ATS Automation Tooling Systems Inc.

Management's Discussion and Analysis

For the Quarter Ended September 29, 2013

TSX: ATA

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This Management's Discussion and Analysis ("MD&A") for the three and six months ended September 29, 2013 (second quarter of fiscal 2014) is as of November 5, 2013 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 2014 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, 2013 (fiscal 2013) and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2013 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 29, 2013 and September 30, 2012 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, services and products that management believes are firm. Order Backlog is the estimated unearned portion of ASG revenues 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 29, 2013 and September 30, 2012 is contained in the MD&A (see "ASG Order Backlog Continuity").

COMPANY PROFILE

ATS Automation Tooling Systems Inc. provides innovative, custom designed, built and installed manufacturing solutions to many of the world's most successful companies. Founded in 1978, ATS's Automation Systems Group ("ASG") uses its industry-leading knowledge and global capabilities to serve the sophisticated automation systems' needs of multinational customers in industries such as life sciences, transportation, energy, consumer products and electronics. ATS also leverages its many years of experience and skills to fulfill the specialized automation product manufacturing requirements of customers. ATS employs approximately

2,600 people at 23 manufacturing facilities in Canada, the United States, Europe, Southeast Asia and China. The Company's Solar segment, which is classified as discontinued operations, serves the Ontario market.

Value Creation Strategy

To drive value creation, the Company implemented a three-phase strategic plan: (1) fix the business (improve 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). The Company has made significant progress in each phase of its Value Creation Strategy, including, the separation of solar assets (see "Discontinued Operations: Solar" and "Solar Separation and Outlook").

Accordingly, in June 2012, the ATS Board of Directors approved the next phase of the Company's strategy: Grow, Expand and Scale. The 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.

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 the 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.

Business Acquisition - IWK

On September 30, 2013, subsequent to the second quarter, the Company completed its acquisition of IWK Verpackungstechnik GmbH and OYSTAR IWK USA, Inc. (collectively "IWK"). IWK is a leader in technology driven high performance tube filling and cartoning machinery for the pharmaceutical and personal care industries. The acquisition of IWK aligns with ATS's strategy of scaling its leading position in the global automation market and enhancing growth opportunities, particularly in strategic customer segments and with technology leadership. IWK brought new relationships with key pharmaceutical and personal care customers and added core capability in primary packaging (tube fillers) and secondary packaging (cartoners), which management expects can be leveraged into other markets ATS currently serves. IWK also allows ATS to consider future acquisition possibilities that would be a strategic fit with IWK and provide the Company with deep capabilities across several core elements of the customer value chain.

In calendar 2012, IWK had revenues of approximately 82 million Euro and EBITDA of approximately 11 million Euro. Sales to customers in the pharmaceuticals and personal care sectors evenly account for over 90% of IWK worldwide revenues. New equipment systems and standard automation each account for approximately 30% of total revenues, with services accounting for the remaining 40% of total revenues. European and North American markets each account for approximately a third of revenues, Asia 25%, and the balance primarily in South America.

The Company has started to integrate IWK into ATS, where it will serve as the filling centre of excellence (primary and secondary packaging) within the Company. IWK brings a strong and experienced management team that will continue to drive the business. The acquisition is expected to be immediately accretive to earnings per share and cash flow per share. The Company expects approximately 50% of the purchase price will be allocated to goodwill, with the majority of the remaining purchase price primarily allocated to depreciable intangible assets.

Total cash consideration paid for IWK in the third fiscal quarter, pending post-closing adjustments, was $140.5 million (101.4 million Euro). In addition, the Company incurred $0.9 million of transaction costs related to the acquisition. The cash consideration of the purchase price, along with transaction costs, were primarily funded with existing cash on hand and proceeds from long-term debt of $40.0 million. This acquisition will be accounted for as a business combination with the Company as the acquirer of IWK. The purchase method of accounting will be used and the earnings of IWK will be consolidated beginning from the acquisition date, September 30, 2013. For additional information on the acquisition of IWK, refer to note 20 of the interim consolidated financial statements.

OVERVIEW – OPERATING RESULTS FROM CONTINUING OPERATIONS

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

Consolidated Revenues from Continuing Operations

(In millions of dollars)

	Three Months Ended September 29, 2013	Three Months Ended September 30, 2012	**Six Months Ended September 29, 2013**	Six Months Ended September 30, 2012
Revenues by market				
Consumer products & electronics	**$ 8.7**	$ 13.2	**$ 22.0**	$ 32.6
Energy	**12.4**	7.5	**18.7**	19.2
Life sciences	**70.3**	58.0	**136.4**	110.7
Transportation	**63.2**	62.7	**127.5**	131.2
Total revenues from continuing operations	**$ 154.6**	$ 141.4	**$ 304.6**	$ 293.7

Second Quarter

Fiscal 2014 second quarter revenues were 9% higher than in the corresponding period a year ago. By industrial market, the 34% decrease in consumer products & electronics revenues reflected lower Order Backlog entering the second quarter compared to a year ago due to reduced activity, primarily in the consumer products market. Revenues generated in the energy market increased 65% on higher Order Backlog entering the second quarter compared to a year ago reflecting increased activity in the nuclear and solar energy markets. Revenues from life sciences increased 21% year over year due to continued market strength and higher Order Backlog entering the second quarter compared to a year ago. Transportation revenues increased 1% compared to a year ago primarily reflecting the timing of various larger programs.

Year-to-date

Revenues for the six months ended September 29, 2013 were 4% 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 energy and consumer products & electronics markets decreased 3% and 33% respectively compared to the same period a year ago, primarily on decreased Order Backlog entering the fiscal year compared to a year ago. Revenues from the life sciences market increased 23% compared to the same period a year ago primarily due to increased Order Backlog entering the fiscal year compared to a year ago. Transportation revenues decreased 3% compared to the same period a year ago primarily reflecting the timing of various larger programs.

Consolidated Operating Results

(In millions of dollars)

	Three Months Ended September 29, 2013	Three Months Ended September 30, 2012	**Six Months Ended September 29, 2013**	Six Months Ended September 30, 2012
Earnings from operations	**$ 14.4**	$ 13.8	**$ 27.1**	$ 29.0
Depreciation and amortization	**3.2**	2.9	**6.2**	5.8
EBITDA	**$ 17.6**	$ 16.7	**$ 33.3**	$ 34.8

Second Quarter

Fiscal 2014 second quarter earnings from operations were $14.4 million (9% operating margin) compared to $13.8 million (10% operating margin) in the second quarter of fiscal 2013. Second quarter fiscal 2014 earnings from operations included $0.9 million of costs incurred related to the acquisition of IWK. Normalized for those costs, second quarter fiscal 2014 earnings from operations were $15.3 million (10% operating margin).

Higher normalized earnings from operations primarily reflected higher revenues and lower SG&A spending, partially offset by higher stock-based compensation costs compared to the corresponding period a year ago. Depreciation and amortization expense was $3.2 million in the second quarter of fiscal 2014, compared to $2.9 million a year ago.

EBITDA was $17.6 million (11% EBITDA margin) compared to $16.7 million (12% EBITDA margin) in the second quarter of fiscal 2013. EBITDA normalized for the $0.9 million of IWK acquisition costs was $18.5 million (12% EBTIDA margin) in the second quarter.

Year-to-date

For the six months ended September 29, 2013, earnings from operations were $27.1 million (9% operating margin) compared to $29.0 million (10% operating margin) in the corresponding period a year ago. Excluding $2.7 million of restructuring charges incurred to re-balance global capacity and improve the Company's cost structure and $0.9 million of costs related to the acquisition of IWK, fiscal 2014 earnings from operations were $30.7 million (10% operating margin).

Higher normalized earnings from operations primarily reflected higher revenues and lower SG&A spending, partially offset by higher stock-based compensation costs compared to the corresponding period a year ago. Depreciation and amortization expense was $6.2 million in the first six months of fiscal 2014, generally consistent with the $5.8 million expensed in the same period a year ago.

EBITDA was $33.3 million (11% EBITDA margin) compared to $34.8 million (12% EBITDA margin) in the first six months of fiscal 2013. Fiscal 2014 EBITDA, normalized for restructuring charges of $2.7 million and $0.9 million of IWK acquisition costs, was $36.9 million (12% EBITDA margin).

ASG Order Bookings

Second quarter fiscal 2014 Order Bookings were $110 million, a 2% decrease from the second quarter of fiscal 2013. Lower Order Bookings primarily reflected the timing of various larger opportunities in the transportation market, partially offset by increased Order Bookings both in consumer products & electronics, and in life sciences on continued strong market activity.

Milestone payments of 15 million Euro related to the Nigeria enterprise program were received during the first quarter of fiscal 2014 resulting in total payments received in relation to this program of approximately 25 million Euro. The Company will record the balance of the Order Booking and Order Backlog if and when financial close is reached or as additional milestone payments are received.

ASG Order Backlog Continuity
(In millions of dollars)

	Three Months Ended September 29, 2013	Three Months Ended September 30, 2012	**Six Months Ended September 29, 2013**	Six Months Ended September 30, 2012
Opening Order Backlog	**$ 415**	$ 397	**$ 398**	$ 382
Revenues	**(155)**	(141)	**(305)**	(294)
Order Bookings	**110**	112	**275**	280
Order Backlog adjustments[1]	**(15)**	(7)	**(13)**	(7)
Total	**$ 355**	$ 361	**$ 355**	$ 361

[1] Order Backlog adjustments include foreign exchange adjustments and cancellations.

ASG Order Backlog by Industry
(In millions of dollars)

As at	**September 29, 2013**	September 30, 2012
Consumer products & electronics	**$ 29**	$ 27
Energy	**45**	16
Life sciences	**143**	136
Transportation	**138**	182
Total	**$ 355**	$ 361

At September 29, 2013, Order Backlog was $355 million, 2% lower than at September 30, 2012. Lower Order Backlog primarily reflected lower Order Bookings in the transportation market due to the timing of certain opportunities, which has been partially offset by improved conditions in the nuclear energy market.

ASG Outlook
The general global economic environment remains uncertain. In North America, the U.S. and Canadian economies have shown signs of improvement, but growth remains slow. Economic growth has slowed in China and other parts of Asia. In Europe, the economy has shown signs of stabilizing, but markets continue to be weak and the Eurozone sovereign debt crisis remains a significant risk to the region. 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. Overall, a prolonged or more significant downturn in an economy where the Company operates 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; however, activity in the life sciences and transportation markets remains strong. The Company has seen increased activity in energy markets such as nuclear and oil and gas; however, the solar energy market remains weak due to reductions in solar feed-in-tariffs. 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. The Company expects that engaging with customers in this manner will provide ATS with more strategic relationships, increased predictability, better program control and less sensitivity to macro-economic forces. 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. The Company expects its Order Backlog of $355 million at the end of the second quarter of fiscal 2014 to mitigate the impact of volatile Order Bookings on revenues in the short term.

The addition of IWK provides core capabilities and customers that are new to ATS. This is expected to result in cross-selling opportunities and further key account development. ATS's approach to market will be rolled out within IWK to support its growth. Management expects to leverage IWK's established product development and after market service capabilities across the ATS organization.

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 challenging market conditions. Management expects that the application of its ongoing efforts to improve its cost structure, business processes, leadership and supply chain management will continue to have a positive impact on ATS operations. The separation of Solar (see "Discontinued Operations: Solar" and "Solar Separation and Outlook") has allowed the Company to revert capacity in its Cambridge, Ontario campus to its core ASG business. In this regard, early in fiscal 2014, the Company implemented changes designed to re-balance its global capacity and improve its cost structure. As a result, the Company has incurred charges of $2.7 million in fiscal 2014.

Regarding IWK, opportunities to improve profitability will be pursued through improved supply chain management, better leveraging of the Company's global footprint and deploying IWK's service model and capability to all of ATS. The addition of IWK to the group also provides the Company with an opportunity to realign its operations and improve the global cost structure of its base ASG business. In this regard, the Company expects to incur charges of approximately $2.0 million in the third quarter of fiscal 2014.

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 and the flexibility to pursue its growth strategy.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS
(In millions of dollars, except per share data)

	Three Months Ended September 29, 2013	Three Months Ended September 30, 2012	**Six Months Ended September 29, 2013**	Six Months Ended September 30, 2012
Revenues	**$ 154.6**	$ 141.4	**$ 304.6**	$ 293.7
Cost of revenues	**114.7**	103.7	**225.3**	215.8
Selling, general and administrative	**22.9**	23.3	**48.3**	47.3
Stock-based compensation	**2.6**	0.6	**3.9**	1.6
Earnings from operations	**$ 14.4**	$ 13.8	**$ 27.1**	$ 29.0
Net finance costs	**$ 0.5**	$ 0.5	**$ 1.1**	$ 0.7
Provision for income taxes	**3.5**	3.6	**7.1**	6.8
Net income from continuing operations	**$ 10.4**	$ 9.7	**$ 18.9**	$ 21.5
Gain (loss) from discontinued operations, net of tax	**$ 2.5**	$ (1.8)	**$ 13.5**	$ (3.8)
Net income	**$ 12.9**	$ 7.9	**$ 32.4**	$ 17.7
Earnings per share				
Basic from continuing operations	**$ 0.12**	$ 0.11	**$ 0.22**	$ 0.24
Basic from discontinued operations	**0.03**	(0.02)	**0.15**	(0.04)
	$ 0.15	$ 0.09	**$ 0.37**	$ 0.20
Diluted from continuing operations	**$ 0.11**	$ 0.11	**$ 0.21**	$ 0.24
Diluted from discontinued operations	**0.03**	(0.02)	**0.15**	(0.04)
	$ 0.14	$ 0.09	**$ 0.36**	$ 0.20

Revenues. At $154.6 million, consolidated revenues from continuing operations for the second quarter of fiscal 2014 were $13.2 million or 9% higher than in the corresponding period a year ago. At $304.6 million, year-to-date revenues were $10.9 million or 4% higher than for the same period a year ago. See “Overview – Operating Results from Continuing Operations”.

Cost of revenues. At $114.7 million, second quarter fiscal 2014 cost of revenues increased over the corresponding period a year ago by $11.0 million or 11% primarily on higher revenues. Year-to-date cost of revenues of $225.3 million increased by $9.5 million or 4%, primarily on higher revenues generated compared to the corresponding period.

At 26%, gross margin in the second quarter of fiscal 2014 was consistent with the corresponding period a year ago. Year-to-date gross margin of 26% was consistent with the 27% 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 2014 were $22.9 million. Excluding $0.9 million of professional fees incurred in relation to the acquisition of IWK, SG&A expenses were $1.3 million or 6% lower than the $23.3

million incurred in the corresponding period last year. Lower SG&A costs primarily reflected improvements made to the Company's cost structure and lower professional fees.

For the six months ended September 29, 2013, SG&A expenses were $48.3 million, which included $2.7 million of restructuring charges and $0.9 million of professional fees related to the acquisition of IWK. Normalized for the restructuring charges and acquisition costs, year to date SG&A spending was $44.7 million, $2.6 million or 5% lower compared to the same period a year ago. Lower SG&A costs primarily reflected improvements made to the Company's cost structure.

Stock-based compensation cost. Stock-based compensation expenses of $2.6 million in the second quarter of fiscal 2014 increased from $0.6 million in the corresponding period a year ago. For the six month period ended September 29, 2013, stock-based compensation expense increased to $3.9 million from $1.6 million a year earlier. The increase in stock-based compensation costs over both periods is due to the revaluation of deferred stock units, share appreciation rights and restricted share units, primarily related to an increase in the market price of the Company's shares.

Earnings from operations. For the three and six month periods ended September 29, 2013, consolidated earnings from operations were $14.4 million and $27.1 million respectively (operating margins of 9% in both periods), compared to earnings from operations of $13.8 million and $29.0 million a year ago (operating margins of 10% 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 2014, which were consistent with the corresponding period a year ago. For the six months ended September 29, 2013, finance costs were $1.1 million compared to $0.7 million in the corresponding period a year ago. The increase in net finance costs reflected higher costs associated with the new, larger Credit Agreement.

Provision for income taxes. For the three and six months ended September 29, 2013, the Company's effective income tax rate of 25% and 27% respectively, differed from the combined Canadian basic federal and provincial income tax rate of 26% primarily as a result of income earned in certain jurisdictions with different statutory tax rates.

Net income from continuing operations. Fiscal 2014 second quarter net income from continuing operations was $10.4 million (12 cents per share basic, 11 cents per share diluted) compared to $9.7 million (11 cents per share basic and diluted) for the second quarter of fiscal 2013. Net income from continuing operations in the six months ended September 29, 2013 was $18.9 million (22 cents per share basic, 21 cents per share diluted) compared to $21.5 million (24 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 29, 2013	Three Months Ended September 30, 2012
EBITDA	**$ 17.6**	$ 16.7
Less: depreciation and amortization expense	**3.2**	2.9
Earnings from operations	**$ 14.4**	$ 13.8
Less: net finance costs	**0.5**	0.5
Provision for income taxes	**3.5**	3.6
Net income from continuing operations	**$ 10.4**	$ 9.7

	Six Months Ended September 29, 2013	Six Months Ended September 30, 2012
EBITDA	**$ 33.3**	$ 34.8
Less: depreciation and amortization expense	**6.2**	5.8
Earnings from operations	**$ 27.1**	$ 29.0
Less: net finance costs	**1.1**	0.7
Provision for income taxes	**7.1**	6.8
Net income from continuing operations	**$ 18.9**	$ 21.5

DISCONTINUED OPERATIONS: SOLAR

(In millions of dollars)

	Three Months Ended September 29, 2013	Three Months Ended September 30, 2012	**Six Months Ended September 29, 2013**	Six Months Ended September 30, 2012
Total revenues	**$ —**	$ 0.6	**$ 1.1**	$ 1.2
Gain on sale	**—**	—	**13.8**	—
Income (loss) from discontinued operations	**2.5**	(1.8)	**13.5**	(3.8)

Second Quarter

Revenues

Fiscal 2014 second quarter revenues of $nil were $0.6 million lower than in the second quarter of fiscal 2013. During the first quarter of fiscal 2014, the manufacturing assets were sold and the business wound up.

Income (loss) from Discontinued Operations

Ontario Solar recorded income of $2.5 million in the second quarter of fiscal 2014. Ontario Solar's income was primarily generated on the reversal of a $3.0 million warranty provision which the Company determined was no longer required due to the resolution of an outstanding claim during the second quarter of fiscal 2014. The second quarter loss a year ago was $1.8 million.

Year-to-date

Revenues

Revenues for the six months ended September 29, 2013 of $1.1 million were 8% lower than in the same period of fiscal 2013 reflecting the sale of manufacturing assets and business cessation.

Gain on sale

For the six months ended September 29, 2013, a gain on sale of $13.8 million reflected gains of $10.8 million from the sale of a 75% ownership interest in four ground-mount solar projects by Ontario Solar's 50% owned joint operation Ontario Solar PV Fields ("OSPV") and $3.0 million from the sale of Ontario Solar's manufacturing assets and inventory.

Income (loss) from Discontinued Operations

Ontario Solar recorded $13.5 million of income in the six months ended September 29, 2013 compared to losses from operations from the corresponding period a year ago of $3.8 million.

Solar Separation and Outlook

During the six months ended September 29, 2013, OSPV sold four ground-mount solar projects, representing approximately 34 megawatts (MWs). OSPV will retain 25% ownership of the projects until they reach commercial operation, which is expected in calendar 2014.

Net proceeds to the Company are expected to be $21.4 million, of which the Company received gross proceeds of $15.4 million during the first quarter of fiscal 2014 and $0.5 million during the year ended March 31, 2013. The remaining proceeds are expected to be received when the projects achieve commercial operation, which is expected to occur in calendar 2014.

During the six months ended September 29, 2013, the Company sold its Ontario Solar manufacturing assets and inventory. Net proceeds to the Company were $6.5 million of which two-thirds was received during the three months ended June 30, 2013, with the final one-third received in the third quarter of fiscal 2014.

OSPV has signed a definitive agreement for the sale of its other three ground-mount solar projects. This 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 fiscal 2014. OSPV will retain 25% ownership of the projects until the projects reach commercial operation, which is expected to occur in calendar 2014. Net proceeds to ATS are expected to be approximately $10 million, and are expected to be paid based on the projects achieving certain development milestones.

Overall, management expects to record a gain on these divestitures as the sales are completed and proceeds realized. Subsequent to the settlement of outstanding liabilities, net proceeds from the divestiture of Ontario Solar will be re-allocated to ASG to support growth.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

(In millions of dollars, except ratios)

As at	September 29, 2013	March 31, 2013
Cash and cash equivalents	**$ 183.7**	$ 105.5
Debt-to-equity ratio	**0.10:1**	0.01:1

For the three months ended	September 29, 2013	September 30, 2012
Cash flows provided by operating activities from continuing operations	**$ 5.1**	$ 27.8

At September 29, 2013, the Company had cash and cash equivalents of $183.7 million in continuing operations compared to $105.5 million at March 31, 2013. The Company's total debt-to-total-equity ratio, excluding accumulated other comprehensive income at September 29, 2013 was 0.1:1. At September 29, 2013, the Company had $166.7 million of unutilized credit available under existing credit facilities and another $26.5 million available under letter of credit facilities.

In the three months ended September 29, 2013, cash flows provided by operating activities from continuing operations were $5.1 million ($27.8 million provided by in the corresponding period a year ago). In the six months ended September 29, 2013, cash flows provided by operating activities from continuing operations were $21.3 million ($25.8 million provided by in the corresponding period a year ago). The decrease in operating cash flows from continuing operations related primarily to the timing of investments in non-cash working capital in large customer programs.

In the second quarter of fiscal 2014, the Company's investment in non-cash working capital increased by $12.8 million from June 30, 2013. On a year-to-date basis, investment in non-cash working capital increased by $11.2 million. Accounts receivable decreased 11% or $11.3 million, due to timing of billings and collections on certain customer contracts. Net contracts in progress increased by 23% or $17.1 million compared to March 31, 2013. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts, collection efforts and supplier payment terms. Inventories remained flat year over year. Deposits and prepaid assets increased by 13% or $1.5 million compared to March 31, 2013. Accounts payable and accrued liabilities remained flat year over year. Provisions decreased $1.9 million or 21% compared to March 31, 2013.

Capital expenditures totalled $1.6 million in the first half of fiscal 2014 and primarily related to computer hardware.

Intangible assets expenditures totalled $2.4 million in the first half of fiscal 2014 and primarily related to computer software.

During fiscal 2013, the Company established a new Senior Secured Credit Facility (the "Credit Agreement"). 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. At September 29, 2013, the Company had utilized $86.1 million under the Credit Agreement, of which $2.2 million was classified as bank indebtedness (March 31, 2013 - $nil), $40.0 million was classified as long-term debt (March 31, 2013 - $nil) and

$43.9 million was obtained by way of letters of credit (March 31, 2013 - $53.1 million). Subsequent to the end of the second quarter, the Company used the proceeds from the long-term debt to partially fund the purchase of IWK.

The Credit Agreement 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 Credit Agreement are determined based on a debt-to-EBITDA ratio. 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%. 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 pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Agreement 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 subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends.

The Company has additional credit facilities available of $6.3 million (2.5 million Euro, 100.0 million Indian Rupees and 1.0 million Swiss Francs). The total amount outstanding on these facilities is $3.4 million which is classified as long-term debt (March 31, 2013 - $2.2 million). The interest rates applicable to the credit facilities range from 1.9% to 11.5% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 1.0 million Swiss Francs and 100.0 million Indian Rupees credit facilities are secured by letters of credit under the Credit Agreement.

The Company expects to continue increasing its investment in working capital to support the growth of its 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.

Subsequent to the end of the second quarter of fiscal 2014, the Company completed its acquisition of IWK. Total cash consideration paid for IWK pending post-closing adjustments was $140.5 million (101.4 million Euro). See "Value Creation Strategy: Business Acquisition – IWK".

Contractual Obligations

(In millions of dollars)

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

From continuing operations:

	Operating Leases	Purchase Obligations
Less than one year	$ 3.5	$ 43.5
One – two years	3.2	—
Two – three years	2.5	—
Three – four years	2.0	—
Four – five years	1.8	—
Due in over five years	4.5	—
	$ 17.5	$ 43.5

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 29, 2013, the total value of outstanding bank guarantees under credit facilities was approximately $62.4 million (March 31, 2013– $68.3 million) from continuing operations and was $1.5 million (March 31, 2013 – $3.7 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 9 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 2014, 797,169 stock options were exercised. As of November 5, 2013 the total number of shares outstanding was 88,674,177 and there were 7,064,598 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 2014.

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. Weakening in the value of the Canadian dollar relative to the U.S. dollar and the Euro had a positive impact on translation of the Company's revenues in the second quarter of fiscal 2014 compared to the corresponding period of fiscal 2013.

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 9 to the interim consolidated financial statements for details on the derivative financial instruments outstanding at September 29, 2013.

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 29, 2013	September 30, 2012	% change	**September 29, 2013**	September 30, 2012	% change
U.S. Dollar	**1.0384**	0.9939	4.5 %	**1.0311**	1.0028	2.8 %
Euro	**1.3769**	1.2447	10.6 %	**1.3571**	1.2698	6.9 %

CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)	**Q2 2014**	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Revenues from continuing operations	**$ 154.6**	$ 150.0	$ 153.2	$ 144.2	$ 141.4	$ 152.2	$ 173.5	$ 149.1
Earnings from operations	**$ 14.4**	$ 12.7	$ 14.0	$ 13.6	$ 13.8	$ 15.2	$ 16.1	$ 20.4
Income from continuing operations	**$ 10.4**	$ 8.6	$ 8.9	$ 10.7	$ 9.7	$ 11.8	$ 10.9	$ 17.6
Income (loss) from discontinued operations	**$ 2.5**	$ 11.0	$ (0.6)	$ (21.7)	$ (1.8)	$ (2.0)	$ (7.9)	$ (8.0)
Net income (loss)	**$ 12.9**	$ 19.6	$ 8.3	$ (11.0)	$ 7.9	$ 9.8	$ 3.0	$ 9.6
Basic earnings per share from continuing operations	**$ 0.12**	$ 0.10	$ 0.10	$ 0.12	$ 0.11	$ 0.13	$ 0.13	$ 0.20
Basic earnings (loss) per share from discontinued operations	**$ 0.03**	$ 0.12	$ (0.01)	$ (0.24)	$ (0.02)	$ (0.02)	$ (0.09)	$ (0.09)
Basic earnings (loss) per share	**$ 0.15**	$ 0.22	$ 0.09	$ (0.12)	$ 0.09	$ 0.11	$ 0.04	$ 0.11
Diluted earnings per share from continuing operations	**$ 0.11**	$ 0.10	$ 0.09	$ 0.12	$ 0.11	$ 0.13	$ 0.13	$ 0.20
Diluted earnings (loss) per share from discontinued operations	**$ 0.03**	$ 0.12	$ (0.00)	$ (0.24)	$ (0.02)	$ (0.02)	$ (0.09)	$ (0.09)
Diluted earnings (loss) per share	**$ 0.14**	$ 0.22	$ 0.09	$ (0.12)	$ 0.09	$ 0.11	$ 0.04	$ 0.11
ASG Order Bookings	**$ 110.0**	$ 165.0	$ 170.0	$ 173.0	$ 112.0	$ 168.0	$ 187.0	$ 179.0
ASG Order Backlog	**$ 355.0**	$ 415.0	$ 398.0	$ 388.0	$ 361.0	$ 397.0	$ 382.0	$ 376.0

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 Order Bookings, revenues and operating earnings due to summer plant shutdowns by its customers. Operating performance quarter to quarter may also be affected by the timing of revenue recognition on large programs in Order Backlog, which is impacted by such factors as customer delivery schedules, and the timing of third-party content.

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 2013 MD&A.

ACCOUNTING STANDARDS CHANGES

Effective April 1, 2013, the Company applied the following new IFRS standards for the first time: IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosures of Interests in Other Entities. The adoption of these standards and amendments had no impact on the financial statements or ongoing business of the Company.

IFRS 13 – Fair Value Measurement

IFRS 13 defines fair value and provides guidance for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The application of IFRS 13 will result in additional disclosures in the annual consolidated financial statements.

IAS 1 – Presentation of Financial Statements

The IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss have been separated from items that will not. While this amendment has impacted presentation in the consolidated statement of comprehensive income, it did not impact the Company's consolidated income, comprehensive income or consolidated financial position and is not expected to have an impact on the ongoing business of the Company.

IAS 19 – Employee Benefits

Effective April 1, 2013, the Company adopted revisions to IAS 19 – Employee Benefits ("IAS 19R"). The amendments to IAS 19 introduce a net interest approach for defined benefit obligations by replacing 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. Also, unvested past service costs can no longer be deferred and recognized over future vesting periods. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Company recognizes related restructuring or termination costs.

The change in accounting policy has been applied retrospectively. The adoption of IAS 19R had an immaterial impact on the financial statements of the Company and is not expected to have an impact on the ongoing business of the Company.

IFRS 11 – Joint Arrangements
IFRS 11 replaces the previous guidance in IAS 31, Interests in Joint Ventures. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities in IAS 31. Accounting for joint operations will follow accounting similar to that for jointly controlled assets and jointly controlled operations under IAS 31. This standard became effective for annual periods beginning on or after January 1, 2013.

The Company's existing joint arrangement is classified as a joint operation under the new standard with no significant change in the accounting. The adoption of this standard did not have a material impact on the Company's interim consolidated financial statements and is not expected to have an impact on the ongoing business of the Company

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.

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 29, 2013, 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; IWK acquisition – leveraging of IWK into other markets, potential for future acquisitions that would be a strategic fit with IWK, expected impact on earnings, expected allocation of purchase price, and accounting for acquisition; a Nigerian contract and timing of Order Booking and Order Backlog in relation thereto; expected timing for completion of current Order Backlog; potential impact of general economic environment, including impact on credit markets, customer markets, and Order Bookings, and the timing of those impacts; demand for Company's products potentially lagging global macroeconomic trends; activity in the market segments that the Company serves; the sales organization's approach to market and expected impact on Order Bookings; opportunities resulting from the IWK acquisition; management's expectations in relation to the impact of strategic initiatives on ATS operations; the implementation of changes to cost structure and charges expected to be incurred in relation thereto; the Company's strategy to expand organically and through acquisition; separation of solar business; expected timing of receipt of proceeds in relation to the sale of four joint venture ground mount solar projects; the timing of receipt of proceeds in relation to the sale of the Ontario Solar manufacturing assets and inventory; expected closing of the sale of the remaining three ground-mount solar projects and timing of receipt of proceeds in relation thereto; expected gain on solar divestitures and reallocation to ASG; Company's expectation to continue to increase its investment in working capital; expectation in relation to meeting funding requirements for investments; expectation to use moderate leverage to support growth strategy; 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 or delays associated with the new customer programs; that leveraging and strategic initiatives in relation to the IWK acquisition are delayed, not completed, or do not have intended positive impact; that acquisitions that are a strategic fit with IWK are not identified or concluded; that IWK's business does not perform as expected due to customer, labour, integration or other reasons; that net debt and working capital adjustments as of closing are other than as expected; that amount to be allocated to goodwill is other than as currently expected; failure of the Nigerian project to achieve financial close, generate further milestone payments, or satisfy other conditions or meet expected timelines; that completion of current Order Backlog is delayed as a result of program issues, customer request, or otherwise; 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 are delayed, not completed, or do not have intended positive impact; potential for greater negative impact associated with any non-performance related to large enterprise programs; that restructuring charges for ASG exceed those currently contemplated; that the conditions in the agreement for the sale of the three remaining joint venture ground mount solar projects are not met or that there are delays in meeting conditions and/or achieving stated milestones; that the solar projects are delayed in achieving commercial operation; that there are delays in receipt of the final payment in connection with the sale of Ontario Solar's manufacturing assets and inventory; that the joint venture ground mount projects cannot ultimately be developed, 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 one or more customers, or other entities with which the Company has contracted, experience insolvency or bankruptcy with resulting delays, costs or losses to the Company; political, labour or supplier disruptions; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is or may become a party; exposure to product 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.