssembly system, based on its patented Rapid Speed Matching technology, provides a method of linking and synchronizing the movements of devices and tooling to enable faster and more efficient assembly systems. This enhanced capability is expected to provide higher speed, lower cost, energy efficient and more flexible assembly solutions for ATS' customers, while utilizing a smaller footprint. CNCAssembly is suitable for any application where high-precision motion control is required and can serve a broad range of end markets. The addition of this important technology will complement ATS' growing portfolio of linear mover technology products, which includes the best-in-class SuperTrak™ linear motion system and the recently launched SuperTrak Micro™. Amortization of the intangible asset will begin when the asset is available for use which is estimated to be in the second half of fiscal 2020. Over the next five years, potential future payments of up to $20.0 million are payable based on sales which incorporate the acquired intellectual property. The commission expenses will be recognized as they are incurred.

Proceeds from disposal of assets were $5.2 million in fiscal 2019, compared to $2.6 million in fiscal 2018. The increase 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 2019 and determined there is no impairment of goodwill or intangible assets as of March 31, 2019 (fiscal 2018 – $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		Fiscal 2019		Fiscal 2018
Cash and cash equivalents	$	224.5	$	330.1
Debt-to-equity ratio		0.48:1		0.47:1
Cash flows provided by operating activities	$	127.6	$	59.7

At March 31, 2019, the Company had cash and cash equivalents of $224.5 million compared to $330.1 million at March 31, 2018. At March 31, 2019, the Company's debt-to-total equity ratio was 0.48:1.

In fiscal 2019, cash flows provided by operating activities were $127.6 million ($59.7 million provided by operating activities in the corresponding period a year ago). The increase in operating cash flows related primarily to the timing of investments in non-cash working capital in certain customer programs and higher net income compared to a year ago.

At March 31, 2019, the Company had $632.7 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional $19.2 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 subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At March 31, 2019, the Company had utilized $134.3 million under the Credit Facility by way of letters of credit (March 31, 2018 – $108.5 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 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 0.45% 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, 2019, all of the covenants were met.

The Company has additional credit facilities available of $38.6 million (15.3 million Euros, $10.0 million U.S, 50.0 million Thai Baht and 1.5 million Czech Koruna). The total amount outstanding on these facilities at March 31, 2019 was $20.6 million, of which $2.0 million was classified as bank indebtedness (March 31, 2018 – $2.7 million) and $18.6 million was classified as long-term debt (March 31, 2018 – $0.7 million). The interest rates applicable to the credit facilities range from 0.60% to 8.25% 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, 2019, 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 operating lease payments (related primarily to facilities and equipment) and purchase obligations are as follows:

	Operating leases	Purchase obligations
Less than one year	$ 12.3	$ 124.2
One–two years	10.2	2.4
Two–three years	8.2	1.8
Three–four years	5.0	0.2
Four–five years	3.2	0.2
Due in over five years	3.9	–
	$ 42.9	$ 128.7

The Company's off-balance sheet arrangements consist of purchase obligations and various operating lease financing arrangements related primarily to facilities and equipment that were entered into in the normal course of business. The Company's purchase obligations consist primarily of commitments for material purchases.

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. At March 31, 2019, the total value of outstanding letters of credit was approximately $203.3 million (March 31, 2018 – $137.1 million).

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

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

Share data

During fiscal 2019, 416,842 stock options were exercised. At May 15, 2019, the total number of shares outstanding was 91,936,539, and there were 1,497,073 stock options outstanding to acquire common shares of the Company.

Normal course issuer bid

On December 3, 2018, 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 3,000,000 common shares, representing approximately 3.2% of the 94,139,097 common shares that were issued and outstanding as of November 16, 2018. On February 6, 2019, ATS announced the TSX's approval of its amended notice to increase the maximum number of shares that may be purchased under the NCIB to 6,366,405 common shares, representing 10% of the "public float" (as defined by the TSX and calculated as of November 16, 2018), effective February 11, 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 up to 3,000,000 ATS common shares when ATS would not ordinarily be active in the market due to internal trading blackout periods, insider trading rules, or otherwise.

From December 3, 2018 to March 31, 2019, the Company purchased 2,509,120 common shares for $39.3 million under the NCIB. The weighted average price per share repurchased was $15.65. ATS security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company.

Related party transactions

The Company has 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 2019.

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 cross-currency swaps 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 CAD

	Year-end actual exchange rates			Period average exchange rates		
	March 31, 2019	March 31, 2018	% change	March 31, 2019	March 31, 2018	% change
U.S. dollar	1.336	1.290	3.6%	1.313	1.284	2.2%
Euro	1.499	1.589	(5.7%)	1.518	1.502	1.1%

Consolidated quarterly results

(In millions of dollars, except per share amounts)

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenues	$ 348.6	$ 321.4	$ 283.6	$ 300.0	$ 298.4	$ 277.6	$ 274.9	$ 264.0
Earnings from operations	$ 30.3	$ 38.5	$ 19.0	$ 27.0	$ 25.5	$ 14.8	$ 23.9	$ 21.3
Adjusted earnings from operations[1]	$ 38.2	$ 46.7	$ 25.4	$ 32.6	$ 32.8	$ 29.3	$ 28.8	$ 26.3
Net income	$ 18.2	$ 25.1	$ 10.8	$ 16.7	$ 15.0	$ 6.9	$ 13.8	$ 11.5
Basic and diluted earnings per share	$ 0.20	$ 0.27	$ 0.11	$ 0.18	$ 0.16	$ 0.07	$ 0.15	$ 0.12
Adjusted basic earnings per share[1]	$ 0.26	$ 0.33	$ 0.17	$ 0.22	$ 0.22	$ 0.18	$ 0.18	$ 0.16
Order Bookings[2]	$ 298.0	$ 397.0	$ 355.0	$358.0	$ 348.0	$ 311.0	$ 257.0	$ 266.0
Order Backlog[2]	$ 904.0	$ 926.0	$ 830.0	$ 789.0	$ 746.0	$ 689.0	$ 648.0	$ 683.0

1 *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."*

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 and 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 summer plant shutdowns by its customers.

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.

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 – 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.

Income taxes

Deferred income tax assets, disclosed in note 17 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 18 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 10 to the consolidated financial statements. The Company performed its annual impairment test of goodwill as at March 31, 2019 and determined there was no impairment (March 31, 2018 – $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 14 to the consolidated financial statements.

Changes in accounting policies

Accounting standard adopted in fiscal 2019

IFRS 15 – *Revenue from Contracts with Customers*

Effective April 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. Under IFRS 15, revenues are recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenues.

The Company adopted the standard in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the Company's revenue recognition policies required on the adoption of this standard. The transition to the new standard required additional disclosures in the consolidated financial statements. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition.

The standard requires contract assets and contract liabilities to be separately presented in the statement of financial position. Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Previously, the Company recognized contract assets as "costs and earnings in excess of billings on contracts in progress" and contract liabilities as "billings in excess of costs and earnings on contracts in progress." Based on IFRS 15, contract assets and contract liabilities have been disclosed as current assets and current liabilities, respectively, in the statement of financial position.

Accounting standards issued but not yet effective

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. There are minimal changes to the existing accounting in IAS 17 – *Leases* from the perspective of lessors. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided IFRS 15 has been adopted or is adopted at the same date. The Company plans to adopt IFRS 16 using the modified retrospective approach beginning on April 1, 2019. The Company intends to apply the practical expedient exemptions available to exempt low value and short-term lease arrangements. Upon adoption of IFRS 16, the Company expects to recognize right of use assets and a corresponding lease liability in the range of $68 to $73 million on the consolidated statements of financial position, primarily relating to leased buildings and vehicles. Depreciation and finance costs are expected to increase by approximately $13 million and $6 million, respectively, which will primarily be offset by lower operating lease costs which have been recognized in cost of revenues and SG&A in the consolidated statements of income.

ATS continues to assess the impact of the new leasing standard on the Company's consolidated financial statements and the conclusions and elections above are subject to change prior to the implementation of the new standard in April 2019.

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, 2019 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.

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.

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, 2019, 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.

During the years ended March 31, 2019 and March 31, 2018, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Limitation on scope

The Company acquired Comecer on February 28, 2019. Management has not fully completed its review of internal controls over financial reporting for this newly acquired organization. Since the acquisition occurred within the 365 days of the reporting period, management has limited the scope of design and subsequent evaluation of disclosure controls and procedures and internal controls over financial reporting, as permitted under 5.3 of Form 52-109 F1 pursuant to National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken additional procedures to satisfy itself with respect to the accuracy and completeness of the acquired operations' financial information. The following summary of financial information pertains to the acquisition that was included in ATS' consolidated financial statements for the year ended March 31, 2019.

(millions of dollars)	Comecer
Revenue[1]	8.7
Net income[1]	0.1
Current assets[2]	59.8
Non-current assets[2]	174.2
Current liabilities[2]	64.1
Non-current liabilities[2]	82.9

1 *Results from March 1, 2019 to March 31, 2019.*

2 *Balance sheet as at March 31, 2019.*

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;
- 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;
- Natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions;
- 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; trade negotiations and disputes; conversion of opportunities into 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; the Company's Order Backlog partially mitigating the impact of volatile Order Bookings; rate of Order Backlog conversion; expected benefits with respect to the Company's efforts to expand its services revenues; deployment of the ATS Business Model ("ABM") and the expected impact; initiatives having the goal of expanding adjusted earnings from operations margin over the long term; the Company's strategy to expand organically and through acquisition; the Company's goal with respect to non-cash working capital as a percentage of revenues; the Company's expectations in regards to investment in capital assets; expectation in relation to meeting funding requirements for investments; potential to use leverage to support growth strategy; the expected benefits resulting from the acquisition and integration of Comecer; the Company's expectation with respect to effective tax rate; expected benefits from the purchase of Transformix intellectual property assets and when the assets will be available for use; 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: impact of the global economy; general market performance including capital market conditions and availability and cost of credit; performance of the markets that ATS serves; foreign currency and exchange risk; the relative strength of the Canadian dollar; impact of factors such as increased pricing pressure and possible margin compression; the regulatory and tax environment; that current or future trade negotiations or disputes have unexpected impact on the business, including increased cost of supplies; 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 ABM is not deployed effectively, not adopted on the desired scale by the business, or that its impact is other than as expected; that efforts to expand adjusted earnings from operations margin over the 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; 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; 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 reverses one or more of its plans in regards to investment in capital assets or that the costs of capital assets are greater than expected; that the expected benefits from the acquisition of Comecer are not realized for reasons including failure to successfully integrate it and lack of customer receptivity to the expanded offering; that the effective tax rate is other than expected, due to reasons including income spread among jurisdictions being other than anticipated; that ATS does not realize the expected benefits of the Transformix asset purchase or that the products incorporating the technology are delayed in development; 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.

Management's responsibility for financial reporting

The preparation and presentation of the Company's consolidated financial statements is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements and other information in Management's Discussion and Analysis and the Annual Report include amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in Management's Discussion and Analysis and the Annual Report is consistent with that in the consolidated financial statements, except as described further in the "Non-IFRS Measures" section of Management's Discussion and Analysis.

Management maintains appropriate systems of internal accounting and administrative controls, which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as further described in the "Controls and Procedures" section of Management's Discussion and Analysis.

Management's responsibilities for financial reporting are overseen by the Board of Directors (the "Board"), which is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee (the "Committee").

The Committee is appointed by the Board and all of its members are independent directors. The Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements and the external auditors' report. The Committee has reported its findings to the Board, which has approved the consolidated financial statements and Management's Discussion and Analysis for issuance to shareholders. The Committee also considers, for review by the Board and approval of shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited on behalf of shareholders by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to management and the Committee.

Andrew Hider
Chief Executive Officer

Maria Perrella
Chief Financial Officer

Independent auditor's report

To the Shareholders of
ATS Automation Tooling Systems Inc.

Opinion

We have audited the consolidated financial statements of **ATS Automation Tooling Systems Inc.** and its subsidiaries, (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to use after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

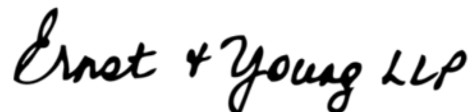
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.



Toronto, Canada
May 15, 2019

Chartered Professional Accountants
Licensed Public Accountants

Consolidated statements of financial position

(in thousands of Canadian dollars)

As at	Note	March 31, 2019	March 31, 2018
ASSETS	15		
Current assets			
Cash and cash equivalents		$ 224,540	$ 330,148
Accounts receivable		217,245	209,551
Income tax receivable		4,938	3,455
Contract assets	3, 21	213,553	164,917
Inventories	6	67,998	58,509
Deposits, prepaids and other assets	7	28,719	22,510
		756,993	789,090
Non-current assets			
Property, plant and equipment	9	97,669	85,102
Other assets	8	2,446	–
Goodwill	10	551,643	459,159
Intangible assets	11	213,945	148,869
Deferred income tax assets	17	3,194	2,987
Investment tax credit receivable	17	62,953	57,012
		931,850	753,129
Total assets		$ 1,688,843	$ 1,542,219
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	15	$ 1,950	$ 2,668
Accounts payable and accrued liabilities		254,227	240,093
Income tax payable		7,721	6,291
Provisions	13	13,943	20,994
Contract liabilities	3, 21	161,139	95,912
Current portion of long-term debt	15	18,550	393
		457,530	366,351
Non-current liabilities			
Employee benefits	14	28,187	28,151
Long-term debt	15	328,247	315,129
Deferred income tax liabilities	17	78,585	42,907
Other long-term liabilities	8	6,663	30,908
		441,682	417,095
Total liabilities		$ 899,212	$ 783,446
Commitments and contingencies	15, 19		
EQUITY			
Share capital	16	$ 516,613	$ 548,747
Contributed surplus		11,709	12,535
Accumulated other comprehensive income		69,549	75,830
Retained earnings		191,449	121,369
Equity attributable to shareholders		789,320	758,481
Non-controlling interests		311	292
Total equity		789,631	758,773
Total liabilities and equity		$ 1,688,843	$ 1,542,219

On behalf of the Board:

David McAusland
Director

Neil D. Arnold
Director

See accompanying notes to the consolidated financial statements.

Consolidated statements of income

(in thousands of Canadian dollars, except per share amounts)

Years ended March 31	Note		2019		2018
Revenues					
Revenues from construction contracts		$	763,228	$	654,193
Sale of goods			90,005		79,979
Services rendered			400,383		380,758
Total revenues	20, 21		1,253,616		1,114,930
Operating costs and expenses					
Cost of revenues			924,898		826,771
Selling, general and administrative			204,073		194,421
Stock-based compensation	18		9,850		8,276
Earnings from operations			114,795		85,462
Net finance costs	22		20,909		23,766
Income before income taxes			93,886		61,696
Income tax expense	17		23,124		14,487
Net income		$	70,762	$	47,209
Attributable to					
Shareholders		$	70,743	$	47,165
Non-controlling interests			19		44
		$	70,762	$	47,209
Earnings per share attributable to shareholders					
Basic	23	$	0.76	$	0.50
Diluted	23	$	0.75	$	0.50

See accompanying notes to the consolidated financial statements.

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)

Years ended March 31	Note		2019		2018
Net income		$	70,762	$	47,209
Other comprehensive income (loss):					
Items to be reclassified subsequently to net income:					
Currency translation adjustment (net of income taxes of $nil)			(12,145)		24,414
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	12		(109)		2,357
Tax impact			23		(655)
Loss (gain) transferred to net income for derivatives designated as cash flow hedges	12		90		(1,673)
Tax impact			(12)		479
Cash flow hedge reserve adjustment	12		7,826		(5,420)
Tax impact			(1,954)		1,354
Items that will not be reclassified subsequently to net income:					
Actuarial losses on defined benefit pension plans	14		(675)		(534)
Tax impact			12		139
Other comprehensive income (loss)			(6,944)		20,461
Comprehensive income		$	63,818	$	67,670
Attributable to					
Shareholders		$	63,799	$	67,626
Non-controlling interests			19		44
		$	63,818	$	67,670

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars)

Year ended March 31, 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 March 31, 2018	$ 548,747	$ 12,535	$ 121,369	$ 79,918	$ (4,088)	$ 75,830	$ 292	$ 758,773
Net income	–	–	70,743	–	–	–	19	70,762
Other comprehensive income (loss)	–	–	(663)	(12,145)	5,864	(6,281)	–	(6,944)
Total comprehensive income (loss)	–	–	70,080	(12,145)	5,864	(6,281)	19	63,818
Stock-based compensation	–	910	–	–	–	–	–	910
Exercise of stock options	7,145	(1,736)	–	–	–	–	–	5,409
Repurchase of common shares (note 16)	(39,279)	–	–	–	–	–	–	(39,279)
Balance, as at March 31, 2019	$ 516,613	$ 11,709	$ 191,449	$ 67,773	$ 1,776	$ 69,549	$ 311	$ 789,631

Year ended March 31, 2018

	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, 2017	$ 543,317	$ 12,871	$ 74,599	$ 55,504	$ (530)	$ 54,974	$ 248	$ 686,009
Net income	–	–	47,165	–	–	–	44	47,209
Other comprehensive income (loss)	–	–	(395)	24,414	(3,558)	20,856	–	20,461
Total comprehensive income (loss)	–	–	46,770	24,414	(3,558)	20,856	44	67,670
Stock-based compensation	–	953	–	–	–	–	–	953
Exercise of stock options	5,430	(1,289)	–	–	–	–	–	4,141
Balance, as at March 31, 2018	$ 548,747	$ 12,535	$ 121,369	$ 79,918	$ (4,088)	$ 75,830	$ 292	$ 758,773

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

Years ended March 31	Note		2019		2018
Operating activities					
Net income		$	70,762	$	47,209
Items not involving cash					
Depreciation of property, plant and equipment	9		12,137		10,352
Amortization of intangible assets	11		30,254		26,315
Deferred income taxes	17		13,718		866
Other items not involving cash			(11,587)		(6,371)
Stock-based compensation	18		9,850		8,276
			125,134		86,647
Change in non-cash operating working capital			2,464		(26,961)
Cash flows provided by operating activities		$	127,598	$	59,686
Investing activities					
Acquisition of property, plant and equipment	9	$	(21,096)	$	(19,851)
Acquisition of intangible assets	11		(19,824)		(6,124)
Business acquisition, net of cash acquired	5		(156,351)		–
Proceeds from disposal of property, plant and equipment			5,209		2,594
Cash flows used in investing activities		$	(192,062)	$	(23,381)
Financing activities					
Bank indebtedness		$	(2,512)	$	1,191
Repayment of long-term debt			(5,175)		(2,194)
Proceeds from long-term debt			335		195
Proceeds from exercise of stock options			5,409		4,141
Repurchase of common shares	16		(39,279)		–
Cash flows provided by (used in) financing activities		$	(41,222)	$	3,333
Effect of exchange rate changes on cash and cash equivalents			78		3,813
Increase (decrease) in cash and cash equivalents			(105,608)		43,451
Cash and cash equivalents, beginning of year			330,148		286,697
Cash and cash equivalents, end of year		$	224,540	$	330,148
Supplemental information					
Cash income taxes paid		$	10,468	$	10,231
Cash interest paid		$	26,243	$	21,751

See accompanying notes to the consolidated financial statements.

Notes to consolidated financial statements

(in thousands of Canadian dollars, except per share amounts)

1. Corporate information

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively, "ATS" or the "Company") design and build custom-engineered turnkey automated manufacturing and test systems and provide pre-automation and post-automation services to their 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 consolidated financial statements of the Company for the year ended March 31, 2019 were authorized for issue by the Board of Directors (the "Board") on May 15, 2019.

2. Basis of preparation

These consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. The 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company's material subsidiaries are Automation Tooling Systems Enterprises Inc. and ATS Automation Tooling Systems GmbH. The Company has a 100% voting and equity securities interest in each of these corporations. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

3. Summary of significant accounting policies

(a) Business combinations and goodwill:

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 – *Financial Instruments* ("IFRS 9") either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS policy.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGUs") or groups of CGUs based on the level at which management monitors it. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

(b) Foreign currency:

Functional currency is the currency of the primary economic environment in which the subsidiary operates and is normally the currency in which the subsidiary generates and uses cash. Each subsidiary in the Company determines its own functional currency, and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Company's functional and presentation currency is the Canadian dollar.

Transactions

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into Canadian dollars at period-end exchange rates, and their revenue and expense items are translated at exchange rates prevailing at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

(c) Revenue:

The Company generates revenue from construction contracts, the sale of goods, and by services rendered. Revenue is measured based on the consideration specified in a contract and the Company recognizes revenue when it transfers control of a product or provides a service to a customer. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company's contracts are typically one year or less.

Construction contracts

A construction contract generally includes the design, manufacture and installation of new equipment for a customer's new or existing system. The Company generally considers a construction contract to contain one performance obligation. However, the Company may provide several distinct goods or services as part of a contract, in which case, the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

The Company typically satisfies construction contract performance obligations over time, therefore, the Company recognizes revenue over time as the performance obligations are satisfied using the stage of completion method as described below:

- The stage of completion of fixed-price contracts is measured based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated on each contract.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Payment terms on fixed-price contracts are normally based on set milestones outlined in the contract. Amounts received in advance of the associated contract work being performed are recorded as contract liabilities. Revenue is recognized without issuing an invoice and this entitlement to consideration is recognized as a reduction of the contract liability or as a contract asset. Payment terms on time and material contracts are normally based on a monthly billing cycle. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that losses are determined.

Sale of goods

Revenue related to the sale of goods is recognized at a point in time when the Company satisfies a performance obligation and control of the asset is transferred to the customer. In determining satisfaction of a performance obligation, the Company considers the terms of the contract, including: shipping terms and transfer of title and risk.

Services rendered

Service contracts are either executed separately or bundled together with construction contracts. Where these contracts are bundled together, they are regarded as separate performance obligations, as each of the promises are capable of being distinct and are separately identifiable. Accordingly, a portion of the transaction price is allocated to each performance obligation relative to standalone selling prices.

A service contract can include modifications to existing customer equipment, maintenance services, training, line relocation, onsite support, field service, remote support, and consulting services. The Company generally considers service contracts to contain one performance obligation which is satisfied over time. Therefore, revenue is recognized over time, using the stage of completion method described below:

- The stage of completion of fixed-price contracts to provide specified services at specific times is measured based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated on each contract.
- The stage of completion of fixed-price contracts to provide an indeterminable number of services over a specified period of time is measured based on contract term elapsed as a percentage of the full contract term.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Payment terms on service contracts are similar to construction contracts. Provisions for estimated losses on incomplete contracts are made in the period that losses are determined.

Revenue-related assets and liabilities:

Trade receivables

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. These assets are transferred to accounts receivable when the right to receive the consideration becomes unconditional.

Contract liabilities

Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Company performs under the contract.

Unearned revenue

Unearned revenue relates to deposits or prepayments from customers for service and sale of goods contracts where revenue is earned at a point in time.

(d) Investment tax credits and government grants:

Investment tax credits are accounted for as a reduction in the cost of the related asset or expense where there is reasonable assurance that such credits will be realized. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. When the grant relates to an expense item, it is deducted from the cost that it is intended to compensate. When the grant relates to an asset, it is deducted from the cost of the related asset. If a grant becomes repayable, the inception-to-date impact of the assistance previously recognized in income is reversed immediately in the period in which the assistance becomes repayable.

(e) Taxes:

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income tax related to items recognized directly in equity are also recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax filings with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset will be realized or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint operations, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred income tax asset will be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax related to items recognized outside profit or loss is also recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Income tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances existing at the acquisition date changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Revenues, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable and accrued liabilities on the consolidated statements of financial position.

(f) Property, plant and equipment:

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, ATS derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 to 40 years
Production equipment	3 to 10 years
Other equipment	3 to 10 years

Leasehold improvements are amortized over the shorter of the term of the related lease or their remaining useful life on a straight-line basis.

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis or more frequently if required and adjusted prospectively, if appropriate.

(g) Leases:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to ATS substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between finance costs and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the consolidated statements of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that ATS will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Leases where ATS does not assume substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

(h) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

(i) Intangible assets:

Acquired intangible assets are primarily software, patents, customer relationships, brands, technologies and licenses. Intangible assets acquired separately are initially recorded at fair market value and subsequently at cost less accumulated amortization and impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives, ranging from 1 to 20 years, on a straight-line basis. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized. The Company assesses the indefinite life at each reporting date to determine if there is an indication that an intangible asset may be impaired. If any indication exists, or when annual impairment testing for the intangible asset is required, the Company estimates the recoverable amount at the CGU level to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An asset is impaired when the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Impairment losses relating to intangible assets are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

Research and development expenditures

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset only when the following conditions are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company's intention to complete and its ability to use or sell the intangible asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the intangible asset.
- The ability to measure the expenditures reliably during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. In the event that a product program for which costs have been deferred is modified or cancelled, the Company will assess the recoverability of the deferred costs and, if considered unrecoverable, will expense the costs in the period the assessment is made.

(j) Financial instruments:

Recognition

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or derivatives designated as a hedging instrument in an effective hedge. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are measured at amortized cost where the business model is to hold the financial asset to collect its contractual cash flows.

Financial liabilities are classified to be measured at amortized cost, derivatives designated as a hedging instrument in an effective hedge, or they are designated to be measured subsequently at FVTPL. For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company classifies and measures financial assets (excluding derivatives) on initial recognition as described below:

- Cash and cash equivalents and restricted cash are classified as and measured at amortized cost.
- Accounts receivable are classified as and measured at amortized cost using the effective interest rate method, less any impairment allowance. Accounts receivable are held within a hold-to-collect business model. The Company does not factor or sell any of its trade receivables.

Accounts payable and accrued liabilities, bank indebtedness, and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial instruments classified as amortized costs are included with the carrying value of such instruments. Transaction costs directly attributable to the acquisition of financial instruments classified as FVTPL are recognized immediately in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amounts outstanding, are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at fair value at the end of subsequent accounting periods, with changes recognized in profit or loss or other comprehensive income (irrevocable election at the time of recognition). Designation at FVTOCI is not permitted if the equity investment is held for trading. The cumulative fair value gain or loss will not be reclassified to profit or loss on the disposal of the investments.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either the Company has transferred substantially all the risks and rewards of the asset, or ATS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macroeconomic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Fair value of financial instruments

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable or can be corroborated by observable market data

Level 3 – unobservable inputs that are supported by no market activity

(k) Derivative financial instruments and hedge accounting:

The Company may use derivative financial instruments such as forward foreign exchange contracts and cross-currency interest rate swaps to hedge its foreign currency risk. The Company designates certain derivative financial instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. At the inception of the hedging relationship, the Company documents the economic relationship between the hedging instrument and the hedged item including whether the hedging instrument is expected to offset changes in cash flows of hedged items. At the inception of each hedging relationship, the Company documents its risk management objective, its strategy for undertaking various hedge transactions and how the Company will assess the hedging instrument's effectiveness in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk. The hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow reserve, while any ineffective portion is recognized immediately in the consolidated statements of income.

Amounts recognized in other comprehensive income and accumulated in equity are transferred to the consolidated statements of income when the hedged item is recognized in profit or loss. These earnings are included within the same line of the consolidated statements of income as the hedged item. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred at the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecasted transaction or firm commitment affects profit or loss.

The Company uses forward foreign exchange contracts as hedges of its exposure to foreign currency risk on anticipated revenues or costs, and cross-currency interest rate swap contracts as hedges of its exposure to foreign-currency-denominated Senior Notes. The Company may use interest rate swap contracts to reduce its exposure to floating interest rates.

Hedges of net investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognized in other comprehensive income, while any gains or losses related to the ineffective portion are recognized in the consolidated statements of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statements of income. The Company uses cross-currency interest rate swap contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

(l) Inventories:

Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. The cost of raw materials includes purchase cost and costs incurred in bringing each product to its present location and condition. The cost of work in progress and finished goods includes cost of raw materials, labour and related manufacturing overhead, excluding borrowing costs, based on normal operating capacity. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Impairment of non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses, including impairment on inventories, are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

(n) Provisions:

Provisions are recognized when: the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience and specific known risks. The initial estimate of warranty-related costs is reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Restructuring provisions

Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and the appropriate timeline. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

(o) Employee benefits:

The Company operates pension plans in accordance with the applicable laws and regulations in the respective countries in which the Company conducts business. The pension benefits are provided through defined benefit and defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of March 31. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in other comprehensive income. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognized in selling, general and administrative expenses in the consolidated statements of income.

The past service costs are recognized immediately in profit or loss as an expense.

The defined benefit asset or liability comprises the present value of the defined benefit obligation using the current interest rate at the reporting date on high-quality fixed-income investments with maturities that match the expected maturities of the obligation, less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information, and in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The accounting method for other long-term employee benefit plans is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in the consolidated statements of income.

(p) Stock-based payments:

The Company operates both equity-settled and cash-settled stock-based compensation plans under which the entity receives services from employees as consideration for equity instruments (options) of the Company or cash payments.

For equity-settled plans, namely the Employee Share Purchase Plan and the Stock Option Plan, the fair value determined at the grant date is expensed on a proportionate basis consistent with the vesting features of each grant and incorporates an estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest based on the non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of income with a corresponding adjustment to equity. The proceeds received are credited to share capital and share premiums when the stock options are exercised.

For cash-settled plans, namely the Deferred Stock Unit Plan, the Share Appreciation Rights and the Restricted Share Units, the expense is determined based on the fair value of the liability incurred at each award date and at each subsequent consolidated statement of financial position date until the award is settled. The fair value of the liability is measured by applying quoted market prices. Changes in fair value are recognized in the consolidated statements of income in stock-based compensation expense.

(q) Standard adopted in fiscal 2019:

IFRS 15 – *Revenue from Contracts with Customers*

Effective April 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. Under IFRS 15, revenues are recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenues.

The Company adopted the standard in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the Company's revenue recognition policies required on adoption of this standard. The transition to the new standard required additional disclosures as outlined in note 21. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition. The Company has not assessed completed contracts before the date of transition. The Company's accounting policy for revenue recognition is described in note 3(c) "Revenue."

The standard required contract assets and contract liabilities to be separately presented in the consolidated statement of financial position. Contract assets represent the right to consideration in exchange for goods or services that have been transferred to a customer. Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Previously, the Company recognized contract assets as "costs and earnings in excess of billings on contracts in progress" and contract liabilities as "billings in excess of costs and earnings on contracts in progress." Based on IFRS 15, contract assets and contract liabilities have been disclosed as current assets and current liabilities, respectively, in the consolidated statement of financial position.

(r) Standards issued but not yet effective:

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ended March 31, 2019 and, accordingly, have not been applied in preparing these consolidated financial statements. This listing is of standards issued that the Company reasonably expects to be applicable at a future date.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. There are minimal changes to the existing accounting in IAS 17 – *Leases* from the perspective of lessors. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company plans to adopt the standard for the annual period beginning on April 1, 2019 using a modified retrospective approach. Upon adoption of IFRS 16, the Company expects to recognize right of use assets and a corresponding lease liability in the range of $68,000 to $73,000 on the consolidated statements of financial position, primarily related to leased buildings and vehicles. The Company also expects to recognize higher depreciation expenses and finance costs under this new standard offset by lower operating lease expenses. The quantitative impact of adopting IFRS 16 will be provided in the Company's Q1 2020 interim financial statements.

4. 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. 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 Company based its estimates, judgments and assumptions on parameters available when the 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.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(a) Revenue recognition and contracts in progress:

Revenues from construction contracts are recognized on a percentage of completion basis as outlined in note 3(c) "Revenue." In applying the accounting policy on construction contracts, judgment is required in determining the expected profitability of the contract and the estimated costs to complete a contract. These factors are reviewed at each reporting period and by their nature may give rise to income volatility.

(b) Income taxes:

Income tax assets and liabilities are measured at the amount that is expected to be realized or incurred upon ultimate settlement with taxation authorities. Such assessments are based upon the applicable income tax legislation, regulations and interpretations, all of which may be subject to change and interpretation. Deferred income tax assets, disclosed in note 17, 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.

(c) Stock-based payment transactions:

The Company measures the cost of transactions with employees by reference to the fair value of the equity instruments. 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 determining 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 making assumptions about them. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in note 18.

(d) Employee benefits:

The cost of defined benefit pension plans, the cost of other long-term employee benefit 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 the 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 14.

(e) Fair value measurement:

Acquisitions that meet the definition of a business combination require the Company to recognize the assets acquired and liabilities assumed at their fair value on the date of the acquisition. The calculation of fair value of the assets and liabilities may require the use of estimates and assumptions, based on discounted cash flows, market information and using independent valuations and management's best estimates.

5. Acquisitions

(i) On October 31, 2018, the Company completed its acquisition of 100% of the shares of Konstruktion, Maschinen- & Werkzeugbau GmbH & Co. KG, and KMW GmbH (collectively, "KMW"). KMW is a German-based supplier of custom micro-assembly systems and test equipment solutions. The total purchase price was $27,326 (18,330 Euro). Cash consideration paid in the third quarter of fiscal 2019 was $24,506 (16,438 Euro) with the balance to be paid within 18 months from the acquisition date. The balance to be paid is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Cash used in investing activities was determined as follows:

Cash consideration	$	24,506
Less: cash acquired		(227)
	$	24,279

The purchase price 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 values based on discounted cash flows, market information, and using independent valuations and management's best estimates. Final valuations of certain assets including property, plant and equipment are not yet complete due to an outstanding third-party valuation report and the inherent complexity associated with valuations. Therefore, 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	$	227
Current assets		5,747
Property, plant and equipment		4,552
Intangible assets with a definite life		
Customer relationships		1,300
Other		79
Current liabilities		(2,153)
Deferred income tax liability		(386)
Net identifiable assets		9,366
Residual purchase price allocated to goodwill		17,960
	$	27,326

Current assets include accounts receivable of $3,180, representing gross contractual amounts receivable of $3,219 less management's best estimate of the contractual cash flows not expected to be collected of $39.

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 a business combination with the Company as the acquirer of KMW. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, October, 31, 2018.

(ii) On February 28, 2019, the Company completed its acquisition of 100% of the shares of Comecer S.p.A. ("Comecer"), a leader in the design, engineering, manufacture and servicing of advanced aseptic containment and processing systems for the nuclear medicine and pharmaceutical industries. The total purchase price was $170,456 (113,000 Euro) less working capital and net debt adjustments resulted in cash consideration paid in the fourth quarter of fiscal 2019 was $143,349 (95,030 Euro). Working capital and net debt are subject to finalization.

Cash used in investing activities was determined as follows:

Cash consideration	$	143,349
Less: cash acquired		(11,277)
	$	132,072

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis based on information that is currently available to the Company. Final valuations of certain assets including working capital, intangible assets, and property, plant and equipment are not yet complete due to the inherent complexity associated with valuations. Specifically, a third-party valuation report has not been finalized. Therefore, 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	$	11,277
Current assets		48,405
Property, plant and equipment		3,479
Intangible assets with a definite life		
Technology		37,410
Brands		32,583
Customer relationships		6,184
Other		4,378
Current liabilities		(68,081)
Deferred income tax liability		(22,428)
Other long-term liabilities		(2,318)
Net identifiable assets		50,889
Residual purchase price allocated to goodwill		92,460
	$	143,349

Current assets include accounts receivable of $24,878, representing gross contractual amounts receivable of $27,078 less management's best estimate of the contractual cash flows not expected to be collected of $2,200.

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 a business combination with the Company as the acquirer of Comecer. The purchase method of accounting was used and the earnings have been consolidated from the acquisition date, February 28, 2019. Comecer has contributed approximately $8,669 in revenue and $50 in net income during the month ended March 31, 2019. If Comecer had been acquired at the beginning of ATS' fiscal year (April 1, 2018), the Company estimates that revenues of the combined Comecer and ATS entity for the year ending March 31, 2019 would have been approximately $102,000 higher.

6. Inventories

As at	March 31, 2019	March 31, 2018
Raw materials	$ 29,462	$ 15,880
Work in progress	35,878	40,858
Finished goods	2,658	1,771
	$ 67,998	$ 58,509

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the year ended March 31, 2019 was $346 (March 31, 2018 – $428). The amount of inventories carried at net realizable value as at March 31, 2019 was $1,166 (March 31, 2018 – $1,336).

7. Deposits, prepaids and other assets

As at	March 31, 2019	March 31, 2018
Prepaid assets	$ 13,819	$ 9,399
Restricted cash(i)	447	477
Supplier deposits	12,373	10,396
Forward foreign exchange contracts	2,080	2,213
Other assets	–	25
	$ 28,719	$ 22,510

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

8. Cross-currency interest rate swap

As at	March 31, 2019	March 31, 2018
Cross-currency interest rate swap instrument	$ (4,217)	$ (30,908)
Disclosed as:		
Other assets	$ 2,446	$ –
Other long-term liabilities	(6,663)	(30,908)
	$ (4,217)	$ (30,908)

On March 29, 2016, the Company entered into a cross-currency interest rate swap instrument to swap U.S. $150,000 into Canadian dollars to hedge a portion of its foreign exchange risk related to its U.S.-dollar-denominated Senior Notes. The Company receives interest of 6.50% U.S. per annum and pays interest of 6.501% Canadian. On March 29, 2016,

the Company entered into 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. Property, plant and equipment

	Note	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Cost:						
Balance, at March 31, 2017		$ 16,426	$ 69,030	$ 13,972	$ 42,626	$ 142,054
Additions		–	3,406	2,043	14,402	19,851
Disposals		(257)	(3,663)	(1,351)	(2,691)	(7,962)
Exchange and other adjustments		5,242	3,066	953	2,563	11,824
Balance, at March 31, 2018		$ 21,411	$ 71,839	$ 15,617	$ 56,900	$ 165,767
Additions		–	5,610	2,673	12,813	21,096
Acquisition of subsidiaries	5	629	5,027	957	1,418	8,031
Disposals		(422)	(3,319)	(1,931)	(3,619)	(9,291)
Exchange and other adjustments		(557)	3,864	(20)	(7,031)	(3,744)
Balance, at March 31, 2019		**$ 21,061**	**$ 83,021**	**$ 17,296**	**$ 60,481**	**$ 181,859**

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Depreciation:					
Balance, at March 31, 2017	$ –	$ (36,898)	$ (10,651)	$ (25,272)	$ (72,821)
Depreciation expense	–	(2,834)	(928)	(6,590)	(10,352)
Disposals	–	3,240	1,324	2,397	6,961
Exchange and other adjustments	–	(1,999)	(724)	(1,730)	(4,453)
Balance, at March 31, 2018	$ –	$ (38,491)	$ (10,979)	$ (31,195)	$ (80,665)
Depreciation expense	–	(3,365)	(1,241)	(7,531)	(12,137)
Disposals	–	1,869	1,595	3,289	6,753
Exchange and other adjustments	–	885	366	608	1,859
Balance, at March 31, 2019	**$ –**	**$ (39,102)**	**$ (10,259)**	**$ (34,829)**	**$ (84,190)**
Net book value:					
At March 31, 2019	**$ 21,061**	**$ 43,919**	**$ 7,037**	**$ 25,652**	**$ 97,669**
At March 31, 2018	$ 21,411	$ 33,348	$ 4,638	$ 25,705	$ 85,102

Included in other equipment as at March 31, 2019 is $2,055 (March 31, 2018 – $5,641) of assets that are under construction and have not been depreciated.

10. Goodwill

The carrying amount of goodwill acquired through business combinations has been allocated to a group of CGUs that combine to form a single operating segment, Automation Systems, as follows:

As at	March 31, 2019	March 31, 2018
Automation Systems	$ 551,643	$ 459,159

	2019	2018
Balance, at April 1	$ 459,159	$ 423,250
Acquisition of subsidiaries	110,420	–
Foreign exchange	(17,936)	35,909
Balance, at March 31	$ 551,643	$ 459,159

The Company performed its annual impairment test of goodwill as at March 31, 2019. The recoverable amount of the group of CGUs is determined based on fair value less costs to sell using a capitalized EBITDA approach. This approach requires management to estimate maintainable future EBITDA and capitalize this amount by rates of return which incorporate the specific risks and opportunities facing the business. EBITDA includes income before income taxes, net finance costs, depreciation and amortization.

In determining a maintainable future EBITDA, the historical operating results for the five years ended March 31, 2019 were compared to the budgeted results for the year ending March 31, 2020, as presented to and approved by the Board. Non-recurring and unusual items have been adjusted in order to normalize past EBITDA. Management selected capitalization rates in the range of 8.40% to 9.35% for the calculation of the reasonable range of capitalized EBITDA. As a result of the analysis, management did not identify impairment for this group of CGUs.

Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the group of CGUs.

11. Intangible assets

	Note	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands(i)	Total
Cost:							
Balance, at March 31, 2017		$ 15,843	$ 33,177	$ 22,532	$ 176,958	$ 12,754	$ 261,264
Additions		3,619	2,505	–	–	–	6,124
Disposals		–	(316)	(3,272)	–	–	(3,588)
Exchange and other adjustments		870	1,991	2,312	16,383	1,528	23,084
Balance, at March 31, 2018		$ 20,332	$ 37,357	$ 21,572	$ 193,341	$ 14,282	$ 286,884
Additions		4,215	5,470	10,139	–	–	19,824
Acquisition of subsidiaries	5	–	4,457	37,410	7,484	32,583	81,934
Disposals		–	(1,448)	–	–	–	(1,448)
Exchange and other adjustments		(690)	(724)	(1,267)	(8,097)	(1,018)	(11,796)
Balance, at March 31, 2019		$ 23,857	$ 45,112	$ 67,854	$ 192,728	$ 45,847	$ 375,398

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Amortization:						
Balance, at March 31, 2017	$ (6,240)	$ (21,189)	$ (13,097)	$ (64,669)	$ –	$ (105,195)
Amortization	(1,925)	(3,824)	(3,039)	(17,527)	–	(26,315)
Disposals	–	311	3,272	–	–	3,583
Exchange and other adjustments	(324)	(1,296)	(1,402)	(7,066)	–	(10,088)
Balance, at March 31, 2018	$ (8,489)	$ (25,998)	$ (14,266)	$ (89,262)	$ –	$ (138,015)
Amortization	(3,172)	(4,443)	(2,572)	(17,973)	(2,094)	(30,254)
Disposals	–	1,346	–	–	–	1,346
Exchange and other adjustments	146	652	652	3,994	26	5,470
Balance, at March 31, 2019	**$ (11,515)**	**$ (28,443)**	**$ (16,186)**	**$ (103,241)**	**$ (2,068)**	**$ (161,453)**
Net book value:						
At March 31, 2019	**$ 12,342**	**$ 16,669**	**$ 51,668**	**$ 89,487**	**$ 43,779**	**$ 213,945**
At March 31, 2018	$ 11,843	$ 11,359	$ 7,306	$ 104,079	$ 14,282	$ 148,869

(i) At April 1, 2018, the Company assessed a portion of its brand intangible assets to have a remaining useful life of three years. Previously, these assets were estimated to have indefinite useful lives. The carrying amount of the intangible assets estimated to have an indefinite life as at March 31, 2019 was $40,751 (March 31, 2018 – $14,282).

On December 6, 2018, the Company acquired substantially all of the intellectual property assets of Transformix Engineering Inc. (“Transformix”). Transformix’s CNCAssembly system, based on its patented Rapid Speed Matching technology, provides a method of linking and synchronizing the movements of devices and tooling to enable faster and more efficient assembly systems. Total consideration included $10,000 paid upon closing from the Company’s cash holdings. The acquired intellectual property asset is included in technology additions at March 31, 2019. Amortization of the intangible asset will begin when the asset is available for use which is expected to be in the second half of fiscal 2020. Over the next five years, potential future payments of up to $20,000 are payable based on sales which incorporate the acquired intellectual property assets. The commission expenses will be recognized as they are incurred.

Research and development costs that are not eligible for capitalization have been expensed and are recognized in cost of revenues.

The Company performed its annual impairment test of indefinite-lived intangible assets as at March 31, 2019. The recoverable amount of the related CGU was estimated based on a value-in-use calculation using the present value of the future cash flows expected to be derived by the related subsidiaries. This approach requires management to estimate cash flows that include EBIT less income taxes, depreciation and amortization and capital expenditures.

In determining future cash flows, the budgeted results for the year ending March 31, 2020, as presented to and approved by the Board, were extrapolated for a five-year period. Management used a pre-tax discount of 15% to determine the present value of the future cash flows. As a result of the analysis, management did not identify an impairment of the intangible assets and any reasonable change in assumptions would not result in impairment.

12. Financial instruments and risk management

(a) Summary of financial instruments:

(i) Categories of financial instruments:

The carrying values of the Company's financial instruments are classified into the following categories:

As at				March 31, 2019
	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Total carrying value
Financial assets:				
Cash and cash equivalents	$ –	$ 224,540	$ –	$ 224,540
Trade accounts receivable	–	198,336	–	198,336
Financial liabilities:				
Bank indebtedness	–	(1,950)	–	(1,950)
Trade accounts payable and accrued liabilities	–	(213,645)	–	(213,645)
Long-term debt	–	(346,797)	–	(346,797)
Derivative instruments:				
Held for trading derivatives that are not designated in hedge accounting relationships – loss[(i)]	(75)	–	–	(75)
Derivative instruments in designated hedge accounting relationships – loss[(i)]	–	–	(74)	(74)
Cross-currency interest rate swap – loss[(ii)]	–	–	(4,217)	(4,217)

(i) Derivative financial instruments in a gain position are included in deposits, prepaids and other assets, and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

(ii) The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

As at				March 31, 2018
	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Total carrying value
Financial assets:				
Cash and cash equivalents	$ –	$ 330,148	$ –	$ 330,148
Trade accounts receivable	–	195,329	–	195,329
Financial liabilities:				
Bank indebtedness	–	(2,668)	–	(2,668)
Trade accounts payable and accrued liabilities	–	(187,150)	–	(187,150)
Long-term debt	–	(315,522)	–	(315,522)
Derivative instruments:				
Held for trading derivatives that are not designated in hedge accounting relationships – loss[(i)]	(1,501)	–	–	(1,501)
Derivative instruments in designated hedge accounting relationships – loss[(i)]	–	–	(55)	(55)
Cross-currency interest rate swap – loss[(ii)]	–	–	(30,908)	(30,908)

(i) Derivative financial instruments in a gain position are included in deposits, prepaids and other assets, and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

(ii) The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

During the years ended March 31, 2019 and March 31, 2018, there were no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

(ii) Fair value measurements:

The following table summarizes the Company's financial instruments that are carried or disclosed at fair value and indicates the fair value hierarchy that reflects the significance of the inputs used in making the measurements:

As at					March 31, 2019
	Carrying value	Level 1	Level 2	Level 3	Fair value total
Measured at fair value:					
Held for trading derivatives that are not designated in hedge accounting relationships	$ (75)	$ –	$ (75)	$ –	$ (75)
Derivative instruments in designated hedge accounting relationships	(74)	–	(74)	–	(74)
Cross-currency interest rate swap	(4,217)	–	(4,217)	–	(4,217)
Disclosed at fair value:					
Bank indebtedness	(1,950)	–	(1,950)	–	(1,950)
Long-term debt	(346,797)	–	(346,797)	–	(346,797)

As at					March 31, 2018
	Carrying value	Level 1	Level 2	Level 3	Fair value total
Measured at fair value:					
Held for trading derivatives that are not designated in hedge accounting relationships	$ (1,501)	$ –	$ (1,501)	$ –	$ (1,501)
Derivative instruments in designated hedge accounting relationships	(55)	–	(55)	–	(55)
Cross-currency interest rate swap	(30,908)	–	(30,908)	–	(30,908)
Disclosed at fair value:					
Bank indebtedness	(2,668)	–	(2,668)	–	(2,668)
Long-term debt	(315,522)	–	(315,522)	–	(315,222)

The estimated fair values of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity. The estimated fair value of long-term debt approximates the carrying value due to interest rates approximating current market values.

Derivative financial instruments are carried at fair value. The fair value of the Company's derivative instruments is estimated using a discounted cash flow technique incorporating inputs that are observable in the market or can be derived from observable market data. The derivative contract counterparties are highly rated multinational financial institutions.

During the years ended March 31, 2019 and March 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Risks arising from financial instruments and risk management:

The Company manages its market risk through the use of various financial derivative instruments. The Company uses these instruments to mitigate exposure to fluctuations in foreign exchange rates. The Company's strategy, policies and controls are designed to ensure that the risks it assumes comply with the Company's internal objectives and its risk tolerance. The Company does not enter into derivative financial agreements for speculative purposes. As such, any change in cash flows associated with derivative instruments is designed to be offset by changes in cash flows of the relevant risk being hedged.

When appropriate, the Company applies hedge accounting. Hedging does not guard against all risks and is not always effective. The Company may recognize financial losses as a result of volatility in the market values of these contracts. The fair values of these instruments represent the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of these derivatives is determined using valuation techniques such as discounted cash flow analysis. The valuation technique incorporates all factors that would be considered in setting a price, including the Company's own credit risk as well as the credit risk of the counterparty.

Foreign currency risk

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar, the U.S. dollar and the Euro. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies that may have an impact on operating results and cash flows. The types of foreign exchange risk can be categorized as follows:

Translation exposure

Each foreign operation's assets and liabilities are translated from the subsidiary's functional currency into Canadian dollars using the exchange rates in effect at the consolidated statement of financial position date. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the foreign operations.

Foreign currency risks arising from the translation of assets and liabilities of foreign operations into the Company's functional currency are hedged under certain circumstances. The Company has assessed the net foreign currency exposure of operations relative to their own functional currency. A fluctuation of +/- 5% in the Euro and U.S. dollar, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on accumulated other comprehensive income for the year ended March 31, 2019 of approximately +/- $58,927 and $6,777, respectively (2018 +/- $26,914 and $7,191), and on income before income taxes for the year ended March 31, 2019 of approximately +/- $187 and $342, respectively (2018 +/- $373 and $494).

Foreign-currency-based earnings are translated into Canadian dollars each period at prevailing rates. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income.

Transaction exposure

The Company generates significant revenues in foreign currencies, which exceed the natural hedge provided by purchases of goods and services in those currencies. The Company's risk management objective is to reduce cash flow risk related to foreign-currency-denominated cash flows. In order to manage foreign currency exposure in subsidiaries that have transaction exposure in currencies other than the subsidiary's functional currency, the Company enters into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contracts are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets and the Company's past experience. As such, there is not a material transaction exposure.

The Company's U.S.-dollar-denominated Senior Notes are translated into Canadian dollars at the foreign exchange rate in effect at the consolidated statement of financial position dates. As a result, the Company is exposed to foreign currency translation gains and losses. The Company uses cross-currency interest rate swaps as derivative financial instruments to hedge a portion of its foreign exchange risk related to the Senior Notes. The balance of the Senior Notes is designated as a hedge of the U.S.-dollar-denominated net investment in foreign operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. The Company manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous taking into account all relevant factors, including credit margin, term and basis. The risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. As at March 31, 2019, $1,950 or 1.0% (March 31, 2018 – $2,668 or 1.0%) of the Company's total debt is subject to movements in floating interest rates. A +/- 1% change in interest rates in effect for the fiscal year would, all things being equal, have an impact of +/- $20 on income before income taxes for the year ended March 31, 2019 (March 31, 2018 +/- $27).

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist mainly of cash and cash equivalents, accounts receivable and derivative financial instruments. The carrying values of these assets represent management's assessment of the associated maximum exposure to such credit risk. Cash and cash equivalents are held by major financial institutions. 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

industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's client base being primarily large, multinational customers and a portion of these balances being insured by a third party.

Trade receivables – aged by due date as at	March 31, 2019	March 31, 2018
Current	$ 161,130	$ 161,791
1–30 days	17,185	20,982
31–60 days	3,988	4,236
61–90 days	3,080	4,040
Over 90 days	15,843	7,158
Total	$ 201,226	$ 198,207

The movement in the Company's allowance for doubtful accounts for the years ended March 31 was as follows:

	2019	2018
Balance, at April 1	$ 2,878	$ 1,759
Provision for doubtful accounts	1,199	2,279
Amounts written off	(1,172)	(921)
Recoveries	(58)	(321)
Foreign exchange	43	82
Balance, at March 31	$ 2,890	$ 2,878

The Company minimizes credit risk associated with derivative financial instruments by only entering into derivative transactions with highly rated multinational financial institutions, in order to reduce the risk of counterparty default. The Company reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. The Company's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company requires authorizations for expenditures on projects and prepares annual capital expenditure budgets to assist with the management of capital. The Company's accounts payable primarily have contractual maturities of less than 90 days, and the contractual cash flows equal their carrying values.

Trade payables – aged by due date as at	March 31, 2019	March 31, 2018
0–30 days	$ 62,190	$ 60,848
31–60 days	15,987	11,274
61–90 days	6,487	3,203
Over 90 days	2,148	1,656
Total	$ 86,812	$ 76,981

As at March 31, 2019, the Company was holding cash and cash equivalents of $224,540 (March 31, 2018 – $330,148) and had unutilized lines of credit of $632,618 (March 31, 2018 – $656,267). The Company expects that continued cash flows from operations in fiscal 2019, together with cash and cash equivalents on hand and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, property, plant and equipment and strategic investments including some potential acquisitions, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

The Company's long-term debt obligations and scheduled interest payments are presented in note 15.

(c) Hedge accounting and risk management contracts:

Cash flow hedges – foreign currency risk of forecasted purchases and sales

The Company manages foreign exchange risk on its highly probable forecasted revenue and purchase transactions denominated in various foreign currencies. The Company has identified foreign exchange fluctuation risk as the hedged risk. To mitigate the risk, forward currency contracts are designated as the hedging instrument and are entered into to hedge a portion of the purchases and sales. The forward currency contracts limit the risk of variability in cash flows arising from foreign currency fluctuations. The Company has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

Cash flow hedges – foreign currency risk on foreign-currency-denominated Senior Notes

The Company uses cross-currency interest rate 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. $150,000 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 has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

During the years ended March 31, 2019 and March 31, 2018, there were no unrealized gains or losses recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges.

Hedge of Euro-denominated net investment in foreign operations

The Company manages foreign exchange risk on its Euro-denominated net investments. The Company uses a cross-currency interest rate swap as a derivative financial instrument 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 134,084 Euros into Canadian dollars. The Company will receive interest of 6.501% Canadian per annum and pay interest of 5.094% Euro. The terms of the hedging relationship will end on June 15, 2023. The Company has established a hedge ratio of 1:1 for all of its hedging relationships. The Company has identified counterparty credit risk as the only potential source of hedge ineffectiveness.

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

As at								March 31, 2019
			Carrying amount		Hedging instrument	Hedged item	Cash flow hedge reserves	
Currency sold	Currency bought	Nominal amount (in CAD)	Assets	Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value used for calculating hedge ineffectiveness	For continuing hedges	For discontinued hedges
Derivative hedging instruments[(i)]								
Pound sterling	Canadian dollars	21,536	–	314	314	314	314	–
U.S. dollars	Canadian dollars	81,356	–	908	908	908	908	–
U.S. dollars	Euros	1,122	–	51	51	51	51	–
Euros	Canadian dollars	15,310	1,350	–	1,350	1,350	1,350	–
Euros	U.S. dollars	9,230	–	152	152	152	152	–
Cross-currency interest rate swap instruments[(ii)]								
U.S. dollars	Canadian dollars	200,400	2,446	–	7,826	7,826	2,446	–
Canadian dollars	Euros	200,965	–	6,663	18,865	18,865	6,663	–

As at								March 31, 2018
			Carrying amount		Hedging instrument	Hedged item	Cash flow hedge reserves	
Currency sold	Currency bought	Nominal amount (in CAD)	Assets	Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Changes in fair value used for calculating hedge ineffectiveness	For continuing hedges	For discontinued hedges
Derivative hedging instruments[(i)]								
U.S. dollars	Canadian dollars	69,025	373	–	373	373	373	–
U.S. dollars	Euros	4,535	240	–	240	240	240	–
Euros	Canadian dollars	65,339	–	661	661	661	661	–
Euros	U.S. dollars	7,308	–	2	2	2	2	–
Canadian dollars	Euros	711	–	6	6	6	6	–
Cross-currency interest rate swap instruments[(ii)]								
U.S. dollars	Canadian dollars	193,455	–	5,380	5,420	5,420	5,380	–
Canadian dollars	Euros	213,006	–	25,528	34,736	34,736	25,528	–

(i) Derivative hedging instruments in a gain position are included in deposits, prepaids and other assets, and derivative hedging instruments in a loss position are included in accounts payable and accrued liabilities on the consolidated statements of financial position.

(ii) The cross-currency interest rate swap instrument in a gain position is included in other assets on the consolidated statements of financial position. The cross-currency interest rate swap instrument in a loss position is included in other long-term liabilities on the consolidated statements of financial position.

As at March 31, 2019, the Company is holding the following forward foreign exchange contracts to hedge the exposure on its revenues and purchases:

As at											March 31, 2019
		Less than 3 months		3 to 6 months		6 to 9 months		9 to 12 months		1 to 2 years	
Currency sold	Currency bought	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate
Revenue hedges											
Pound sterling	Canadian dollars	3,862	1.715	3,575	1.720	6,609	1.726	3,810	1.733	3,679	1.741
U.S. dollars	Canadian dollars	15,818	1.316	13,433	1.317	14,696	1.316	15,364	1.312	22,044	1.309
U.S. dollars	Euros	703	1.186	142	1.214	184	1.178	92	1.188	–	–
Euros	Canadian dollars	3,125	1.733	3,147	1.607	3,972	1.615	5,066	1.651	–	–
Purchase hedges											
Euros	U.S. dollars	2,958	1.147	4,037	1.154	1,430	1.164	425	1.174	380	1.177

As at											March 31, 2018
		Less than 3 months		3 to 6 months		6 to 9 months		9 to 12 months		1 to 2 years	
Currency sold	Currency bought	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate
Revenue hedges											
U.S. dollars	Canadian dollars	22,035	1.276	15,264	1.292	15,347	1.298	13,155	1.305	3,224	1.328
U.S. dollars	Euros	2,299	1.183	1,595	1.182	641	1.158	–	–	–	–
Euros	Canadian dollars	2,327	1.667	16,180	1.579	13,296	1.599	11,883	1.607	21,653	1.619
Purchase hedges											
Canadian dollars	Euros	601	1.575	110	1.607	–	–	–	–	–	–
Euros	U.S. dollars	3,336	1.237	1,827	1.246	2,145	1.255	–	–	–	–

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

As at				March 31, 2019
Cash flow hedges	Change in the value of the hedging instrument recognized in OCI gain (loss)	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss gain (loss)	Line item affected in profit or loss because of the reclassification
Foreign exchange risk:				
Revenue hedges	(126)	–	(183)	Revenues
Purchase hedges	145	–	(273)	Cost of revenues
Euro net investment hedge	7,826	–	–	Net finance costs

As at				March 31, 2018
Cash flow hedges	Change in the value of the hedging instrument recognized in OCI gain (loss)	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss gain (loss)	Line item affected in profit or loss because of the reclassification
Foreign exchange risk:				
Revenue hedges	881	–	(1,205)	Revenues
Purchase hedges	(197)	–	468	Cost of revenues
Euro net investment hedge	(5,420)	–	–	Net finance costs

Instruments not subject to hedge accounting

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

For the year ended March 31, 2019, the Company recorded risk management losses of $4,365 (losses of $4,132 for the year ended March 31, 2018) on foreign currency risk management forward contracts in the consolidated statements of income. Included in these amounts were unrealized losses of $3,714 (gains of $957 during the year ended March 31, 2018), representing the change in fair value. In addition, during the year ended March 31, 2019, the Company realized losses in foreign exchange of $651 (losses of $5,089 during the year ended March 31, 2018), which were settled.

13. Provisions

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2017	$ 8,175	$ 978	$ 4,971	$ 14,124
Provisions made	5,543	11,212	8,923	25,678
Provisions reversed	(2,203)	–	–	(2,203)
Provisions used	(2,699)	(6,446)	(7,986)	(17,131)
Exchange adjustments	349	189	(12)	526
Balance, at March 31, 2018	$ 9,165	$ 5,933	$ 5,896	$ 20,994
Provisions made	3,468	4	6,607	10,079
Acquisition of subsidiaries	1,337	–	–	1,337
Provisions reversed	(2,808)	–	(600)	(3,408)
Provisions used	(2,717)	(5,108)	(7,056)	(14,881)
Exchange adjustments	(159)	(44)	25	(178)
Balance, at March 31, 2019	**$ 8,286**	**$ 785**	**$ 4,872**	**$ 13,943**

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.

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.

14. Employee benefits

The Company operates pension plans for certain of its employees through defined contribution plans, defined benefit plans and other long-term employee benefit plans. The costs associated with defined contribution plans are expensed as incurred. The most recent actuarial valuations of the defined benefit plans and other long-term employee benefit plans were completed as at March 31, 2019. The next valuations are scheduled to be as at March 31, 2020.

The changes in the fair value of assets, the employee benefit obligation and the funded status were as follows:

As at	March 31, 2019	March 31, 2018
Accrued benefit obligations:		
Opening balance	$ 31,732	$ 29,572
Acquisition of subsidiary	1,033	–
Interest cost	663	744
Service cost	216	222
Assumption changes	675	464
Transfers and benefits paid	(1,289)	(1,322)
Foreign exchange	(1,079)	2,052
Accrued benefit obligations, ending balance	$ 31,951	$ 31,732
Plan assets:		
Opening balance	$ 3,581	$ 2,904
Interest income included in net interest expense	159	162
Company contributions	144	304
Foreign exchange	(120)	211
Plan assets, ending balance	$ 3,764	$ 3,581
Employee benefits liability	$ 28,187	$ 28,151

Amounts recognized in the consolidated statements of comprehensive income (before tax) were as follows:

As at	March 31, 2019	March 31, 2018
Total actuarial losses recognized in OCI	$ (675)	$ (534)

The significant weighted average annual actuarial assumptions used in measuring the accrued benefit obligation were as follows:

As at	March 31, 2019	March 31, 2018
Discount rate	2.2%	2.3%
Rate of compensation increase	0.2%	0.3%

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and life expectancy. The sensitivity analyses have been performed based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

As at March 31, 2019, the following quantitative analysis shows changes to the significant actuarial assumptions and the corresponding impact on the accrued benefit obligations:

	Discount rate		Life expectancy	
	1% increase	1% decrease	Increase by 1 year	Decrease by 1 year
Accrued benefit obligations	$ (3,799)	$ 4,726	$ 1,040	$ (1,034)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation from one another as some of the assumptions may be correlated.

The weighted average allocations of plan assets were:

As at	March 31, 2019	March 31, 2018
Other	100.0%	100.0%

No plan assets were directly invested in the Company's securities.

The net employee benefits expense included the following components:

Years ended	March 31, 2019	March 31, 2018
Defined benefit plans		
Service cost	$ 216	$ 222
Interest cost	663	744
	879	966
Defined contribution plans	3,890	3,170
Net employee benefits expense	$ 4,769	$ 4,136

The Company expects to contribute $144 to its defined benefit plans during the year ending March 31, 2020.

The cumulative actuarial losses, net of income taxes, recognized in retained earnings as at March 31, 2019 were $6,346 (March 31, 2018 – $5,683).

15. Bank indebtedness and long-term debt

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 $750,000. 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, 2019, the Company had utilized $134,336 under the Credit Facility, by way of letters of credit (March 31, 2018 – $108,541).

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 0.45% 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, 2019, all of the covenants were met.

The Company has additional credit facilities available of $38,561 (15,324 Euros, $10,034 U.S., 50,000 Thai Baht and 1,489 Czech Koruna). The total amount outstanding on these facilities at March 31, 2019 was $20,589, of which $1,950 was classified as bank indebtedness (March 31, 2018 – $2,668) and $18,639 was classified as long-term debt (March 31, 2018 – $739). The interest rates applicable to the credit facilities range from 0.60% to 8.25% 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 March 31, 2019, 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	March 31, 2019	March 31, 2018
Other facilities	$ 1,950	$ 2,668

(ii) Long-term debt:

As at	March 31, 2019	March 31, 2018
Senior Notes	$ 334,000	$ 322,425
Other facilities	18,639	739
Issuance costs	(5,842)	(7,642)
	346,797	315,522
Less: current portion	18,550	393
	$ 328,247	$ 315,129

Scheduled principal repayments and interest payments on long-term debt as at March 31, 2019 are as follows:

		Principal		Interest
Less than one year	$	18,550	$	21,899
One–two years		70		21,710
Two–three years		19		21,710
Three–four years		–		21,710
Four–five years		334,000		10,855
	$	352,639	$	97,884

16. Share capital

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

On December 3, 2018, the Company announced its intention to make a normal course issuer bid ("NCIB") to purchase for cancellation up to 3,000,000 common shares before December 4, 2019. As at March 31, 2019 the Company had purchased 2,509,120 common shares for $39,279 under the NCIB program. All purchases are made in accordance with the bid at prevalent market prices plus brokerage fees, or such other prices that may be permitted by the Toronto Stock Exchange, with consideration 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 share repurchased for the year ended March 31, 2019 was $15.65.

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, 2017	93,602,026	$	543,317
Exercise of stock options	399,666		5,430
Balance, at March 31, 2018	94,001,692	$	548,747
Exercise of stock options	416,842		7,145
Repurchase of common shares	(2,509,120)		(39,279)
Balance, at March 31, 2019	**91,909,414**	**$**	**516,613**

17. 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:

Years ended	March 31, 2019	March 31, 2018
Income before income taxes and non-controlling interest	$ 93,886	$ 61,696
Combined Canadian basic federal and provincial income tax rate	26.50%	26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	$ 24,880	$ 16,349
Increase (decrease) in income taxes resulting from:		
Adjustments in respect to current income tax of previous periods	1,010	1,288
Non-taxable income net of non-deductible expenses	(1,727)	(3,181)
Recognition/use of previously unrecognized assets	976	939
Income taxed at different rates and statutory rate changes	(476)	(71)
Manufacturing and processing allowance and all other items	(1,539)	(837)
At the effective income tax rate of 25% (2018 – 23%)	$ 23,124	$ 14,487
Income tax expense reported in the consolidated statements of income:		
Current tax expense	$ 9,406	$ 13,621
Deferred tax expense	13,718	866
	$ 23,124	$ 14,487
Deferred tax related to items charged or credited directly to equity:		
Net (loss) gain on revaluation of cash flow hedges	$ (1,943)	$ 1,178
Opening deferred tax of acquired company	(22,670)	–
Other items recognized through equity	1,760	(3,512)
Income tax charged directly to equity	$ (22,853)	$ (2,334)

(ii) Components of deferred income tax assets and liabilities:

Deferred income taxes are provided for the differences between accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities comprise the following:

As at	March 31, 2019	March 31, 2018
Accounting income not currently taxable	$ (42,404)	$ (33,777)
Intangible assets	(49,680)	(30,827)
Investment tax credits taxable in future years when utilized	(12,918)	(11,903)
Loss available for offset against future taxable income	16,292	14,809
Property, plant and equipment	4,610	2,003
Scientific research and experimental development expenditures available for offset against future taxable income	4,785	16,010
Other	3,924	3,765
Net deferred income tax liability	$ (75,391)	$ (39,920)

Presented as:		March 31, 2019		March 31, 2018
Deferred income tax assets	$	3,194	$	2,987
Deferred income tax liabilities		(78,585)		(42,907)
Net deferred income tax liability	$	(75,391)	$	(39,920)

Unrecognized deferred income tax assets: Deferred income tax assets have not been recognized in respect of the following items (gross amount):

As at		March 31, 2019		March 31, 2018
Deductible temporary differences	$	196	$	510
Loss available for offset against future taxable income		52,028		57,876
	$	52,224	$	58,386

Loss carryforwards: As at March 31, 2019, the Company has the following net operating loss carryforwards that are scheduled to expire in the following years:

As at				March 31, 2019
Year of expiry		Non-Canadian		Canadian
2020–2024	$	6,973	$	–
2025–2029		5,649		–
2030–2039		17,665		42,939
No expiry		8,988		–
	$	39,275	$	42,939

As at				March 31, 2018
Year of expiry		Non-Canadian		Canadian
2020–2024	$	6,216	$	–
2025–2029		4,862		3,712
2030–2038		11,271		43,453
No expiry		11,567		–
	$	33,916	$	47,165

In addition, the Company has no U.S. federal and state capital loss carryforwards (March 31, 2018 – U.S. $13,456). The Company has Canadian capital loss carryforwards of $288,492 (March 31, 2018 – $288,177) that do not expire.

Investment tax credits: As at March 31, 2019, the Company has investment tax credits available to be applied against future taxes payable in Canada of approximately $53,674 and in foreign jurisdictions of approximately $12,287. The investment tax credits are scheduled to expire as follows:

Year of expiry		Gross ITC balance
2026–2029	$	22,201
2030–2034		20,818
2035–2039		22,942
	$	65,961

The benefit of $62,953 (March 31, 2018 – $57,012) of these investment tax credits has been recognized in the consolidated financial statements. Unrecognized investment tax credits are scheduled to expire between 2026 and 2039.

(iii):

The Company has determined that as of the reporting date, undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

(iv):

There are temporary differences of $96,896 associated with investments in subsidiaries for which no deferred income tax liability has been recognized.

18. Stock-based compensation

Employee Share Purchase Plan

Under the terms of the Company's Employee Share Purchase Plan, qualifying employees of the Company may set aside funds through payroll deductions for an amount up to a maximum of 10% of their base salary or $10,000 in any one calendar year. Subject to the member not making withdrawals from the plan, the Company makes contributions to the plan equal to 20% of a member's contribution to the plan during the year, up to a maximum of 1% of the member's salary or $2,000. Shares for the plan may be issued from treasury or purchased in the market as determined by the Company's Board of Directors. During the years ended March 31, 2019 and March 31, 2018, no shares were issued from treasury related to the plan.

Deferred Stock Unit Plan

The Company offers a Deferred Stock Unit Plan ("DSU Plan") for members of the Board. Under the DSU Plan, each non-employee director may elect to receive all or a portion of his or her annual compensation in the form of notional common shares of the Company called deferred stock units ("DSUs"). The issue and redemption prices of each DSU are based on a five-day volume weighted average trading price of the Company's common shares for the five trading days prior to issuance or redemption. Under the terms of the DSU Plan, directors are not entitled to convert DSUs into cash until retirement from the Board. The value of each DSU, when converted to cash, will be equal to the market value of a common share of the Company at the time the conversion takes place. During the year ended March 31, 2019, the Company granted 50,069 units (March 31, 2018 – 81,436). During the year ended March 31, 2019, 239,597 units (March 31, 2018 – nil), were redeemed upon directors retirement from the Board. As at March 31, 2019, the value of the outstanding liability related to the DSUs was $6,767 (2018 – $9,542). The DSU liability is revalued at each reporting date based on the change in the Company's stock price. The DSU liability is included in accounts payable and accrued liabilities on the consolidated statements of financial position. The change in the value of the DSU liability is included in the consolidated statements of income in the period of the change.

Stock Option Plan

The Company uses a stock option plan to attract and retain key employees, officers and directors. Under the Company's 1995 Stock Option Plan (the "1995 Plan"), the shareholders have approved a maximum of 5,991,839 common shares for issuance, with the maximum reserved for issuance to any one person at 5% of the common shares outstanding at the time of the grant. Time-vested stock options vest over four-year periods. Performance-based stock options vest based on the Company's stock trading at or above a threshold for a specified number of minimum trading days in a fiscal quarter. For time-vested stock options, the exercise price is the price of the Company's common shares on the Toronto Stock Exchange at closing for the day prior to the date of the grant. For performance-based stock options, the exercise price is either the price of the Company's common shares on the Toronto Stock Exchange at closing for the day prior to the date of the grant or the five-day volume weighted average price of the Company's common shares on the Toronto Stock Exchange prior to the date of the grant. Stock options granted under the 1995 Plan may be exercised during periods not exceeding seven years from the date of grant, subject to earlier termination upon the option holder ceasing to be a director, officer or employee of the Company. Stock options issued under the 1995 Plan are non-transferable. Any stock option granted that is cancelled or terminated for any reason prior to exercise is returned to the pool and becomes available for future stock option grants. In the event that the stock option would otherwise expire during a restricted trading period, the expiry date of the stock option is extended to the 10th business day following the date of expiry of such period. In addition, the 1995 Plan restricts the granting of stock options to insiders that may be under the 1995 Plan.

Under the Company's 2006 Stock Option Plan (the "2006 Plan"), the shareholders have approved a maximum of 5,159,000 common shares for issuance. The terms of the 2006 Plan are identical to those of the 1995 Plan, except that the maximum number of common shares to be issued pursuant to the issue of options under the 2006 Plan is 5,159,000 common shares.

As at March 31, 2019, there are a total of 2,618,691 common shares remaining for future stock option grants under both plans (March 31, 2018 – 2,740,774).

Years ended March 31		2019		2018
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of year	1,818,958	$ 12.73	2,274,724	$ 12.60
Granted	199,688	20.30	300,625	12.77
Exercised[i]	(416,842)	12.98	(399,666)	10.36
Forfeited	(77,606)	14.47	(356,725)	14.58
Stock options outstanding, end of year	1,524,198	$ 13.61	1,818,958	$ 12.73
Stock options exercisable, end of year, time-vested options	608,781	$ 13.29	738,250	$ 12.97
Stock options exercisable, end of year, performance-based options	333,333	$ 11.60	333,333	$ 11.60

(i) For the year ended March 31, 2019, the weighted average share price at the date of exercise was $19.33 (March 31, 2018 – $15.36).

As at March 31, 2019		Stock options outstanding		Stock options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$8.85–$10.50	219,000	3.34 years	$ 10.13	118,000	$ 9.85
$10.51–$12.50	242,167	1.17 years	10.60	242,167	10.60
$12.51–$14.50	583,042	3.49 years	12.92	374,134	13.20
$14.51–$20.30	479,989	4.37 years	17.56	207,813	15.83
$8.85–$20.30	1,524,198	3.38 years	$ 13.61	942,114	$ 12.69

The expense associated with the Company's performance-based stock options is recognized in income over the estimated assumed vesting period at the time the stock options are granted. Upon the Company's stock price trading at or above a stock price performance threshold for a specified minimum number of trading days, the options vest. When the performance-based stock options vest, the Company is required to recognize all previously unrecognized expenses associated with the vested stock options in the period in which they vest.

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.

Years ended March 31		2019		2018
Weighted average risk-free interest rate		2.11%		0.92%
Dividend yield		0%		0%
Weighted average expected volatility		28%		29%
Weighted average expected life		4.75 years		4.75 years
Number of stock options granted:				
Time-vested		199,688		300,625
Weighted average exercise price per option	$	20.30	$	12.77
Weighted average value per option:				
Time-vested	$	5.61	$	3.37

Restricted Share Unit Plan

During the year ended March 31, 2019, the Company granted 193,201 time-vesting restricted share units ("RSUs") (211,398 in the year ended March 31, 2018). 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 year ended March 31, 2019, the Company granted 145,900 performance-based RSUs (211,712 in the year ended March 31, 2018). 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 1.1 years. The RSU liability is recognized quarterly based on the expired portion of the vesting period and the change in the Company's stock price. At March 31, 2019, the value of the outstanding liability related to the RSU plan was $8,559 (March 31, 2018 – $5,699).

19. Commitments and contingencies

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

		Operating leases		Purchase obligations
Less than one year	$	12,327	$	124,183
One–two years		10,176		2,436
Two–three years		8,192		1,779
Three–four years		5,007		173
Four–five years		3,228		174
Due in over five years		3,948		–
	$	42,878	$	128,745

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

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

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide letters of credit as security for advances received from customers pending delivery and contract performance. In addition, the Company provides letters of credit for post-retirement obligations and may provide letters of credit as security on equipment under lease and on order. As at March 31, 2019, the total value of outstanding letters of credit was approximately $203,254 (March 31, 2018 – $137,148).

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

20. 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 location of the respective operations.

As at		March 31, 2019
	Property, plant and equipment	Intangible assets
Canada	$ 34,977	$ 22,353
United States	14,329	16,473
Germany	40,276	95,754
Other Europe	4,483	79,232
Other	3,604	133
Total Company	$ 97,669	$ 213,945

As at		March 31, 2018
	Property, plant and equipment	Intangible assets
Canada	$ 30,148	$ 10,147
United States	15,701	19,018
Germany	33,748	118,961
Other Europe	1,657	496
Other	3,848	247
Total Company	$ 85,102	$ 148,869

Revenues from external customers for the years ended	March 31, 2019	March 31, 2018
Canada	$ 91,340	$ 60,988
United States	399,529	436,197
Germany	342,178	194,726
Other Europe	258,193	215,798
Other	162,376	207,221
Total Company	$ 1,253,616	$ 1,114,930

For the year ended March 31, 2019, the Company did not have revenues from any single customer that amounted to 10% or more of total consolidated revenues. For the year ended March 31, 2018, the Company did not have revenues from any single customer that amounted to 10% or more of total consolidated revenues.

21. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers:

Revenues by market for the years ended	March 31, 2019	March 31, 2018
Consumer products & electronics	$ 203,313	$ 160,565
Energy	139,507	136,950
Life sciences	608,490	518,043
Transportation	302,306	299,372
Total Company	$ 1,253,616	$ 1,114,930

Timing of revenue recognition based on transfer of control for the years ended	March 31, 2019	March 31, 2018
Goods and services transferred at a point in time	$ 90,005	$ 79,979
Goods and services transferred over time	1,163,611	1,034,951
Total Company	$ 1,253,616	$ 1,114,930

(b) Backlog:

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at March 31, 2019. The amounts disclosed below represent the value of firm orders and do not include constrained variable consideration or letters of intent. Such orders may be subject to future modifications that could impact the amount and/or timing of revenue recognition.

Revenues expected to be recognized in:	March 31, 2019	March 31, 2018
Less than one year	$ 734,000	$ 630,000
Thereafter	169,800	116,000
Total	$ 903,800	$ 746,000

(c) Contract balances:

As at	March 31, 2019	March 31, 2018
Trade receivables	$ 198,336	$ 195,329
Contract assets	213,553	164,917
Contract liabilities	(161,139)	(95,912)
Unearned revenue[i]	(30,475)	(38,542)
Net contract balances	$ 220,275	$ 225,792

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

During the year ended March 31, 2019, the Company completed its acquisitions of KMW and Comecer which included incremental contract balances as described in note 5.

As at	March 31, 2019	March 31, 2018
Contracts in progress:		
Costs incurred	$ 1,284,332	$ 1,139,038
Estimated earnings	510,381	391,009
	1,794,713	1,530,047
Progress billings	(1,742,299)	(1,461,042)
Net contract assets and liabilities	$ 52,414	$ 69,005

During the year ended March 31, 2019, the Company recognized as revenues $128,195 of the opening contract liabilities and unearned revenues at April 1, 2018.

22. Net finance costs

Years ended	March 31, 2019	March 31, 2018
Interest expense	$ 26,017	$ 25,689
Interest income	(5,108)	(1,923)
	$ 20,909	$ 23,766

23. Earnings per share

Years ended	March 31, 2019	March 31, 2018
Weighted average number of common shares outstanding	93,542,314	93,734,117
Dilutive effect of stock option conversion	508,531	301,083
Diluted weighted average number of common shares outstanding	94,050,845	94,035,200

For the year ended March 31, 2019, stock options to purchase 186,239 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 (725,000 common shares were excluded for the year ended March 31, 2018).

24. Capital management

The Company's capital management framework is designed to ensure the Company has adequate liquidity, financial resources and borrowing capacity to allow financial flexibility and to provide an adequate return to shareholders. The Company defines capital as the aggregate of equity (excluding accumulated other comprehensive income), bank indebtedness, long-term debt and cash and cash equivalents.

The Company monitors capital using the ratio of total debt to equity. Total debt includes bank indebtedness and long-term debt as shown on the consolidated statements of financial position. Net debt consists of cash and cash equivalents less total debt. Equity includes all components of equity, less accumulated other comprehensive income. This is unchanged from the previous year. The Company also monitors an externally imposed covenant of debt to EBITDA of not greater than 3 to 1. EBITDA includes income before income taxes, less net finance costs, depreciation and amortization. For the years ended March 31, 2019 and March 31, 2018, the Company operated with a ratio below the externally imposed covenant. The Company is prepared to increase the total debt-to-equity ratio and net debt-to-EBITDA ratio if appropriate opportunities arise.

The capital management criteria can be illustrated as follows:

As at	March 31, 2019	March 31, 2018
Equity excluding accumulated other comprehensive income	$ 720,082	$ 682,943
Long-term debt	346,797	315,522
Bank indebtedness	1,950	2,668
Cash and cash equivalents	(224,540)	(330,148)
Capital under management	$ 844,289	$ 670,985
Debt-to-equity ratio	0.48:1	0.47:1

25. Related party disclosure

On April 1, 2014, the Company entered into an agreement with a shareholder, Mason Capital Management, LLC ("Mason Capital"), pursuant to which Mason Capital agreed to provide ATS with ongoing strategic and capital markets advisory services for an annual fee of U.S. $500. 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 or as a member of any committee of the Board.

The remuneration of the Board and key management personnel is determined by the Board on recommendation from the Human Resources Committee of the Board:

As at	March 31, 2019	March 31, 2018
Short-term employee benefits	$ 6,321	$ 5,550
Fees	656	642
Stock-based compensation	5,379	4,669
Post-employment benefits	50	57
Total remuneration	$ 12,406	$ 10,918

Stock-based compensation represents the remuneration of the Board and of key management personnel and is reported in the consolidated statements of income as stock-based compensation expense.