



ATS Automation Tooling Systems Inc.
Management's Discussion and Analysis
For the Quarter Ended September 27, 2015

TSX: ATA

Management's Discussion and Analysis

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This Management's Discussion and Analysis ("MD&A") for the three and six months ended September 27, 2015 (second quarter of fiscal 2016) is as of November 3, 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 second 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 fiscal 2016 second 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 net income from continuing operations", "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 (including adjusted net income 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; (ii) adjusted earnings from operations, adjusted net income from continuing operations to net income from continuing operations; and (iii) adjusted basic earnings per share from continuing operations to basic earnings per share from continuing operations, in each case for the three and six month periods ending September 27, 2015 and September 28, 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 and six month periods ending September 27, 2015 and September 28, 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 September 27, 2015	Three Months Ended September 28, 2014	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
Revenues by market				
Consumer products & electronics	\$ 38.4	\$ 42.0	\$ 75.7	\$ 80.5
Energy	21.1	14.5	39.6	26.3
Life sciences	109.3	79.9	216.0	158.7
Transportation	94.9	70.6	186.7	132.4
Total revenues from continuing operations	\$ 263.7	\$ 207.0	\$ 518.0	\$ 397.9

Second Quarter

Fiscal 2016 second quarter revenues were 27% higher than in the corresponding period a year ago, primarily reflecting revenues earned by PA (acquired September 1, 2014). PA revenues for the second quarter of fiscal 2016 were \$67.4 million compared to \$20.5 million in the corresponding period a year ago. Excluding PA, second quarter revenues increased \$9.8 million, or 5% compared to the corresponding period a year ago. The increase in revenues reflected foreign exchange rate changes which positively impacted the translation of revenues earned by foreign-based 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 market, fiscal 2016 second quarter revenues from consumer products & electronics decreased 9%, primarily driven by project timing. Revenues generated in the energy market increased 46% compared to the corresponding period a year ago, primarily due to increased revenues in the nuclear energy market. Revenues generated in the life sciences market increased 37% compared to the corresponding period a year ago, primarily on revenues from PA. Transportation revenues increased 34% compared to a year ago primarily on revenues earned by PA.

Year-to-date

Revenues for the six months ended September 27, 2015 were 30% higher than in the corresponding period a year ago, primarily reflecting revenues earned by PA. PA revenues for the six months ended September 27, 2015 were \$135.4 million compared to \$20.5 million for the six months ended September 28, 2014. Excluding PA, revenues increased \$5.2 million, or 1% from the corresponding period a year ago. The increase in revenues reflected foreign exchange rate changes which positively impacted the translation of revenues earned by foreign-based subsidiaries compared to the corresponding period a year ago, primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar.

By market, fiscal 2016 year-to-date revenues from consumer products & electronics decreased 6%, primarily reflecting lower activity in the consumer products market. Revenues generated in the energy market increased 51% compared to the corresponding period a year ago, primarily due to increased revenues in the nuclear energy market. Revenues generated in the life sciences market increased 36% compared to the corresponding period a year ago, primarily on revenues earned by PA. Transportation revenues increased 41% compared to a year ago primarily on revenues earned by PA and higher Order Bookings during the first quarter compared to a year ago.

Consolidated Operating Results

(In millions of dollars)

	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
Earnings from operations	\$ 24.4	\$ 14.1	\$ 41.9	\$ 28.5
Amortization of acquisition-related intangible assets	5.6	5.8	13.3	9.4
Acquisition-related transaction costs	—	7.1	—	10.1
Restructuring charges	1.7	—	3.9	—
Adjusted earnings from operations¹	\$ 31.7	\$ 27.0	\$ 59.1	\$ 48.0

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

	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
Earnings from operations	\$ 24.4	\$ 14.1	\$ 41.9	\$ 28.5
Depreciation and amortization	9.3	8.6	20.5	15.1
EBITDA¹	\$ 33.7	\$ 22.7	\$ 62.4	\$ 43.6

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

Second Quarter

Fiscal 2016 second quarter earnings from operations were \$24.4 million (9% operating margin) compared to \$14.1 million (7% operating margin) in the second quarter of fiscal 2015. Second quarter fiscal 2016 earnings from operations included \$1.7 million of restructuring and severance costs and amortization expenses of \$5.6 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK and sortimat. Excluding these costs, second quarter fiscal 2016 adjusted earnings from operations were \$31.7 million (12% margin), compared to adjusted earnings from operations of \$27.0 million (13% margin) a year ago. Higher adjusted earnings from operations primarily reflected increased revenues.

Depreciation and amortization expense was \$9.3 million in the second quarter of fiscal 2016, compared to \$8.6 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 \$33.7 million (13% EBITDA margin) in the second quarter of fiscal 2016 compared to \$22.7 million (11% EBITDA margin) in the second quarter of fiscal 2015. Excluding restructuring and severance costs, second quarter fiscal 2016 EBITDA was \$35.4 million (13% EBITDA margin). Comparably, excluding acquisition-related costs, second quarter fiscal 2015 EBITDA was \$29.8 million (14% EBITDA margin).

Year-to-date

For the six months ended September 27, 2015, earnings from operations were \$41.9 million (8% operating margin) compared to \$28.5 million (7% operating margin) in the corresponding period a year ago. Earnings from operations included \$3.9 million of restructuring and severance costs and amortization expenses of \$13.3 million related to amortization of identifiable intangible assets recorded on the acquisitions of PA, IWK, ATW and sortimat. Excluding these costs, adjusted earnings from operations were \$59.1 million (11% operating margin), compared to adjusted earnings from operations of \$48.0 million (12% operating margin) in the corresponding period a year ago. Higher adjusted earnings from operations primarily reflected increased revenues, lower employee incentive costs and other discretionary spending reductions, which were partially offset by higher cost of revenues due to some lower margin programs which were bid and executed by the Company and certain programs where costs exceeded budgets.

Depreciation and amortization expense was \$20.5 million in the first six months of fiscal 2016 compared to \$15.1 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.

Year to date fiscal 2016 EBITDA was \$62.4 million (12% EBITDA margin) compared to \$43.6 million (11% EBITDA margin) in the first six months of fiscal 2015. Excluding restructuring and severance costs, fiscal 2016 EBITDA was \$66.3 million (13% EBITDA margin). Comparably, excluding acquisition-related costs, fiscal 2015 year-to-date EBITDA was \$53.7 million (13% EBITDA margin).

Order Bookings

Second quarter fiscal 2016 Order Bookings were \$230 million, a 6% increase from the second quarter of fiscal 2015. Excluding the impact of PA, Order Bookings decreased \$34 million or 17% from the corresponding period a year ago primarily reflecting the timing of customer decisions on various larger opportunities. By customer market, lower Order Bookings in life sciences and transportation markets were partially offset by strength in consumer products and electronics.

Order Backlog Continuity

(In millions of dollars)

	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
Opening Order Backlog	\$ 590	\$ 425	\$ 632	\$ 474
Revenues	(264)	(207)	(518)	(398)
Order Bookings	230	216	452	376
Order Backlog adjustments ¹	33	127	23	109
Total	\$ 589	\$ 561	\$ 589	\$ 561

¹ Order Backlog adjustments include foreign exchange adjustments, cancellations and for the three and six months ended September 27, 2015 incremental Order Backlog of \$131 million acquired with PA.

Order Backlog by Industry

(In millions of dollars)

As at	September 27, 2015	September 28, 2014
Consumer products & electronics	\$ 104	\$ 68
Energy	39	51
Life sciences	244	237
Transportation	202	205
Total	\$ 589	\$ 561

At September 27, 2015, Order Backlog was \$589 million, 5% higher than at September 28, 2014, primarily reflecting foreign exchange rate changes.

Outlook

The global economic environment has continued to show signs of volatility, and uncertainty remains. In North America, U.S. economic growth has improved, but remains slow, 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, opportunities are irregular and the solar energy market remains weak. Activity in the consumer products and electronics market has improved. Overall, the funnel of opportunities has grown over the past year, particularly with the addition of PA, and 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 \$589 million at the end of the second 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. In the third quarter of fiscal 2016, management expects to operate at the higher end of this range.

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 the second quarter of fiscal 2016, the Company initiated the closure of a US-based operation. Over the first six months of the fiscal year, restructuring charges of \$3.9 million were incurred, with an expected payback period of less than one year. Management expects to continue to evaluate its global capacity and cost structure. The planned sale of certain assets associated with these restructuring activities may provide an offset to some of these costs, although the timing of completing a potential sale is not known. 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)

	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
Revenues	\$ 263.7	\$ 207.0	\$ 518.0	\$ 397.9
Cost of revenues	197.2	150.8	390.5	287.8
Selling, general and administrative	42.3	43.3	83.3	80.2
Stock-based compensation	(0.2)	(1.2)	2.3	1.4
Earnings from operations	\$ 24.4	\$ 14.1	\$ 41.9	\$ 28.5
Net finance costs	\$ 7.4	\$ 2.3	\$ 11.8	\$ 3.2
Provision for income taxes	4.2	4.4	7.5	8.9
Net income from continuing operations	\$ 12.8	\$ 7.4	\$ 22.6	\$ 16.4
Income from discontinued operations, net of tax	—	\$ 7.1	—	\$ 14.0
Net income	\$ 12.8	\$ 14.5	\$ 22.6	\$ 30.4
Earnings per share				
Basic from continuing operations	\$ 0.14	\$ 0.08	\$ 0.25	\$ 0.18
Basic from discontinued operations	—	0.08	—	0.15
	\$ 0.14	\$ 0.16	\$ 0.25	\$ 0.33
Diluted from continuing operations	\$ 0.14	\$ 0.08	\$ 0.25	\$ 0.18
Diluted from discontinued operations	—	0.08	—	0.15
	\$ 0.14	\$ 0.16	\$ 0.25	\$ 0.33

Revenues. At \$263.7 million, consolidated revenues from continuing operations for the second quarter of fiscal 2016 were \$56.7 million or 27% higher than in the corresponding period a year ago, primarily on incremental PA revenue. At \$518.0 million, year-to-date revenues were \$120.1 million or 30% higher than in the corresponding period a year ago, primarily on incremental PA revenues. See “Overview – Operating Results from Continuing Operations.”

Cost of revenues. At \$197.2 million, second quarter fiscal 2016 cost of revenues increased over the corresponding period a year ago by \$46.4 million or 31% primarily on higher revenues. Year-to-date cost of revenues of \$390.5 million increased by \$102.7 million or 36%, primarily on higher revenues generated compared to the corresponding period.

At 25%, gross margin in the second quarter of fiscal 2016 decreased 2% from the corresponding period a year ago. Year-to-date gross margin of 25% decreased 3% from the corresponding period a year ago. Lower gross margins primarily reflected 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. In addition, lower gross margins reflected some lower margin programs which were bid and are being executed by the Company, and certain programs where costs have exceeded budgets.

Selling, general and administrative (“SG&A”) expenses. SG&A expenses for the second quarter of fiscal 2016 were \$42.3 million. This included \$1.7 million of restructuring and

severance costs. Excluding these costs, SG&A expenses were \$40.6 million, 12% higher than the \$36.2 million incurred in the corresponding period last year, which was exclusive of \$7.1 million of acquisition-related costs. Higher SG&A costs primarily reflected the addition of PA SG&A expenses and foreign exchange rate changes which increased the translation of reported SG&A expenses of foreign-based subsidiaries, primarily reflecting the weakening of the Canadian dollar relative to the Euro and U.S. dollar.

For the six months ended September 27, 2015, SG&A expenses were \$83.3 million, which included \$3.9 million of restructuring and severance costs. Normalized for these costs, year-to-date SG&A spending was \$79.4 million, \$9.3 million or 13% higher compared to the same period a year ago. Higher SG&A costs primarily reflected the addition of PA SG&A expenses and foreign exchange rate changes which increased the translation of reported SG&A expenses of foreign-based subsidiaries, primarily reflecting the weakening of the Canadian dollar relative to the Euro and U.S. dollar. 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. Stock-based compensation recovery amounted to \$0.2 million in the second quarter of fiscal 2016 compared to \$1.2 million of stock-based compensation recovery in the corresponding period a year ago. For the six month period ended September 27, 2015, stock-based compensation expense increased to \$2.3 million from \$1.4 million a year earlier. The increase in stock-based compensation costs is attributable to higher expenses from stock options and the revaluation of deferred stock units, share appreciation rights and restricted share units.

Earnings from operations. For the three and six month periods ended September 27, 2015, consolidated earnings from operations were \$24.4 million (9% operating margin) and \$41.9 million (8% operating margin) respectively, compared to earnings from operations of \$14.1 million and \$28.5 million in the corresponding periods a year ago (operating margins of 7% in both periods). See “Overview – Operating Results from Continuing Operations.”

Net finance costs. Net finance costs were \$7.4 million in the second quarter of fiscal 2016, \$5.1 million higher than the corresponding period a year ago. For the six months ended September 27, 2015, finance costs were \$11.8 million compared to \$3.2 million in the corresponding period a year ago. The increases reflected greater usage of the Company’s primary credit facility and interest on 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. For the three and six months ended September 27, 2015, the Company’s 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 second quarter net income from continuing operations was \$12.8 million (14 cents per share basic and diluted) compared to \$7.4 million (8 cents per share basic and diluted) for the second quarter of fiscal 2015. Adjusted basic earnings per share from continuing operations were 19 cents in the second quarter of fiscal 2016

compared to 19 cents for the second quarter of fiscal 2015. See “Reconciliation of Non-IFRS Measures to IFRS Measures.”

Net income from continuing operations in the six months ended September 27, 2015, was \$22.6 million (25 cents per share basic and diluted) compared to \$16.4 million (18 cents per share basic and diluted) for the corresponding period a year ago. Adjusted basic earnings per share from continuing operations were 37 cents in the six months ended September 27, 2015 compared to 34 cents in the corresponding period a year ago. See “Reconciliation of Non-IFRS Measures to IFRS Measures.”

Reconciliation of Non-IFRS Measures to IFRS Measures

(In millions of dollars)

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

	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014
EBITDA	\$ 33.7	\$ 22.7
Less: depreciation and amortization expense	9.3	8.6
Earnings from operations	\$ 24.4	\$ 14.1
Less: net finance costs	7.4	2.3
Provision for income taxes	4.2	4.4
Net income from continuing operations	\$ 12.8	\$ 7.4

	Six Months Ended September 27, 2015	Six Months Ended September 28, 2014
EBITDA	\$ 62.4	\$ 43.6
Less: depreciation and amortization expense	20.5	15.1
Earnings from operations	\$ 41.9	\$ 28.5
Less: net finance costs	11.8	3.2
Provision for income taxes	7.5	8.9
Net income from continuing operations	\$ 22.6	\$ 16.4

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 September 27, 2015			Three Months Ended September 28, 2014		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	\$ 24.4	\$ —	\$ 24.4	\$ 14.1	\$ —	\$ 14.1
Amortization of acquisition- related intangible assets	—	5.6	5.6	—	5.8	5.8
Acquisition-related transaction costs	—	—	—	—	7.1	7.1
Restructuring charges	—	1.7	1.7	—	—	—
	\$ 24.4	\$ 7.3	\$ 31.7	\$ 14.1	\$ 12.9	\$ 27.0
Less: net finance costs	\$ 7.4	\$ —	\$ 7.4	\$ 2.3	\$ —	\$ 2.3
Income from continuing operations before income taxes	\$ 17.0	\$ 7.3	\$ 24.3	\$ 11.8	\$ 12.9	\$ 24.7
Provision for income taxes	\$ 4.2	\$ —	\$ 4.2	\$ 4.4	\$ —	\$ 4.4
Adjustment to provision for income taxes ¹	—	2.3	2.3	—	2.9	2.9
	\$ 4.2	\$ 2.3	\$ 6.5	\$ 4.4	\$ 2.9	\$ 7.3
Net income from continuing operations	\$ 12.8	\$ 5.0	\$ 17.8	\$ 7.4	\$ 10.0	\$ 17.4
Basic earnings per share from continuing operations	\$ 0.14	\$ 0.05	\$ 0.19	\$ 0.08	\$ 0.11	\$ 0.19

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.

	Six Months Ended September 27, 2015			Six Months Ended September 28, 2014		
	IFRS	Adjustments	Adjusted (non-IFRS)	IFRS	Adjustments	Adjusted (non-IFRS)
Earnings from operations	\$ 41.9	\$ —	\$ 41.9	\$ 28.5	\$ —	\$ 28.5
Amortization of acquisition- related intangible assets	—	13.3	13.3	—	9.4	9.4
Acquisition-related transaction costs	—	—	—	—	10.1	10.1
Restructuring charges	—	3.9	3.9	—	—	—
	\$ 41.9	\$ 17.2	\$ 59.1	\$ 28.5	\$ 19.5	\$ 48.0
Less: net finance costs	\$ 11.8	\$ —	\$ 11.8	\$ 3.2	\$ —	\$ 3.2
Income from continuing operations before income taxes	\$ 30.1	\$ 17.2	\$ 47.3	\$ 25.3	\$ 19.5	\$ 44.8
Provision for income taxes	\$ 7.5	\$ —	\$ 7.5	\$ 8.9	\$ —	\$ 8.9
Adjustment to provision for income taxes ¹	—	5.3	5.3	—	4.6	4.6
	\$ 7.5	\$ 5.3	\$ 12.8	\$ 8.9	\$ 4.6	\$ 13.5
Net income from continuing operations	\$ 22.6	\$ 11.9	\$ 34.5	\$ 16.4	\$ 14.9	\$ 31.3
Basic earnings per share from continuing operations	\$ 0.25	\$ 0.12	\$ 0.37	\$ 0.18	\$ 0.16	\$ 0.34

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	September 27, 2015	March 31, 2015
Cash and cash equivalents	\$ 97.1	\$ 106.1
Debt-to-equity ratio	0.58:1	0.54:1

For the three months ended	September 27, 2015	September 28, 2014
Cash flows provided by (used in) operating activities from continuing operations	\$ (20.3)	\$ 17.4

At September 27, 2015, the Company had cash and cash equivalents of \$97.1 million compared to \$106.1 million at March 31, 2015. At September 28, 2015, the Company's debt-to-total equity ratio was 0.58:1.

At September 27, 2015, the Company had \$648 million of unutilized multipurpose credit, including letters of credit, available under existing credit facilities and an additional \$2.3 million available under letter of credit facilities.

In the three months ended September 27, 2015, cash flows used in operating activities from continuing operations were \$20.3 million (\$17.4 million provided by operating activities in the corresponding period a year ago). In the six months ended September 27, 2015, cash flows used in operating activities from continuing operations were \$29.5 million (\$6.7 million provided by operating activities in the corresponding period a year ago). The decrease in operating cash

flows related primarily to the timing of investments in non-cash working capital in certain customer programs.

In the second quarter of fiscal 2016, the Company's investment in non-cash working capital increased by \$41.8 million from June 28, 2015. On a year-to-date basis, investment in non-cash working capital increased by \$68.6 million. Accounts receivable increased 30% or \$43.5 million compared to March 31, 2015 due to timing of billings on certain customer contracts. Net contracts in progress increased 19% or \$22.0 million compared to March 31, 2015. 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 13% or \$5.6 million due to the timing of inventory purchases. Deposits and prepaid assets increased 25% or \$3.6 million compared to March 31, 2015 due to the timing of program execution. Accounts payable and accrued liabilities increased 2% or \$4.0 million compared to March 31, 2015.

Capital expenditures totalled \$5.4 million in the first half of fiscal 2016, primarily related to computer hardware.

Intangible assets expenditures totalled \$2.8 million in the first half of fiscal 2016, primarily related to computer software and internal 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 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 September 27, 2015, the Company had utilized \$102.3 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 as defined in the Credit Facility. 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 September 27, 2015, all of the covenants were met.

The Company has additional credit facilities available of \$8.7 million (1.6 million Euro, 200.0 million Indian Rupees, 60.3 million Thai Baht and 0.7 million Czech Koruna). The total amount outstanding on these facilities at September 27, 2015 was \$8.6 million, of which \$2.2 million was classified as bank indebtedness (March 31, 2015 - \$1.7 million) and \$6.4 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.

Over the long-term, the Company generally expects to continue increasing its investment in non-cash working capital to support the growth of its business, with fluctuations on a quarter-over-quarter basis. In the near term, the Company is seeking to reduce its investment in non-cash working capital back to a level below 15% of annualized revenues. 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 non-cash 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 continue to use leverage to support its growth strategy.

Contractual Obligations

(In millions of dollars)

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

	Operating leases	Purchase obligations
Less than one year	\$ 10.1	\$ 68.8
One - two years	8.3	1.0
Two - three years	5.7	0.2
Three - four years	4.8	0.1
Four - five years	4.6	0.1
Due in over five years	5.3	—
	\$ 38.8	\$ 70.2

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

In accordance with industry practice, the Company is liable to customers for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company provides bank guarantees for post-retirement obligations and may provide bank guarantees as security on equipment under lease and on order. At September 27, 2015, the total value of outstanding bank guarantees was approximately \$134.7 million (March 31, 2015 - \$118.0 million).

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its consolidated financial position.

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 six months of fiscal 2016, 901,917 stock options were exercised. At November 3, 2015 the total number of shares outstanding was 92,541,582 and there were 4,040,366 stock options outstanding to acquire common shares of the Company.

RELATED-PARTY TRANSACTIONS

The Company has 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 half 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 September 27, 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			Six months ended		
	September 27, 2015	September 28, 2014	% change	September 27, 2015	September 28, 2014	% change
U.S. Dollar	1.3071	1.0888	20.0%	1.2679	1.0894	16.4%
Euro	1.4547	1.4424	0.9%	1.4073	1.4686	(4.4%)

CONSOLIDATED QUARTERLY RESULTS

(In millions of dollars, except per share amounts)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenues from continuing operations	\$ 263.7	\$ 254.3	\$ 289.4	\$ 248.8	\$ 207.0	\$ 190.9	\$ 200.7	\$ 178.0
Earnings from operations	\$ 24.4	\$ 17.5	\$ 22.6	\$ 15.9	\$ 14.1	\$ 14.4	\$ 17.2	\$ 16.7
Adjusted earnings from operations	\$ 31.7	\$ 27.4	\$ 34.7	\$ 27.2	\$ 27.0	\$ 21.1	\$ 22.2	\$ 20.5
Income from continuing operations	\$ 12.8	\$ 9.8	\$ 13.9	\$ 8.6	\$ 7.4	\$ 9.0	\$ 11.7	\$ 18.8
Income (loss) from discontinued operations	\$ —	\$ —	\$ 2.2	\$ (0.0)	\$ 7.1	\$ 6.9	\$ (0.4)	\$ (0.3)
Net income	\$ 12.8	\$ 9.8	\$ 16.1	\$ 8.6	\$ 14.5	\$ 15.9	\$ 11.3	\$ 18.5
Basic earnings per share from continuing operations	\$ 0.14	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.21
Adjusted basic earnings per share from continuing operations	\$ 0.19	\$ 0.18	\$ 0.24	\$ 0.18	\$ 0.19	\$ 0.15	\$ 0.17	\$ 0.14
Basic earnings (loss) per share from discontinued operations	\$ —	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.08	\$ (0.01)	\$ (0.00)
Basic earnings per share	\$ 0.14	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.18	\$ 0.12	\$ 0.21
Diluted earnings per share from continuing operations	\$ 0.14	\$ 0.11	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.21
Diluted earnings (loss) per share from discontinued operations	\$ —	\$ —	\$ 0.03	\$ (0.00)	\$ 0.08	\$ 0.07	\$ (0.01)	\$ (0.00)
Diluted earnings per share	\$ 0.14	\$ 0.11	\$ 0.18	\$ 0.09	\$ 0.16	\$ 0.17	\$ 0.12	\$ 0.21
Order Bookings	\$ 230.0	\$ 222.0	\$ 317.0	\$ 287.0	\$ 216.0	\$ 160.0	\$ 197.0	\$ 237.0
Order Backlog	\$ 589.0	\$ 590.0	\$ 632.0	\$ 602.0	\$ 561.0	\$ 425.0	\$ 474.0	\$ 467.0

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 and six months ended September 27, 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 expected impact of the sales organization's approach to market 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 and expectations in that regard for the third quarter of fiscal 2016; management's expectations in relation to the impact of management focus and strategic initiatives on ATS operations; expectation to continue to evaluate measures to re-balance global capacity and improve cost structure and expected payback period of measures previously taken; impact of planned sale of certain assets; the Company's strategy to expand organically and through acquisition; the Company's expectations with respect to employee incentive costs and discretionary spending; 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; in the third quarter of 2016, completion of an amount of Order Backlog other than as expected; 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 the effective tax rate is other than expected, due to reasons including income spread among jurisdictions being other than anticipated; 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.