



ATS Automation Tooling Systems Inc.
Management's Discussion and Analysis
For the Quarter Ended June 28, 2015

TSX: ATA

Management's Discussion and Analysis

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This Management's Discussion and Analysis ("MD&A") for the three months ended June 28, 2015 (first quarter of fiscal 2016) is as of August 11, 2015 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 condensed consolidated financial statements of the Company for the first quarter of fiscal 2016 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 the MD&A of the Company for the year ended March 31, 2015 (fiscal 2015) and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2015 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 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", "adjusted earnings from operations", "adjusted basic earnings per share from continuing operations", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies. Such measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In addition, management uses "earnings from operations" which is an additional IFRS measure to evaluate the performance of the Company. Earnings from operations is presented on the Company's consolidated statements of income as net income 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. Adjusted earnings from operations is defined as earnings from operations before items excluded from management's internal analysis of operating results, such as amortization expense of acquisition-related intangible assets, acquisition-related transaction and integration costs, restructuring charges, and certain other adjustments which would be non-recurring in nature ("adjustment items"). Adjusted basic earnings per share from continuing operations is defined as adjusted net income from continuing operations on a basic per share basis, where adjusted net income from continuing operations is defined as adjusted earnings from operations less net finance costs and income tax expense, plus tax effects of adjustment items. 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 earnings from operations is an important indicator in measuring the performance of the Company's operations on a pre-tax basis and without consideration as to how the Company finances its operations. Management believes that EBITDA is an important indicator of the Company's ability to generate operating cash flows to fund continued investment in its

operations. Management believes that adjusted earnings from operations and adjusted basic earnings per share from continuing operations are important measures to increase comparability of performance between periods. The adjustment items used by management to arrive at these metrics are not considered to be indicative of the business's ongoing operating performance. 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 additional IFRS measures and non-IFRS financial measures in making investment decisions and measuring operational results. EBITDA should not be construed as a substitute for net income determined in accordance with IFRS. Adjusted earnings from operations is not necessarily indicative of earnings from operations or cash flows from operations as determined under IFRS and may not be comparable to similar measures presented by other companies. A reconciliation of (i) earnings from operations and EBITDA to net income from continuing operations for the three month period ending June 28, 2015 and June 29, 2014; and (ii) adjusted earnings from operations and adjusted basic earnings per share from continuing operations to net income from continuing operations and basic earnings per share from continuing operations respectively for the three month period ending June 28, 2015 and June 29, 2014 is contained in this MD&A (see "Reconciliation of Non-IFRS Measures to IFRS Measures"). A reconciliation of Order Bookings and Order Backlog to total Company revenues for the three month period ending June 28, 2015 and June 29, 2014 is also contained in the MD&A (see "Order Backlog Continuity").

COMPANY PROFILE

ATS is an industry-leading automation solutions provider to many of the world's most successful companies. ATS uses its extensive knowledge base and global capabilities in custom automation, repeat automation, automation products and value-added services including pre-automation and after-sales services to address the sophisticated manufacturing automation systems and service needs of multinational customers in markets such as life sciences, chemicals, consumer products, electronics, food, beverage, transportation, energy, and oil and gas. Founded in 1978, ATS employs approximately 3,500 people at 25 manufacturing facilities and 51 offices in North America, Europe, Southeast Asia and China.

Value Creation Strategy

To drive value creation, the Company is focused on its growth 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 after sales services.

Scale

The Company is committed to growth through acquisition and management believes that the Company has the organizational structure, business processes and 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. To date, ATS has successfully acquired four complementary and accretive businesses: sortimat Group ("sortimat") on June 1, 2010; Assembly & Test Worldwide ("ATW") on January 5, 2011; IWK Verpackungstechnik and Oystar IWK USA, Inc. ("IWK") on September 30, 2013 and M+W Process Automation GmbH and ProFocus LLC (collectively "Process Automation Solutions" or "PA") on September 1, 2014.

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)

	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Revenues by market		
Consumer products & electronics	\$ 37.3	\$ 38.5
Energy	18.5	11.8
Life sciences	106.7	78.8
Transportation	91.8	61.8
Total revenues from continuing operations	\$ 254.3	\$ 190.9

Fiscal 2016 first quarter revenues were 33% higher than in the corresponding period a year ago primarily reflecting \$68.0 million of revenues earned by PA. Excluding PA, first quarter revenues were \$186.3 million, a 2% decrease from the corresponding period a year ago. Foreign exchange rate changes did not materially impact the translation of revenues earned by foreign-based subsidiaries compared to the corresponding period a year ago.

By market, fiscal first quarter revenues from consumer products and electronics decreased by 3% compared to the corresponding period a year ago, primarily on lower Order Backlog at the beginning of the first fiscal quarter. Revenues generated in energy markets increased 57% primarily due to increased activity in the nuclear energy market. Revenues generated from the life sciences market increased 35% compared to the corresponding period a year ago, primarily on revenues from PA. Transportation revenues increased 49% compared to a year ago, primarily on revenues from PA and higher Order Bookings during the first quarter compared to a year ago.

Consolidated Operating Results

(In millions of dollars)

	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Earnings from operations	\$ 17.5	\$ 14.4
Amortization of acquisition-related intangible assets	7.7	3.7
Acquisition-related transaction costs	—	3.0
Restructuring charges	2.2	—
Adjusted earnings from operations¹	\$ 27.4	\$ 21.1

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

	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Earnings from operations	\$ 17.5	\$ 14.4
Depreciation and amortization	11.2	6.5
EBITDA¹	\$ 28.7	\$ 20.9

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

Fiscal 2016 first quarter earnings from operations were \$17.5 million (7% operating margin) compared to \$14.4 million (8% operating margin) in the first quarter a year ago. First quarter fiscal 2016 earnings from operations included \$2.2 million of restructuring and severance costs and amortization expenses of \$7.7 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, ATW, and sortimat. Excluding these costs, first quarter fiscal 2016 adjusted earnings from operations were \$27.4 million (11% margin), compared to adjusted earnings from operations of \$21.1 million (11% margin) a year ago. Higher adjusted earnings from operations primarily reflected the inclusion of PA, lower employee incentive costs and discretionary spending reductions, which were partially offset by higher cost of revenues due to some lower margin programs which have been bid and are being executed by the Company and certain programs where costs exceeded budgets.

Depreciation and amortization expense was \$11.2 million in the first quarter of fiscal 2016, compared to \$6.5 million a year ago, primarily due to increased amortization expenses as a result of the addition of identifiable intangible assets recorded on the acquisition of PA in the second quarter of fiscal 2015.

EBITDA was \$28.7 million (11% EBITDA margin) in the first quarter of fiscal 2016 compared to \$20.9 million (11% EBITDA margin) in the first quarter of fiscal 2015. Excluding restructuring and severance costs, first quarter fiscal 2016 EBITDA was \$30.9 million (12% EBITDA margin). Comparably, excluding acquisition-related costs, first quarter fiscal 2015 EBITDA was \$23.9 million (13% EBITDA margin).

Order Bookings

First quarter fiscal 2016 Order Bookings were \$222 million, a 39% increase from the first quarter of fiscal 2015. Excluding the impact of PA, Order Bookings were \$154 million, a 4% decrease from the corresponding period a year ago primarily reflecting the timing of customer decisions on various larger opportunities. By customer market, strength in transportation, consumer

products and electronics, and energy markets was offset by lower Order Bookings in life sciences.

Order Backlog Continuity

(In millions of dollars)

	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Opening Order Backlog	\$ 632	\$ 474
Revenues	(254)	(191)
Order Bookings	222	160
Order Backlog adjustments ¹	(10)	(18)
Total	\$ 590	\$ 425

¹ Order Backlog adjustments include foreign exchange adjustments and cancellations.

Order Backlog by Market

(In millions of dollars)

As at	June 28, 2015	June 29, 2014
Consumer products & electronics	\$ 74	\$ 75
Energy	45	48
Life sciences	248	160
Transportation	223	142
Total	\$ 590	\$ 425

At June 28, 2015, Order Backlog was \$590 million, 39% higher than at June 29, 2014. Higher Order Backlog primarily reflected higher Order Bookings in the life sciences and transportation markets and the addition of PA.

Outlook

The global economic environment has continued to show signs of volatility, and uncertainty remains. In North America, U.S. economic growth has slowed, and Canada's economy remains weak. Economic growth continues to decelerate in China and other parts of Asia. In Europe, markets remain weak, which has the potential to negatively impact demand, particularly for the Company's European operations, and may add to 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 life sciences and transportation markets has remained strong. The Company has seen strength in energy markets such as nuclear; however, the solar energy market remains weak due to reductions in solar feed-in-tariffs. Activity in the consumer products and electronics market has improved. Overall, the funnel of opportunities continues to be strong across all of the Company's end customer markets.

The Company's sales organization continues to work to engage 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 macroeconomic 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 \$590 million at the end of the first quarter of fiscal 2016 to mitigate the impact of volatile Order Bookings on revenues in the short term. Management expects that approximately 40% to 45% of its Order Backlog would typically be completed each quarter.

Management's disciplined focus on program management, cost reductions, standardization and quality is expected to put ATS in a strong competitive position to capitalize on opportunities and sustain performance in challenging market conditions. With the addition of PA, the Company has undertaken a comprehensive review of its facilities and global capacity. As a result of this review, in the first quarter of fiscal 2016, the Company completed the divestiture of its Swiss-based automation operations through a sale to a third party. In addition, actions to re-balance global capacity and improve the Company's cost structure were implemented in the first quarter of fiscal 2016. Additional measures to re-balance global capacity and improve the Company's cost structure are expected to be implemented in the second and third quarters of fiscal 2016. As a result, management expects to incur incremental charges of approximately \$2.0 million over the next two quarters. These charges are expected to have an approximate payback period of less than one year. The planned sale of certain assets associated with these restructuring activities is expected to offset the restructuring costs. Management expects that the application of its ongoing efforts to improve ATS' cost structure, business processes, leadership and supply chain management will continue to have a positive impact on ATS operations.

The Company seeks to continue to expand its position in the global automation market organically and through acquisition. The Company's solid foundation and strong cash flow generation capability provide the flexibility to pursue its growth strategy.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(In millions of dollars, except per share data)	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Revenues	\$ 254.3	\$ 190.9
Cost of revenues	193.3	137.1
Selling, general and administrative	41.0	36.9
Stock-based compensation	2.5	2.5
Earnings from operations	\$ 17.5	\$ 14.4
Net finance costs	\$ 4.4	\$ 0.9
Provision for income taxes	3.3	4.5
Net income from continuing operations	\$ 9.8	\$ 9.0
Income from discontinued operations	\$ —	\$ 6.9
Net income	\$ 9.8	\$ 15.9
Earnings per share		
Basic from continuing operations	\$ 0.11	\$ 0.10
Basic from discontinued operations	\$ —	\$ 0.08
	\$ 0.11	\$ 0.18
Diluted from continuing operations	\$ 0.11	\$ 0.10
Diluted from discontinued operations	\$ —	\$ 0.07
	\$ 0.11	\$ 0.17

Revenues. At \$254.3 million, consolidated revenues from continuing operations for the first quarter of fiscal 2016 were \$63.4 million or 33% higher than in the corresponding period a year ago, primarily on incremental PA revenue. See “Overview – Operating Results from Continuing Operations.”

Cost of revenues. At \$193.3 million, first quarter fiscal 2016 cost of revenues increased over the corresponding period a year ago by \$56.2 million or 41% primarily on higher revenues. At 24%, gross margin in the first quarter of fiscal 2016 decreased 4 percentage points from the corresponding period a year ago. Lower gross margins primarily reflected some lower margin programs which have been bid and are being executed by the Company, certain programs where costs exceeded budgets, and the addition of PA, which has typically operated with a lower gross margin than ATS. For PA, higher cost of sales is partially offset by lower selling, general and administrative costs relative to revenues as compared to ATS.

Selling, general and administrative (“SG&A”) expenses. SG&A expenses for the first quarter of fiscal 2016 were \$41.0 million, which included \$2.2 million of restructuring and severance costs. Excluding these costs, SG&A expenses were \$4.9 million or 14% higher than the \$33.9 million incurred in the corresponding period last year, which was exclusive of \$3.0 million of acquisition related costs. Higher SG&A costs primarily reflected higher amortization expenses from acquired intangibles and the addition of PA SG&A expenses. These increases in SG&A expenses were partially offset by lower employee incentive costs and discretionary spending reductions, which are not expected to continue going forward.

Stock-based compensation cost. Stock-based compensation expense was \$2.5 million in the first quarter of fiscal 2016, consistent with the first quarter of fiscal 2015.

Earnings from operations. For the first quarter of fiscal 2016, consolidated earnings from operations were \$17.5 million (operating margin of 7%) compared to earnings from operations of \$14.4 million a year ago (operating margin of 8%). See “Overview – Operating Results from Continuing Operations”.

Net finance costs. Net finance costs were \$4.4 million in the first quarter of fiscal 2016, \$3.5 million higher than a year ago, reflecting increased usage of the Company’s primary credit facility and the Company’s Senior Notes, which were issued in June 2015 (see “Liquidity, Cash Flow and Financial Resources”). The increased usage was used to finance the acquisition of PA and to support letters of credit.

Income tax provision. The Company’s fiscal 2016 first quarter effective income tax rate of 25% differed from the combined Canadian basic federal and provincial income tax rate of 27% primarily as a result of income earned in certain jurisdictions with different statutory tax rates. The Company expects its effective tax rate to approximate the combined Canadian statutory tax rate.

Net income from continuing operations. Fiscal 2016, first quarter net income from continuing operations was \$9.8 million (11 cents per share basic and diluted, 18 cents adjusted basic) compared to \$9.0 million (10 cents per share basic and diluted, 15 cents adjusted basic) for the first quarter of fiscal 2015.

Reconciliation of Non-IFRS Measures to IFRS Measures

The following table reconciles EBITDA to the most directly comparable IFRS measure (net income from continuing operations):

(In millions of dollars)	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
EBITDA	\$ 28.7	\$ 20.9
Less: depreciation and amortization expense	11.2	6.5
Earnings from operations	\$ 17.5	\$ 14.4
Less: net finance costs	4.4	0.9
Provision for income taxes	3.3	4.5
Net income from continuing operations	\$ 9.8	\$ 9.0

The following table reconciles adjusted earnings from operations and adjusted basic earnings per share from continuing operations to the most directly comparable IFRS measure (net income from continuing operations):

	Three Months Ended June 28, 2015			Three Months Ended June 29, 2014		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	\$ 17.5	\$ —	\$ 17.5	\$ 14.4	\$ —	\$ 14.4
Amortization of acquisition-related intangible assets	—	7.7	7.7	—	3.7	3.7
Acquisition-related transaction costs	—	—	—	—	3.0	3.0
Restructuring charges	—	2.2	2.2	—	—	—
	\$ 17.5	\$ 9.9	\$ 27.4	\$ 14.4	\$ 6.7	\$ 21.1
Less: net finance costs	\$ 4.4	\$ —	\$ 4.4	\$ 0.9	\$ —	\$ 0.9
Income from continuing operations before income taxes	\$ 13.1	\$ 9.9	\$ 23.0	\$ 13.5	\$ 6.7	\$ 20.2
Provision for income taxes	\$ 3.3	\$ —	\$ 3.3	\$ 4.5	\$ —	\$ 4.5
Adjustment to provision for income taxes ¹	—	3.0	3.0	—	1.6	1.6
	\$ 3.3	\$ 3.0	\$ 6.3	\$ 4.5	\$ 1.6	\$ 6.1
Net income from continuing operations	\$ 9.8	\$ 6.9	\$ 16.7	\$ 9.0	\$ 5.1	\$ 14.1
Basic earnings per share from continuing operations	\$ 0.11	\$ 0.07	\$ 0.18	\$ 0.10	\$ 0.05	\$ 0.15

¹ Adjustments to provision for income taxes relate to the income tax effects of adjustment items that are excluded for the purposes of calculating non-IFRS based adjusted net income from continuing operations.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

(In millions of dollars, except ratios)

As at	June 28 2015	March 31 2015
Cash and cash equivalents	\$ 113.1	\$ 106.1
Debt-to-equity ratio ¹	0.55:1	0.54:1

For the three months ended	June 28 2015	June 29 2014
Cash flows used in operating activities from continuing operations	\$ (9.3)	\$ (10.7)

¹ Debt is calculated as bank indebtedness plus long-term debt and current portion of long-term debt. Equity excludes accumulated other comprehensive income.

At June 28, 2015, the Company had cash and cash equivalents of \$113.1 million compared to \$106.1 million at March 31, 2015. At June 28, 2015, the Company's debt-to-total-equity ratio was 0.55:1.

At June 28, 2015, the Company had \$660 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and another \$3.1 million available under letter of credit facilities.

In the first quarter of fiscal 2016, cash flows used in operating activities from continuing operations were \$9.3 million (\$10.7 million used by operating activities from continuing operations in the first quarter of fiscal 2015). The increase 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 first quarter of fiscal 2016, the Company's investment in non-cash working capital increased by \$26.8 million from March 31, 2015. Accounts receivable increased 11% or \$15.6 million, due to timing of billings on certain customer contracts. Net contracts in progress decreased 1% or \$1.7 million compared to March 31, 2015 due to timing of program completion. 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 decreased 5% or \$2.1 million primarily due to the timing of inventory purchases. Deposits and prepaid assets increased 9% or \$1.3 million compared to March 31, 2015 due to the timing of program execution. Accounts payable and accrued liabilities decreased 4% or \$8.2 million.

Capital expenditures totalled \$2.8 million in the first quarter of fiscal 2016, primarily related to computer hardware.

Intangible assets expenditures were \$1.1 million in the first quarter of fiscal 2015, primarily related to computer software and development projects.

During the first quarter of fiscal 2016, the Company completed a private placement of US \$250 million aggregate principal amount of senior notes (the "Senior Notes"). Transaction fees of \$7.2 million were deferred and will be amortized over the term of the Senior Notes. The Senior Notes are unsecured, were issued at par, bear interest at a rate of 6.50% per annum, and mature on June 15, 2023. ATS used the majority of net proceeds from the Senior Notes to repay amounts outstanding under its senior secured credit facility, with the balance to be used for general corporate purposes. The Company may redeem the Senior Notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the Senior Notes. If the Company experiences a change of control, the Company may be required to repurchase the Senior Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The Senior Notes contain customary covenants that restrict, subject to certain exceptions and thresholds, some of the activities of the Company and its subsidiaries, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, and engage in specified transactions with affiliates. Subject to certain exceptions, the Senior Notes will be guaranteed by each of the subsidiaries of the Company that is a borrower or has guaranteed obligations under the Credit Facility.

The Company's senior secured credit facility (the "Credit Facility") provides a four-year committed revolving credit facility of \$750.0 million. The Credit Facility is secured by (i) the Company's assets, including real estate; (ii) assets, including certain real estate, of certain of the Company's North American subsidiaries; and (iii) a pledge of shares of certain of the Company's non-North American subsidiaries. Certain of the Company's subsidiaries also provide guarantees under the Credit Facility. At June 28, 2015, the Company had utilized \$89.6 million under the Credit Facility, by way of letters of credit (March 31, 2015 - \$290.0 million classified as long-term debt and \$85.0 million by way of letters of credit). The Credit Facility matures on August 29, 2018.

The Credit Facility is available in Canadian dollars by way of prime rate advances and/or bankers' acceptances, in U.S. dollars by way of base rate advances and/or LIBOR advances, in Swiss francs, Euros and British pounds sterling by way of LIBOR advances and by way of letters of credit for certain purposes in Canadian dollars, U.S. dollars and Euros. The interest rates applicable to the Credit Facility are determined based on a 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 a margin ranging from 0.45% to 2.00%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus a margin that varies from 1.45% to 3.00%. The Company pays a fee for usage of financial letters of credit which ranges from 1.45% to 3.00% and a fee for usage of non-financial letters of credit which ranges from 0.97% to 2.00%. The Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the Credit Facility at rates ranging from 0.29% to 0.68%.

The Credit Facility is subject to a debt to EBITDA test and an interest coverage test. Under the terms of the Credit Facility, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Facility also limits advances to subsidiaries and partially restricts the Company from repurchasing its common shares and paying dividends. At June 28, 2015, all of the covenants were met.

The Company has additional credit facilities available of \$9.1 million (2.4 million Euro, 200.0 million Indian Rupees, 50.0 million Thai Baht and 0.3 million Czech Koruna). The total amount outstanding on these facilities was \$8.6 million, of which \$1.9 million was classified as bank indebtedness (March 31, 2015 - \$1.7 million) and \$6.7 million was classified as long-term debt (March 31, 2015 - \$4.9 million). The interest rates applicable to the credit facilities range from 1.66% to 10.25% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 200.0 million Indian Rupees credit facilities are secured by letters of credit under the Credit Facility.

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.

Contractual Obligations

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

(In millions of dollars)	Operating leases	Purchase obligations
Less than one year	\$ 9.8	\$ 86.2
One - two years	8.2	0.9
Two - three years	5.1	—
Three - four years	4.4	—
Four - five years	4.2	—
Due in over five years	5.7	—
	\$ 37.4	\$ 87.1

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 June 28, 2015, the total value of outstanding bank guarantees was approximately \$138.0 million (March 31, 2015 - \$118.0 million).

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to major financial institutions and monitoring their creditworthiness. The Company's credit exposure to forward foreign exchange contracts is the current replacement value of contracts that are in a gain position. For further information related to the Company's use of derivative financial instruments, refer to note 10 of the interim condensed 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 market or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated as the Company primarily serves large, multinational customers and through insurance.

During the first quarter of fiscal 2016, 863,417 stock options were exercised. At August 11, 2015 the total number of shares outstanding was 92,503,082 and there were 4,088,866 stock options outstanding to acquire common shares of the Company.

RELATED-PARTY TRANSACTIONS

During fiscal 2015, the Company entered into an agreement with a shareholder, Mason Capital Management, LLC ("Mason Capital"), pursuant to which Mason Capital has agreed to provide ATS with ongoing strategic and capital markets advisory services for an annual fee of U.S. \$0.5 million. As part of the agreement, members of the Company's board of directors who are associated with Mason Capital have waived any fees to which they may have otherwise been entitled for serving as members of the board of directors or as members of any committee of the board of directors.

There were no other significant related-party transactions in the first quarter of fiscal 2016.

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 and through its investments in its foreign-based subsidiaries.

The Company's Canadian operations generate significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this net foreign currency exposure, the Company has entered into forward foreign exchange contracts. The timing and amount of these forward foreign exchange contract requirements are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets and the Company's past experience. Certain of the Company's foreign subsidiaries will also enter into forward foreign exchange contracts to hedge identified balance sheet, revenue and purchase exposures. The Company's forward foreign exchange contract hedging program is intended to mitigate movements in currency rates primarily over a four to six month period. See note 10 to the interim condensed consolidated financial statements for details on the derivative financial instruments outstanding at June 28, 2015.

In addition, from time to time, the Company may hedge the foreign exchange risk arising from intercompany loans, net investments in foreign-based subsidiaries and committed acquisitions through the use of forward foreign exchange contracts or other non-derivative financial instruments. The Company uses hedging as a risk management tool, not to speculate.

Period average exchange rates in CDN\$

	Three months ended		
	June 28, 2015	June 29, 2014	% change
U.S. Dollar	1.2286	1.0901	12.7%
Euro	1.3600	1.4948	(9.0%)

CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Revenues from continuing operations	\$ 254.3	\$ 289.4	\$ 248.8	\$ 207.0	\$ 190.9	\$ 200.7	\$ 178.0	\$ 154.6
Earnings from operations	\$ 17.5	\$ 22.6	\$ 15.9	\$ 14.1	\$ 14.4	\$ 17.2	\$ 16.7	\$ 14.4
Adjusted earnings from operations	\$ 27.4	\$ 34.7	\$ 27.2	\$ 27.0	\$ 21.1	\$ 22.2	\$ 20.5	\$ 16.6
Income from continuing operations	\$ 9.8	\$ 13.9	\$ 8.6	\$ 7.4	\$ 9.0	\$ 11.7	\$ 18.8	\$ 10.4
Income (loss) from discontinued operations	\$ —	\$ 2.2	\$ (0.0)	\$ 7.1	\$ 6.9	\$ (0.4)	\$ (0.3)	\$ 2.5
Net income	\$ 9.8	\$ 16.1	\$ 8.6	\$ 14.5	\$ 15.9	\$ 11.3	\$ 18.5	\$ 12.9
Basic earnings per share from continuing operations	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.21	\$ 0.12
Adjusted basic earnings per share from continuing operations	\$ 0.18	\$ 0.24	\$ 0.18	\$ 0.19	\$ 0.15	\$ 0.17	\$ 0.14	\$ 0.14
Basic earnings (loss) per share from discontinued operations	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.08	\$ (0.01)	\$ (0.00)	\$ 0.03
Basic earnings per share	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.18	\$ 0.12	\$ 0.21	\$ 0.15
Diluted earnings per share from continuing operations	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.21	\$ 0.11
Diluted earnings (loss) per share from discontinued operations	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.07	\$ (0.01)	\$ (0.00)	\$ 0.03
Diluted earnings per share	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.17	\$ 0.12	\$ 0.21	\$ 0.14
Order Bookings	\$ 222.0	\$ 317.0	\$ 287.0	\$ 216.0	\$ 160.0	\$ 197.0	\$ 237.0	\$ 110.0
Order Backlog	\$ 590.0	\$ 632.0	\$ 602.0	\$ 561.0	\$ 425.0	\$ 474.0	\$ 467.0	\$ 355.0

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, the timing of third-party content and by the timing of acquisitions.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. Uncertainty about these estimates, judgments and assumptions

could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company based its assumptions on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates as they occur. There have been no material changes to the critical accounting estimates as described in the Company's fiscal 2015 MD&A.

ACCOUNTING STANDARDS CHANGE

IAS 19 - Employee Benefits

Effective April 1, 2015, the Company adopted the amendments to IAS 19 - *Employee Benefits*. The amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. When the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The application of the amendments to IAS 19 had no impact on the interim condensed consolidated financial statements of the Company.

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 (2013) 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 system's objectives will be met.

During the three months ended June 28, 2015, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Note to Readers: Forward-Looking Statements:

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure

regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: the next phase of the Company's strategy: grow, expand, and scale; potential impact of general economic environment, including impact on demand and Order Bookings; impacts on demand for Company's products potentially lagging global macroeconomic trends; activity in the market segments that the Company serves; the engagement with customers on enterprise solutions providing ATS with more strategic relationships, increased predictability, better program control and less sensitivity to macroeconomic forces; the sales organization's approach to market and expected impact on Order Bookings, performance period, and timing of revenue recognition; the Company's Order Backlog mitigating the impact of volatility in Order Bookings; the rate of completion of Order Backlog; management's expectations in relation to the impact of management focus and strategic initiatives on ATS operations; expected timing, cost, and payback period of anticipated measures to re-balance global capacity and improve cost structure; impact of planned sale of certain assets; the Company's strategy to expand organically and through acquisition; the Company's expectation with respect to effective tax rate; Company's expectation to continue to increase its investment in working capital; expectation in relation to meeting funding requirements for investments; and expectation to use increased leverage to support growth strategy. 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 new customer programs; 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 the effective tax rate is other than expected, due to reasons including income spread among jurisdictions being other than anticipated; that customers are more difficult to engage than expected; that strategic initiatives are delayed, not completed, or do not have intended positive impact; that measures to re-balance global capacity and improve cost structure are delayed or that charges are greater than expected and/or that the payback is not realized as quickly as anticipated; that proceeds from planned sale of assets is other than expected; inability to successfully expand organically or through acquisition, due to an inability to grow expertise, personnel, and/or facilities at required rates or to identify, negotiate and conclude one or more acquisitions; or to raise, through debt or equity, or otherwise have available, required capital; that acquisitions made are not integrated as quickly or effectively as planned or expected and, as a result, anticipated benefits and synergies are not realized; 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' 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.