ATS Automation Tooling Systems Inc.

Management's Discussion and Analysis

For the Year Ended March 31, 2014

TSX: ATA

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This Management's Discussion and Analysis ("MD&A") for the year ended March 31, 2014 (fiscal 2014) is as of May 21, 2014 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the audited consolidated financial statements of the Company for fiscal 2014 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at www.sedar.com and on the Company's website at www.atsautomation.com.

Notice to Reader: Non-IFRS Measures and Additional IFRS Measures

Throughout this document management uses certain non-IFRS measures to evaluate the performance of the Company. These terms do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. The terms "operating margin," "EBITDA", "EBITDA margin", "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. In addition, management uses "earnings from operations" which is an additional IFRS measure to evaluate the performance of the Company. Earnings from operations is presented on the Company's consolidated statements of income as net income from continuing operations excluding income tax expense and net finance costs. Operating margin is an expression of the Company's earnings from operations as a percentage of revenues. EBITDA is defined as earnings from operations excluding depreciation and amortization (which includes amortization of intangible assets). EBITDA margin is an expression of the Company's EBITDA as a percentage of revenues. Order Bookings represent new orders for the supply of automation systems, services and products that management believes are firm. Order Backlog is the estimated unearned portion of revenues on customer contracts that are in process and have not been completed at the specified date. Earnings from operations and EBITDA are used by the Company to evaluate the performance of its operations. Management believes that earnings from operations is an important indicator in measuring the performance of the Company's operations on a pre-tax basis and without consideration as to how the Company finances its operations. Management believes that EBITDA is an important indicator of the Company's ability to generate operating cash flows to fund continued investment in its operations. Order Bookings provides an indication of the Company's ability to secure new orders for work during a specified period, while Order Backlog provides a measure of the value of Order Bookings that have not been completed at a specified point in time. Both Order Bookings and Order Backlog are indicators of future revenues the Company expects to generate based on contracts that management believes to be firm. Management believes that ATS shareholders and potential investors in ATS use these IFRS measures and non-IFRS financial measures in making investment decisions and measuring operational results. A reconciliation of earnings from operations and EBITDA to net income from continuing operations for the fiscal fourth quarters and years ending March 31, 2014 and March 31, 2013 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. A reconciliation of Order Bookings and Order Backlog to total Company revenues for the fiscal fourth quarters and years ending March 31, 2014 and March 31, 2013 is contained in the MD&A (see "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 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 2,500 people at 23 manufacturing facilities in Canada, the United States, Europe, Southeast Asia and China. The Company's Solar segment is classified as discontinued operations.

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 automation 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' core automation business, continue the growth and development of ATS and create value for all stakeholders.

Grow

To further the Company's organic growth, ATS 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' 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, the business processes and the experience to successfully integrate acquired companies. Acquisition targets are evaluated on their ability to bring ATS market or technology leadership, scale and/or a market opportunity. For each of ATS' 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, 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' 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 pharmaceutical and personal care sectors evenly accounted for over 90% of IWK worldwide revenues. New equipment systems and standard automation each accounted for approximately 30% of total revenues, and services accounted for the remaining 40% of total revenues. European and North American markets each represented approximately a third of IWK revenues, Asia 25%, and the balance was earned primarily in South America.

The Company is integrating IWK into ATS where it will serve as the filling centre of excellence (primary and secondary packaging) for the Company. IWK brings a strong and experienced management team that will continue to drive the business.

Cash consideration paid for IWK in the third quarter of fiscal 2014 was $137.4 million (99.0 million Euro), which is net of $9.9 million of cash acquired. In addition, the Company incurred $3.2 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, which has subsequently been repaid. This acquisition has been accounted for as a business combination with the Company as the acquirer of IWK. The purchase method of accounting has been used and the earnings of IWK are consolidated beginning from the acquisition date, September 30, 2013. For additional information on the acquisition of IWK, refer to note 5 of the consolidated financial statements.

AUTOMATION SYSTEMS GROUP

Business Overview

ATS's Automation Systems Group ("ASG") is an industry-leading automation solutions provider to some of the world's largest multinational companies. ASG has expertise in custom automation, repeat automation, automation products and value-added services.

ASG categorizes its market into four industry groups: life sciences, consumer and electronics, transportation, and energy. Contract values for individual automation systems are often in excess of $1.0 million, with some contracts for Enterprise-type programs well in excess of $10 million. Given the custom nature of customer projects, contract durations vary greatly, with typical durations ranging from six to 12 months, with some larger contracts extending up to 18 to 24 months.

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

When a contract for an automation solution is received, ASG often provides a number of services, including engineering design, prototyping, process verification, specification writing, software development, automation simulation, equipment design and build, third-party equipment qualification, procurement and integration, automation system installation, product line start up, documentation, customer training and after-installation support, maintenance and service. Following the installation of custom automation, ASG may supply duplicate or "repeat" automation systems to customers that leverage engineering design completed in the original customer program. For customers seeking complex equipment replication, ASG provides value engineering, supply chain management, integration and manufacturing capabilities and other automation products and solutions.

Competitive Strengths

Management believes ASG has the following competitive strengths:

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

Technical skills, capabilities and experience: Automation manufacturing is a knowledge-based business. ATS has designed, manufactured, assembled and serviced over 15,000 automation systems worldwide since 1978 and has an extensive knowledge base and accumulated design experience. Management believes ASG's broad experience in many different industry sectors, with many diverse technologies, along with its talented workforce and ability to provide custom automation, repeat automation, automation products and value-added services, positions the Company well to serve complex multinational customer programs in a variety of industry sectors.

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

Trusted customer relationships: ASG serves some of the world's largest multinational companies. Most of ASG's customers are repeat customers and many have long-standing relationships with ATS, often spanning more than a decade. Management estimates that approximately 90% of ASG Order Bookings in fiscal 2014 were earned from repeat customers.

Recognized brands: Management believes ATS is well known within the global automation industry due to its long history of innovation and broad scope of operations. In addition, ATS' subsidiaries include strong brands in: Sortimat, which specializes in the life sciences market; ATW, which specializes in the transportation market; and IWK which specializes in the packaging market. Management believes that ATS' brand names and global reputation improve sales prospecting, allowing the Company to be considered for a wide variety of customer programs.

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

OVERVIEW – OPERATING RESULTS FROM CONTINUING OPERATIONS

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

Consolidated Revenues from Continuing Operations
(In millions of dollars)

Revenues by market	**Q4 2014**	Q4 2013	**Fiscal 2014**	Fiscal 2013
Consumer products & electronics	**$ 34.8**	$ 11.0	**$ 91.6**	$ 54.2
Energy	**15.9**	8.2	**46.6**	35.7
Life sciences	**81.2**	61.7	**288.7**	224.4
Transportation	**68.8**	72.3	**256.5**	276.8
Total revenues from continuing operations	**$ 200.7**	$ 153.2	**$ 683.4**	$ 591.1

Revenues by installation location	**Q4 2014**	Q4 2013	**Fiscal 2014**	Fiscal 2013
North America	**$ 107.2**	$ 60.3	**$ 328.5**	$ 262.5
Europe	**55.3**	51.9	**192.4**	180.3
Asia / Other	**38.2**	41.0	**162.5**	148.3
Total revenues from continuing operations	**$ 200.7**	$ 153.2	**$ 683.4**	$ 591.1

Fourth Quarter

Fourth quarter revenues were 31% higher than in the corresponding period a year ago primarily reflecting $29.6 million of revenues earned by IWK. Excluding IWK, fourth quarter revenues were $171.1 million, a 12% increase over the corresponding period a year ago. Foreign exchange rate changes positively impacted the translation of revenues earned by foreign-based ASG subsidiaries compared to the corresponding period a year ago, primarily reflecting the weakening of the Canadian dollar relative to the Euro and U.S. dollar.

By industrial market, fourth quarter revenues from consumer products & electronics increased by 216%, primarily on revenues from IWK and higher revenues earned in the consumer products market. Revenues generated in the energy market increased 94% compared to the corresponding period a year ago, primarily on higher Order Backlog entering the fourth quarter due largely to increased activity in nuclear energy. Revenues generated in the life sciences market increased 32% compared to the corresponding period a year ago, primarily on revenues from IWK. Transportation revenues decreased 5% compared to a year ago primarily due to lower Order Backlog in the fourth quarter compared to a year ago.

Full Year
Fiscal 2014 revenues were 16% higher than the corresponding period a year ago. Higher fiscal 2014 revenues reflected $59.3 million of revenues earned by IWK in the third and fourth quarters of fiscal 2014, foreign exchange rate changes which positively impacted the translation of revenues earned by foreign-based ASG subsidiaries compared to fiscal 2013, primarily reflecting the weakening of the Canadian dollar relative to the Euro and the U.S. dollar, and increased Order Backlog entering the fiscal year compared to a year ago.

By industrial market, revenues from consumer products & electronics and life sciences markets increased 69% and 29% respectively compared to fiscal 2013, primarily on revenues earned by IWK and higher Order Backlog in life sciences entering the fiscal year compared to a year ago. Revenues generated in the energy market increased 31% on increased activity primarily in nuclear energy. Revenues from the Transportation market decreased 7% compared to a year ago primarily due to lower Order Bookings.

Consolidated Operating Results
(In millions of dollars)

	Q4 2014	Q4 2013	**Fiscal 2014**	Fiscal 2013
Earnings from operations	**$ 17.2**	$ 14.0	**$ 61.0**	$ 56.6
Depreciation and amortization	**6.3**	3.3	**18.4**	12.2
EBITDA	**$ 23.5**	$ 17.3	**$ 79.4**	$ 68.8

Fourth Quarter
Fiscal 2014 fourth quarter earnings from operations were $17.2 million (9% operating margin) compared to $14.0 million (9% operating margin) in the fourth quarter of fiscal 2013. Fourth quarter fiscal 2014 earnings from operations included restructuring charges of $1.0 million to improve the Company’s cost structure including closing its Singapore manufacturing facility. Adjusted for restructuring charges, fourth quarter fiscal 2014 earnings from operations were $18.2 million (9% operating margin).

Higher earnings from operations primarily reflected higher revenues, better program execution, and the inclusion of IWK, partially offset by an accrual for a legal settlement, higher stock-based compensation costs and increased depreciation and amortization expenses compared to the corresponding period a year ago. Depreciation and amortization expense was $6.3 million in the fourth quarter of fiscal 2014, compared to $3.3 million a year ago, primarily due to a $2.8 million increase in amortization as a result of the addition of identifiable intangible assets recorded on the acquisition of IWK in the third quarter of fiscal 2014.

EBITDA was $23.5 million (12% EBITDA margin) compared to $17.3 million (11% EBITDA margin) in the fourth quarter of fiscal 2013. Adjusted for restructuring charges, fourth quarter fiscal 2014 EBITDA was $24.5 million (12% EBITDA margin).

Full Year

Earnings from operations were $61.0 million (9% operating margin) compared to $56.6 million (10% operating margin) a year ago. Excluding $6.1 million of restructuring charges incurred to re-balance global capacity and improve the Company's cost structure, $3.2 million of transaction costs related to the acquisition of IWK, and a one-time gain of $4.3 million from the successful recovery of costs related to programs acquired in a previous acquisition, fiscal 2014 earnings from operations were $66.0 million (10% operating margin).

Higher earnings from operations, adjusted for these items, primarily reflected revenue growth and the inclusion of IWK, partially offset by higher stock-based compensation costs and higher depreciation and amortization expenses compared to a year ago. Depreciation and amortization expense of $18.4 million in fiscal 2014 increased from $12.2 million a year ago, primarily due to a $5.2 million increase in amortization as a result of the addition of identifiable intangible assets recorded on the acquisition of IWK in the third quarter of fiscal 2014.

EBITDA was $79.4 million (12% EBITDA margin) compared to $68.8 million (12% EBITDA margin) in fiscal 2013. Fiscal 2014 EBITDA, adjusted for restructuring charges, IWK acquisition costs, and one-time gains was $84.4 million (12% EBITDA margin).

ASG Order Bookings by Quarter

(In millions of dollars)

		Fiscal 2014		Fiscal 2013
Q1	**$**	**165**	$	168
Q2		**110**		112
Q3		**237**		173
Q4		**197**		170
Total Order Bookings	**$**	**709**	$	623

Fourth Quarter

Fourth quarter fiscal 2014 Order Bookings were $197 million, a 16% increase from the fourth quarter of fiscal 2013, which primarily reflected $26 million of Order Bookings generated by IWK. Excluding the impact of IWK, Order Bookings were $171 million, a 1% increase from the corresponding period a year ago. Foreign exchange rate changes also positively impacted the translation of Order Bookings from foreign-based ASG subsidiaries compared to the corresponding period a year ago.

Full Year

Fiscal 2014 Order Bookings were $709 million, a 14% increase from fiscal 2013 Order Bookings of $623 million. Excluding the impact of IWK, Order Bookings were $635 million, a 2% increase from the previous fiscal year. Continued strength in consumer products and electronics, life sciences and energy was offset by lower activity in transportation. Foreign exchange rate changes also positively impacted the translation of Order Bookings from foreign-based ASG subsidiaries compared to fiscal 2013.

During the first quarter of fiscal 2014, milestone payments of 15 million Euro related to the Nigeria enterprise program were received resulting in total payments for this program to date 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 additional milestone payments are received.

Order Backlog Continuity
(In millions of dollars)

	Q4 2014	Q4 2013	**Fiscal 2014**	Fiscal 2013
Opening Order Backlog	**$ 467**	$ 388	**$ 398**	$ 382
Revenues	**(201)**	(153)	**(683)**	(591)
Order Bookings	**197**	170	**709**	623
Order Backlog adjustments[1]	**11**	(7)	**50**	(16)
Total	**$ 474**	$ 398	**$ 474**	$ 398

[1] Order Backlog adjustments include foreign exchange adjustments, cancellations and for fiscal 2014, incremental Order Backlog of $45 million acquired with IWK.

Order Backlog by Industry
(In millions of dollars)

	Fiscal 2014	Fiscal 2013
Consumer products & electronics	**$ 79**	$ 23
Energy	**55**	13
Life sciences	**170**	162
Transportation	**170**	200
Total	**$ 474**	$ 398

At March 31, 2014, Order Backlog was $474 million, 19% higher than at March 31, 2013. Higher Order Backlog primarily reflected the addition of IWK's Order Backlog and higher Order Bookings in the energy and consumer products & electronics markets.

Outlook

The general global economic environment has improved; however, uncertainty remains. 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. This has the potential to 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 the 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 consumer products & electronics has improved and the addition of IWK provides the Company with an opportunity to increase its exposure to new customers in these markets and in life sciences.

The Company's sales organization will continue to work to engage with customers on enterprise-type solutions. The Company expects that this 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 $474 million at the end of fiscal 2014 to mitigate the impact of volatile Order Bookings on revenues in the short term. Management expects that approximately 35% to 40% of its Order Backlog would typically be completed each quarter.

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' 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.

Regarding IWK, opportunities to increase profitability are being 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 also provides the Company with an opportunity to realign its operations and improve the global cost structure of its base business. In this regard, the Company is in the process of closing a manufacturing facility in Singapore. The Company will continue to service customers in the region from a sales and service office in Singapore and by way of neighboring locations in Malaysia and Thailand. These actions, along with other changes implemented by the Company in the first quarter of fiscal 2014, have re-balanced global capacity and improved the Company's cost structure.

Management's disciplined focus on program management, cost reductions, standardization and quality puts 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 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 &
SELECTED FOURTH QUARTER AND ANNUAL INFORMATION
(In millions of dollars, except per share data)

	Q4 2014	Q4 2013	**Fiscal 2014**	Fiscal 2013	Fiscal 2012
Revenues	**$ 200.7**	$ 153.2	**$ 683.4**	$ 591.1	$ 595.4
Cost of revenues	**146.6**	116.4	**501.7**	441.2	438.7
Selling, general and administrative	**35.0**	21.5	**113.3**	89.5	94.5
Stock-based compensation	**1.9**	1.3	**7.3**	3.8	4.9
Gain on sale of land and building	—	—	—	—	(3.0)
Earnings from operations	**$ 17.2**	$ 14.0	**$ 61.0**(1)	$ 56.6	$ 60.3
Net finance costs	**$ 1.0**	$ 0.7	**$ 3.0**	$ 2.0	$ 1.6
Provision for income taxes	**4.5**	4.4	**8.6**	13.5	14.7
Net income from continuing operations	**$ 11.7**	$ 8.9	**$ 49.4**	$ 41.1	$ 44.0
Loss from discontinued operations, net of tax	**$ (0.4)**	$ (0.6)	**$ 12.8**	$ (26.0)	$ (103.5)
Net income (loss)	**$ 11.3**	$ 8.3	**$ 62.2**	$ 15.1	$ (59.5)
Earnings (loss) per share					
Basic from continuing operations	**$ 0.13**	$ 0.10	**$ 0.56**	$ 0.47	$ 0.51
Basic from discontinued operations	**$ (0.01)**	$ (0.01)	**$ 0.14**	$ (0.30)	$ (1.19)
	$ 0.12	$ 0.09	**$ 0.70**	$ 0.17	$ (0.68)
Diluted from continuing operations	**$ 0.13**	$ 0.09	**$ 0.55**	$ 0.46	$ 0.51
Diluted from discontinued operations	**$ (0.01)**	$ (0.00)	**$ 0.14**	$ (0.29)	$ (1.19)
	$ 0.12	$ 0.09	**$ 0.69**	$ 0.17	$ (0.68)
From continuing operations:					
Total assets			**$ 778.4**	$ 565.4	$ 532.9
Total cash and short-term investments			**$ 76.5**	$ 105.5	$ 96.2
Total bank debt			**$ 6.0**	$ 1.2	$ 3.0

(1) Rounding.

Revenues. At $200.7 million, consolidated revenues from continuing operations for the fourth quarter of fiscal 2014 were $47.5 million or 31% higher than in the corresponding period a year ago. At $683.4 million, fiscal 2014 revenues were $92.3 million or 16% higher than for the same period a year ago, primarily on incremental IWK revenue. See “Overview – Operating Results from Continuing Operations.”

Cost of revenues. At $146.6 million, fourth quarter fiscal 2014 cost of revenues increased over the corresponding period a year ago by $30.2 million or 26% primarily on higher revenues. Fiscal 2014 cost of revenues of $501.7 million increased by $60.5 million or 14%, primarily on higher revenues generated compared to a year ago.

At 27%, gross margin in the fourth quarter of fiscal 2014 increased 3% from the corresponding period a year ago. Higher fourth quarter gross margins reflected improved program execution, improvements in the cost structure of the Company's base business, and the inclusion of IWK. Fiscal 2014 gross margin of 27% increased 2% from fiscal 2013 due to the same factors, specifically: improved program execution, improvements in the cost structure of the Company's base business, and the inclusion of IWK for the third and fourth fiscal quarters of 2014.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the fourth quarter of fiscal 2014 were $35.0 million. This included $1.0 million of restructuring charges incurred to re-balance global capacity and improve the Company's cost structure. Adjusted for these costs, SG&A expenses were $12.5 million or 58% higher than the $21.5 million incurred in the corresponding period last year. Higher SG&A costs primarily reflected the addition of IWK SG&A expenses, including $2.8 million of incremental amortization expenses related to the identifiable intangible assets recorded on the acquisition of IWK, foreign exchange rate changes which negatively impacted the translation of SG&A expenses, an accrual for a legal settlement, and higher employee performance incentives.

Fiscal 2014 SG&A expenses were $113.3 million, which included $6.1 million of restructuring charges, $3.2 million of professional fees related to the acquisition of IWK and a one-time gain of $4.3 million from the successful recovery of costs related to programs acquired in a previous acquisition. Adjusted for these costs, fiscal 2014 SG&A spending was $108.3 million, $18.8 million or 21% higher compared to the previous year. Higher SG&A costs primarily reflected the addition of IWK SG&A expenses, including $5.2 million of incremental amortization expenses related to the identifiable intangible assets recorded on the acquisition of IWK.

Stock-based compensation cost. Stock-based compensation expense of $1.9 million in the fourth quarter of fiscal 2014 increased from $1.3 million in the corresponding period a year ago. Fiscal 2014 stock-based compensation expense increased to $7.3 million from $3.8 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.

Earnings from operations. For the three and twelve month periods ended March 31, 2014 consolidated earnings from operations were $17.2 million and $61.0 million respectively (operating margin of 9% in both periods), compared to earnings from operations of $14.0 million and $56.6 million a year ago (operating margins of 9% and 10% respectively). See "Overview – Operating Results from Continuing Operations."

Net finance costs. Net finance costs were $1.0 million in the fourth quarter of fiscal 2014, $0.3 million higher than a year ago. Fiscal 2014 finance costs were $3.0 million compared to $2.0 million in the corresponding period a year ago. The increase in net finance costs reflected increased usage of the Company's primary credit facility in both periods.

Income tax provision. For the three and twelve months ended March 31, 2014, the Company's effective income tax rate was 28% and 15% respectively. Based on changes made to the tax structure of the Company's businesses in Germany and the acquisition of IWK, the Company expects it will be able to utilize previously unrecognized deferred tax assets. Consequently, in fiscal 2014, the Company recorded net income tax recoveries and other adjustments of $8.3 million primarily related to the recognition of deferred income tax assets following the Company's change in assessment of its ability to utilize tax losses in its German-based operations, partially offset by certain provisions in other jurisdictions. Adjusted for these items which were recorded in the third fiscal quarter of 2014, the Company's effective income tax rate was 29% for fiscal 2014. The Company expects that with the recognition of these deferred tax assets, its effective tax rate will exceed the combined Canadian basic federal and provincial income tax rate of 27% going forward; however, cash taxes are expected to be lower than the effective tax rate for accounting purposes due to tax assets available primarily in Canada and Germany.

Net income from continuing operations. Fiscal 2014 fourth quarter net income from continuing operations was $11.7 million (13 cents per share basic and diluted) compared to $8.9 million (10 cents per share basic and 9 cents per share diluted) for the fourth quarter of fiscal 2013. Net income from continuing operations for fiscal 2014 was $49.4 million (56 cents per share basic and 55 cents per share diluted) compared to $41.1 million (47 cents per share basic and 46 cents per share diluted) a year ago.

Reconciliation of EBITDA to IFRS Measures

(In millions of dollars)

	Fiscal 2014	Fiscal 2013	Fiscal 2012
EBITDA	**$ 79.4**	$ 68.8	$ 72.3
Less: depreciation and amortization expense	**18.4**	12.2	12.0
Earnings from operations	**$ 61.0**	$ 56.6	$ 60.3
Less: net finance costs	**3.0**	2.0	1.6
Provision for income taxes	**8.6**	13.5	14.7
Net income from continuing operations	**$ 49.4**	$ 41.1	$ 44.0

	Q4 2014	Q4 2013
EBITDA	**$ 23.5**	$ 17.3
Less: depreciation and amortization expense	**6.3**	3.3
Earnings from operations	**$ 17.2**	$ 14.0
Less: net finance costs	**1.0**	0.7
Provision for income taxes	**4.5**	4.4
Net income from continuing operations	**$ 11.7**	$ 8.9

DISCONTINUED OPERATIONS: SOLAR

(In millions of dollars)

	Q4 2014	Q4 2013	Fiscal 2014	Fiscal 2013
Total revenues	**$ —**	$ 1.6	**$ 1.1**	$ 3.7
Gain on sale	**—**	—	**13.8**	—
Income (loss) from discontinued operations	**(0.4)**	(0.7)	**12.8**	(26.1)
Income (loss) from discontinued operations, net of tax	**(0.4)**	(0.6)	**12.8**	(26.0)

Fourth Quarter

Revenues

During the first quarter of fiscal 2014, the manufacturing assets were sold and the business wound up. Accordingly, fiscal 2014 fourth quarter revenues of $nil were $1.6 million lower than in the fourth quarter of fiscal 2013.

Income (loss) from Discontinued Operations

Ontario Solar recorded a loss of $0.4 million in the fourth quarter of fiscal 2014. The fourth quarter loss a year ago was $0.6 million.

Full Year

Revenues

Revenues for fiscal 2014 of $1.1 million were 70% lower than in the same period of fiscal 2013 reflecting the sale of manufacturing assets and business cessation.

Gain on sale

For fiscal 2014, the gain on sale of $13.8 million was comprised of gains of $10.8 million from the sale of 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 $12.8 million of income in fiscal 2014 compared to losses from operations of $26.0 million in the corresponding period a year ago.

Solar Separation and Outlook

Subsequent to the end of fiscal 2014, OSPV completed the sale of its remaining three ground-mount solar projects. OSPV will retain 25% ownership of the projects until the projects reach commercial operation, which is expected to occur in early calendar 2015. Net proceeds to ATS are expected to be approximately $14.6 million, of which the Company received $12.0 million in the first quarter of fiscal 2015. Remaining proceeds are to be paid based on the projects achieving certain development milestones.

During the year ended March 31, 2014, 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 to occur in calendar 2014. Net proceeds to the Company are expected to be $21.4 million, of which the Company received net proceeds of $13.4 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.

During the year ended March 31, 2014, the Company divested its Ontario Solar manufacturing assets and inventory. Net proceeds to the Company were $6.5 million.

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 ATS' core automation business to support growth.

SUMMARY OF INVESTMENTS, LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

Investments

(In millions of dollars)

	Fiscal 2014	Fiscal 2013
Investments — increase (decrease)		
Non-cash operating working capital	**$ 4.9**	$ 26.0
Property, plant and equipment	**4.3**	7.7
Acquisition of intangible assets	**6.8**	4.8
Business acquisition, net of cash required	**137.4**	—
Proceeds from disposal of assets	**(0.2)**	—
Acquisition / (Proceeds from disposal) of portfolio investments	**(5.2)**	4.6
Investing activities of discontinued operations	**(21.9)**	0.1
Total net investments	**$ 126.1**	$ 43.2

In fiscal 2014, the Company's investment in non-cash working capital increased by $4.9 million compared to an increase of $26.0 million a year ago. Accounts receivable increased 18% or $18.1 million, driven by the increase in fiscal 2014 revenues and the acquisition of IWK. Net contracts in progress increased 16% or $12.2 million compared to March 31, 2013 due to the acquisition of IWK and timing of closing programs compared to fiscal 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 increased 127% or $13.5 million primarily due to the acquisition of IWK. Deposits and prepaid assets decreased 18% or $2.1 million compared to March 31, 2013 due to the timing of program execution compared to fiscal 2013. Accounts payable and accrued liabilities increased 34% or $35.5 million primarily due to the acquisition of IWK and timing of purchases.

Capital expenditures totalled $4.3 million for fiscal 2014, primarily related to computer hardware. Capital expenditures totalled $7.7 million in fiscal 2013, primarily related to facility improvements, computer hardware and equipment.

Intangible assets expenditures totalled $6.8 million in fiscal 2014 and primarily related to computer software. Intangible assets expenditures totalled $4.8 million in fiscal 2013, primarily related to software acquisitions.

During fiscal 2013, the Company acquired a portfolio investment for $4.6 million. The Company divested this investment in fiscal 2014 for proceeds of $5.2 million.

The Company performs impairment tests on its goodwill and intangible asset balances on an annual basis or as warranted by events or circumstances. The Company conducted its annual impairment assessment in the fourth quarter of fiscal 2014 and has determined there is no impairment of goodwill or intangible assets as of March 31, 2014 (fiscal 2013 – $nil).

All of the Company's investments involve risks and require that the Company make judgments and estimates regarding the likelihood of recovery of the respective costs. In the event management determines that any of the Company's investments have become permanently impaired or recovery is no longer reasonably assured, the value of the investment would be written down to its estimated net realizable value as a charge against earnings. Due to the magnitude of certain investments, such write-downs could be material.

Liquidity, Cash Flow and Financial Resources

(In millions of dollars, except ratios)

As at	**Fiscal 2014**	Fiscal 2013
Cash and cash equivalents	**$ 76.5**	$ 105.5
Debt-to-equity ratio	**0.01:1**	0.01:1
Cash flows provided by operating activities from continuing operations	**$ 70.0**	$ 33.7

At March 31, 2014, the Company had cash and cash equivalents of $76.5 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 March 31, 2014 was 0.01:1. At March 31, 2014, the Company had $179.3 million of unutilized credit available under existing credit facilities and another $11.1 million available under letter of credit facilities.

In fiscal 2014, cash flows provided by operating activities from continuing operations were $70.0 million ($33.7 million provided by operating activities from continuing operations in fiscal 2013). The increase in operating cash flows from continuing operations related primarily to higher income from continuing operations, the timing of investments in non-cash working capital in large customer programs and cash flows provided by the operating activities of IWK.

During fiscal 2013, the Company established a new Senior Secured Credit Facility (the "Credit Agreement"). The Credit Agreement provides a revolving credit facility of $250.0 million and expires on November 6, 2015. 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 March 31, 2014, the Company had utilized $72.6 million under the Credit Agreement, which was obtained by way of letters of credit (March 31, 2013 - $53.1 million). In the third quarter of fiscal 2014, the Company used proceeds from the facility to partially fund the purchase of IWK, which was subsequently repaid in the fourth quarter of fiscal 2014.

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 of $9.0 million (2.4 million Euro, 200 million Indian Rupees, 0.5 million Swiss Francs and 30 million Thai Baht). The total amount outstanding on these facilities is $6.7 million of which $0.9 million is classified as bank indebtedness (March 31, 2013 - $nil) and $5.8 million 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 11.0% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 0.5 million Swiss Francs and 200.0 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.

In the third quarter of fiscal 2014, the Company completed its acquisition of IWK. Total cash consideration paid for IWK was $137.4 million (99.0 million Euro), which is net of $9.9 million of cash acquired in the business. 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	$ 6.3	$ 59.3
One – two years	5.1	0.8
Two – three years	4.4	—
Three – four years	2.3	—
Four – five years	1.8	—
Due in over five years	3.8	—
	$ 23.7	$ 60.1

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 March 31, 2014, the total value of outstanding bank guarantees under credit facilities was approximately $95.3 million (March 31, 2013 - $68.3 million) from continuing operations and was $2.1 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 13 of the 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 fiscal 2014, 2,942,254 stock options were exercised. As of May 21, 2014 the total number of shares outstanding was 90,847,082 and there were 4,985,041 stock options outstanding to acquire common shares of the Company.

RELATED-PARTY TRANSACTIONS

There were no significant related-party transactions in fiscal 2014. See note 26 to the consolidated financial statements for further details on related-party disclosure.

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 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 13 to the consolidated financial statements for details on the derivative financial instruments outstanding at March 31, 2014.

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$

	Year-end actual exchange rates			**Period average exchange rates**		
	March 31, 2014	March 31, 2013	% change	**March 31, 2014**	March 31, 2013	% change
U.S. Dollar	**1.1055**	1.0160	8.8 %	**1.0538**	1.0016	5.2 %
Euro	**1.5230**	1.3024	16.9 %	**1.4137**	1.2892	9.7 %

CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)	**Q4 2014**	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenues from continuing operations	**$ 200.7**	$ 178.0	$ 154.6	$ 150.0	$ 153.2	$ 144.2	$ 141.1	$ 152.2
Earnings from operations	**$ 17.2**	$ 16.7	$ 14.4	$ 12.7	$ 14.0	$ 13.6	$ 13.8	$ 15.2
Income from continuing operations	**$ 11.7**	$ 18.8	$ 10.4	$ 8.6	$ 8.9	$ 10.7	$ 9.7	$ 11.8
Income (loss) from discontinued operations	**$ (0.4)**	$ (0.3)	$ 2.5	$ 11.0	$ (0.6)	$ (21.7)	$ (1.8)	$ (2.0)
Net income (loss)	**$ 11.3**	$ 18.5	$ 12.9	$ 19.6	$ 8.3	$ (11.0)	$ 7.9	$ 9.8
Basic earnings per share from continuing operations	**$ 0.13**	$ 0.21	$ 0.12	$ 0.10	$ 0.10	$ 0.12	$ 0.11	$ 0.13
Basic earnings (loss) per share from discontinued operations	**$ (0.01)**	$ (0.00)	$ 0.03	$ 0.12	$ (0.01)	$ (0.24)	$ (0.02)	$ (0.02)
Basic earnings (loss) per share	**$ 0.12**	$ 0.21	$ 0.15	$ 0.22	$ 0.09	$ (0.12)	$ 0.09	$ 0.11
Diluted earnings per share from continuing operations	**$ 0.13**	$ 0.21	$ 0.11	$ 0.10	$ 0.09	$ 0.12	$ 0.11	$ 0.13
Diluted earnings (loss) per share from discontinued operations	**$ (0.01)**	$ (0.00)	$ 0.03	$ 0.12	$ (0.00)	$ (0.24)	$ (0.02)	$ (0.02)
Diluted earnings (loss) per share	**$ 0.12**	$ 0.21	$ 0.14	$ 0.22	$ 0.09	$ (0.12)	$ 0.09	$ 0.11
Order Bookings	**$ 197.0**	$ 237.0	$ 110.0	$ 165.0	$ 170.0	$ 173.0	$ 112.0	$ 168.0
Order Backlog	**$ 474.0**	$ 467.0	$ 355.0	$ 415.0	$ 398.0	$ 388.0	$ 361.0	$ 397.0

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 earnings from operations 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, JUDGMENTS & ASSUMPTIONS

Notes 2 and 3 to the consolidated financial statements describe the basis of accounting and the Company's significant accounting policies.

Revenue recognition and contracts in progress

The nature of ASG contracts requires the use of estimates to quote new business and most automation systems are typically sold on a fixed-price basis. Revenues on construction contracts and other long-term contracts are recognized on a percentage of completion basis as outlined in note 3(d) "Construction contracts" of the consolidated financial statements. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed at each reporting period and by their nature may give rise to income volatility. If the actual costs incurred by the Company to complete a contract are significantly higher than estimated, the Company's earnings may be negatively affected. The use of estimates involve risks, since the work to be performed requires varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. In the event the Company is unable to meet the defined performance specification for a contracted automation system, it may need to redesign and rebuild all or a portion of the system at its expense without an increase in the selling price. Certain contracts may have provisions that reduce the selling price if the Company fails to deliver or complete the contract by specified dates. These provisions may expose the Company to liabilities or adversely affect the Company's results of operations or financial position.

ASG's contracts may be terminated by customers in the event of a default by the Company or, in some cases, for the convenience of the customer. In the event of a termination for convenience, the Company typically negotiates a payment provision reflective of the progress achieved on the contract and/or the costs incurred to the termination date. If a contract is cancelled, Order Backlog is reduced and production utilization may be negatively impacted.

Complete provision, which can be significant, is made for losses on such contracts when such losses first become known. Revisions in estimates of costs and profits on contracts, which can also be significant, are recorded in the accounting period in which the relevant facts impacting the estimates become known.

A portion of ASG revenue is recognized when earned, which is generally at the time of shipment and transfer of title to the customer, provided collection is reasonably assured.

Income taxes

Deferred income tax assets, disclosed in note 18 of the consolidated financial statements, are recognized to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

If the assessment of the Company's ability to utilize the deferred income tax asset changes, the Company would be required to recognize more or fewer of the deferred income tax assets which would increase or decrease income tax expense in the period in which this is determined. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous taxation audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all the relevant factors. The Company reviews the adequacy of these provisions at each quarter. However, it is possible that at some future date an additional liability could result from audits by the taxation authorities. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Stock-based payment transactions
The Company measures the cost of transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the future forfeiture rate, the expected life of the share option, weighted average risk-free interest rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in note 19 of the consolidated financial statements.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculations involve significant estimates and assumptions. Items estimated include cash flows, discount rates and assumptions on revenue growth rates. These estimates could effect the Company's future results if the current estimates of future performance and fair values change. As described in note 11 of the consolidated financial statements, goodwill is assessed for impairment on an annual basis. The Company performed its annual impairment test of goodwill as at March 31, 2014 and has determined there is no impairment (March 31, 2013 – $nil).

Provisions
As described in note 3(q) of the consolidated financial statements, the Company records a provision when an obligation exists, an outflow of economic resources required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. The Company records a provision based on the best estimate of the required economic outflow to settle the present obligation at the balance sheet date. While management believes these estimates are reasonable, differences in actual results or changes in estimates could have a material impact on the obligations and expenses reported by the Company.

Employee Benefits
The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are provided in note 15 of the consolidated financial statements.

ACCOUNTING STANDARDS ADOPTED IN FISCAL 2014

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 affected presentation and disclosures only, and had no impact on the financial statements 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 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes to the consolidated financial statements relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 13 to the 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 the statements of income have been separated from items that will not. While this amendment has impacted presentation in the consolidated statements of comprehensive income, it did not impact the Company's consolidated income, comprehensive income or consolidated financial position.

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.

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 interest 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 consolidated financial statements.

IAS 36 –Impairment of Assets

Effective April 1, 2013, the Company adopted revisions to IAS 36 – *Impairment of Assets* ("IAS 36"). The amendments to IAS 36 reverse the unintended requirement in IFRS 13 – *Fair Value Measurement*, to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. These amendments are effective for annual periods beginning on or after January 1, 2014; however, the Company has adopted them early, starting April 1, 2013.

The adoption of IAS 36 did not have a material impact on the Company's consolidated financial statements.

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).

Disclosure controls and procedures

An evaluation of the design of and operating effectiveness of the Company's disclosure controls and procedures was conducted as of March 31, 2014 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Company and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal control over financial reporting

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Company, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the Company's GAAP.

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

The CEO and CFO have, using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting and concluded that, as of March 31, 2014, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

During the year ended March 31, 2014, other than as noted below, 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.

The Company acquired IWK on September 30, 2013. During the three months ended March 31, 2014, management completed its evaluation on the design and operating effectiveness of the IWK's internal controls over financial reporting and concluded that, as of March 31, 2014, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

OTHER MAJOR CONSIDERATIONS AND RISK FACTORS

Any investment in ATS will be subject to risks inherent to ATS' business. The following risk factors are discussed in the Company's Annual Information Form, which may be found on SEDAR at www.sedar.com.

- Market volatility;
- Strategy execution risks;
- Competition risk;
- Automation systems pricing and revenue mix risk;
- First-time program and production risks;
- Pricing, quality, delivery and volume risk;
- Product failure risks;
- Availability of raw materials and other manufacturing inputs;
- Customer risks;
- New product market acceptance, obsolescence, and commercialization risk;
- Liquidity and access to capital markets;
- Expansion risks;
- Availability of human resources and dependence on key personnel;
- Intellectual property protection risks;
- Risk of infringement of third parties' intellectual property rights;
- Internal controls;
- Income and other taxes and uncertain tax liabilities;
- Variations in quarterly results;
- Share price volatility;
- Litigation;
- Legislative compliance; and
- Dependence on performance of subsidiaries.

Note to Readers: Forward-Looking Statements:

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that 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; competitive strengths; a Nigerian contract and timing of Order Booking and Order Backlog in relation thereto; 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; opportunities resulting from the IWK acquisition; the sales organization's approach to market and expected impact on Order Bookings; impact of Order Backlog on volatility and time to complete Order Backlog; the implementation of changes to cost structure and the expected impact; management's expectations in relation to the impact of strategic initiatives on ATS operations; the Company's strategy to expand organically and through acquisition; Company's expectation with respect to deferred tax assets and effective tax rate and cash taxes; separation of solar business; expected timing of receipt of proceeds in relation to the sale of seven joint venture ground mount solar projects; expected gain on solar divestitures; 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; 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; failure of the Nigerian project to achieve financial close, generate further milestone payments, or satisfy other conditions or meet expected timelines; potential for greater negative impact associated with any non-performance related to large enterprise programs; variations in the amount of Order Backlog completed in any given quarter; that strategic initiatives are delayed, not completed, or do not have intended positive impact; that restructuring charges exceed those currently contemplated; 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 the Company or its subsidiaries may have exposure to greater than anticipated income tax liabilities; that the solar joint venture ground mount projects are delayed in achieving commercial operation or cannot ultimately be developed, due to market, regulatory, transmission, local opposition, or other factors; 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.