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ITEM 1 – INFORMATION INCORPORATED BY REFERENCE

The information that appears in the annual Management’s Discussion and Analysis for the fiscal year ended March 31, 2012 (the "fiscal 2012 MD&A") of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") is hereby incorporated by reference in, and forms part of, this Annual Information Form ("AIF"). The 2012 MD&A is available at www.sedar.com and on the Company’s website at www.atsautomation.com.

ITEM 2 – CORPORATE STRUCTURE

ATS was established by way of an amalgamation of ATS Inc. and 988740 Ontario Limited under the laws of the Province of Ontario pursuant to the Business Corporations Act through articles of amalgamation dated July 31, 1992. ATS amended its articles on December 7, 1993 to subdivide its outstanding share capital on a four for one basis. ATS further amended its articles on each of November 27, 1996 and on November 27, 1997 to subdivide its outstanding share capital, in each case, on a two for one basis. On September 8, 1998, ATS again amended its articles to reorganize its share capital to remove the maximum number of common shares which the Company is authorized to issue and to provide for an unlimited number of authorized common shares. On April 1, 2001, ATS was amalgamated with 1032123 Ontario Limited under the laws of the Province of Ontario pursuant to the Business Corporations Act (Ontario).

On April 1, 2003 ATS was further amalgamated with Canadian Induction Processing Ltd., ATS Test Systems Inc., ATS Omex Inc. and Micro Precision Plastics Ltd. under the laws of the same statute. Prior to amalgamation with ATS, the above-named corporations were each wholly-owned subsidiaries of ATS.

The registered head office of ATS is 730 Fountain Street North, Cambridge, Ontario, N3H 4R7. As at May 23, 2012, the Company had approximately 2,400 employees worldwide across twenty (20) manufacturing facilities.

INTERCORPORATE RELATIONSHIPS

The table below lists the principal subsidiaries of each reportable segment of the Company as at March 31, 2012, the percentage of voting securities beneficially owned directly or indirectly by ATS, the jurisdiction of incorporation and the location of operations. All subsidiaries are wholly-owned (both voting and restricted securities), except as noted.

Certain subsidiaries whose total assets did not represent more than 10% of the Company’s consolidated assets or whose revenues did not represent more than 10% of the Company’s consolidated revenues as at March 31, 2012, have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of the consolidated assets and less than 20% of the consolidated revenues of the Company at such date.
ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS

ATS was founded in 1978 by Klaus D. Woerner as a small special purpose machine builder. ATS completed an initial public offering of its common shares and began trading on The Toronto Stock Exchange on December 22, 1993.

ATS operates in two reportable business segments: Automation Systems Group (“ASG”), the Company’s continuing operations, and Solar, which is classified as discontinued operations.

- ASG is an industry-leader in planning, designing, building, commissioning and servicing automated manufacturing and assembly systems – including automation products and test solutions - for a broadly-diversified base of customers. ATS’s reputation, knowledge, global presence and standard automation technology platforms differentiate the Company and provide it with competitive advantages in the worldwide market for life sciences, computer-electronics, transportation, energy and consumer products automation.
Solar is an Ontario-based turn-key solar project developer and module manufacturer. Solar previously included Photowatt International S.A.S., which is an integrated solar module manufacturer.

During the year ended March 31, 2011, the Company’s Board of Directors approved a plan designed to implement the separation of Photowatt from ATS via a dual-track process involving either a spinoff of the Company’s combined solar businesses or a sale of Photowatt International S.A.S. (“Photowatt France” or “PWF”) and/or the Ontario solar business (“Ontario Solar”). Discussions with parties in regards to a sale of PWF concluded without producing an acceptable transaction. The deterioration of economic conditions and the solar market in Europe in fiscal 2012, increased Asian competition and lower demand for solar products (particularly in France) severely impacted PWF. Consequently, the Company re-examined the spinoff alternative and concluded it was not viable. Other options in relation to PWF were also exhausted and given the aforementioned conditions; PWF’s filing for bankruptcy became necessary. On November 8, 2011 (the “Bankruptcy Date”), the French bankruptcy court placed PWF into a “recovery” proceeding (“redressement judiciaire”) under the supervision of a court appointed trustee.

The Company concluded that it ceased to have the ability to exert control over PWF as of the Bankruptcy Date. Accordingly, the Company’s investment in PWF was deconsolidated from the Company’s consolidated financial statements beginning on the Bankruptcy Date. Management reduced the carrying value of the Company’s equity investment in PWF to be zero. The results of PWF up to the Bankruptcy Date are presented as discontinued operations in the consolidated statements of income. On February 27, 2012, a subsidiary of the EDF group, the French electricity utility, was selected by the French bankruptcy court to purchase the assets of PWF. The entire workforce of PWF was subsequently transferred to the purchaser or offered to be transferred within the purchaser’s group. Effective March 1, 2012, the purchaser assumed control over the operations of PWF. The confirmation of a new operator for the PWF business concluded ATS’s operating support of PWF. As is customary in France, the purchaser and the court appointed trustee were granted a period of time (ending in June 2012) to finalize the purchase agreements relating to the PWF assets. These agreements, which will complete the transfer of the legal ownership of those assets, are still being finalized.

In fiscal 2012, the Company initiated a formal sale process for the Ontario Solar business. The Company has received a number of non-binding indicative offers for the Ontario Solar business and is working with the interested parties with a view to concluding a transaction. Ontario Solar is presented as assets and liabilities associated with discontinued operations in the consolidated statements of financial position and as discontinued operations in the consolidated statements of income.

As a result, ATS’ continuing operations are reported as one operating segment, ASG.

Key developments over the last three years are as follows:

On April 28, 2009, ATS announced that its PWF operation would halt production for three weeks in response to lower demand for solar modules and systems.

On October 21, 2009, ATS announced it would lever its global solar expertise and Ontario presence to advance the Ontario solar market. As part of the comprehensive approach, ATS
announced its plans to develop solar projects, offer complete solutions to installers and developers, build Solar modules directly at its existing Cambridge facilities as well as through a contract manufacturing arrangement with an Ontario-based partner, and designate a “green wing” on its existing Cambridge campus and invite others wishing to participate in the Ontario market to consider cooperation and co-location.

On November 10, 2009, ATS announced that subsequent to quarter end, an agreement had been reached to extend its primary credit facility until April 2011.

On December 7, 2009, ATS announced that it had established an Ontario-based Solar business (“Ontario Solar”) as part of its plan to lead the Ontario solar energy market.

On March 25, 2010, ATS announced it had entered into a definitive agreement to acquire the Sortimat Group, a manufacturer of specialized assembly systems for medical products and pharmaceutical dosing devices. Headquartered in Germany, Sortimat has significant experience in advanced system development, manufacturing, handling and feeder technologies which aligns with ATS’s stated strategy of expanding its leading position in the global automation market. This acquisition was subsequently completed on June 1, 2010.

On April 9, 2010, ATS announced that it had been notified by the Ontario Power Authority that a number of Ontario Feed-in Tariff (“FIT”) applications in the Company’s solar development pipeline had been approved by the OPA. The approval totalled approximately 65 megawatts (“MW”) related to large scale renewable energy applications made by a project development joint venture in which ATS holds a 50% interest. It was expected that the JV would utilize a range of solar solutions, including modules manufactured by ATS in Cambridge.

On June 30, 2010, ATS announced that it had withdrawn from acquisition discussions relating to its non-binding indicative offer to the insolvency administrator of Rohwedder AG.

On December 6, 2010, ATS announced that one of its subsidiaries had entered into a definitive agreement to acquire the majority of Assembly & Test Worldwide, Inc.’s U.S.-based and German automation and test systems businesses (collectively "ATW"). This acquisition was subsequently completed on January 5, 2011. Upon the completion of the acquisition ATS subsidiaries acquired operations in Dayton Ohio, Saginaw Michigan, Livonia Michigan and Neuwied Germany. The operations have capability in a number of specialized automation and test system applications and complement and add to existing ASG capabilities. At the time of the acquisition, together, the operations derive approximately two-thirds of their revenues from the automotive market, with the balance generated primarily in Life Sciences and Energy.

On January 6, 2011, ATS announced that its French subsidiary PWF had advised its Comité d’Entreprise (employee works council) of a restructuring project, at its facility in Bourgoin-Jallieu, France. Under employment law in France, employee works council notification and consultation were required for a project of this nature. The ultimate success of such restructuring project was dependent on a number of factors including the support of the employees.

PWF had been facing significant competitive pressures which had negatively impacted average selling prices. Initiatives undertaken by PWF to improve operations and lower manufacturing costs had not offset those global pressures.
ATS further announced that, in relation to the contemplated separation of PWF, it had continued to work with advisors in identifying and evaluating strategic alternatives. Conditions in the solar and capital markets, PWF performance and other factors had influenced the timing and form of separation and its impact on ATS. In this regard, while ATS was still considering alternatives for the separation, the restructuring project announced by PWF was an important step in view of the separation process.

On February 17, 2011, ATS announced that productivity at PWF had dropped in reaction to the PWF proposed restructuring plan. Actual output in January 2011 reduced to 3 megawatts, roughly 55% of planned output.

On May 5, 2011, ATS announced that Ontario Solar would supply Ontario-made modules to the Canadian subsidiary of a leading global supplier of solar power serving the Ontario solar market. The supply agreement is a two-year commitment for the manufacture and delivery of approximately 24 MW of modules with the potential for volumes to increase by an additional 24 MW. The modules were to be marketed under the customer’s brand name and are expected to be fully compliant with Ontario FIT and Micro FIT program local content requirements.

On June 1, 2011, ATS announced that its subsidiary, Ontario Solar, has entered into a supply agreement with Hanwha SolarOne (Qidong) Co. Ltd., a subsidiary of Hanwha SolarOne Co., Ltd., to produce Hanwha SolarOne photovoltaic modules for the Ontario marketplace.

The agreement is for Ontario Solar to produce and deliver approximately 160 MW of modules over four years, using cells supplied by Hanwha SolarOne with the potential for the parties to increase the volumes by up to another 160 megawatts over the four-year period. The modules, which are intended to serve demand in connection with the FIT program, will be fully compliant with FIT and Micro FIT Program domestic content requirements.

On June 29, 2011, ATS announced that its subsidiary, Ontario Solar, had successfully completed a 500 kilowatt solar roof-top installation for the City of Kitchener's new Consolidated Maintenance Facility. The project was one of the largest solar roof-top installations in Canada and is expected to generate enough power annually to run an estimated 75 homes for a year and offset approximately 600 tons of Carbon Dioxide emissions annually.

On September 28, 2011, ATS announced that its PWF subsidiary had reached agreements to terminate certain of its silicon and wafer supply contracts. The supply of silicon and wafers represented by these agreements was not required to meet current and planned manufacturing capacities. The termination agreements eliminated commitments over the next 6 years to purchase approximately 180 million Euro of silicon and wafers at contractual prices in excess of the current spot market levels.

On October 24, 2011, ATS provided an update on the previously announced dual-track process involving a spinoff of the Company’s combined solar business or a sale of PWF and/or Ontario Solar:

- Detailed discussions with parties in regards to a sale of PWF recently concluded without producing an acceptable transaction.
• The state of economic conditions in Europe and further deterioration in the demand for solar products in France and the rest of Europe negatively impacted PWF and prompted the Company to re-examine the viability of the spinoff alternative.

• Given these developments and the significant reduction in off-balance sheet obligations at PWF, ATS was reconsidering a broader set of strategic options for both PWF and Ontario Solar.

On October 28, 2011, ATS announced that its PWF subsidiary was implementing a "reduction of workdays program" in response to lower demand for solar modules and systems. As a result, the solar manufacturing facility in Bourgoin-Jallieu, France, was operating at approximately one-third of its production capacity.

On November 4, 2011, ATS announced as required under French Law, its PWF subsidiary had initiated an information/consultation process with its employee works council regarding the filing of an application with French Courts for the opening of bankruptcy proceedings with a view to asking for the protection of the bankruptcy Courts. PWF expected to pursue a "recovery" proceeding ("redressement judiciaire") under the supervision of a court appointed trustee. The objective of such a recovery process was to explore opportunities for PWF's operations in an effort to preserve jobs and maximize value. ATS remained committed to the separation of its entire solar business from its core automation business. To complete this goal, ATS was advancing opportunities related to the other solar assets. These opportunities were expected to positively impact cash during the next six months. Specifically, ATS initiated a formal sale process for Ontario Solar, and ATS received a non-binding letter of intent for the purchase of an ATS-owned building in France that formerly housed PWF module assembly. Management expected that, if completed, the proceeds from these opportunities would offset the go-forward losses and cash outflows that would result from the bankruptcy process.

On February 27, 2012, ATS announced that in a decision rendered, the Commercial Court of Vienne (France) authorized EDF Energies Nouvelles Reparties (EDF ENR) to purchase PWF assets out of bankruptcy and to continue its operations. According to EDF ENR's offer, the entire workforce of PWF would be transferred to a newly established subsidiary of EDF ENR together with the PWF assets, or redeployed within the EDF group. From March 1, 2012, EDF ENR's subsidiary would be the new operator of PWF's assets and ATS would no longer have solar business operations in France. The confirmation of a new operator for the PWF business along with the preservation of jobs was a major step in the French bankruptcy process and concluded the recovery proceeding phase ("redressement judiciaire"). The court-appointed officers in charge of the matter are proceeding to finalize the bankruptcy proceedings of PWF. While ATS will continue to monitor the proceedings, ATS's operating support of PWF has ended.

For additional information regarding the general development of ATS’s business, see the fiscal 2012 MD&A.

Recent Acquisitions

Sortimat Group
On June 1, 2010, ATS completed its acquisition of the Sortimat Group (“Sortimat”). Sortimat is a manufacturer of assembly systems for the healthcare segment. Headquartered in Germany, and
established in 1959, Sortimat also has locations in Chicago and in India. Sortimat has been integrated into the Company’s Automation Systems Group (“ASG”).

The Sortimat acquisition aligned with ATS’s strategy of expanding its position in the global automation market and enhancing growth opportunities, particularly in strategic segments such as life sciences. The Company benefits from Sortimat’s significant experience and products in advanced system development, manufacturing, handling, and feeder technologies. This acquisition provided ATS with the scale required to further organize its marketing and divisions into a group focused on life sciences with the objective to grow its exposure to this market segment and help customers differentiate themselves from their competitors. To integrate Sortimat and effect margin improvements, the Company deployed people to apply best practices, command and control, and program management and to advance approach to market. The benefits of these integration initiatives are now being realized. Improvements in program management have led to the elimination of a significant number of RED programs (programs which are not delivered to specification, on-time, or on budget). Additional improvements in command and control, approach to market and supply chain have led to improved operating margins from pre-acquisition levels.

**ATW**

On January 5, 2011, the Company completed its acquisition of the majority of Assembly & Test Worldwide, Inc.’s U.S.-based and German automation and test systems businesses (collectively “ATW”). ATW is a manufacturer of assembly and test systems, with capability in the transportation, life sciences and energy segments.

The Company benefits from ATW’s significant experience, particularly in the transportation segment. The acquisition of ATW provided ATS with the scale required to further organize its marketing and divisions into a group within the Company’s ASG segment that is focused on transportation. ATW’s integration into ASG is complete, including the consolidation of ATW’s Saginaw division into Livonia and Dayton divisions. The application of best practices and improvements in command and control, program management and approach to market has led to incremental margin improvements.

**ITEM 4 – NARRATIVE DESCRIPTION OF THE BUSINESS**

**OVERVIEW AND MARKETS**

**The Company**

ATS operates in two reportable business segments: Automation Systems Group (“ASG”), the Company’s continuing operations, and Solar, which is classified as discontinued operations.

ASG is an industry leader in planning, designing, building, commissioning and servicing automated manufacturing and assembly systems – including automation products and test solutions – for a broadly diversified base of customers. ATS’s reputation, knowledge, global presence and standard automation technology platforms differentiate the Company and provide it with competitive advantages in the worldwide market for life sciences, computer-electronics, transportation, energy and consumer products automation.
Solar is a turnkey solar project developer and module manufacturer. In fiscal 2010, Ontario Solar was established as part of the Solar group to serve the Ontario solar market. Ontario Solar is uniquely positioned, with Ontario-based manufacturing, substantial automation and project expertise and extensive global solar energy capabilities and experience to serve the Ontario market.

The Company has implemented a three-phase strategic plan: (1) fix the business (fix the existing operations, gain operating control of the business and earn credibility); (2) separate the businesses (create a standalone ASG business, monetize non-core assets and strengthen the balance sheet); and (3) grow (both organically and through acquisition). In fiscal 2013, ATS plans to continue to execute the value creation plan by focusing on completing the separation of ASG and Ontario Solar, and pursuing growth. Specific initiatives to support these strategies include:

- **Strengthen ASG’s business processes:** To build upon the organizational and operational strength of ASG, management intends to continue strengthening leadership and management at all levels of the organization. Strategies to attract and retain top performers and to develop management and leadership capabilities will continue to be a focus and will be implemented through initiatives such as expatriate employment arrangements, career development and succession planning. To help ensure a stable and profitable operating base, the Company will continue to roll-out and apply best practices and business processes globally to improve program management, prevent and eliminate RED programs, reduce costs, increase standardization and improve quality and timely delivery.

- **Supply chain management:** To capitalize on ASG’s scale and consolidated purchasing power, management plans to continue making improvements in supply chain management. Material cost reductions will be sought through the Company’s consolidated and growing purchasing power. ASG’s strategy involves identifying critical and preferred suppliers with a view to improving service, quality, payment and pricing terms. In addition, ASG will continue to make use of its own internal supply chain by increasing internal subcontracting with a view to maximizing factory utilization, reducing costs and increasing the use of standardized designs and standard products.

- **Approach to market:** In fiscal 2013, ASG will seek to build on the momentum gained in the front-end of the business in fiscal 2012 to support ongoing growth. ASG will continue to target opportunities to provide value based, complete automation program solutions for customers based on differentiating technological solutions, value of customer outcomes achieved and global capability. ASG’s global sales and marketing group will continue to target the development and growth of key accounts. The Company’s sales and marketing functions have been organized around customer industries, which management believes will enable ASG to better serve its customers and help them differentiate themselves in their respective markets. By leveraging the Company’s diverse industry experience and geographic footprint, management believes that the Company’s sales funnel and win rate will continue to increase and drive organic growth.

- **Balance sheet strength:** To maintain operational and financial flexibility, the Company will continue to manage its finances to preserve its strong balance sheet through targeted
working capital efficiencies, continued emphasis on credit terms and appropriate funding strategies.

**ASG**

The Company’s primary business is ASG. In fiscal 2012, ASG contributed 84% of consolidated revenues, including both continuing and discontinued operations, compared to 69% in fiscal 2011.

ASG categorizes its market segments into five industry groups: life sciences, computer-electronics, transportation, energy and “other” markets. Other markets for ASG include a variety of industries such as consumer products and appliances. Contract values for individual automation systems are often in excess of $1.0 million. Given the custom nature of customer projects, contract durations vary greatly, with typical durations ranging from six to twelve months.

With broad and in-depth knowledge across multiple industries and technical fields, ASG is able to deliver “single source” solutions to customers that can lower their production costs, accelerate delivery of their products and improve quality control. ASG’s relationships with customers sometimes begin with planning and feasibility studies. In situations where the customer is seeking in-depth analysis before committing to a program, ASG conducts an analysis to verify the economics and feasibility of different types of automation, sets objectives for factors such as line speed and yield, assesses production processes for manufacturability and calculates the total cost of ownership.

When a contract for an automation solution is received, ASG often provides a number of services, including engineering design, prototyping, process verification, specification writing, software development, automation simulation, equipment design and build, third-party equipment qualification, procurement and integration, automation system installation, product line start up, documentation, customer training and after-installation support, maintenance and service. Following the installation of custom automation, ASG may supply duplicate or “repeat” automation systems to customers that leverage engineering design completed in the original customer program. For customers seeking complex equipment replication, ASG’s Automation Products Group (“APG”) provides value engineering, supply chain management, integration and manufacturing capabilities and other automation products and solutions. Typically, APG solutions are either integrated into a larger system by the customer for resale, or delivered as a standalone machine to customers who can then resell it.

**Solar**

Solar contributed 16% of consolidated revenues in fiscal 2012, including both continuing and discontinued operations compared to 31% in fiscal 2011, excluding the impact of inter-segment revenue eliminations.

Solar operates through Ontario Solar, an Ontario-based module manufacturer and solar project developer. Solar modules manufactured by Solar are used by businesses, institutions and homeowners to generate electric power. It sells its products to a network of independent solar power systems developers, distributors and installers.
COMPETITIVE CONDITIONS

ASG
The general economic environment has improved in fiscal 2012; however, uncertainty remains, particularly with respect to the European economy due to the Eurozone sovereign debt crisis. This has the potential to result in tighter credit markets which could negatively impact demand, particularly for the Company’s European operations and may cause volatility in Order Bookings. The Company has seen improvement in certain customer markets such as transportation and life sciences; however, many customers remain cautious in their approach to capital investment. Customer activity in the solar energy market has slowed, with reductions in solar feed-in-tariffs in several markets, negatively impacting demand for solar products and for additional solar manufacturing capacity.

Despite the uncertainty and volatility in the global economy, activity in the Company’s front-end of the business has remained strong. The Company’s sales funnel and proposal activity has continued to grow. The Company’s sales organization will continue to work to engage with customers on enterprise-type solutions. This is expected to improve Order Bookings over the long-term. However, this approach to market may cause variability in Order Bookings from quarter to quarter and lengthen the performance period and revenue recognition for certain customer programs. At the end of fiscal 2012, Order Backlog was at its highest level ever, which will partially mitigate the impact of volatile Order Bookings on revenues in the short-term.

Management expects that the implementation of its strategic initiatives to improve business processes, leadership, and supply chain management will continue to have a positive impact on ATS operations. Management’s disciplined focus on program management, cost reductions, standardization and quality put ATS in a strong competitive position to capitalize on opportunities going forward and sustain performance in difficult market conditions.

The integration of both Sortimat and ATW is complete. The consolidation of ATW’s Saginaw division into divisions in Livonia and Dayton and initiatives to improve program management, eliminate RED programs, control costs and improve utilization, combined with the integration into ATS’s sales and marketing processes are expected to drive continued improvements in operating results.

The Company is actively seeking to expand its position in the global automation market organically and through acquisition. To further this objective, management will continue to review and pursue attractive opportunities and intends to apply additional resources to acquisition activities going forward. The Company’s strong financial position provides a solid foundation to pursue organic growth and the flexibility to pursue its acquisition growth strategy.

Management believes ASG has the following competitive strengths:

Global presence, size and critical mass. ASG’s global presence and scale provides an advantage in serving multinational customers because the markets in which the Company operates are primarily populated by competitors with narrow geographic and/or industrial market reach. ASG has manufacturing operations in Canada, the United States, China, Malaysia, Singapore, India, Germany and Switzerland. Management believes that ASG’s scale and locations provide it
with competitive advantages in winning large, multinational customer programs that have become increasingly common in the industry.

**Technical skills, capabilities and experience.** Automation manufacturing is a knowledge-based business. ASG has designed, manufactured, assembled and serviced thousands of automation systems worldwide since 1978 and has an extensive knowledge base and accumulated design experience. Management believes ASG’s broad experience in many different industry sectors, with many diverse technologies, along with its talented workforce and ability to provide custom automation, repeat automation, APG solutions and value-added services, positions the Company well to serve complex multinational customer programs in a variety of industry sectors.

**Product and technology portfolio:** Through its history of bringing thousands of unique automation projects to market, ATS and its subsidiaries, including Sortimat and ATW, have developed an extensive product and technology portfolio including manufacturing vision technologies, numerous material handling technologies and high-accuracy, high precision laser processing technologies. Management believes this extensive product and technology portfolio gives the Company an advantage in developing unique and leading solutions for customers and maintaining cost competitiveness.

**Trusted customer relationships.** ASG serves some of the world’s largest multinational companies. Most of ASG’s customers are repeat customers and many have long-standing relationships with ATS, often spanning more than a decade. Management estimates that over 90% of ASG Order Bookings in fiscal 2012 were earned from repeat customers.

**Recognized name.** Management believes ATS is well known within the global automation industry due to its long history of innovation and broad scope of operations. With the additions of Sortimat, which specializes in the life sciences market, and ATW, which specializes in the transportation market, management believes that it has further strengthened ATS’s brand portfolio. Management believes that ATS’s brand names and global reputation tend to improve sales prospecting, allowing the Company to be considered for a wide variety of customer programs.

**Total solutions capabilities.** Management believes the Company gains competitive advantages because ASG provides total turn-key solutions in automation. This allows customers to single source their most complex projects to ATS rather than rely on multiple equipment builders. In addition, ASG can provide customers with other value-added services including project financing, total cost of ownership studies and life cycle management.

**Solar**
Management believes that solar power is, and for the foreseeable future will be, affected by and largely dependent on the existence of government incentives. In Ontario, changes to the FIT program could have an impact on future revenues and profitability and the value of its Ontario Solar FIT contracts.

On November 8, 2011, a hearing was held at which time the French bankruptcy court placed PWF into a “recovery” proceeding (“redressement judiciaire”) under the supervision of a court appointed trustee. On February 27, 2012, a subsidiary of the EDF group, the French electricity utility, was selected by the French bankruptcy court to purchase the assets of PWF, and the entire
workforce of PWF was subsequently transferred to the purchaser or offered to be transferred within the purchaser’s group. Effective March 1, 2012, the purchaser assumed control over the operations of PWF. The confirmation of a new operator for the PWF business concluded ATS’s operating support of PWF. As is customary in France, the purchaser and the court appointed trustee were granted a period of time (ending in June 2012) to finalize the purchase agreements relating to the PWF assets. These agreements which will complete the transfer of the legal ownership of those assets are still being finalized.

Although a new operator is now assuming the whole operation of the PWF assets and all employees have been (or offered to be) transferred to this new operator or within its group, the judicial liquidation process could take several years to wind-up. In light of the current situation, management does not expect to incur any additional expenses as a result of the bankruptcy, however, until all matters are resolved under the bankruptcy process, additional provisions may be required. The Company will record any such provision if and when it becomes known and the Company determines that the obligation will result in a probable outflow of economic resources and, the Company is able to measure the obligation with sufficient reliability.

ATS remains committed to the separation of its entire solar business from its core automation business. To complete this goal, ATS is advancing opportunities related to its other solar assets. These opportunities are expected to positively impact cash during the next six months. In this regard, in December 2011, ATS sold an ASG-owned building in France that formerly housed PWF module assembly. The accounting impact of this sale was recorded under continuing operations.

Regarding Ontario Solar, ATS is conducting a formal sale process to divest the business. The Company has received a number of non-binding indicative offers for the Ontario Solar business and is working with the interested parties to conclude a transaction.

In the interim, the Ontario provincial government has completed its scheduled review of the FIT Program. The Ontario government has accepted the recommendations of the review. Key changes going forward are expected to streamline the regulatory approvals process, decrease FIT rates by 10% to 32% depending on the size and location of the installation and in addition, the government has committed to review FIT rates annually.

Ontario Solar PV Fields (“OSPV”), in which Ontario Solar holds a 50% interest, has secured conditional FIT contracts totalling approximately 64 MWs related to large-scale ground-mount solar projects. OSPV is in the process of seeking approvals necessary to begin construction on the projects. In the short-term, OSPV expects to have a definitive agreement in place for financing and ultimate third-party project ownership. Ontario Solar expects to supply modules to OSPV.

During the first quarter of fiscal 2012, Ontario Solar signed two customer agreements for the manufacture and supply of customer-branded modules. The first agreement is for the supply of a minimum of 24 MWs over fiscal 2012 and 2013. Under the first agreement, Ontario Solar will recognize revenue on the full value of the modules manufactured.

The second agreement is for the supply of a minimum of 160 MWs over four years and allows for the potential to increase volumes by an additional 160 MWs over the term of the agreement. Under the second agreement, Ontario Solar will recognize revenue for module manufacturing
services and module materials other than solar cells, which will be provided by the customer. Initial shipments have been pushed out to the first quarter of fiscal 2013.

Ontario Solar has also signed agreements with developers who have secured conditional FIT contracts for a number of projects. Ontario Solar will provide modules and other related services to these projects.

SUPPLY OF COMPONENTS AND RAW MATERIALS

ASG sources a wide variety of purchased goods from many suppliers depending on the requirements of the automation system application. In addition to metals and supplies, the Company often buys items such as industrial robots, controllers, machine vision systems, computers, computer control software, third party machines, conveyor material handling devices, software, sensors, bearings, pneumatic and hydraulic valves and cylinders. Most equipment and other supplies that are integrated into automation systems are typically available from several suppliers. Customers may specify a particular supplier for certain components of their automation system, and this specification may constrain the availability of that equipment or supply. Availability of such items has, to date, not caused any significant difficulties in ASG.

INTANGIBLES

The success of ATS depends in part upon its ability to protect its brands, intellectual property and proprietary technology. ATS relies primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect its intellectual property. Within ASG, the Company holds various patents and patents pending in respect of several of its standard products and platforms.

CYCLICALITY

Historically, many of the individual markets served by the Company have tended to be cyclical in nature. Changes in economic environments, product life cycles and customer product demand within the Company’s markets may impact ASG Order Bookings and revenues, Solar volumes, and the Company’s earnings in any of its markets. To the extent the Company has not secured new orders sufficient to replace any reduction or loss of business that may arise under individually material contracts, the future revenues and earnings of ATS may be materially negatively impacted. The Company’s broad customer base and its strategy of diversification through participation in different industries and geographic regions are intended to provide opportunities to generate new revenue and help reduce cyclical risk associated with individual markets. However, because of globalization of markets, economic downturns may be broad-based across regions and industries.

While sales of ASG’s technologies and solutions are generally not seasonal in nature, the Company’s quarterly results have often reflected lower revenue and earnings during the summer months, or second quarter. Order Bookings can also be lower during the summer months. This has generally been the result of vacations (which reduce order activity and capacity) and seasonal customer plant shutdowns.
ENVIRONMENTAL PROTECTION

The Company’s operations are subject to regulation under various provincial, federal, state and international laws relating to environmental protection. The costs associated with complying with these laws and regulations have not historically been material to the Company. These and other environmental laws may become more stringent over time, may be required in more places of the Company’s business and may require ATS to incur substantial compliance costs.

EMPLOYEES

As at March 31, 2012, ATS employed approximately 2,400 people, of whom approximately 2,300 people were employed by ASG and ATS’ corporate head office.

FOREIGN EXCHANGE

The operation and activities of the Company in foreign markets creates both foreign currency translation and transaction exposure to changes in exchange rates, primarily to the US dollar and the Euro. This transaction risk is significant during periods when the relative value of the Canadian dollar increases sharply against foreign currencies because contracts may be fixed at certain pre-determined exchange rates.

Earnings of the Company’s foreign subsidiaries are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Foreign currency risks arising from the translation of assets and liabilities of foreign operations into the Company’s functional currency are generally not hedged; however, the Company may decide to hedge this risk under certain circumstances.

To reduce its estimated net foreign currency transaction exposure, the Company maintains a hedging program which is described in note 3 to the consolidated financial statements (as hereinafter defined). To the extent net foreign currency cash inflows are not fully hedged, strengthening of the Canadian currency, vis-à-vis these foreign currencies, will negatively impact the Company’s earnings stated in Canadian dollars. The transaction hedging program helps mitigate the short-term impact of changes in exchange rates on the Company’s revenues, earnings, balance sheet and order backlog while the Company seeks to adjust to longer-term changes in exchange rates and the impact on the Company’s competitiveness in foreign markets.

To further reduce the longer-term impact of US dollar currency movements on the Company’s competitiveness, ATS has a significant operating presence in the US and may also be able to manage the amount of foreign purchases in its Canadian operations to reduce its net currency exposure. However, the Company has significant competition located in the US, and, to the extent the Company’s Canadian operations are not able to adjust to changes in exchange rates by reducing costs, by increasing work in the US, or by providing more valuable products that command higher prices, revenues and earnings will be negatively impacted. The Audit and Finance Committee of the Board of Directors reviews the Company’s hedging policy. Management cannot predict the impact of future exchange rate fluctuations on the Company’s results of operations and ATS may incur net foreign currency losses in the future. Therefore,
fluctuations in currency exchange rates could have a material adverse effect on the Company’s business, financial condition and results of operations.

FOREIGN OPERATIONS

ATS has direct operations in both Europe and Asia. In addition to the foreign exchange risk previously discussed, ATS is also subject to various other risks associated with operating in or servicing customers in foreign countries, including: the cost and complexity of using foreign representatives and consultants; complying with laws in multiple jurisdictions; contracting under foreign laws without advice from local counsel; inability to recruit qualified personnel in a specific country or region; difficulty in staffing foreign operations in diverse cultures; language barriers, conflicting international business practices, and other difficulties related to the management and administration of a global business; difficulty in establishing and maintaining relationships with local vendors; trade, customs and tax risks, such as the imposition of tariffs, embargoes, controls and other restrictions impeding the free flow of goods, information and capital; transportation delays and interruptions; increases in shipping costs or increases in fuel costs; longer payment cycles; greater difficulty in collecting accounts receivable; insufficient infrastructure; use of incompatible systems and equipment; increases in working capital requirements related to long supply chains; difficulty in protecting intellectual property rights; multiple, and possibly overlapping, tax structures; potentially adverse tax assessments; climatic or other natural disasters; acts of war or terrorism; and general changes in economic and geopolitical conditions that may affect local economies and access. Expanding ATS’s business in emerging markets is an important element of its strategy and, as a result, ATS’s exposure to the risks previously described may be greater in the future. The likelihood of such occurrences and their potential effect on ATS vary from country to country and may be unpredictable.

REORGANIZATIONS

During the past five fiscal years, the Company has undertaken a number of restructuring initiatives in line with its three-year strategic plan as announced in the fourth quarter of fiscal 2008. These initiatives include:

- closing and/or consolidating divisions that were underperforming and not strategic, including divisions in Tucson, Arizona, U.S.A., Lyon, France, Shanghai, China, Brighton, Michigan, U.S.A., Thailand, Worcestershire, United Kingdom and Dongguan, China; and
- rationalizing manufacturing operations through work force reductions, cost reductions and business process improvements.

During fiscal 2009, the Company finalized the sale of the key operating assets and liabilities of its former Precision Components Group.

During fiscal 2011, the Company initiated a formal process to separate its Solar segment and engaged advisors to assist the Company in identifying and evaluating strategic alternatives. PWF management also undertook a restructuring program to restore profitability and increase competitiveness of PWF in the solar industry. The restructuring plan resulted in an approximate 35% reduction of PWF’s overall workforce.
The Company has also initiated the consolidation of ATW’s Saginaw division into other ATS divisions. This was completed during fiscal 2012.

ITEM 5 – RISK FACTORS

In addition to the discussion of risks faced by the Company contained above in this AIF (see “ITEM 4 – NARRATIVE DESCRIPTION OF THE BUSINESS”), there are various other risks faced by the Company. The risks and uncertainties described below are not the only ones facing ATS. Additional risks and uncertainties that management is not aware of or has not focused on, or that management currently deems immaterial, may also impair the Company’s business operations. If any of the following risks actually occur, they could materially adversely affect ATS’s business, financial condition, liquidity or results of operations.

**Market Volatility.** The general economic environment has improved in fiscal 2012; however, uncertainty remains, particularly with respect to the European economy due to the Eurozone sovereign debt crisis. This has the potential to result in tighter credit markets which could negatively impact demand, particularly for the Company’s European operations and may cause volatility in Order Bookings. The Company has seen improvement in certain customer markets such as transportation and life sciences; however, many customers remain cautious in their approach to capital investment. Customer activity in the solar energy market has slowed, with reductions in solar feed-in-tariffs in several markets, negatively impacting demand for solar products and for additional solar manufacturing capacity.

The financial markets continue to experience price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. Accordingly, the market price of ATS’s common shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed.

**Strategy Execution Risks.** During the past four years, the Company has announced a number of strategic initiatives, including closures of facilities, work force reductions, cost reductions and business improvement initiatives. In order to be successful, the Company must execute properly upon these strategic initiatives and effectively manage the resulting changes in its operations. The Company’s assumptions underlying these actions may not be correct, the market may react negatively to these plans, the Company may be unable to successfully execute these plans, and even if successfully executed, its actions may not be effective or may not lead to the anticipated benefits within the expected time frame.

The Company has made, and will continue to make, judgments as to whether the Company should limit investment in, exit, or dispose of, its non-core businesses, and the terms and timing on which it will undertake any such actions. Any such actions may not proceed on terms or timing that is favourable to ATS, or at all, and may have ongoing risk and exposure post-execution of such actions. ATS’s inability to proceed with such actions on terms and timing favourable to it may have a material adverse effect on the Company’s business, results of operations and financial condition.
Any decision by ATS to further limit investment in, or exit or dispose of, its non-core businesses may result in the recording of additional restructuring and other charges. As well, future decisions respecting these businesses or market conditions may trigger further write-downs of the tangible and intangible assets of these non-core businesses following a review as to their recoverability, due to uncertainties in the estimates and assumptions used in asset valuations, which are based on its forecasts of future business performance, and accounting estimates related to the useful life and recoverability of the net book value of these assets, including inventory, goodwill, net future income taxes and other intangible assets.

**Competition Risk.** ATS’s current and potential competitors may have greater brand name recognition, more established distribution networks, access to larger customer bases, and substantially greater financial, distribution, technical, sales and marketing, manufacturing and other resources than ATS does. As a result, those competitors may have advantages relative to ATS, including stronger bargaining power with suppliers that may result in more favourable pricing, the ability to secure supplies at times of shortages, economies of scale in production, the ability to respond more quickly to changing customer demands and the ability to devote greater resources to the development, promotion and sales of their products and services. Additionally, ATS is facing increased competition from suppliers that have manufacturing operations in low-cost countries. While ATS continues to utilize its current manufacturing footprint to take advantage of manufacturing opportunities in low-cost countries, management cannot guarantee that ATS will be able to fully realize such opportunities.

ATS obtains a significant portion of its contracts through competitive bidding processes that subject ATS to the risk that it will expend substantial time and effort on proposals for contracts that may not be awarded to it. ATS cannot assure that it will continue to win competitively awarded contracts at the same rate as in the past.

**Automation Systems Pricing and Revenue Mix Risk.** Individual prices and terms for automation systems contracts are typically negotiated between ATS and its customers. Profit margins vary depending on a number of factors, including, but not limited to, market conditions, technical risk, competition, the results of negotiation and revenue mix.

An automation systems order typically requires ATS to integrate third-party content (third-party equipment, components and subcontract work) with its own products and services (ATS value-added) to produce a complete automated manufacturing system. Third-party content typically comprises a significant portion of the total value of an automation systems order. Specific third-party equipment, reflecting the functional requirements of the system, is often required under the terms of the customer’s order. ATS subcontracts work on an automation systems order as required to supplement internal resources and to manage capacity and customer delivery schedules. The amount of revenue ATS earns from third-party content in automation systems in a particular reporting period depends primarily on the value of such content integrated by ATS during that period. The amount of third-party content may be subject to significant fluctuations from period to period and depends upon the nature and specifications of the automation systems orders in process, the value and timing of deliveries of third-party content, and the amount of subcontracting used in the period.

The Company may earn significantly lower margins on third-party content compared to margins from ATS value-added content. Therefore, higher-than-normal third-party content in a period
may increase revenues while diluting margins, whereas lower third-party content in a period may reduce revenues and increase margins.

First-Time Program and Production Risks. ATS earnings and operating margins may also be impacted by changes in the proportion of revenue derived from first-time automation systems projects compared to repeat automation systems projects. First-time systems may have lower margins than repeat systems because the technical risks associated with the development of such projects are higher and the costs of non-recurring engineering and development may be higher than the amounts provided for in the Company’s quotation. Repeat systems may be completed more quickly, at lower costs and with better margins because the development work was completed on previous projects. Projects from first-time customers also have increased risk of lower margins as customer expectations may vary from those of the Company, resulting in higher costs to achieve customer acceptance of the order.

Pricing, Quality, Delivery and Volume Risk. Variations from planned volumes may occur for a number of reasons including changes in demand for the customer’s end product, capacity constraints, quality problems, competition and obsolescence. Significant changes in volumes could have a material impact on the level of fixed cost absorption and the profitability of ATS. Cancellations or rescheduling of customer orders could result in the delay or loss of anticipated sales or revenue without allowing sufficient time to reduce or delay the recognition of corresponding inventory and operating expenses.

ATS is required to remain competitive on price, quality and delivery as a condition of many of its contracts. Pricing is often subject to revision and adjustment as a result of negotiations and cost reduction obligations to which the Company may be subject. Price reductions may also be mandatory under the terms of some contracts. The Company may also believe it necessary to voluntarily reduce prices as a way to secure higher proportions of customers’ orders when competitive circumstances exist. To the extent ATS is obligated, or agrees, to reduce prices and the impact of these reduced prices is not offset through cost reductions or efficiencies gained from higher volumes, operating margins and earnings will be negatively impacted. Failure to remain competitive on price, quality and delivery may result in the loss of single source status (if in place), reduced shipments and possible termination of the contract. Management believes such terms are customary in the industries in which it currently operates.

In the solar energy market, reductions in FITs for solar energy, and increased industry inventory levels and module capacity, particularly in Asia, are expected to continue to have a negative impact on market demand and average selling prices per watt for solar products.

Product Failure Risks. ASG often manufactures or assembles products based on the specifications of third parties. Although the Company takes steps to contractually reduce the risk of product liability-related claims, the success of these measures cannot be assured with certainty. The effectiveness of such contractual limitations of liability depends, to a significant degree, on judicial decisions and the application of ever-developing jurisprudence in each of the jurisdictions in which the Company operates.

As with other solar product manufacturers, Solar is exposed to risks associated with product liability claims in the event that the use of its solar products results in injury. Because Solar’s products are electricity-producing devices, it is possible that users could be injured or killed by its
products, whether by product malfunctions, defects, improper installation or other causes. The Company generally arranges its product liability insurance coverage limits consistent with industry practice, having regard to the size and nature of its business. However, if an alleged product defect results in direct injury or loss, these factors may result in liability to the Company that may exceed the limits of its liability insurance policy and may have an adverse effect on future operating results.

Products and equipment manufactured by ATS are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Defects may be found in ATS’s products or equipment after they are delivered to the customer and have been fully deployed and operated under peak stress conditions. Correcting such defects could require significant costs and ATS may not be able to correct such defects in a timely manner, or at all. In addition, some of ASG’s products and equipment are combined with products from other suppliers, which may contain defects. As a result, should problems occur, it may be difficult to identify the source of the problem. The occurrence of such defects and failures could result in warranty claims, the loss of customers, failure to attract new customers or achieve market acceptance, significant re-engineering costs, diversion of development and engineering resources or significant impact on business reputation.

ATS provides warranties for its products and equipment and accrues allowances for estimated warranty costs. The determination of such allowances requires management to make estimates of product return rates and expected costs to repair or replace the products or equipment under warranty. Management establishes warranty reserves based on historical warranty costs, and accordingly, if actual return rates or repair and replacement costs differ significantly from such estimates, adjustments to recognize additional cost of sales may be required in future periods.

Solar’s standard product warranty provides for a five-year limited warranty in connection with module malfunctions and additional limited warranties in connection with modules’ loss of power over time that, depending on the product and its use, range from five to 25 years. These limited warranties apply only in the event that the Company’s materials and/or workmanship is defective, and require the Company at its option either to repair, replace or (except in connection with loss of power) provide a refund in respect of the products affected. Management believes Solar’s warranty periods are consistent with industry practice. Due to the long warranty period and Solar’s proprietary technology, the Company bears the risk of extensive warranty claims long after having shipped product and recognized revenue. Although Solar conducts testing of its solar products, such testing cannot simulate accurately the actual performance of the products in their actual operating environment or during the full warranty period. As a result of these factors, Solar may be subject to unexpected warranty expense, which in turn would harm the Company’s financial results.

**Risks Associated with the Solar Market.** The solar market is at a relatively early stage of development, and the extent to which solar products will be widely adopted is uncertain. This market is rapidly evolving and is characterized by continually improving technology providing more efficient and higher power output at competitive prices. If solar technology proves unsuitable for widespread adoption or if demand for solar products fails to develop sufficiently, Ontario Solar may not be able to grow its business or generate sufficient revenue to operate profitably. In addition, demand for solar products in Ontario Solar’s targeted markets may not develop or may develop to a lesser extent than management anticipated. Many factors may affect
the viability of widespread adoption of solar technology and demand for solar products, including: cost-effectiveness of solar products compared to conventional and other non-solar energy sources and products; performance and reliability of solar products compared to conventional and other non-solar energy sources and products; availability of government subsidies and incentives to support the development of the solar industry; availability of credit to support the development of the solar industry; success of other alternative energy generation technologies, such as fuel cells, wind power and biomass; fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil and other fossil fuels; capital expenditures by end users of solar products, which tend to decrease when the economy slows down; nature and rate of advances in solar technologies; and deregulation of the electric power industry and broader energy industry.

Availability of Raw Materials and Other Manufacturing Inputs. Inability to secure enough raw materials and other inputs to meet sales demands could negatively impact sales and earnings. Most equipment and other supplies that are integrated into automation systems are typically available from several suppliers. Customers may specify a particular supplier for certain components of their automation system, and this specification may constrain the availability of that equipment or supply. Availability of such items has, to date, not caused any significant difficulties in ASG. Changes in prices for raw materials may not be recoverable through price changes under the contract terms with the Company’s customers. Rapid changes in raw material costs are likely to have a related impact on the profitability of ATS.

Customer Risks. Major changes in the economic situation of the Company’s customer base could require ATS to write-off significant parts of its receivables from customers. In difficult economic periods, ATS’s customers may lose work and find it difficult to pay for products or services purchased from ATS. Although credit reviews may be done at the time of sale, rapidly changing economic conditions can have sudden impacts on customers’ ability to pay.

Ontario Solar currently sells a portion of its solar modules and related solar products to a limited number of customers. Management cannot be certain that these customers will generate significant revenue for Ontario Solar in the future or that these customer relationships will continue. Consequently, any one of the following events may cause material fluctuations or declines in Solar’s revenue and have a material adverse effect on its results of operations: reduction, delay or cancellation of orders from one or more significant customers; purchases by one or more significant customers of products competitive with Ontario Solar’s; the loss of one or more significant customers and Ontario Solar’s failure to identify additional or replacement customers; and failure of any of Ontario Solar’s significant customers to make timely payment for its products.

New Product Market Acceptance, Obsolescence, and Commercialization Risk. Market risk for new or developing technologies such as automation technology platforms and solar products is higher than for the Company’s more established customer solutions and products. There is no assurance that new products will continue to be accepted by the market, that planned volumes will be realized over the product life or that the product life will not be shorter than expected due to product obsolescence or competitive products in the marketplace. New products that are launched by ATS, or its competitors, may also have price or other advantages over earlier generations of products which compete for the same business, resulting in inventory
obsolescence. In addition, newer product offerings may also require more significant marketing and sales efforts to gain market acceptance.

**Government Subsidies for Solar Products and Regulation of Utility Sector.** The current dependence of the solar market on government subsidies may create market volatility including rapid changes in demand and pricing. Management believes that market demand for solar products is largely dependent on government incentives that make the economic cost of solar power more competitive with traditional forms of electricity. The unsubsidized cost of using solar energy is currently more expensive, on a per watt basis, than the retail cost of conventional hydroelectric, nuclear or fossil fuel-generated energy sources in most industrialized regions of the world. As a result, federal, state, provincial and local governmental bodies in many countries, including Ontario, Canada, have provided subsidies in the form of cost reductions, tax write-offs and other incentives to end users, distributors, systems integrators and manufacturers of solar products. Reduction or elimination of these government subsidies and economic incentives because of policy changes, fiscal tightening or other reasons may result in market volatility, including rapid changes in demand and pricing, as well as the diminished competitiveness of solar energy, and could materially and adversely affect the growth of these markets.

**Liquidity and Access to Capital Markets.** While management believes that ATS will have sufficient liquidity to fund its current operating and working capital requirements, ATS may need to raise additional debt or equity capital to fund strategic acquisitions, expansion of its operations, expand distribution networks, invest in partnerships and research and development; and to enhance its services and products, or to invest in or acquire additional capital projects or complementary products, services, businesses or technologies. The ability of ATS to arrange such financing to fund investments in future opportunities will depend in part upon prevailing capital market conditions as well as ATS’s business performance. ATS’s access to financial markets could be adversely impacted by various factors including: changes in credit markets that reduce available credit or the ability to renew existing facilities on acceptable terms; a deterioration in ATS’s financial situation that would violate current covenants and/or prohibit ATS from obtaining capital from banks, financial institutions, or investors; an adverse perception in capital markets of ATS’s financial condition or prospects; a decline in credit ratings; extreme volatility in credit markets that increase margin or credit requirements; significant changes in market interest rates; general economic conditions; or volatility in ATS’s results that would substantially increase the cost of its capital. Credit ratings may be impacted by many external factors beyond ATS’s control and accordingly, no assurance can be given that ATS’s credit ratings will not be reduced in the future. Any debt financing secured by ATS in the future could involve restrictive covenants relating to its capital-raising activities and other financial and operational matters, which may make it more difficult for ATS to obtain additional capital and to pursue business opportunities, including potential acquisitions. There can be no assurance that ATS will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to management. If ATS raises additional funds through further issuances of convertible debt or equity securities, its existing shareholders could suffer significant dilution, and any new equity securities ATS might issue could have rights, preferences and privileges superior to those attaching to its common shares.

**Expansion Risks.** The Company will continue to seek growth organically and through acquisition. This strategy may expose the Company to integration risks depending on the size of the acquisitions, the investment, schedule and technology involved, and the nature of the
business and the products to be produced. The Company seeks to leverage its organizational structure, business processes and experience to successfully integrate acquired businesses into the Company. If the Company is unable to invest in and successfully acquire new businesses, implement new equipment, systems, processes and facilities, the Company may be unable to expand its business as planned.

The Company may also experience negative impacts on operating results during periods of rapid change. New employees added in highly skilled areas may take 12 months or more to become fully trained in ATS-specific technologies and procedures. New facilities may not be fully utilized immediately upon occupancy. Until new employees and new facilities are fully productive, operating margins may be lower than optimal. In addition, because of high recruiting and training costs and the competitive advantages of retaining a stable and experienced workforce, the Company may retain skilled workers during periods of reduced demand resulting in lower earnings and operating margins during such periods. ATS’s strategy addresses expansion and a number of other objectives. There is potential for negative sentiment towards the Company and resulting impairment of the Company’s reputation if this strategy does not meet with optimal reception by ATS’s customers and/or the market in general or in the event of customer disputes or other performance issues.

Availability of Human Resources and Dependence on Key Personnel. The Company’s business is knowledge-based. Management believes that to increase capacity it must continue to attract, retain and develop employees whose specialized skills are increasingly in demand. The Company’s future success also depends upon a number of key members of ATS senior management. The unexpected loss or departure of any of the Company’s key officers or employees could be detrimental to the future operations of the Company. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel. Management seeks to have employment and compensation policies and practices in place that, to the extent reasonably possible, enhance the retention and future recruitment of qualified personnel and appropriate succession plans to minimize disruption caused by employee turnover.

ATS is party to several legislatively-imposed collective agreements throughout its business segments, which may be subject to expiration at various times in the future. If ATS is unable to renew these collective agreements as they become subject to renegotiation from time to time, this could result in work stoppages and other labour disturbances.

Intellectual Property Protection Risks. The success of ATS depends in part upon its ability to protect its intellectual property and proprietary technology. ATS relies primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect its intellectual property. Nevertheless, these afford only limited protection and the actions ATS takes to protect its intellectual property rights may not be adequate. It is possible that: some or all of ATS’s confidentiality agreements will not be honoured; disputes will arise with customers, consultants, strategic partners or others concerning the ownership of intellectual property; unauthorized disclosure of ATS’s know-how, trade secrets and other confidential information will occur; or third parties may copy, infringe, misappropriate or reverse engineer ATS’s proprietary technologies or other intellectual property rights.
ATS’s success and ability to compete is impacted by the patent protection it obtains for its proprietary technology. ATS holds a number of patents and has made applications for other patents. ATS’s patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope ATS seeks. In addition, any issued patents may be challenged, invalidated or declared unenforceable, or competitors could develop similar or more advantageous technologies on their own or design around ATS’s patents. The value of ATS’s patents depends in part on their duration. Shorter periods of patent protection are relatively less valuable. Because the period between the filing of a patent application to the issuance of a patent is often longer than three years, a 20-year patent term from the filing date may result in substantially shorter patent protection. In some cases, ATS may need to re-file some patent applications and, in these situations, the patent term will be measured from the filing date of the earliest prior application to which benefit of earlier filing date in the applicable jurisdiction is claimed in such a patent application. This would also shorten ATS’s period of patent exclusivity. Similarly, because of the extensive time required for the development and commercialization of products based on ATS’s technologies, it is possible that, before some products can be commercialized, any related patents may expire or remain in force for only a short period following commercialization, thereby reducing any advantages of these patents and making it unlikely that ATS will be able to recover investments it has made to develop its technologies and products based on its technologies. A shortened period of patent exclusivity, resulting from a change in patent laws, the passage of time, or otherwise, may negatively impact ATS revenue protected by its patents.

Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce ATS’s intellectual property rights, protect its trade secrets or determine the validity and scope of the proprietary rights of others. The outcome of any such potential litigation may not be in ATS’s favour. Such litigation may be costly and may divert management attention away from ATS’s business. In certain situations, ATS may have to bring such suit in foreign jurisdictions, in which case it is subject to additional risk associated with the result of the proceedings and the amount of damage that it can recover. Certain foreign jurisdictions may not provide protection to intellectual property comparable to that provided in the United States and Canada. An adverse determination in any such litigation would impair ATS’s intellectual property rights and may harm its business, financial condition and results of operations. ATS’s present and future patents may provide only limited protection for its technology and may not be sufficient to provide ATS with competitive advantages. In addition, given the costs of obtaining patent protection, ATS may choose not to protect certain innovations that later turn out to be important.

Any inability to obtain or adequately protect ATS’s proprietary rights could harm its ability to compete, generate revenue and grow its business, which could have a material adverse effect on its business, financial conditions and results of operations.

Risk of Infringement of Third Parties’ Intellectual Property Rights. ATS’s success depends on its ability to use and develop its technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. ATS may be unaware that it infringes third-party intellectual property rights, in particular process-related patents. This risk may be greater for ATS as its business involves the continuous development of custom solutions for its customers and therefore the potential
generation of new technology that could be subject to third-party challenge. ATS may become subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defence and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of ATS’s technical and management personnel. An adverse determination in any such litigation or proceedings to which ATS may become a party could subject ATS to significant liability to third parties, divert ATS’s management’s attention and resources, require ATS to seek licenses from third parties, to pay ongoing royalties, or to redesign its products, or subject ATS to injunctions prohibiting the manufacture and sale of ATS’s products or the use of its technologies. Protracted litigation could also result in ATS’s customers or potential customers deferring or limiting their purchases or use of ATS’s products until resolution of such litigation. All these judgments could materially damage ATS’s business. ATS believes that as technology develops, it may have to develop non-infringing technology, and its failure to do so or obtain licenses to the proprietary rights on a timely basis or on desired terms could have a material adverse effect on its business, financial condition and results of operations.

**Internal Controls.** Effective internal controls are necessary for ATS to provide reliable financial reports and effectively prevent fraud. Under Canadian securities law requirements, ATS’s Chief Executive Officer and Chief Financial Officer are required to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Company, 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 International Financial Reporting Standards (“IFRS”). ATS maintains compliance with Canadian securities law requirements by strengthening, assessing and testing the system of internal controls to provide the basis for the certification. However, the continuous process of strengthening ATS’s internal controls and complying with Canadian securities law requirements is expensive and time consuming. ATS cannot be certain that the measures it is taking will ensure that it maintains adequate control over financial processes and reporting. Furthermore, as ATS grows its business, the controls will become more complex and the Company could require more resources to ensure its internal controls remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm ATS’s results of operations or cause it to fail to meet its reporting obligations. If ATS or its independent registered public accounting firm discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in ATS’s consolidated financial statements and harm its share price. In addition, future non-compliance with the Canadian securities law requirements could subject ATS to a variety of administrative sanctions, including the suspension or delisting of its common shares, hampering the ability of registered broker-dealers to make a market for ATS’s common shares, which would further reduce its share price.

**Income and Other Taxes and Uncertain Tax Liabilities.** The Company operates and is subject to income tax and other forms of taxation (which are not based upon income) in numerous tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company’s earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation.
The Company may have exposure to greater than anticipated tax liabilities or expenses. The Company is subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities. The determination of the Company’s worldwide provision for income taxes and other tax liabilities requires significant judgment. The Company believes that it has adequately provided for income taxes based on all of the information that is currently available. Tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities. As outlined in note 19 to the consolidated financial statements, the Company has unrecognized deferred income tax assets which are reassessed at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered. If the Company achieves a consistent level of profitability, the likelihood of recording a deferred income tax asset on its consolidated balance sheets for some portion of the losses incurred in prior periods in one of its business jurisdictions will increase. Any change to the recognition of the deferred income tax asset would also result in an income tax recovery or income tax expense, as applicable, on the Company’s consolidated statements of operations in the period in which the recognition of assets is changed. In addition, if the Company has recorded a deferred income tax asset on the consolidated balance sheets, it will record income tax expense in any period in which it uses that deferred income tax asset to offset any income tax payable in that period, reducing net income reported for that period, perhaps materially.

**Variations in Quarterly Results.** The revenues, operating margins and earnings of ATS may vary from quarter to quarter as a result of risk factors discussed in this report and ATS’s results of operations in some quarters may be below market expectations. ATS’s quarterly results of operations may be substantially affected by a number of factors, many of which are outside of management’s control, including: changes in the proportion of revenue derived from the different activities of the Company; the proportions of ASG revenue derived from repeat systems and first-time systems; different margins on work performed; acquisitions; cost of work force reductions and severances; rate of capacity utilization and expansion; changes in the mix of products sold and value-added services provided; variations in capital expenditures and unplanned additional expenses such as manufacturing failures, defects, and changes in manufacturing costs; number of new employees added in a period; level of general and administrative expenses required to support the Company’s growth; level and timing of research and development activities; expenses associated with the rationalization of operations including the closing of facilities; the availability and pricing of raw materials; unpredictable volume and timing of customer orders or the loss of, or a significant reduction or postponement in orders from, one or more key customers; the timing of new product or technology announcements or introductions by ATS’s competitors and other developments in the competitive environment; costs of resolving customer disputes; bad debt expenses; changes in prevailing currency exchange rates which are used to translate the financial results of foreign subsidiaries into Canadian dollars; and the other risk factors identified in this AIF.

**Share Price Volatility.** The trading price of the common shares of the Company has in the past been, and will likely continue to be, subject to significant fluctuations. This may make it more difficult for holders of common shares of the Company to resell their common shares when they want at prices that they find attractive. These fluctuations may be caused by events related or unrelated to the Company’s operating performance and beyond its control. Factors that may contribute to fluctuations include, but are not limited to:
• Revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
• Changes in recommendations or financial estimates by industry or investment analysts;
• Changes in management or the composition of the Company’s board of directors;
• Outcomes of litigation or arbitration proceedings;
• Announcements of technological or competitive developments by the Company or its competitors;
• Introduction of new products or the gain or loss of significant customer contracts or relationships by the Company or its competitors;
• Developments with respect to the Company’s intellectual property rights or those of the Company’s competitors;
• Rumours or dissemination of false and/or misleading information;
• Fluctuations in the share prices of other companies operating in business sectors comparable to those that the Company operates in;
• Changes in the industries in which the Company or its customers operate;
• General market or economic conditions; and
• Other risk factors set out in this AIF.

If the market price of the common shares of the Company drops significantly, holders of common shares of the Company could institute securities litigation, including class action lawsuits, against the Company, regardless of the merits of such claims. Such a lawsuit could cause the Company to incur substantial costs and could divert the time and attention of its management and other resources from its business.

Litigation. ATS is subject to numerous risks relating to legal proceedings to which it is currently a party or that could develop in the future. In the ordinary course of its business, ATS may become subject to actual or threatened litigation and legal claims, including suits involving allegations of improper delivery of goods or services, product liability, wrongful dismissal, product defects, quality problems and intellectual property infringement. Although such claims may ultimately prove to be without merit, they can be time-consuming and expensive to defend. Although management is unaware of any material claims against it that have not been reflected in its consolidated financial statements, there can be no assurance that third parties will not assert claims against ATS in the future or that any such assertion will not result in costly litigation, or a requirement that ATS enter into costly settlement arrangements. There can be no assurance that such arrangements will be available on reasonable terms, or at all.

Legislative Compliance. In operating its business, ATS must comply with a variety of laws and regulations to meet its corporate and social responsibilities and to avoid the risk of financial penalties and/or criminal and civil liability for its officers and directors. Areas of principal risk are environment, health and safety, import, licensing, competition law, privacy, disclosure, insider trading and laws and other regulations. Failure to comply with applicable regulations could result in sanctions and financial penalties by regulatory bodies that could impact ATS’s earnings and reputation.
ATS is required to comply with all foreign, national and local laws and regulations regarding the operation of industrial facilities, pollution control, environmental protection, and health and safety. In addition, under some statutes and regulations, a government agency or other parties may seek recovery and response costs from operators of facilities where releases of hazardous substances have occurred or are ongoing, even if the operator was not responsible for such release or otherwise at fault. ATS uses, stores, generates and discharges toxic, volatile and hazardous chemicals and wastes in some of its research and development and manufacturing activities. Failure to comply with present or future environmental laws, rules and regulations may result in substantial fines, suspension of production or cessation of operations. In addition, if more stringent laws and regulations are adopted in the future, the costs of compliance with these new laws and regulations could be substantial or could impose significant changes in ATS’s manufacturing process. ATS is not currently aware of any environmental contamination at any of its facilities that management would expect to have a material impact on ATS’s operations or results. However, should ATS discover such contamination at properties that it owns or operates, ATS could be required to conduct investigative or remedial activities that could be material to its operating results.

**Dependence on Performance of Subsidiaries.** Among ATS’s principal assets are the equity interests it owns in its operating subsidiaries. As a result, ATS is dependent upon cash dividends, distributions or other transfers it receives from its subsidiaries in order to repay any debt it may incur and to meet its other obligations. The ability of ATS’s subsidiaries to pay dividends and make payments to ATS will depend on their results of operations and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and agreements of those subsidiaries. ATS’s subsidiaries are separate and distinct legal entities. Any right that ATS has to receive any assets of or distributions from any subsidiary upon its bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary’s creditors, including trade creditors. ATS may also be exposed to claims upon insolvency of a subsidiary in some jurisdictions where local laws or case law may provide for recourse against shareholders especially when assets are insufficient to cover liabilities, including employees’ redundancy costs. In addition, ATS or its subsidiaries may enter into joint ventures with third parties as a means to execute their business strategies. ATS’s ability to access its assets, including cash in these joint ventures, may be restricted by the governing documents of any such joint ventures.

**ITEM 6 – DIVIDEND POLICY**

ATS has not paid any dividends during the last five fiscal years. ATS does not currently contemplate the payment of dividends and expects to retain future earnings for reinvestment in its business. The payment of dividends, however, is reviewed by the Board of Directors from time to time in light of the Company’s earnings and financial requirements, covenant restrictions and other prevailing conditions. The Company’s primary credit facility partially restricts the payment of dividends and other distributions by the Company to shareholders.
ITEM 7 – CAPITAL STRUCTURE AND MARKET FOR SECURITIES

The Company is authorized to issue an unlimited number of common shares, without par value, for unlimited consideration. The common shares are not redeemable or convertible. Each common share carries the right to receive notice of, and one vote, at a meeting of shareholders; the right to participate in any distribution of the assets of the Company on liquidation, dissolution or winding up; and the right to receive dividends if, as and when declared by the Board of Directors. As of May 23, 2012 there were 87,439,755 common shares outstanding. Other than the exercise of stock options under the employee stock based compensation plan, there have been no issuances of shares. The common shares are listed on the Toronto Stock Exchange (TSX) under the symbol "ATA".

<table>
<thead>
<tr>
<th>Month</th>
<th>Price Range (Cdn. $)</th>
<th>Total Volume Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011</td>
<td>$6.70 – $7.06</td>
<td>5,134,200</td>
</tr>
<tr>
<td>May 2011</td>
<td>$6.49 – $6.97</td>
<td>1,852,900</td>
</tr>
<tr>
<td>June 2011</td>
<td>$6.79 – $7.77</td>
<td>5,830,500</td>
</tr>
<tr>
<td>July 2011</td>
<td>$7.73 – $8.40</td>
<td>2,128,900</td>
</tr>
<tr>
<td>August 2011</td>
<td>$6.00 – $7.73</td>
<td>3,354,100</td>
</tr>
<tr>
<td>September 2011</td>
<td>$5.85 – $6.80</td>
<td>1,593,600</td>
</tr>
<tr>
<td>October 2011</td>
<td>$5.86 – $6.21</td>
<td>1,290,200</td>
</tr>
<tr>
<td>November 2011</td>
<td>$6.04 – $7.35</td>
<td>2,715,600</td>
</tr>
<tr>
<td>December 2011</td>
<td>$5.41 – $6.56</td>
<td>1,822,700</td>
</tr>
<tr>
<td>January 2012</td>
<td>$6.26 – $7.10</td>
<td>1,710,700</td>
</tr>
<tr>
<td>February 2012</td>
<td>$6.99 – $8.39</td>
<td>5,688,500</td>
</tr>
<tr>
<td>March 2012</td>
<td>$7.90 – $9.03</td>
<td>3,495,000</td>
</tr>
</tbody>
</table>

ITEM 8 – DIRECTORS AND OFFICERS

The following table presents, as at May 23, 2012, the name, municipality of residence, position with the Company or a subsidiary of the Company, and the principal occupation of each of the directors and executive officers of ATS and, in the case of the directors, the year each director first became a director of the Company. Each director is elected at the Company’s Annual General Meeting or appointed pursuant to the bylaws of the Company to serve until the next annual meeting or until a successor is elected or appointed.
<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Position with Company or a subsidiary</th>
<th>Principal Occupation</th>
<th>Year First Became Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEIL D. ARNOLD (1, 2 &amp; 4) New York, U.S.A.</td>
<td>Director</td>
<td>Private Investor</td>
<td>September 2007</td>
</tr>
</tbody>
</table>

Mr. Arnold has over 35 years of experience in public company finance and general management. Most recently, he served as Executive Chairman of the Board of Directors of WHX Corp., a public holding company for primary industrial businesses. He also served as Group Finance Director of Lucas Varity, PLC, a public company providing components and systems to the global aerospace and automotive industries with revenues in excess of $7 billion. Prior to that Mr. Arnold was Chief Financial Officer of Varity Corporation (previously Massey-Ferguson Ltd.). He has served as a director of Lucas Varity, and WHX Corp. At present Mr. Arnold is a Director of Pembroke College Foundation of North America Inc. Mr. Arnold earned a B.A. in Engineering Science from Pembroke College, Oxford University and is a Fellow of the Chartered Institute of Management Accountants (UK).

| ANTHONY CAPUTO Ontario, Canada | Chief Executive Officer & Director | Chief Executive Officer, ATS Automation Tooling Systems Inc. | June 2008 |

Mr. Caputo is the Chief Executive Officer of ATS Automation Tooling Systems Inc. As an experienced senior executive he brings a solid track record of over 25 years of delivering performance, growth and value creation in technology, manufacturing and service environments. Most recently Mr. Caputo served as Corporate Vice-President, President and COO of L-3 Communications, and prior to that he was the President and CEO of Spar Aerospace. Mr. Caputo holds a Bachelor of Technology in Engineering from Ryerson University and a Master of Science in Organizational Development from Pepperdine University.


Mr. Martino is a founder and principal of Mason Capital Management LLC. Mr. Martino began his investment career at Oppenheimer & Company where he was responsible for risk arbitrage research; he ended his tenure at Oppenheimer as Executive Director, Risk Arbitrage. He began his business career at GE Capital Corporation where he held positions in information systems and business analysis. He was formerly a director of Spar Aerospace Limited, a publicly-traded aerospace company. Mr. Martino graduated from Fairfield University with a degree in Political Science and earned a Masters in Business Administration in Finance and International Business from New York University’s Stern School of Business.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Title</th>
<th>Company/Institution</th>
<th>Location</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAVID MCAUSLAND (3 &amp; 4)</td>
<td>Chairman of the Board of Directors</td>
<td>Partner</td>
<td>McCarthy Tétrault LLP</td>
<td>March 2010</td>
</tr>
<tr>
<td>Quebec, Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GORDON PRESHER (1, 3 &amp; 4)</td>
<td>Director</td>
<td>Chairman &amp; CEO,</td>
<td>Solar Sentry Corp.</td>
<td>September 2007</td>
</tr>
<tr>
<td>New York, U.S.A.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEALE X. TRANGUCCI (1, 2)</td>
<td>Director</td>
<td>Officer, Mason Capital Management LLC</td>
<td>September 2007</td>
<td></td>
</tr>
<tr>
<td>New Jersey, U.S.A.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DARYL C. F. WILSON (2 &amp; 3)</td>
<td>Director</td>
<td>President and CEO,</td>
<td>Hydrogenics</td>
<td>February 2009</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
<td>Corporation</td>
<td></td>
</tr>
</tbody>
</table>

Mr. McAusland, the Chairman of the Board of Directors, is a senior corporate strategist, advisor and lawyer who is a partner in the law firm McCarthy Tétrault. Previously, Mr. McAusland was Executive Vice-President, Corporate Development and Chief Legal Officer of Alcan Inc. where he provided leadership on its worldwide mergers, growth strategies, major transactions and capital investments. Mr. McAusland currently acts as director ofCogeco Inc. /Cogeco Cable Inc., Cascades Inc., and Khan Resources Inc.. He has, until recently, served as Chair of the Reform Implementation Council for the Royal Canadian Mounted Police. Mr. McAusland is also involved with several not-for-profit organizations: he is a director of the Montreal General Hospital Foundation and Chairman of the National Circus School Foundation. Mr. McAusland received his B.C.L. in 1976 and his LL.B. in 1977, both from McGill University.

Mr. Presher is a uniquely qualified entrepreneur, possessing expertise in both the automation technology and solar industries. He is the Co-Founder, Chairman and Chief Executive Officer of Solar Sentry Corp., a seed-stage developer of innovative monitoring equipment for the solar energy industry. Prior to Solar Sentry Mr. Presher was Chairman and Chief Executive Officer of Ormec Systems Corp., a factory automation firm specializing in precise motion control. He began his career as a controls engineer at Eastman Kodak Company. Mr. Presher holds a Bachelor of Science in Physics and Math from Houghton College, and a Bachelor of Science in Electrical Engineering from University of Rochester.

Mr. Trangucci has been an officer of Mason Capital Management LLC since November 2005. During that time, he served as the CEO and Chairman of Silicon Global Corporation. Prior to joining Mason, he was Chief Executive Officer of WHX Corp. Previously, Mr. Trangucci worked for Neuberger Berman, and before that time spent eight years in workouts and bankruptcies with Continental Illinois Bank and Salomon Brothers. He has been a director of WHX, Wheeling-Pittsburgh Steel Corp. and Wheeling-Nisshin, Inc. Mr. Trangucci holds a Bachelor of Science from Bucknell University and a Masters in International Affairs and Finance and Banking from Columbia University.

Mr. Wilson is the President, CEO and director of Hydrogenics Corporation, a Canadian public company and hydrogen technology provider. Prior to joining Hydrogenics he was VP Manufacturing and Operations with Royal Group Technologies and Zenon Environmental Inc. Preceding that he served on the senior management team of Toyota Motor Manufacturing Canada. Mr. Wilson has been National Chair of the Environmental Quality Committee of the CMA. Mr. Wilson holds an MBA in Operations Management/Management Science from McMaster University; a Bachelor of Science in Chemical Engineering from the University of Toronto; and has obtained a Chartered Director designation (C.C. Dir.).
EXECUTIVE OFFICERS

<table>
<thead>
<tr>
<th>Name and Place of Residence</th>
<th>Position with Company or a Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANTHONY CAPUTO, Ontario, Canada</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>MARIA PERRELLA, Ontario, Canada</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>STEWART MCCUAIG, Ontario, Canada</td>
<td>Corporate Vice President, General Counsel</td>
</tr>
<tr>
<td>RONALD G. KEYSER, Ontario, Canada</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>CARL H. GALLOWAY, Ontario, Canada</td>
<td>Corporate Vice President, Treasurer</td>
</tr>
<tr>
<td>CHARLES GYLES, Ontario, Canada</td>
<td>Corporate Vice President, Organizational Effectiveness</td>
</tr>
<tr>
<td>PATRICE PELLETIER, Quebec, Canada</td>
<td>Corporate Vice President, Global Sales &amp; Marketing</td>
</tr>
<tr>
<td>ERIC KIISEL, Ontario, Canada</td>
<td>Senior Vice President, ASG Energy and Industry</td>
</tr>
<tr>
<td>MARCUS HORN, Ontario, Canada</td>
<td>Senior Vice President, ASG Products</td>
</tr>
<tr>
<td>HELMUT HOCK, Ontario, Canada</td>
<td>Senior Vice President, ASG Transportation</td>
</tr>
<tr>
<td>HANS-DIETER BAUMTROG, Winnenden, Germany</td>
<td>Senior Vice President, ASG Life Sciences</td>
</tr>
<tr>
<td>CHRIS WATERS, Ontario, Canada</td>
<td>Vice President &amp; General Manager, Ontario Solar</td>
</tr>
</tbody>
</table>

All the above-mentioned persons have held their present positions or other senior positions with the Company for the last five years except as follows:
• From 2001 to 2007 Anthony Caputo was Corporate Vice-President and President and Chief Operating Officer of L-3 Communications Canada.
• From 2007 to 2008 Maria Perrella served as the Chief Financial Officer and Senior Vice President, Finance & Information Technology at Arclin. Prior to that, she was the Vice President Finance & Group Chief Financial Officer at L-3 Communications Canada from 2003 to 2007.
• From 2004 to 2007, Ronald Keyser served with Magna Services, most recently as Vice President, Information Technology Operations.
• From 2002 to 2007, Charles Gyles was the Vice President Human Resources, Labour Relations and Health & Safety with Weston Foods Canada Ltd.
• From 2007 to 2009, Patrice Pelletier was the President and Chief Executive Officer of the Montreal Port Authority. Prior to that, he was the President of L-3 Communications, SPAR Aerospace Ltd. from 2005 to 2007.
• From 2007 to 2009, Marcus Horn was the Vice President and General Manager at Siemens Canada Limited in the Energy Sector – Power Transmission & Power Distribution Divisions. From 2009 to 2010, he was self-employed as a consultant in the renewable energy industry.
• From 2008 to 2010, Helmut Hock was an independent consultant engaged on a number of senior business advisory roles. Prior to that, he was the President of Royal Pipe Systems Ltd. From 2005 to 2008.
• From 1988 to 2010, Hans-Dieter Baumtrog was CEO at Sortimat Group.
• From 2005 to 2009 Chris Waters was Vice President, Business Development and Marketing at ARISE Technologies Corp.

Shareholdings of Directors and Executive Officers

As at May 24, 2012, the directors and executive officers of ATS, as a group, beneficially owned or controlled, directly or indirectly, 17,070,033 Common Shares representing 19.52% of the outstanding Common Shares of the Company.

Additional Disclosure for Directors and Executive Officers

Each of the following Directors and/or Executive Officers were directors or executive officers of other companies which became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or were subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets in the ten years preceding the date of this Annual Information Form and while they were directors or executive officers of the specified companies or within one year after they ceased to be directors or executive officers of the specified companies.

Mr. Arnold was a director of WHX Corp. between 1992 and 2005. In February 2004, Neale X. Trangucci was appointed Chief Executive Officer and member of the board of directors of WHX Corp., the parent company of Wheeling-Pittsburg Steel Corp. Mr. Trangucci was hired to oversee the restructuring of WHX Corp., which included its filing for Chapter 11 in the Southern District of New York in March 2005. WHX Corp. successfully emerged from bankruptcy five months later as a standalone entity. Creditor’s of WHX Corp. received full value for their claims under the court approved Plan of Reorganization. Mr. Trangucci was also a director of Wheeling-Pittsburgh Steel Corp., a wholly-owned subsidiary of WHX Corp., prior to its bankruptcy.
reorganization. Wheeling-Pittsburgh Steel Corp. successfully reorganized and emerged from Chapter 11 in August 2003.

Ms. Perrella was appointed as the President of Photowatt International S.A.S. in 2008. On November 8, 2011, a hearing was held at which time the French bankruptcy court placed PWF into a “recovery” proceeding (“redressement judiciaire”) under the supervision of a court appointed trustee. On February 27, 2012, a subsidiary of the EDF group, the French electricity utility, was selected by the French bankruptcy court to purchase the assets of PWF, and the entire workforce of PWF was subsequently transferred to the purchaser or offered to be transferred within the purchaser’s group. Effective March 1, 2012, the purchaser assumed control over the operations of PWF. The confirmation of a new operator for the PWF business concluded ATS’s operating support of PWF. As is customary in France, the purchaser and the court appointed trustee were granted a period of time (ending in June 2012) to finalize the purchase agreements relating to the PWF assets. These agreements which will complete the transfer of the legal ownership of those assets are still being finalized.

Although a new operator is now assuming the whole operation of the PWF assets and all employees have been (or offered to be) transferred to this new operator or within its group, the judicial liquidation process could take several years to wind-up.

ITEM 9 – INTEREST OF EXPERTS

The Company’s independent auditors, Ernst & Young LLP, have delivered an audit report to the Company concerning the consolidated statements of financial position of the Company as at March 31, 2012 and 2011, and the consolidated statements of operations, shareholders’ equity and other comprehensive income, and cash flows for the years then ended and notes thereto (“consolidated financial statements”). Ernst & Young LLP is an independent auditor within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ITEM 10 – AUDIT COMMITTEE INFORMATION

The Audit and Finance Committee’s primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and accounting compliance, and the audit process and processes for identifying, evaluating and monitoring the management of the Company’s principal risks impacting financial reporting. The committee also assists the Board with the oversight of financial strategies and overall risk management.

A copy of the Audit and Finance Committee’s Charter is attached to this AIF as “Appendix A”.

The Audit and Finance Committee is composed of Mr. Arnold (Chair), Mr. Trangucci and Mr. Presher. Each of the members of the committee is an unrelated, financially literate director and is considered by the Board of Directors to be independent of management. The committee met formally eight times during the fiscal year ended March 31, 2012. The following sets out the education and experience of the members:
• Mr. Arnold has over 35 years of experience in public company finance and general management. Most recently, he served as Executive Chairman of the Board of Directors of WHX Corp., a public holding company for primary industrial businesses. He also served as Group Finance Director of Lucas Varity, PLC, a public company providing components and systems to the global aerospace and automotive industries with revenues in excess of $7 billion. Prior to that Mr. Arnold was Chief Financial Officer of Varity Corporation (previously Massey-Ferguson Ltd.). He has served as a director of Lucas Varity, and WHX Corp. At present Mr. Arnold is a Director of Pembroke College Foundation of North America Inc. Mr. Arnold earned a B.A. in Engineering Science from Pembroke College, Oxford University and is a Fellow of the Chartered Institute of Management Accountants (UK).

• Mr. Trangucci has been an officer of Mason Capital Management LLC since November 2005. During that time, he served as the CEO and Chairman of Silicon Global Corporation. He has over 25 years of experience investing in and managing companies in various stages of financial distress. Prior to joining Mason, he was Chief Executive Officer of WHX Corp. Previously, Mr. Trangucci worked for Neuberger Berman, where he invested partners’ capital in public and private distressed securities and before that time spent eight years in workouts and bankruptcies with Continental Illinois Bank and Salomon Brothers. He has been a director of WHX, Wheeling-Pittsburgh Steel Corp. and Wheeling-Nisshin, Inc. Mr. Trangucci holds a Bachelor of Science from Bucknell University and a Masters in International Affairs and Finance and Banking from Columbia University.

• Mr. Presher is a uniquely qualified entrepreneur, possessing expertise in both the automation technology and solar industries. He is the Co-Founder, Chairman and Chief Executive Officer of Solar Sentry Corp., a seed-stage developer of innovative monitoring equipment for the solar energy industry. Prior to Solar Sentry Mr. Presher was Chairman and Chief Executive Officer of Ormec Systems Corp., a factory automation firm specializing in precise motion control. He began his career as a controls engineer at Eastman Kodak Company. Mr. Presher holds a Bachelor of Science in Physics and Math from Houghton College, and a Bachelor of Science in Electrical Engineering from University of Rochester.

Management of the Company maintains a policy, approved by the Audit and Finance Committee, for engagement of the Company’s external auditors for any non-audit related services (the “Auditor Independence Policy”). The objective of the Auditor Independence Policy is to ensure the external auditors’ objectivity is not compromised. It sets out the rules to be followed when engaging the Company’s external auditors for any non-audit related engagement.

The Auditor Independence Policy sets out a list of services that the Company’s external auditors are prohibited from providing, as well as a list of services that may be provided subject to the approval of the Audit and Finance Committee. The Audit and Finance Committee must pre-approve all permitted non-audit related services. The Audit and Finance Committee may delegate its pre-approval authority to a designated member of such Committee; such designated member must report any decisions that he or she makes to the full Audit and Finance Committee at its next scheduled meeting.
ITEM 11 – COMPENSATION OF AUDITORS

The breakdown of fees incurred for services provided in fiscal 2012 by the Company’s current auditors, Ernst & Young LLP, initially appointed on June 18, 2009, are as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Fiscal 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$ 729,000¹</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>$ 190,000²</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>$ 754,000³</td>
</tr>
</tbody>
</table>

1 – “Audit Fees” include fees related to quarterly reviews and year-end audits.
2 – “Audit-Related Fees” are primarily related to discontinued operations.
3 – “Tax Fees” are primarily related to global tax compliance and structuring review work.

The breakdown of fees incurred for services provided in fiscal 2011 are as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Fiscal 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$1,317,000¹</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>$ 724,000²</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>$ 447,000³</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>$ 158,000</td>
</tr>
</tbody>
</table>

1 – “Audit Fees” include fees related to audits of the purchase price allocations for the acquisitions of ATW and Sortimat, quarterly reviews and IFRS opening balance sheet audit procedures.
2 – “Audit-Related Fees” are primarily related to due diligence procedures.
3 – “Tax Fees” are primarily related to global tax compliance and structuring review work.
4 – “All Other Fees” are primarily related to tax work pertaining to expatriate employment arrangements.

ITEM 12 – TRANSFER AGENT AND REGISTRAR

The Company’s transfer agent and registrar is Computershare Investor Services Inc., and may be contacted at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1. General Shareholder Inquiries by phone: 1-800-564-6253 (toll free North America – International 514-982-7555), by fax 1-866-249-7775 (toll free North America – International 416-263-9524) or by email at service@computershare.com.

ITEM 13 – ADDITIONAL INFORMATION

Additional information regarding the Company is available at the Company’s website at www.atsautomation.com and on SEDAR at www.sedar.com.
Additional information, including directors’ and officers’ remuneration, principal holders of the Company’s securities and details of options to purchase securities is contained in the Company’s Management Information Circular prepared for the most recent annual meeting of shareholders and available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information, including the Company’s comparative consolidated audited financial statements for the fiscal year ended March 31, 2012, is provided in the Company’s annual consolidated financial statements, the notes thereto, auditor’s report thereon and accompanying fiscal 2012 MD&A. A copy of all such documents may be obtained upon request from the Secretary of the Company and can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Notes to Readers:
Amounts are expressed in Canadian currency unless otherwise noted.

Note to Readers: Forward-Looking Statements
This Annual Information Form of ATS contains certain statements that 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's 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 Company’s three-phase strategic plan; finalization of purchase agreements related to the purchase by an EDF subsidiary of the assets of PWF; management expectations regarding additional expenses associated with Photowatt France judicial liquidation; working towards concluding a transaction for the sale of the Ontario Solar business; the Company’s growth strategy; commitment in respect of acquisitions; the Company’s value creation plan, including the strengthening of business processes, supply chain management, approach to market, and preservation of balance sheet strength; management’s expectations regarding the impact of the plan on ATS operations and competitive position; potential impact of global economic environment, including impact on credit markets and Order Bookings; Company’s approach to market and expected impact on order bookings; management’s expectations in relation to the impact of strategic initiatives on ATS operations; expected impact of management’s focus on program management, cost reductions, standardization and quality; expected impact of initiatives at Sortimat and ATW; management’s intention to apply additional resources to acquisition activities; differentiation and competitive advantages flowing from the Company’s reputation, knowledge, global presence, scale, locations and standard automation technology; financial position of the Company providing a foundation to pursue growth and acquisition strategy; advantages flowing from product and technology portfolio; separation of solar business; expected positive impact of opportunities related to other solar assets; sale process for Ontario Solar; expected impact of FIT program changes; OSPV securing conditional FIT approvals totaling approximately 64 MWs related to ground mount solar projects; OSPV seeking required approvals; OSPV expectation to have a definitive agreement in place for financing and ultimate third-party ownership of certain projects; Ontario Solar expectation to supply modules to OSPV; two customer agreements signed by Ontario Solar in first quarter and expected quantities to be supplied thereunder and timing of initial shipments; Ontario Solar agreements with developers who have secured conditional FIT approvals; expectation that Ontario Solar will provide modules and other related services to these projects; government incentives and subsidies for solar products; sufficiency of liquidity to fund the Company’s current operating and working capital requirements; potential need to raise additional debt or equity capital; Company’s intention to seek growth organically and through acquisition; plan to leverage organization structure, business processes and experience to successfully integrate acquired businesses; employment and compensation policies that
enhance retention and future recruitment; management belief regarding adequacy of provisions for income
taxes; Company’s expectation to continue to increase its investment in working capital; foreign exchange
hedging. The risks and uncertainties that may affect forward-looking statements include, among others:
impact of the global economy and the Eurozone sovereign debt crisis; general market performance
including capital market conditions and availability and cost of credit; performance of the market sectors
that ATS serves; foreign currency and exchange risk; the relative strength of the Canadian dollar; impact of
factors such as increased pricing pressure and possible margin compression; the regulatory and tax
environment; inability of PWF bankruptcy trustee and EDF subsidiary to conclude purchase agreements;
that the sale process for Ontario Solar fails to generate an acceptable transaction due to market, regulatory,
or other factors; unexpected delays and issues, on the timing, form and structure of the solar separation;
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; that strategic
initiatives within ASG and targeted initiatives at Sortimat and ATW do not have intended positive impact
and/or take longer than expected; the financial attractiveness of, and demand for, the solar projects being
developed by Ontario Solar; that OSPV is unable to reach a definitive agreement with an ultimate owner of
the projects or is delayed in that regard; ability to obtain necessary government and other certifications and
approvals for solar projects in a timely fashion; supplier, customer, employee, government and media
reaction to PWF bankruptcy proceedings; labour disruptions; that expenditures associated with the PWF
bankruptcy exceed current estimates and/or proceeds from sale of other solar assets are less than currently
expected; that one or both of the customer agreements signed by Ontario Solar is terminated or impaired as
a result of a cancellation or material change in the FIT program in Ontario, and, as a result contemplated
minimum amounts to be supplied are not supplied with resulting impacts on revenue and profitability; the
success of developers with whom Ontario Solar has signed agreements in ultimately developing the
projects; that one or more customers, or other persons 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 liability claims; risks associated with greater than anticipated tax liabilities or expenses;
and other risks detailed from time to time in ATS’s 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.
APPENDIX A

ATS AUTOMATION TOOLING SYSTEMS INC.
(the “Company”)

CHARTER FOR
THE AUDIT AND FINANCE COMMITTEE OF
THE BOARD OF DIRECTORS

A. PURPOSE
1. The primary functions of the Audit and Finance Committee (the “Committee”) are to oversee the accounting and financial reporting practices of the Company and the audits of the Company’s financial statements and to exercise the responsibilities and duties set forth below, including, but not limited to, assisting the Board in fulfilling its responsibilities in reviewing the following: financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company’s compliance with the binding requirements of any stock exchanges on which the securities of the Company are listed and all other applicable laws (collectively, the “Applicable Requirements”); selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external and internal auditors; reviewing the qualifications, independence and performance of the Company’s financial management; and identifying, evaluating and monitoring the management of the Company’s principal risks impacting financial reporting. The Committee also assists the Board with the oversight of financial strategies and overall risk management.

2. The Committee is not responsible for: planning or conducting audits; certifying or determining the completeness or accuracy of the Company’s financial statements or that the financial statements are in accordance with generally accepted accounting principles; or guaranteeing the report of the Company’s external auditor. The fundamental responsibility for the Company’s financial statements and disclosure rests with management and the external auditor.

B. MEMBERSHIP AND ORGANIZATION
1. Composition - The Committee shall consist of not less than three independent members of the Board. At the invitation of the Committee, members of the Company’s management and others may attend Committee meetings as the Committee considers necessary or desirable. Without Board approval, a Committee member shall not sit on more than two other audit committees of publicly traded companies or trusts.

2. Appointment and Removal of Committee Members - Each member of the Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the Company’s shareholders at which the member's term of office expires, (b) the death of the member, or (c) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill a vacancy in the membership of the Committee.
3. **Independence** - Each member of the Committee shall meet the independence and audit committee composition requirements of the Applicable Requirements. Committee members shall not receive any compensation from the Company other than director’s fees.

4. **Financial Literacy** - At the time of his or her appointment to the Committee, each member of the Committee shall be able to read and understand a set of financial statements, including a balance sheet, cash flow statement and income statement, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. At the time of his or her appointment to the Committee, each member of the Committee shall not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the preceding three years. At least one member of the Committee shall have past employment experience in financing or accounting, a requisite professional certificate in accounting, or other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

C. **MEETINGS**

1. **Meetings** - The members of the Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external and internal auditors and non-Committee board members are entitled to receive notice of and attend and be heard at each Committee meeting. The Chair, any member of the Committee, the external auditors, the internal auditors, the Chairman of the Board, the Chief Executive Officer, or the Chief Financial Officer may call a meeting of the Committee by notifying the Company’s Corporate Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

2. **Corporate Secretary and Minutes** - The Corporate Secretary, his or her designate or any other person the Committee requests, shall act as secretary at Committee meetings. Minutes of Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Committee for approval.

3. **Quorum** - A majority of the members of the Committee shall constitute a quorum. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution of the Committee.

4. **Access to Management and Outside Advisors** - The Committee shall have unrestricted access to the Company’s management and employees and the books and records of the Company, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of regularly scheduled meetings with the external auditor, the internal auditor, the Chief Financial Officer or the Chief Executive Officer. The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for
these advisors without consulting or obtaining the approval of the Board or any Company officer.

5. **Funding** - The Company shall provide appropriate funding, as determined by the Committee, for (i) the payment of compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) payment for the services of any advisors retained by the Committee; and (iii) the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

6. **Meetings Without Management** - The Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which only independent directors are present.

**D. FUNCTIONS AND RESPONSIBILITIES**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by the Applicable Requirements.

1. **Financial Reports**
   a. **General** - The Committee is responsible for overseeing the Company’s financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company’s financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company’s annual consolidated financial statements and for reviewing the Company’s unaudited interim financial statements.

   b. **Review of Annual Financial Reports** - The Committee shall review the annual consolidated audited financial statements of the Company, the external auditors' report thereon, the related management's discussion and analysis of the Company’s financial condition and results of operation (“MD&A”), and the financial disclosure in any earnings press release. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements, the related MD&A, and the earnings release.

   c. **Review of Interim Financial Reports** - The Committee shall review the interim consolidated financial statements of the Company, the external auditors’ review report thereon, the related MD&A, and the financial disclosure in any earnings press release. After completing its review, if advisable, the Committee shall approve the interim financial statements, the related MD&A, and the earnings release.

   d. **Review Considerations** - In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:
i. meet with management, the external auditors, and the internal auditors to discuss the financial statements and MD&A;

ii. review the disclosures in the financial statements;

iii. review the audit report or review report prepared by the external auditors;

iv. discuss with management, the external auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;

v. review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

vi. review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;

vii. review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

viii. review the use of any non-GAAP financial measures, including “pro forma” or “adjusted” information;

ix. review management's report on the design and effectiveness of disclosure controls and procedures and internal controls over financial reporting;

x. review results of the Company’s audit committee hotline program;

xi. meet in private with external auditors, internal auditors, and one or more senior executives; and

xii. review any other matters, related to the financial statements, that are brought forward by the external or internal auditors, management, or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

e. Approval of Other Financial Disclosures - The Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering documents of the Company.

2. Auditors
   a. General - The Committee shall be directly responsible for oversight of the work of the external auditors, including the external auditors work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. The external auditors shall report directly to the Committee and the Committee shall have authority to communicate directly with the Company’s internal auditors and external auditors.

   b. Appointment and Compensation - The Committee shall review and, if advisable, select and recommend to the Board, for shareholder approval, the appointment of the external auditors. The Committee shall review and, if advisable, recommend for shareholder approval the compensation of the external auditors, unless such authority is delegated by the shareholders to the Committee, in which case the Committee shall determine the compensation of the external auditors.
c. **Resolution of Disagreements** – The Committee shall resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

d. **Discussions with External Auditor** – At least annually, the Committee shall discuss with the external auditor such matters as are required by applicable auditing standards to be discussed by the external auditor with the audit committee, including the matters required to be discussed by Applicable Requirements.

e. **External Audit Plan** - At least annually, the Committee shall review a summary of the external auditors' annual audit plan. The Committee shall consider and review with the external auditors any material changes to the scope of the plan.

f. **Internal Audit Plan** - At least annually, the Committee shall review a summary of the internal auditors' annual audit plan. The Committee shall consider and review with the internal auditors any material changes to the scope of the plan.

g. **Quarterly Review Report** - The Committee shall review a report prepared by the external auditors in respect of each of the interim financial statements of the Company.

h. **Independence of External Auditors** - At least annually, and before the external auditors issue their report on the annual financial statements, the Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the external auditors.

i. **Evaluation and Rotation of Lead Partner** - At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the external auditors. The Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

j. **Hiring of Former Employees of External Auditor** – The Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
k. **Requirement for Pre-Approval of Non-Audit Services** - The Committee shall approve in advance any retainer of the external auditors to perform any non-audit service to the Company in accordance with Applicable Requirements, and Board approved detailed policies and procedures specifically relating to such non-audit services. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting. Approval by the Committee of a non-audit service to be performed by the external auditor of the Company shall be disclosed to the Company’s investors in periodic reports as required by the Applicable Requirements.

3. **Internal Controls**
   a. **General** - The Committee shall review the adequacy of the Company’s internal accounting and disclosure controls, its management information systems and its financial, auditing and accounting organizations and systems.

   b. **Establishment, Review and Approval** - The Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over maintenance of records, financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the external and internal auditors:
      i. the effectiveness of, or weaknesses or deficiencies in: the design or operating effectiveness of the Company’s internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions.
      ii. any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company’s periodic regulatory filings;
      iii. any material issues raised by any inquiry or investigation by the Company’s regulators;
      iv. the Company’s fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
      v. any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.
4. **Compliance with Legal and Regulatory Requirements** - The Committee shall receive and review regular reports from the Company’s General Counsel and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company’s compliance policies; and any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific Applicable Requirements, and management's plans to remediate any deficiencies identified.

5. **Committee Hotline Procedures** - The Committee shall establish or oversee the establishment of procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management, internal auditors, and the general counsel to reach a satisfactory conclusion.

6. **Compliance with Code of Business Conduct** – The Committee shall:
   i. at least annually, review and assess the adequacy of and, if advisable, approve and recommend for Board approval, any amendments to the Company’s Code of Business Conduct;
   ii. review and, if advisable, approve the Company’s processes for administering the Code of Business Conduct;
   iii. review, on a regular basis, summaries of the usage of, and the matters being reported to, the Employee Hotline Service;
   iv. review with management the results of their assessment of the Company’s compliance with the Code of Business Conduct and their plans to remediate any deficiencies identified; and
   v. review and, if advisable, approve any waiver from a provision of the Code of Business Conduct requested by a member of the Board or senior management.

7. **Committee Disclosure** - The Committee shall prepare, review and approve any audit committee disclosures required by securities regulators in the Company’s disclosure documents.

8. **Delegation** - The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

**E. FINANCIAL STRATEGY**

1. The Committee shall review with management significant financial matters affecting the Company, and shall report on such matters to the Board.
2. The Committee shall ensure the development of adequate strategies, as appropriate, with respect to financing and investment (i.e., capital structure, funding vehicles, and financial performance criteria).

3. The Committee shall review all major financial transactions and investments to be undertaken by the Company.

F. RISK MANAGEMENT
   1. The Committee shall identify and monitor the management of the principal risks that could materially impact the financial reporting of the Company.

G. REPORTING TO THE BOARD
   1. The Chair shall report to the Board, as required by Applicable Requirements or as deemed necessary by the Committee or as requested by the Board, on matters arising at Committee meetings and, where applicable, shall present the Committee’s recommendation to the Board for its approval.

H. GENERAL
   1. The Committee shall, to the extent permissible by Applicable Requirements, have such additional authority as may be reasonably necessary or desirable, in the Committee’s discretion, to exercise its powers and fulfill its duties under this mandate.

   2. The Committee shall review this Charter on an annual basis or more frequently, as required. Where appropriate, the Committee shall propose changes to this Charter to the Board.

   3. The Committee shall assess and report annually to the Board on the performance of the Committee by comparing the performance of the Committee against this Charter and the Committee’s goals and objectives for the year.

I. CURRENCY OF THE AUDIT COMMITTEE CHARTER
   1. This charter was last amended and approved by the Board on February 29, 2012.