ATS Automation Tooling Systems Inc.

Management's Discussion and Analysis

For the Quarter Ended September 30, 2012

TSX: ATA

Management's Discussion and Analysis

For the Quarter Ended September 30, 2012

This Management's Discussion and Analysis ("MD&A") for the three and six months ended September 30, 2012 (second quarter of fiscal 2013) is as of November 6, 2012 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the second quarter of fiscal 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and MD&A of the Company for the year ended March 31, 2012 (fiscal 2012) and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2012 MD&A. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at www.sedar.com and on the Company's website at www.atsautomation.com.

Notice to Reader: Non-IFRS Measures

Throughout this document the term "operating earnings" is used to denote earnings (loss) from operations. EBITDA is also used and is defined as earnings (loss) from operations excluding depreciation and amortization (which includes amortization of intangible assets). The term "margin" refers to an amount as a percentage of revenue. The terms "earnings (loss) from operations", "operating earnings", "margin", "operating loss", "operating results", "operating margin", "EBITDA", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. Operating earnings and EBITDA are some of the measures the Company uses to evaluate the performance of its segments. Management believes that ATS shareholders and potential investors in ATS use non-IFRS financial measures such as operating earnings and EBITDA in making investment decisions and measuring operational results. A reconciliation of operating earnings and EBITDA to net income from continuing operations for the three and six month periods ending September 30, 2012 and October 2, 2011 is contained in this MD&A (see "Reconciliation of EBITDA to IFRS Measures"). EBITDA should not be construed as a substitute for net income determined in accordance with IFRS.

Order Bookings represent new orders for the supply of automation systems that management believes are firm. Order Backlog is the estimated unearned portion of revenue on customer contracts that are in process and have not been completed at the specified date. A reconciliation of Order Bookings and Order Backlog to total Company revenues for the three and six month periods ending September 30, 2012 and October 2, 2011 is contained in the MD&A (see "ASG Order Backlog Continuity").

COMPANY PROFILE

The Company operates in two segments: Automation Systems Group ("ASG"), the Company's continuing operations, and Solar, which is classified as discontinued operations. Through ASG, ATS provides innovative, custom designed, built and installed manufacturing solutions to many of the world's most successful companies. Founded in 1978, ATS uses its industry-leading knowledge and global capabilities to serve the sophisticated automation systems' needs of multinational customers in industries such as consumer products & electronics, energy, life sciences, and transportation. ATS also leverages its many years of experience and skills to fulfill the specialized automation product manufacturing requirements of customers. Through its

Ontario solar business, ATS participates in the solar energy industry. ATS employs approximately 2,400 people at 20 manufacturing facilities in Canada, the United States, Europe, Southeast Asia and China.

Value Creation Strategy

The Company has made significant progress in each phase of its Value Creation Strategy, including the separation of solar assets (see "Discontinued Operations: Solar Separation and Outlook").

Accordingly, in June 2012, the ATS Board of Directors endorsed the Company's vision and mission statements, and approved the next phase of the Company's strategy: Grow, Expand and Scale. This strategy is designed to leverage the strong foundation of ATS's core automation business, continue the growth and development of ATS and create value for all stakeholders.

Vision

Deliver enabling manufacturing solutions to the world's market leaders.

Mission

We will achieve our mission by providing:

- Outstanding value to our customers;
- Superior financial returns to our shareholders; and
- A premier work environment.

Grow

To further the Company's organic growth, ASG will continue to target providing comprehensive, value-based programs and enterprise solutions for customers built on differentiating technological solutions, value of customer outcomes achieved and global capability.

Expand

The Company seeks to expand its offering of products and services to the market. The Company intends to build on its automation systems business to offer: engineering, including design, modelling and simulation, and program management; products, including contract manufacturing, automation and other manufacturing products; and services, including pre automation, post automation, training, life cycle material management, and other services. Although engineering, products and services are part of ATS's portfolio today, the Company has significant room to grow these offerings in the future.

Scale

The Company is also committed to growth through acquisition, and has an organizational structure, business processes and the experience to successfully integrate acquired companies. Acquisition opportunities are targeted and evaluated on their ability to bring ATS market or technology leadership, scale and/or an opportunity brought on by a weak economic environment. For each of ASG's markets, the Company has analyzed the capability value chain and made a grow, team or acquire decision. Financially, targets are reviewed on a number of criteria including their potential to add accretive earnings to current operations.

OVERVIEW – OPERATING RESULTS FROM CONTINUING OPERATIONS

Results from continuing operations comprise those of ASG and corporate costs not directly attributable to Solar. The results of the Solar segment are reported as discontinued operations.

Effective from Q1 of fiscal 2013, the Company changed the presentation of its revenues by industrial market to align with the organization of its sales and marketing group. Computer electronics has been combined with consumer products (formerly known as "Other"). Comparative revenue figures in this MD&A have been restated to reflect this change in presentation.

Consolidated Revenues from Continuing Operations
(In millions of dollars)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011	**Six Months Ended September 30, 2012**	Six Months Ended October 2, 2011
Revenues by market				
Consumer products & electronics	**$ 13.2**	$ 14.5	**$ 32.6**	$ 31.4
Energy	**7.5**	18.4	**19.2**	43.4
Life sciences	**58.0**	48.3	**110.7**	92.8
Transportation	**62.7**	64.7	**131.2**	105.2
Total revenues from continuing operations	**$ 141.4**	$ 145.9	**$ 293.7**	$ 272.8

Second Quarter

Second quarter revenues were 3% lower than in the corresponding period a year ago primarily because certain transportation programs (representing approximately 10% of Order Backlog) were put on hold by the customers due to product and specification revisions. The programs have since been restarted. Lower Order Bookings in the second quarter of fiscal 2013 also contributed to lower revenues in the period. Year over year foreign exchange rate changes negatively impacted the translation of revenues earned by foreign-based ASG subsidiaries by approximately $3.6 million compared to the second quarter of fiscal 2012, primarily reflecting the strengthening of the Canadian dollar relative to the Euro.

By industrial market, revenues from life sciences increased 20% year over year due to higher Order Backlog entering the second quarter compared to a year ago. Consumer products & electronics revenues declined 9% year over year due to lower Order Bookings. Energy market revenues decreased 59% on lower Order Backlog entering the second quarter compared to a year ago, reflecting reduced activity primarily in the solar market. Despite increased Order Backlog entering the second quarter compared to a year ago, transportation revenues declined 3% due to the reasons noted above.

Year-to-date

Revenues for the six months ended September 30, 2012 were 8% higher than the corresponding period a year ago primarily as a result of increased Order Backlog entering the fiscal year compared to a year ago.

By industrial market, year-to-date revenues from consumer products & electronics, life sciences and transportation markets increased 4%, 19% and 25% respectively compared to the same period a year ago, primarily on increased Order Backlog entering the fiscal year compared to a year ago. Revenues in energy decreased 56% compared to the same period a year ago, primarily due to weakness in the solar market.

Foreign exchange rate changes negatively impacted the translation of revenues earned by foreign-based ASG subsidiaries by approximately $3.4 million compared to the first six months of fiscal 2012, primarily reflecting the strengthening of the Canadian dollar relative to the Euro.

Consolidated Operating Results
(In millions of dollars)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011	**Six Months Ended September 30, 2012**	Six Months Ended October 2, 2011
Earnings from operations	**$ 13.8**	$ 13.3	**$ 29.0**	$ 23.8
Depreciation and amortization	**2.9**	2.9	**5.8**	6.0
EBITDA	**$ 16.7**	$ 16.2	**$ 34.8**	$ 29.8

Second Quarter
Fiscal 2013 second quarter earnings from operations were $13.8 million (10% operating margin) compared to earnings from operations of $13.3 million (9% operating margin) in the second quarter of fiscal 2012. Growth in earnings from operations primarily reflected improved program management and improvements made in supply chain management to reduce third-party costs. The increase in earnings from operations was partially offset by lower revenues earned during the period. Included in fiscal 2012 second quarter earnings from operations was a $1.0 million charge for bad debt related to a specific customer bankruptcy protection filing.

In the second quarter of fiscal 2013 and the second quarter of fiscal 2012, depreciation and amortization expense was $2.9 million.

Year-to-date
For the six months ended September 30, 2012, earnings from operations were $29.0 million (10% operating margin) compared to earnings from operations of $23.8 million (9% operating margin) in the corresponding period a year ago. Higher earnings from operations primarily reflected increased volumes, continued strong program management and improvements in supply chain management. The increase in earnings from operations was partially offset by an increase in selling, general and administrative expenses in support of growth (see "Consolidated Results from Continuing Operations: Selling, general and administrative"). Included in the first six months of fiscal 2012 earnings from operations was a $1.0 million charge for bad debt related to a specific customer bankruptcy protection filing.

Depreciation and amortization expense was $5.8 million in the first six months of fiscal 2013, generally consistent with the $6.0 million expensed in the same period a year ago.

ASG Order Bookings
Second quarter fiscal 2013 Order Bookings were $112 million, 32% lower than a year ago, reflecting customer delays in the transportation market, and lower activity in energy, consumer products & electronics.

Included in second quarter Order Bookings is an initial down payment of $12 million in relation to an approximately 65 million Euro contract awarded to ATS for the turnkey supply of equipment and automation to produce medical devices in a new production facility in Nigeria. ATS is the prime contractor on the project which involves five ATS divisions and six major subcontractors in Germany, Switzerland and Austria. The balance of the agreement with ATS is subject to a number of conditions. In particular, the agreement is conditional on ATS satisfying itself with respect to certain technical and product information and with respect to certain commercial matters, including finalization of project financing and export credit guarantees relating to the customer's project, which are expected to be provided by German and Austrian banks and export credit agencies. The program is currently expected to begin late in the third quarter of fiscal 2013 with financial close expected in the first quarter of fiscal 2014. The majority of activity on the program is expected to occur subsequent to financial close, with most of the project delivered in fiscal 2014. The program is being undertaken with the sponsorship and collaboration of the Rivers State Government, Nigeria. The Company will record the balance of the Order Booking and Order Backlog when financial close is reached.

Quarter over quarter foreign exchange rate changes negatively impacted the translation of Euro-denominated Order Bookings, reflecting the strengthening of the Canadian dollar relative to the Euro.

ASG Order Backlog Continuity
(In millions of dollars)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011	**Six Months Ended September 30, 2012**	Six Months Ended October 2, 2011
Opening Order Backlog	**$ 397**	$ 328	**$ 382**	$ 296
Revenues	**(141)**	(146)	**(294)**	(273)
Order Bookings	**112**	165	**280**	322
Order Backlog adjustments[1]	**(7)**	16	**(7)**	18
Total	**$ 361**	$ 363	**$ 361**	$ 363

1 Order Backlog adjustments include foreign exchange adjustments and cancellations.

ASG Order Backlog by Industry
(In millions of dollars)

	September 30, 2012	October 2, 2011
Consumer products & electronics	**$ 27**	$ 33
Energy	**16**	43
Life sciences	**136**	113
Transportation	**182**	174
Total	**$ 361**	$ 363

At September 30, 2012, ASG Order Backlog was $361 million, 1% lower than at October 2, 2011, reflecting the Company's revised approach to market which has varied the timing of various larger opportunities through the backlog to revenue cycle.

ASG Outlook

The general economic environment remains uncertain, 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. Similarly, should economic growth in China continue to contract or the recovery in the U.S. economy stall, the Company's markets may be negatively impacted. Overall, a prolonged or more significant downturn in the economy could negatively impact Order Bookings. Impacts on demand for the Company's products and services may lag behind global macroeconomic trends due to the strategic nature of the Company's programs to its customers and long lead times on projects.

Many customers remain cautious in their approach to capital investment and some potential Order Bookings have been delayed, particularly in the transportation and life sciences markets. The Company has opportunities in energy markets such as nuclear and oil and gas; however, these may not offset the slow-down in the solar energy market, caused by reductions in solar feed-in-tariffs. These conditions negatively impacted both demand for solar products and the need for additional solar manufacturing capacity. Activity in the consumer products & electronics market also remains soft.

The Company's sales organization will continue to work to engage with customers on enterprise-type solutions such as the project contemplated under the recent Nigerian order. However, this approach to market may cause variability in Order Bookings from quarter to quarter and, as is already the case, lengthen the performance period and revenue recognition for certain customer programs. Order Backlog remains strong, which will likely 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 Company is seeking to expand its position in the global automation market organically and through acquisition. The Company's strong financial position provides a solid foundation to pursue organic growth and the flexibility to pursue its acquisition growth strategy.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(In millions of dollars, except per share data)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011	Six Months Ended September 30, 2012	Six Months Ended October 2, 2011
Revenues	$ 141.4	$ 145.9	$ 293.7	$ 272.8
Cost of revenues	103.7	109.0	215.8	201.4
Selling, general and administrative	23.3	23.0	47.3	45.9
Stock-based compensation	0.6	0.6	1.6	1.7
Earnings from operations	$ 13.8	$ 13.3	$ 29.0	$ 23.8
Net finance costs	$ 0.5	$ 0.2	$ 0.7	$ 0.8
Provision for income taxes	3.6	3.8	6.8	7.5
Net income from continuing operations	$ 9.7	$ 9.3	$ 21.5	$ 15.5
Loss from discontinued operations, net of tax	$ (1.8)	$ (76.4)	$ (3.8)	$ (87.6)
Net income (loss)	$ 7.9	$ (67.1)	$ 17.7	$ (72.1)
Earnings per share				
Basic and diluted – from continuing operations	$ 0.11	$ 0.11	$ 0.24	$ 0.18
Basic and diluted – from discontinued operations	$ (0.02)	$ (0.87)	$ (0.04)	$ (1.00)
	$ 0.09	$ (0.76)	$ 0.20	$ (0.82)

Revenues. At $141.4 million, consolidated revenues from continuing operations for the second quarter of fiscal 2013 were 3% lower than for the corresponding period a year ago. Year-to-date revenues were $293.7 million or 8% higher than for the same period a year ago. See “Overview – Operating Results from Continuing Operations”.

Cost of revenues. At $103.7 million, second quarter fiscal 2013 cost of revenues decreased over the corresponding period a year ago by $5.3 million or 5%, primarily on lower revenues. Year–to-date cost of revenues of $215.8 million increased by $14.4 million or 7%, primarily on higher revenues generated compared to the corresponding period.

At 27%, gross margin in the second quarter improved from 25% in the corresponding period a year ago primarily on continued strong program management and improvements made in supply chain management to reduce third-party costs. Year-to-date gross margin of 27% was consistent with the 26% gross margin in the corresponding period a year ago.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the second quarter of fiscal 2013 of $23.3 million were consistent with the $23.0 million in the corresponding period a year ago. For the six months ended September 30, 2012, SG&A expenses increased 3% or $1.4 million to $47.3 million compared to the same period a year ago, reflecting incremental spending on sales and marketing, professional fees and increased costs relating to mergers and acquisitions.

Stock-based compensation cost. Stock-based compensation expense of $0.6 million in the second quarter of fiscal 2013 was consistent with the $0.6 million expensed in the corresponding period a year ago. For the six month period ended September 30, 2012, stock-based compensation expense decreased to $1.6 million from $1.7 million a year earlier primarily reflecting lower expenses from stock option grants offset by the revaluation of deferred stock units.

Earnings from operations. For the three and six month periods ended September 30, 2012, consolidated earnings from operations were $13.8 million and $29.0 million respectively (operating margins of 10% in both periods), compared to earnings from operations of $13.3 and $23.8 million a year ago (operating margins of 9% in both periods). See "Overview – Operating Results from Continuing Operations".

Net finance costs. Net finance costs were $0.5 million in the second quarter of fiscal 2013 compared to $0.2 million a year ago. The increase in net finance costs was mainly attributable to the fees associated with increased letters of credit usage. For the six months ended September 30, 2012, finance costs were $0.7 million compared to $0.8 million in the corresponding period last year.

Provision for income taxes. For the three and six months ended September 30, 2012, the Company's effective income tax rates of 27% and 24%, respectively, differed from the combined Canadian basic federal and provincial income tax rate of 27% (three and six months ended October 2, 2011 – 29% and 33% respectively) primarily as a result of income earned in certain jurisdictions with lower tax rates and where utilization of unrecognized deferred tax assets resulted in lower tax expense for accounting purposes.

Net income from continuing operations. Fiscal 2013 second quarter net income from continuing operations was $9.7 million (11 cents per share basic and diluted) compared to net income from continuing operations of $9.3 million (11 cents per share basic and diluted) for the second quarter of fiscal 2012. Net income from continuing operations in the six months ended September 30, 2012 was $21.5 million (24 cents per share basic and diluted) compared to net income from continuing operations of $15.5 million (18 cents per share basic and diluted) for the corresponding period a year ago.

Reconciliation of EBITDA to IFRS Measures

(In millions of dollars)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011
EBITDA	**$ 16.7**	$ 16.2
Less: depreciation and amortization expense	**2.9**	2.9
Earnings from operations	**$ 13.8**	$ 13.3
Less: net finance costs	**0.5**	0.2
Provision for income taxes	**3.6**	3.8
Net income from continuing operations	**$ 9.7**	$ 9.3

	Six Months Ended September 30, 2012	Six Months Ended October 2, 2011
EBITDA	**$ 34.8**	$ 29.8
Less: depreciation and amortization expense	**5.8**	6.0
Earnings from operations	**$ 29.0**	$ 23.8
Less: net finance costs	**0.7**	0.8
Provision for income taxes	**6.8**	7.5
Net income from continuing operations	**$ 21.5**	$ 15.5

DISCONTINUED OPERATIONS: SOLAR

(In millions of dollars)

	Three Months Ended September 30, 2012	Three Months Ended October 2, 2011	Six Months Ended September 30, 2012	Six Months Ended October 2, 2011
Total revenues	**$ 0.6**	$ 33.9	**$ 1.2**	$ 96.7
Loss from discontinued operations	**(1.8)**	(71.3)	**(3.8)**	(82.5)
Loss from discontinued operations, net of tax	**(1.8)**	(76.4)	**(3.8)**	(87.6)

Second Quarter

Revenues

Solar revenues in the second quarter of fiscal 2013 included those of Ontario Solar only as a result of the de-consolidation of Photowatt International S.A.S. ("Photowatt France" or "PWF") during fiscal 2012 (see "Solar Separation and Outlook"). Fiscal 2013 second quarter revenues of $0.6 million were 98% lower than in the second quarter of fiscal 2012 reflecting the de-consolidation of PWF and decreased market activity in Ontario Solar due primarily to regulatory delays in project approvals.

Loss from Discontinued Operations

Ontario Solar recorded a $1.8 million loss in the second quarter of fiscal 2013 on lower-than-planned revenues combined with higher fixed costs. The second quarter loss in fiscal 2012 was

$71.3 million, $1.4 million of which related to Ontario Solar and $69.9 million of which related to PWF.

Loss from Discontinued Operations, Net of Tax
Solar's second quarter loss from operations, net of tax, was $1.8 million compared to a loss from operations, net of tax of $76.4 million in the corresponding period a year ago.

Year-to-Date
Revenues
Revenues for the six months ended September 30, 2012 of $1.2 million were 99% lower than in the same period of fiscal 2012 reflecting the de-consolidation of PWF and decreased market activity in Ontario Solar due primarily to regulatory delays in project approvals**.**

Loss from Operations
Fiscal 2013 year-to-date loss from operations was $3.8 million compared to a loss from operations of $82.5 million a year ago, $1.9 million of which related to Ontario Solar and $80.6 million of which related to PWF.

Loss from Operations, Net of Tax
Fiscal 2013 year-to-date loss from operations net of tax was $3.8 million compared to a loss from operations, net of tax, of $87.6 million in the corresponding period a year ago. Included in fiscal 2012 loss from operations net of tax were an operating loss of $82.5 million, net finance charges of $0.6 million, and income tax expenses of $4.5 million, which include the write-off of deferred tax assets of $4.4 million.

Solar Separation and Outlook
During the year ended March 31, 2011, the Company's Board of Directors approved a plan designed to implement the separation of Solar from ATS.

Regarding Ontario Solar, subsequent to the end of the second quarter, Ontario Solar's 50% owned joint venture, Ontario Solar PV Fields ("OSPV") signed a definitive agreement to sell four ground-mount solar projects, representing approximately 34 megawatts. The transaction is subject to a number of approvals and conditions, including the purchaser securing financing for the projects. The Company expects the transaction to close in early calendar 2013. OSPV will retain 25% ownership of the projects until the projects reach commercial operation, which is expected to happen in the second half of calendar 2013. Net proceeds to the Company are expected to be approximately $20 million, which is expected to be paid out through calendar 2013, based on the projects achieving certain development milestones.

The Company intends to complete the separation of Solar via the divestment of the remaining projects owned by OSPV and the Ontario Solar manufacturing operations. The value to be derived from the sale of the remaining solar assets is unknown. The Company is continuing to work with interested parties to conclude agreements.

Regarding PWF, 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. The Company concluded that it ceased to have the ability to exert control over PWF, and accordingly, the Company's investment in PWF was deconsolidated from the Company's consolidated financial statements. Effective March 1, 2012, a third-party assumed control over the entire operations of the PWF assets and all employees were offered to be transferred to the new operator. This concluded ATS's operating support of PWF. 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.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

(In millions of dollars, except ratios)

As at	**September 30, 2012**	March 31, 2012
Cash and cash equivalents	**$ 104.8**	$ 96.2
Debt-to-equity ratio	**0.01:1**	0.01:1

For the three months ended	**September 30, 2012**	October 2, 2011
Cash flows provided by operating activities from continuing operations	**$ 27.8**	$ 4.8

At September 30, 2012, the Company had cash and cash equivalents of $104.8 million compared to $96.2 million at March 31, 2012. The Company's total debt-to-total-equity ratio, excluding accumulated other comprehensive income, at September 30, 2012 was 0.01:1. At September 30, 2012, the Company had $30.8 million of unutilized credit available under existing credit facilities and another $7.5 million available under letter of credit facilities.

In the three months ended September 30, 2012, cash flows provided by operating activities from continuing operations were $27.8 million ($4.8 million provided by in the corresponding period a year ago). In the six months ended September 30, 2012, cash flows provided by operating activities from continuing operations were $25.8 million ($20.8 million used in the corresponding period a year ago). The increase in cash flows provided by operating activities from continuing operations related primarily to the timing of investments in non-cash working capital in a number of large customer programs.

In the second quarter of fiscal 2013, the Company's investment in non-cash working capital decreased by $13.8 million from July 1, 2012. On a year-to-date basis, investment in non-cash working capital increased by $5.0 million. Accounts receivable increased 15% or $13.8 million, due to timing of billings on certain customer contracts. Net contracts in progress decreased by 51% or $34.8 million compared to March 31, 2012. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts and by focusing on collection efforts. Inventories increased year over year by 7% or $0.7 million. Deposits and prepaid assets increased by 36% or $4.4 million due primarily to an increase in prepaid assets due to timing of payments, coupled with an increase in restricted cash used to secure letters of credit. Accounts payable and accrued liabilities decreased 21% primarily due to timing of purchases.

Capital expenditures totalled $3.4 million for the first half of fiscal 2013 and primarily related to computer hardware and equipment improvements.

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

The Company's primary credit facility provided total credit facilities of up to $95.0 million, comprised of an operating credit facility of $65.0 million and a letter of credit facility of up to $30.0 million for certain purposes. At September 30, 2012, the Company had issued letters of credit in the amount of $35.8 million under the operating credit facility (March 31, 2012 - $17.0 million) and $28.4 million under the letter of credit facility (March 31, 2012 - $30.0 million). No other amounts were drawn on the primary credit facility.

Subsequent to September 30, 2012, the Company established a new, larger and more flexible Senior Secured Credit Facility (the "Credit Agreement") which replaced the former primary credit facility. The Credit Agreement provides a three year committed revolving credit facility of $250.0 million. The Credit Agreement is secured by the assets, excluding real estate, of certain of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letters of credit for certain purposes and/or bankers' acceptances and in U.S. dollars by way of base rate advances and/or LIBOR advances. The interest rates applicable to the operating credit facility are determined based on certain financial ratios. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus 0.50% to 1.50%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 1.50% to 2.50%. Under the Credit Agreement, the Company pays a fee for usage of financial letters of credit which ranges from 1.70% to 2.70% and a fee for usage of non-financial letters of credit which ranges from 1.15% to 1.80%. The Company also pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the credit facilities at rates ranging from 0.30% to 0.50%.

The Credit Agreement is subject to a debt to EBITDA test and an interest coverage test. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also limits advances to certain subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends.

The Company has additional credit facilities available of $9.1 million (5.9 million Euro, 33.0 million Indian Rupees and 1.0 million Swiss francs). The total amount outstanding on these facilities is $2.4 million (March 31, 2012 - $3.0 million), of which $0.1 million is classified as bank indebtedness (March 31, 2012 - $0.4 million) and $2.3 million is classified as long-term debt (March 31, 2012 - $2.5 million). The interest rates applicable to these additional credit facilities range from 2.8% to 13.0% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 1.0 million Swiss Francs and the 33.0 million Indian Rupees credit facilities are secured by letters of credit under the primary credit facility.

Contractual Obligations

(In millions of dollars)

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

From continuing operations:

	Operating Leases	Purchase Obligations
Less than one year	$ 3.7	$ 39.5
One – two years	2.7	0.2
Two – three years	2.4	—
Three – four years	1.7	—
Four – five years	1.6	—
Due in over five years	3.2	—
	$ 15.3	$ 39.7

From discontinued operations:

	Purchase Obligations
Due within one year	$ 1.1

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

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company provides bank guarantees for post-retirement obligations and may provide bank guarantees as security on equipment under lease and on order. At September 30, 2012, the total value of outstanding bank guarantees under credit facilities was approximately $86.3 million (March 31, 2012 – $54.2 million) from continuing operations and was $3.2 million (March 31, 2012 – $3.2 million) from discontinued operations.

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to major financial institutions and monitoring their creditworthiness. The Company's credit exposure to forward foreign exchange contracts is the current replacement value of contracts that are in a gain position. For further information related to the Company's use of derivative financial instruments refer to note 10 of the interim consolidated financial statements. The Company is also exposed to credit risk from its customers. Substantially all of the Company's trade accounts receivable are due from customers in a variety of industries and, as such, are subject to normal credit risks from their respective industries. The Company regularly monitors customers for changes in credit risk. The Company does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's client base being primarily large, multinational customers and through insurance purchased by the Company.

During the first two quarters of fiscal 2013, 192,062 stock options were exercised. As of November 6, 2012 the total number of shares outstanding was 87,631,817 and there were 7,316,118 stock options outstanding to acquire common shares of the Company.

RELATED-PARTY TRANSACTIONS

There were no significant related-party transactions in the first half of fiscal 2013.

FOREIGN EXCHANGE

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian dollar. Strengthening in the value of the Canadian dollar relative to the Euro dollar had a negative impact on translation of the Company's revenues in fiscal 2013 compared to fiscal 2012.

The Company's Canadian operations generate significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this net foreign currency exposure, the Company has entered into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contract requirements are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets and the Company's past experience. Certain of the Company's foreign subsidiaries will also enter into forward foreign exchange contracts to hedge identified balance sheet, revenue and purchase exposures. The Company's forward foreign exchange contract hedging program is intended to mitigate movements in currency rates primarily over a four-to-six month period. See note 10 to the interim consolidated financial statements for details on the derivative financial instruments outstanding at September 30, 2012.

In addition, from time to time, the Company enters forward foreign exchange contracts to manage the foreign exchange risk arising from certain inter-company loans and net investments in certain self-sustaining subsidiaries.

The Company uses hedging as a risk management tool, not to speculate.

Period average exchange rates in CDN$

	Three months ended			**Six months ended**		
	September 30, 2012	October 2, 2011	% change	**October 2, 2011**	September 26, 2010	% change
U.S. Dollar	**0.9939**	0.9824	1.2 %	**1.0028**	0.9757	2.8 %
Euro	**1.2447**	1.3861	-10.2 %	**1.2698**	1.3901	-8.7 %

CONSOLIDATED QUARTERLY RESULTS

Results have been reclassified to present Solar as discontinued operations.

(In millions of dollars, except per share amounts)	**Q2 2013**	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Revenues from continuing operations	**$ 141.4**	$ 152.2	$ 173.5	$ 149.1	$ 145.9	$ 126.9	$ 148.4	$ 120.8
Earnings from operations	**$ 13.8**	$ 15.2	$ 16.1	$ 20.4	$ 13.3	$ 10.5	$ 14.2	$ 6.1
Income from continuing operations	**$ 9.7**	$ 11.8	$ 10.9	$ 17.6	$ 9.3	$ 6.2	$ 14.4	$ 3.0
Loss from discontinued operations, net of tax	**$ (1.8)**	$ (2.0)	$ (7.9)	$ (8.0)	$ (76.4)	$ (11.2)	$ (93.9)	$ (16.1)
Net income (loss)	**$ 7.9**	$ 9.8	$ 3.0	$ 9.6	$ (67.1)	$ (5.0)	$ (79.5)	$ (13.1)
Basic and diluted earnings per share from continuing operations	**$ 0.11**	$ 0.13	$ 0.13	$ 0.20	$ 0.11	$ 0.07	$ 0.17	$ 0.03
Basic and diluted loss per share from discontinued operations	**$ (0.02)**	$ (0.02)	$ (0.09)	$ (0.09)	$ (0.87)	$ (0.13)	$ (1.08)	$ (0.18)
Basic and diluted earnings (loss) per share	**$ 0.09**	$ 0.11	$ 0.04	$ (0.11)	$ (0.76)	$ (0.06)	$ (0.91)	$ (0.15)
ASG Order Bookings	**$ 112.0**	$ 168.0	$ 187.0	$ 179.0	$ 165.0	$ 157.0	$ 206.0	$ 133.0
ASG Order Backlog	**$ 361.0**	$ 397.0	$ 382.0	$ 376.0	$ 363.0	$ 328.0	$ 296.0	$ 215.0

Interim financial results are not necessarily indicative of annual or longer-term results because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact revenues and operating performance. ATS typically experiences some seasonality with its revenues and operating earnings due to summer plant shutdowns by its customers.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS & ASSUMPTIONS

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

The Company based its assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates as they occur. There have been no material changes to the critical accounting estimates as described in the Company's fiscal 2012 MD&A.

ACCOUNTING STANDARDS CHANGES

IFRS 7 – Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

Effective April 1, 2012, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") amendment to IFRS 7 "Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements." The amendment requires additional disclosures for financial assets that have been transferred, but not derecognized. In addition, the amendment requires disclosures for continuing involvement in derecognized assets. The adoption of these amendments did not have a material impact on the financial position, cash flows or earnings of the Company.

Future Accounting Standards Changes

Standards issued but not yet effective or amended up to the date of issuance of the Company's interim consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for fiscal periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Company will quantify the impact in conjunction with the other phases when issued.

IFRS 10 – Consolidated Financial Statements

This standard will replace portions of IAS 27, Consolidated and Separate Financial Statements and interpretation SIC-12, Consolidated - Special Purpose Entities. This standard incorporates a single model for consolidating all entities that are controlled and revises the definition of when an investor controls an investee to be when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and a continuous reassessment as facts and circumstances change. IFRS 10 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its financial position and results of operations.

IFRS 11 – Joint Arrangements
This standard will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 11 on its financial position and results of operations.

IFRS 12 – Disclosure of Interest in Other Entities
The new standard includes disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its financial position and results of operations.

IFRS 13 – Fair Value Measurement
The new standard creates a single source of guidance for fair value measurement, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its financial position and results of operations.

IAS 1 – Presentation of Financial Statements
The amendment requires financial statements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the interim consolidated statements of income. The amendment reaffirms existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendment requires tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax). IAS 1 is effective for fiscal periods beginning on or after July 1, 2012, with early adoption permitted. The Company is assessing the impact of IAS 1 on its financial position and results of operations.

IAS 19 – Employee Benefits
The amendment eliminates the option to defer the recognition of gains and losses, known as the 'corridor method', requires re-measurements to be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans. The standard also requires that the discount rate used to determine the defined benefit obligation should also be used to calculate the expected return on plan assets by introducing a net interest approach, which replaces the expected return on plan assets and interest costs on the defined benefit obligation, with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. The amendment becomes effective for fiscal periods beginning on or after January 1, 2013. The Company is assessing the impact of IAS 19 on its financial position and results of operations.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

During the three and six months ended September 30, 2012, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Note to Readers: Forward-Looking Statements:

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: the next phase of the Company's strategy: grow, expand, and scale; a Nigerian contract and expectations in relation to project timing, financial close, and timing of delivery; potential impact of general economic environment, including impact on credit markets, customer markets, and Order Bookings, and the timing of those impacts; the sales organization's approach to market and expected impact on Order Bookings; management's expectations in relation to the impact of strategic initiatives on ATS operations; the Company's strategy to expand organically and through acquisition; separation of solar business; the expected closing with respect to the definitive agreement in relation to four joint venture ground mount solar projects and expected net proceeds and timing thereof; the Company's intention to divest the remaining Ontario Solar assets; Company's expectation to continue to increase its investment in working capital; expectation in relation to meeting funding requirements for investments; foreign exchange hedging; and accounting standards changes. 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; failure of the Nigerian project to achieve financial close or satisfy other conditions or meet expected timelines; 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; that strategic initiatives within ASG are delayed, not completed, or do not have intended positive impact; that the conditions in the agreement for the sale of four joint venture ground mount solar projects are not met or that there are delays in meeting conditions and/or achieving stated milestones; that the sale process for Ontario Solar's remaining assets fails to generate an acceptable transaction or that remaining joint venture ground mount projects cannot be developed, or a definitive agreement with respect to their sale cannot be concluded, due to market, regulatory, transmission, local opposition, or other factors; unexpected delays and issues, on the timing, form and structure of the solar separation; ability to obtain necessary government and other certifications and approvals for solar projects in a timely fashion; labour disruptions; that expenditures associated with the PWF bankruptcy exceed current expectations; 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.