ATS AUTOMATION TOOLING SYSTEMS INC.

Interim Consolidated Financial Statements

For the period ended June 29, 2014

(Unaudited)

(Condensed)

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Financial Position
(in thousands of Canadian dollars – unaudited)

As at	Note	June 29 2014	March 31 2014
ASSETS			
Current assets			
Cash and cash equivalents		**$ 81,619**	$ 76,466
Accounts receivable		**109,652**	117,821
Costs and earnings in excess of billings on contracts in progress	5	**173,342**	146,231
Inventories	5	**21,951**	24,186
Deposits, prepaids and other assets	6	**12,256**	9,630
		398,820	374,334
Assets associated with discontinued operations	4	**781**	13,265
		399,601	387,599
Non-current assets			
Property, plant and equipment	7	**75,896**	85,412
Investment property		**4,147**	4,341
Goodwill		**145,602**	151,731
Intangible assets	8	**104,200**	111,298
Deferred income tax assets		**6,648**	7,838
Investment tax credit receivable		**30,820**	30,165
		367,313	390,785
Total assets		**$ 766,914**	$ 778,384
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	11	**$ 774**	$ 913
Accounts payable and accrued liabilities		**135,374**	138,285
Provisions	10	**8,961**	10,412
Billings in excess of costs and earnings on contracts in progress	5	**57,279**	59,363
Current portion of long-term debt	11	**4,401**	3,815
		206,789	212,788
Liabilities associated with discontinued operations	4	**209**	6,774
		206,998	219,562
Non-current liabilities			
Employee benefits		**22,920**	23,213
Long-term debt	11	**1,268**	1,324
Deferred income tax liabilities		**15,016**	16,747
		39,204	41,284
Total liabilities		**$ 246,202**	$ 260,846
EQUITY			
Share capital	12	**$ 512,463**	$ 510,725
Contributed surplus		**15,037**	15,025
Accumulated other comprehensive income		**21,499**	35,970
Retained deficit		**(28,453)**	(44,311)
Equity attributable to shareholders		**520,546**	517,409
Non-controlling interests		**166**	129
Total equity		**520,712**	517,538
Total liabilities and equity		**$ 766,914**	$ 778,384

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Income
(in thousands of Canadian dollars, except per share amounts – unaudited)

For the three months ended	Note		June 29 2014		June 30 2013
Revenues					
Revenues from construction contracts		$	**161,190**	$	134,097
Sale of goods			**14,413**		7,223
Services rendered			**15,276**		8,707
Total revenues			**190,879**		150,027
Operating costs and expenses					
Cost of revenues			**137,072**		110,645
Selling, general and administrative			**36,937**		25,363
Stock-based compensation	14		**2,514**		1,345
Earnings from operations			**14,356**		12,674
Net finance costs	18		**878**		602
Income from continuing operations before income taxes			**13,478**		12,072
Income tax expense	13		**4,496**		3,496
Income from continuing operations			**8,982**		8,576
Income from discontinued operations, net of tax	4		**6,913**		10,956
Net income		**$**	**15,895**	$	19,532
Attributable to					
Shareholders		**$**	**15,858**	$	19,514
Non-controlling interests			**37**		18
		$	**15,895**	$	19,532
Earnings per share attributable to shareholders	19				
Basic – from continuing operations		**$**	**0.10**	$	0.10
Basic – from discontinued operations	4		**0.08**		0.12
		$	**0.18**	$	0.22
Earnings per share attributable to shareholders	19				
Diluted – from continuing operations		**$**	**0.10**	$	0.10
Diluted – from discontinued operations	4		**0.07**		0.12
		$	**0.17**	$	0.22

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars – unaudited)

For the three months ended		**June 29 2014**		June 30 2013
Net income	**$**	**15,895**	$	19,532
Other comprehensive income (loss):				
Items to be reclassified subsequently to net income:				
Currency translation adjustment (net of income taxes of $nil)		**(15,232)**		11,114
Net unrealized loss on available-for-sale financial assets		**—**		(525)
Tax impact		**—**		134
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges		**652**		(1,751)
Tax impact		**(161)**		451
Loss transferred to net income for derivatives designated as cash flow hedges		**362**		163
Tax impact		**(92)**		(51)
Other comprehensive income (loss)		**(14,471)**		9,535
Comprehensive income	**$**	**1,424**	$	29,067
Attributable to				
Shareholders	**$**	**1,387**	$	29,049
Non-controlling interests		**37**		18
	$	**1,424**	$	29,067

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars – unaudited)

Three months ended June 29, 2014

	Share capital	Contributed surplus	Retained earnings (deficit)	Currency translation adjustments	Available-for-sale financial assets	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, at March 31, 2014	**$ 510,725**	**$ 15,025**	**$ (44,311)**	**$ 36,616**	**$ —**	**$ (646)**	**$ 35,970**	**$ 129**	**$ 517,538**
Net income	**—**	**—**	**15,858**	**—**	**—**	**—**	**—**	**37**	**15,895**
Other comprehensive income (loss)	**—**	**—**	**—**	**(15,232)**	**—**	**761**	**(14,471)**	**—**	**(14,471)**
Total comprehensive income (loss)	**—**	**—**	**15,858**	**(15,232)**	**—**	**761**	**(14,471)**	**37**	**1,424**
Stock-based compensation	**—**	**535**	**—**	**—**	**—**	**—**	**—**	**—**	**535**
Exercise of stock options	**1,738**	**(523)**	**—**	**—**	**—**	**—**	**—**	**—**	**1,215**
Balance, at June 29, 2014	**$ 512,463**	**$ 15,037**	**$ (28,453)**	**$ 21,384**	**$ —**	**$ 115**	**$ 21,499**	**$ 166**	**$ 520,712**

Three months ended June 30, 2013

	Share capital	Contributed surplus	Retained earnings (deficit)	Currency translation adjustments	Available-for-sale financial assets	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, at March 31, 2013	$ 486,734	$ 19,317	$ (107,407)	$ (23)	$ 239	$ (339)	$ (123)	$ 83	$ 398,604
Net income	—	—	19,514	—	—	—	—	18	19,532
Other comprehensive income (loss)	—	—	—	11,114	(391)	(1,188)	9,535	—	9,535
Total comprehensive income (loss)	—	—	19,514	11,114	(391)	(1,188)	9,535	18	29,067
Stock-based compensation	—	547	—	—	—	—	—	—	547
Exercise of stock options	1,583	(486)	—	—	—	—	—	—	1,097
Balance, at June 30, 2013	$ 488,317	$ 19,378	$ (87,893)	$ 11,091	$ (152)	$ (1,527)	$ 9,412	$ 101	$ 429,315

See accompanying notes to the interim condensed consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Interim Consolidated Statements of Cash Flow
(in thousands of Canadian dollars – unaudited)

Three months ended	Note		June 29 2014		June 30 2013
Operating activities:					
Income from continuing operations		**$**	**8,982**	$	8,576
Items not involving cash					
Depreciation of property, plant and equipment			**1,934**		1,678
Amortization of intangible assets			**4,546**		1,380
Deferred income taxes			**153**		2,565
Other items not involving cash			**(1,642)**		(943)
Stock-based compensation	14		**2,514**		1,345
Gain on disposal of property, plant and equipment			**(423)**		(13)
		$	**16,064**	$	14,588
Change in non-cash operating working capital			**(26,749)**		1,573
Cash flows provided by (used in) operating activities of discontinued operations	4		**(2,824)**		1,188
Cash flows provided by (used in) operating activities		**$**	**(13,509)**	$	17,349
Investing activities:					
Acquisition of property, plant and equipment		**$**	**(2,674)**	$	(1,085)
Acquisition of intangible assets			**(1,839)**		(875)
Proceeds from disposal of property, plant and equipment			**8,529**		16
Cash flows provided by investing activities of discontinued operations	4		**13,643**		19,679
Cash flows provided by investing activities		**$**	**17,659**	$	17,735
Financing activities:					
Restricted cash	6	**$**	**(67)**	$	(1,162)
Bank indebtedness			**(113)**		176
Repayment of long-term debt			**(72)**		(44)
Proceeds from long-term debt			**732**		—
Issuance of common shares			**1,215**		1,097
Cash flows provided by financing activities		**$**	**1,695**	$	67
Effect of exchange rate changes on cash and cash equivalents			**(2,705)**		3,708
Increase in cash and cash equivalents			**3,140**		38,859
Cash and cash equivalents, beginning of period			**78,614**		105,870
Cash and cash equivalents, end of period		**$**	**81,754**	$	144,729
Attributable to					
Cash and cash equivalents – continuing operations		**$**	**81,619**	$	130,960
Cash and cash equivalents – associated with discontinued operations			**135**		13,769
		$	**81,754**	$	144,729
Supplemental information					
Cash income taxes paid by continuing operations		**$**	**1,908**	$	531
Cash interest paid by continuing operations		**$**	**650**	$	199

See accompanying notes to the interim condensed consolidated financial statements

1. CORPORATE INFORMATION

ATS Automation Tooling Systems Inc. and its subsidiaries (collectively "ATS" or "the Company") operate in two segments: Automation Systems ("ASG") and Solar. The ASG segment produces custom-engineered turn-key automated manufacturing and test systems. The Solar segment is a turn-key solar project developer and manufacturer of photovoltaic products. The Company has initiated a formal sale process for the Ontario-based Solar business. Ontario Solar is presented as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income. See note 4 to the interim condensed consolidated financial statements. As a result, ATS' continuing operations are reported as one operating segment, ASG. See note 16 to the interim condensed consolidated financial statements.

The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Ontario, Canada. The address of its registered office is 730 Fountain Street North, Cambridge, Ontario, Canada.

The interim condensed consolidated financial statements of the Company for the three months ended June 29, 2014 were authorized for issue by the Board of Directors on August 12, 2014.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. All interim consolidated financial information is presented in Canadian dollars and has been rounded to the nearest thousands, except where otherwise stated.

Statement of compliance
These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2014.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the presentation of the Company's annual consolidated financial statements for the year ended March 31, 2014, except as noted below:

(a) IFRIC 21 - Levies

Effective April 1, 2014, the Company applied IFRIC 21 for the first time. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The application of IFRIC 21 had no impact on the interim condensed consolidated financial statements of the Company.

Basis of consolidation
These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities where the Company directly or indirectly owns the majority of the voting power or can otherwise control the activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Non-controlling interests in the equity and results of the Company's subsidiaries are presented separately in the interim consolidated statements of income and within equity in the interim consolidated statements of financial position.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany balances, transactions, revenues and expenses and profits or losses, including dividends resulting from intercompany transactions, have been eliminated on consolidation.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's interim condensed 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. However, 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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, have not changed from those disclosed in the Company's fiscal 2014 audited consolidated financial statements. The Company based its estimates, judgments and assumptions on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the estimates when they occur.

4. DISCONTINUED OPERATIONS

The Board of Directors of ATS have approved a plan designed to implement the separation of Solar from ATS and the Company currently holds the related assets for sale. During the year ended March 31, 2014, the Company's 50% owned joint operation, Ontario Solar PV Fields ("OSPV"), sold four ground-mount solar projects. OSPV has retained 25% ownership of the projects until the projects reach commercial operation, which is expected to occur in calendar 2014. Net proceeds to the Company are expected to be $21.4 million, of which the Company has received net proceeds of $13.4 million during the year ended March 31, 2014 and $0.5 million during the year ended March 31, 2013. The remaining proceeds are expected to be received when the projects achieve commercial operation.

During the three months ended June 29, 2014, the Company sold the three remaining ground-mount solar projects. OSPV has retained 25% ownership of the projects until the projects reach commercial operation, which is expected to occur in early calendar 2015. Net proceeds to the Company are expected to be approximately $14.6 million, of which the Company has received net proceeds of $12.0 million in the three months ended June 29, 2014. The remaining proceeds are expected to be received when the projects achieve commercial operation.

(in thousands of Canadian dollars, except per share amounts – unaudited)

For the three months ended	**June 29 2014**	June 30 2013
Revenues	**$ —**	$ 1,054
Gain on sale	**7,223**	13,815
Operating costs and expenses	**(310)**	(3,911)
Income from discontinued operations	**6,913**	10,958
Net finance costs	**—**	2
Income from discontinued operations	**$ 6,913**	$ 10,956
Income per share		
Basic – from discontinued operations	**$ 0.08**	$ 0.12
Diluted – from discontinued operations	**$ 0.07**	$ 0.12

The major classes of assets and liabilities of Solar classified as associated with discontinued operations are as follows:

As at	**June 29 2014**	March 31 2014
Assets		
Cash and cash equivalents	**$ 135**	$ 2,148
Accounts receivable	**14**	31
Inventories	**—**	677
Deposits and prepaid assets	**29**	4,239
Other assets	**603**	6,170
Assets associated with discontinued operations	**$ 781**	$ 13,265
Liabilities		
Accounts payable and accrued liabilities	**$ 199**	$ 6,738
Provisions	**10**	36
Liabilities associated with discontinued operations	**$ 209**	$ 6,774
Net assets directly associated with disposal group	**$ 572**	$ 6,491

5. CONSTRUCTION CONTRACTS AND INVENTORIES

As at	**June 29 2014**	March 31 2014
Contracts in progress:		
Costs incurred	**$ 806,294**	$ 870,970
Estimated earnings	**243,824**	258,694
	1,050,118	1,129,664
Progress billings	**(934,055)**	(1,042,796)
	$ 116,063	$ 86,868
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	**$ 173,342**	$ 146,231
Billings in excess of costs and earnings on contracts in progress	**(57,279)**	(59,363)
	$ 116,063	$ 86,868

(in thousands of Canadian dollars, except per share amounts – unaudited)

As at	June 29 2014	March 31 2014
Inventories are summarized as follows:		
Raw materials	**$ 11,742**	$ 12,832
Work in progress	**9,181**	10,358
Finished goods	**1,028**	996
	$ 21,951	$ 24,186

The amount charged to net income and included in cost of revenues for the write-down of inventories for valuation issues during the three months ended June 29, 2014 was $1 (June 30, 2013 - $17). The amount of inventories carried at net realizable value as at June 29, 2014 was $1,738 (March 31, 2014 - $2,158).

6. DEPOSITS, PREPAIDS AND OTHER ASSETS

As at	June 29 2014	March 31 2014
Prepaid assets	**$ 5,780**	$ 5,071
Restricted cash (i)	**841**	813
Supplier deposits	**3,552**	2,941
Forward foreign exchange contracts	**2,051**	796
Other assets	**32**	9
	$ 12,256	$ 9,630

(i) Restricted cash primarily consists of cash collateralized to secure letters of credit.

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Cost:					
Balance, at March 31, 2014	$ 21,851	$ 99,946	$ 15,427	$ 29,555	$ 166,779
Additions	—	546	301	1,827	2,674
Disposals	(1,228)	(19,030)	(424)	(195)	(20,877)
Exchange and other adjustments	(612)	(2,573)	(621)	(708)	(4,514)
Balance, at June 29, 2014	**$ 20,011**	**$ 78,889**	**$ 14,683**	**$ 30,479**	**$ 144,062**

	Land	Buildings and leaseholds	Production equipment	Other equipment	Total
Depreciation:					
Balance, at March 31, 2014	$ —	$ (50,645)	$ (12,497)	$ (18,225)	$ (81,367)
Depreciation expense	—	(868)	(177)	(889)	(1,934)
Disposals	—	12,168	411	192	12,771
Exchange and other adjustments	—	1,369	524	471	2,364
Balance, at June 29, 2014	**$ —**	**$ (37,976)**	**$ (11,739)**	**$ (18,451)**	**$ (68,166)**
Net book value:					
At June 29, 2014	**$ 20,011**	**$ 40,913**	**$ 2,944**	**$ 12,028**	**$ 75,896**
At March 31, 2014	$ 21,851	$ 49,301	$ 2,930	$ 11,330	$ 85,412

Included in other equipment as at June 29, 2014 is $206 (March 31, 2014 - $70) of assets which are under construction and have not been depreciated.

(in thousands of Canadian dollars, except per share amounts – unaudited)

8. INTANGIBLE ASSETS

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Cost:						
Balance, at March 31, 2014	$ 7,118	$ 25,447	$ 23,362	$ 78,701	$ 13,692	$ 148,320
Additions	1,121	718	—	—	—	1,839
Exchange and other adjustments	(120)	(548)	(1,028)	(3,446)	(612)	(5,754)
Balance, at June 29, 2014	**$ 8,119**	**$ 25,617**	**$ 22,334**	**$ 75,255**	**$ 13,080**	**$ 144,405**

	Development projects	Computer software, licenses and other	Technology	Customer relationships	Brands	Total
Amortization:						
Balance, at March 31, 2014	$ (3,398)	$ (13,522)	$ (5,469)	$ (14,633)	$ —	$ (37,022)
Amortization	(117)	(1,363)	(644)	(2,422)	—	(4,546)
Exchange and other adjustments	6	405	257	695	—	1,363
Balance, at June 29, 2014	**$ (3,509)**	**$ (14,480)**	**$ (5,856)**	**$ (16,360)**	**$ —**	**$ (40,205)**
Net book value:						
At June 29, 2014	**$ 4,610**	**$ 11,137**	**$ 16,478**	**$ 58,895**	**$ 13,080**	**$ 104,200**
At March 31, 2014	$ 3,720	$ 11,925	$ 17,893	$ 64,068	$ 13,692	$ 111,298

Included in development projects and in computer software, licenses and other intangibles as at June 29, 2014 is $2,062 and $nil respectively (March 31, 2014 - $1,719 and $4,663 respectively) of intangible assets which are in development and have not been depreciated. Research and development costs that are not eligible for capitalization have been expensed and are recognized in cost of revenues.

9. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial instruments are classified into the following categories:

As at						**June 29, 2014**
	Fair value through profit or loss	**Cash flow hedges**	**Loans, borrowings, and receivables**	**Available-for-sale**	**Other liabilities**	**Total carrying value**
Cash and cash equivalents	**$ —**	**$ —**	**$ 81,619**	**$ —**	**$ —**	**$ 81,619**
Trade accounts receivable	**—**	**—**	**97,258**	**—**	**—**	**97,258**
Bank indebtedness	**—**	**—**	**(774)**	**—**	**—**	**(774)**
Trade accounts payable and accrued liabilities	**—**	**—**	**—**	**—**	**(117,056)**	**(117,056)**
Long-term debt	**—**	**—**	**—**	**—**	**(5,669)**	**(5,669)**
Derivatives classified as held for trading – gain [(i)]	**1,071**	**—**	**—**	**—**	**—**	**1,071**
Derivatives designated as cash flow hedges – gain [(i)]	**—**	**152**	**—**	**—**	**—**	**152**

(i) Derivative financial instruments in a gain position are included in deposits, prepaids and other assets on the interim consolidated statements of financial position and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities.

(in thousands of Canadian dollars, except per share amounts – unaudited)

As at						March 31, 2014
	Fair value through profit or loss	Cash flow hedges	Loans, borrowings and receivables	Available-for-sale	Other liabilities	Total carrying value
Cash and cash equivalents	$ —	$ —	$ 76,466	$ —	$ —	$ 76,466
Trade accounts receivable	—	—	104,678	—	—	104,678
Bank indebtedness	—	—	(913)	—	—	(913)
Trade accounts payable and accrued liabilities	—	—	—	—	(121,306)	(121,306)
Long-term debt	—	—	—	—	(5,139)	(5,139)
Derivatives classified as held for trading – gain (i)	535	—	—	—	—	535
Derivatives designated as cash flow hedges – loss (i)	—	(862)	—	—	—	(862)

(i) Derivative financial instruments in a gain position are included in deposits, prepaids and other assets on the interim consolidated statements of financial position and derivative financial instruments in a loss position are included in accounts payable and accrued liabilities.

Derivative financial instruments

The Company uses forward foreign exchange contracts to manage foreign currency exposure. Forward foreign exchange contracts that are not designated in hedging relationships are classified as held-for-trading, with changes in fair value recognized in selling, general and administrative expenses in the interim consolidated statements of income. During the three months ended June 29, 2014, the fair value of derivative financial assets classified as held-for-trading and included in deposits, prepaids and other assets increased by $780 (increased by $178 during the three months ended June 30, 2013) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable and accrued liabilities increased by $244 during the three months ended June 29, 2014 (decreased by $425 during the three months ended June 30, 2013).

Cash flow hedges

During the three months ended June 29, 2014 and the three months ended June 30, 2013, there was no unrealized gain or loss recognized in selling, general and administrative expenses for the ineffective portion of cash flow hedges. After-tax unrealized losses of $115 are included in accumulated other comprehensive income at June 29, 2014 and are expected to be reclassified to income over the next 12 months when the revenue and purchases are recorded (unrealized losses of $1,527 at June 30, 2013).

10. PROVISIONS

	Warranty	Restructuring	Other	Total
Balance, at March 31, 2014	$ 6,832	$ 1,735	$ 1,845	$ 10,412
Provisions made	1,249	205	1,396	2,850
Provisions reversed	(457)	—	(635)	(1,092)
Provisions used	(520)	(1,042)	(1,449)	(3,011)
Exchange adjustments	(205)	(22)	29	(198)
Balance, at June 29, 2014	**$ 6,899**	**$ 876**	**$ 1,186**	**$ 8,961**

Warranty provisions

Warranty provisions are related to sales of products and are based on experience reflecting statistical trends of warranty costs.

(in thousands of Canadian dollars, except per share amounts – unaudited)

Restructuring

Restructuring charges are recognized in the period incurred and when the criteria for provisions are fulfilled. Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed through a formal restructuring plan.

11. BANK INDEBTEDNESS AND LONG-TERM DEBT

During the year ended March 31, 2013, the Company established a Senior Secured Credit Facility (the "Credit Agreement"). The Credit Agreement provides a committed revolving credit facility of $250,000 and expires on November 6, 2015. The Credit Agreement is secured by the assets, excluding real estate, of certain of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities. At June 29, 2014, the Company had utilized $70,810 under the Credit Agreement, which was obtained by way of letters of credit (March 31, 2014 - $72,633).

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

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

The Company has additional credit facilities available of $9,097 (2,349 Euro, 230,000 Indian Rupees, 500 Swiss Francs and 30,000 Thai Baht). The total amount outstanding on these facilities is $6,976, of which $774 is classified as bank indebtedness (March 31, 2014 - $913) and $6,202 is classified as long-term debt (March 31, 2014 - $5,774). The interest rates applicable to the credit facilities range from 1.85% to 11.00% per annum. A portion of the long-term debt is secured by certain assets of the Company. The 500 Swiss Francs and 230,000 Indian Rupees credit facilities are secured by letters of credit under the Credit Agreement.

(i) Bank indebtedness

As at	**June 29 2014**	March 31 2014
Other facilities	**$ 774**	$ 913

(in thousands of Canadian dollars, except per share amounts – unaudited)

(ii) Long-term debt

As at	**June 29 2014**	March 31 2014
Other facilities	**$ 6,202**	$ 5,774
Issuance costs	**(533)**	(635)
	5,669	5,139
Less: current portion	**4,401**	3,815
	$ 1,268	$ 1,324

Scheduled principal repayments and interest payments on long-term debt from continuing operations as at June 29, 2014 are as follows:

	Principal	Interest
Less than one year	$ 4,401	$ 91
One - two years	306	93
Two - three years	279	76
Three - four years	290	79
Four - five years	305	62
Thereafter	621	68
	$ 6,202	$ 469

12. SHARE CAPITAL

Authorized capital of the Company consists of an unlimited number of common shares, without par value, for unlimited consideration. The changes in the common shares issued and outstanding during the period presented were as follows:

	Number of common shares	**Share capital**
Balance, at March 31, 2014	90,793,547	$ 510,725
Exercise of stock options	186,701	1,738
Balance, at June 29, 2014	**90,980,248**	**$ 512,463**

(in thousands of Canadian dollars, except per share amounts – unaudited)

13. TAXATION

Reconciliation of income taxes: Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income before income taxes. These differences result from the following items:

For the three months ended		**June 29 2014**		June 30 2013
Income from continuing operations before income taxes	**$**	**13,478**	$	12,072
Combined Canadian basic federal and provincial income tax rate		**26.50%**		26.50%
Income tax expense based on combined Canadian basic federal and provincial income tax rate	**$**	**3,572**	$	3,199
Increase (decrease) in income taxes resulting from:				
Adjustments with respect to current income tax of previous periods		**313**		—
Non-taxable income (loss) net of non-deductible expenses		**386**		(148)
Income taxed at different rates and statutory rate changes		**296**		424
Manufacturing and processing allowance		**(82)**		(46)
Other items		**11**		67
At the effective income tax rate of 33% (June 30, 2013 - 29%)	**$**	**4,496**	$	3,496
Income tax expense reported in the interim consolidated statements of income:				
Current	**$**	**4,343**	$	931
Deferred		**153**		2,565
	$	**4,496**	$	3,496
Deferred tax related to items charged or credited directly to equity:				
Net gain (loss) on revaluation of cash flow hedges	**$**	**254**	$	(400)
Other items recognized through equity		**(909)**		(55)
Income tax charged directly to equity	**$**	**(655)**	$	(455)

14. STOCK-BASED COMPENSATION

In the calculation of the stock-based compensation expense in the interim consolidated statements of income, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vesting stock options and binomial option pricing models for performance-based stock options.

During the three months ended June 29, 2014, the Company did not grant any time vesting stock options (446,000 in the three months ended June 30, 2013). The stock options granted vest over four years and expire on the seventh anniversary from the date of issue. During the three months ended June 29, 2014 and the three months ended June 30, 2013, no performance-based stock options were granted. Performance-based stock options vest based on the Company's stock trading at or above certain thresholds for a specified number of minimum trading days. The performance-based stock options expire on the seventh anniversary after the date that the options vest. During the three months ended June 29, 2014, no performance-based stock options vested (1,262,799 in the three months ended June 30, 2013).

(in thousands of Canadian dollars, except per share amounts – unaudited)

For the three months ended			**June 29 2014**			June 30 2013
	Number of stock options		**Weighted average exercise price**	Number of stock options		Weighted average exercise price
Stock options outstanding, beginning of period	**4,421,876**	**$**	**8.84**	7,011,842	$	7.39
Granted	**—**		**—**	446,000		10.80
Exercised (i)	**(186,701)**		**6.49**	(168,035)		6.53
Forfeited/cancelled	**(4,425)**		**8.55**	(86,447)		8.48
Stock options outstanding, end of period	**4,230,750**	**$**	**8.94**	7,203,360	$	7.61
Stock options exercisable, end of period, time vested options	**1,284,250**	**$**	**7.42**	1,521,777	$	6.73
Stock options exercisable, end of period, performance-based options	**1,916,750**	**$**	**9.55**	3,420,668	$	7.38

(i) For the three months ended June 29, 2014, the weighted average share price at the date of exercise was $14.83 (June 30, 2013 - $10.12).

The fair values of the Company's stock options issued during the periods presented were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined at the time of the grant by considering historical share price volatility. Expected stock option grant life was determined at the time of the grant by considering the average of the grant vesting period and the grant exercise period.

For the three months ended		June 30 2013
Weighted average risk-free interest rate		1.45%
Dividend yield		0%
Weighted average expected volatility		43%
Weighted average expected life		4.75 years
Number of stock options granted:		
Time vested		446,000
Weighted average exercise price per option	$	10.80
Weighted average value per option:		
Time vested	$	4.15

Share Appreciation Rights

During the three months ended June 29, 2014, the Company did not grant any share appreciation rights ("SARs") (500,000 in the three months ended June 30, 2013). The SARs give the employee the right to receive a cash payment equal to the excess of the market value of a common share of the Company at the time of exercise over the exercise price of the rights. The SARs granted during the three months ended June 30, 2013 vest over 18 months. The SARs vest upon successful achievement of certain non-market performance criteria and expire 21 months from the date of issue. The Company's vested SARs are measured at each reporting date at their fair value.

The fair values of the Company's unvested SARs are measured at each reporting date using the Black-Scholes option pricing model with the following weighted average assumptions. Expected stock price volatility was determined by considering historical share price volatility. The expected SARs grant life was determined by considering the average of the estimated grant vesting period and the grant expected life.

(in thousands of Canadian dollars, except per share amounts – unaudited)

	June 29 2014	June 30 2013
Weighted average risk-free interest rate	**1.09%**	1.09%
Dividend yield	**0%**	0%
Weighted average expected volatility	**25%**	30%
Weighted average expected life	**1.21 years**	1.49 years
Weighted average exercise price per SAR	**$ 9.91**	$ 10.18
Weighted average value per SAR	**$ 5.89**	$ 2.15

The Company has recorded a liability of $2,705 as at June 29, 2014 (March 31, 2014 - $1,763) based on the SARs fair value which includes both time-based and performance-based SARs. The market value of a common share of the Company as at June 29, 2014 was $15.57. No SARs vested during the three months ended June 29, 2014 (nil in the three months ended June 30, 2013).

Restricted Share Unit Plan
The Company did not grant any time vesting restricted share units ("RSUs") during the three months ended June 29, 2014 (138,448 in the three months ended June 30, 2013). The RSUs give the employee the right to receive a cash payment equal to the market value of a common share of the Company. The Company did not grant any performance-based RSUs during the three months ended June 29, 2014 (86,000 in the three months ended June 30, 2013). The performance-based RSUs vest upon successful achievement of certain operational and share price targets. The performance-based RSUs give the employee the right to receive a cash payment based on the market value of a common share of the Company. The weighted average remaining vesting period for the time vesting RSUs and performance-based RSUs is 1.4 years. The RSU liability is recognized quarterly based on the expired portion of the vesting period and the change in the Company's stock price. At June 29, 2014, the value of the outstanding liability related to the RSU plan was $1,617 (March 31, 2014 - $1,148).

Deferred Stock Unit Plan
The Deferred Stock Unit Plan ("DSU Plan") liability is revalued quarterly based on the change in the Company's stock price. The change in the value of the DSU liability is included in operating results in the period of change. At June 29, 2014, the value of the outstanding liability related to the DSU Plan was $5,994 (March 31, 2014 - $5,425).

15. COMMITMENTS AND CONTINGENCIES

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

From continuing operations:

	Operating leases	**Purchase obligations**
Less than one year	$ 5,831	$ 49,621
One – two years	4,528	832
Two – three years	3,907	1
Three – four years	1,803	—
Four – five years	1,506	—
Due in over five years	3,600	—
	$ 21,175	$ 50,454

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.

(in thousands of Canadian dollars, except per share amounts – unaudited)

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 29, 2014, the total value of outstanding bank guarantees under credit facilities was approximately $95,901 from continuing operations (March 31, 2014 - $95,250) and was $nil (March 31, 2014 - $2,125) from discontinued operations.

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 interim consolidated financial position.

16. SEGMENTED DISCLOSURE

Solar is currently classified as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income. As a result, the Company's continuing operations are reported as one operating segment, ASG.

Geographic segmentation of revenues is determined based on the customer's installation site. Non-current assets represent property, plant and equipment and intangible assets that are attributable to individual geographic segments, based on location of the respective operations.

As at		**June 29, 2014**
	Property, plant and equipment	**Intangible assets**
Canada	**$ 23,957**	**$ 10,173**
United States	**20,801**	**5,593**
Germany	**21,565**	**87,960**
Other Europe	**6,035**	**106**
Asia-Pacific and other	**3,538**	**368**
Total Company	**$ 75,896**	**$ 104,200**

As at		March 31, 2014
	Property, plant and equipment	Intangible assets
Canada	$ 31,016	$ 9,774
United States	21,483	6,140
Germany	22,863	94,899
Other Europe	6,380	119
Asia-Pacific and other	3,670	366
Total Company	$ 85,412	$ 111,298

(in thousands of Canadian dollars, except per share amounts – unaudited)

Revenues from external customers for the three months ended	**June 29 2014**	June 30 2013
Canada	**$ 11,395**	$ 4,747
United States and Mexico	**77,180**	65,546
Germany	**26,645**	20,087
Other Europe	**40,048**	24,760
Asia-Pacific and other	**35,611**	34,887
Total Company	**$ 190,879**	$ 150,027

17. INTEREST IN JOINT OPERATIONS

During the year ended March 31, 2010, Ontario Solar entered into an agreement to establish Ontario Solar PV Fields Inc., a joint operation. Ontario Solar PV Fields Inc. is a joint arrangement with both parties involved having joint control with rights to the assets and obligations for the liabilities relating to the arrangement and, accordingly, the Company recognizes its 50% share of assets, liabilities, revenues and expenses in the interim condensed consolidated financial statements. Ontario Solar PV Fields Inc. is currently presented as assets and liabilities associated with discontinued operations in the interim consolidated statements of financial position and as discontinued operations in the interim consolidated statements of income.

The following is a summary of the Company's share of the joint operation:

As at	**June 29 2014**	March 31 2014
Current assets	**$ 686**	$ 7,394
Current liabilities	**—**	(6,479)
Net assets	**$ 686**	$ 915

For the three months ended	**June 29 2014**	June 30 2013
Interim consolidated statements of income		
Net income	**$ 7,228**	$ 16,716

18. NET FINANCE COSTS

For the three months ended	**June 29 2014**	June 30 2013
Interest expense	**$ 899**	$ 647
Interest income	**(21)**	(45)
	$ 878	$ 602

19. EARNINGS PER SHARE

For the three months ended	**June 29 2014**	June 30 2013
Weighted average number of common shares outstanding	**90,877,745**	87,890,998
Dilutive effect of stock option conversion	**1,482,990**	1,719,508
Diluted weighted average number of common shares outstanding	**92,360,735**	89,610,506

For the three months ended June 29, 2014, stock options to purchase 150,000 common shares are excluded from the weighted average number of common shares in the calculation of diluted earnings per share as they are anti-dilutive (2,132,745 common shares were excluded for the three months ended June 30, 2013).

20. SUBSEQUENT EVENTS

On July 8, 2014, the Company announced that it has entered into a definitive agreement to acquire all shares of M+W Process Automation GmbH and ProFocus LLC (collectively "M+W PA"). M+W PA is a global provider of engineering-based automation services and solutions focused on the control, performance monitoring and measurement of critical production processes. The acquisition is aligned with ATS' stated strategy of scaling its position in the global automation market by adding to its services and life-cycle management capabilities across several core elements of the customer value chain.

The total cash consideration to be paid for M+W PA pending net debt and working capital adjustments is approximately $362,000 (248,000 Euro).

The acquisition will be accounted for as a business combination with the Company as the acquirer of M+W PA. The purchase method of accounting will be used and M+W PA's earnings will be consolidated from the acquisition date, which is expected to occur by the end of September 2014.