AUTOMATION

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended June 27, 2010 (first quarter of fiscal 2011) is as of August 3, 2010 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the first quarter of fiscal 2011. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements and MD&A of the Company for the year ended March 31, 2010 (fiscal 2010) and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2010 MD&A. These documents and other information relating to the Company, including the Company's fiscal 2010 audited consolidated financial statements, MD&A and annual information form may be found on SEDAR at www.sedar.com.

Notice to Reader

The Company has two reportable segments: Automation Systems Group ("ASG") and Photowatt Technologies ("Photowatt") which includes Photowatt France ("PWF") and Photowatt Ontario ("PWO"). References to Photowatt's cell ''efficiency'' means the percentage of incident energy that is converted into electrical energy in a solar cell. Solar cells and modules are sold based on wattage output. "Silicon" refers to a variety of silicon feedstock, including polysilicon, upgraded metallurgical silicon ("UMG-Si") and polysilicon powders and fines.

Non-GAAP Measures

Throughout this document the term "operating earnings" is used to denote earnings (loss) from operations. EBITDA is also used and is defined as earnings (loss) from operations excluding depreciation and amortization (which includes amortization of intangible assets). The term "margin" refers to an amount as a percentage of revenue. The terms "earnings (loss) from operations", "operating earnings", "margin", "operating loss", "operating results", "operating margin", "EBITDA", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. Operating earnings and EBITDA are some of the measures the Company uses to evaluate the performance of its segments. Management believes that ATS shareholders and potential investors in ATS use non-GAAP financial measures such as operating earnings and EBITDA in making investment decisions about the Company and measuring its operational results. A reconciliation of operating earnings and EBITDA to total Company net income for the first quarters of fiscal 2011 and 2010 is contained in this MD&A (See "Reconciliation of EBITDA to GAAP Measures"). EBITDA should not be construed as a substitute for net income determined in accordance with GAAP. Order Bookings represent new orders for the supply of automation systems and products that management believes are firm.

Order Backlog is the estimated unearned portion of ASG revenue on customer contracts that are in process and have not been completed at the specified date. A reconciliation of Order Bookings and Order Backlog to total Company revenue for the first quarters of fiscal 2011 and 2010 is contained in the MD&A (See "ASG Order Backlog Continuity").

Acquisition of Sortimat

On June 1, 2010, ATS completed its acquisition of 100% of Sortimat Group ("Sortimat"). Sortimat is a manufacturer of assembly systems for the life sciences market. Headquartered in Germany, and established in 1959, Sortimat also has locations in Chicago and a small, 60% owned subsidiary in India. Sortimat will be integrated with the Company's ASG segment.

The Sortimat acquisition aligns with ATS' strategy of expanding its position in the global automation market and enhancing growth opportunities, particularly in strategic segments, such as life sciences. The Company will benefit from Sortimat's significant experience and products in advanced system development, manufacturing, handling, and feeder technologies. This acquisition has provided ATS with the scale required to further organize its marketing and divisions into a group focused on life sciences with the objective to grow its exposure to this market segment and help customers differentiate themselves from their competitors. To implement the integration and effect margin improvements, the Company has deployed people to apply best practices, command and control, program management and advance approach to market.

The total cash consideration for Sortimat is $51.6 million (40.2 million Euro), which includes acquisition related costs, primarily for advisory services, of $2.2 million. Potential future payments of up to $8.5 million (6.6 million Euro), which are payable subject to the achievement of milestones related to operating performance and specific management services to be provided over the next two and a half years, are not included in the cost of acquisition and future amounts, if any, will be recorded as compensation expense in the period accrued.

AUTOMATION SYSTEMS GROUP SEGMENT

ASG Revenue

(In millions of dollars. Figures include intersegment revenue)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Revenue by market		
Life sciences	**$ 39.4**	$ 36.0
Computer-electronics	**14.0**	14.3
Energy	**40.9**	41.3
Transportation	**9.1**	14.1
Other	**3.2**	9.5
Total ASG revenue	**$ 106.6**	$ 115.2

ASG first quarter revenue was 7% lower than for the same period a year ago as a result of lower Order Bookings during fiscal 2010 and the resulting lower Order Backlog entering the current fiscal year. Quarter-over-quarter foreign exchange rate changes negatively impacted ASG revenues for the first quarter, compared to a year ago, primarily reflecting the strengthening of the Canadian dollar relative to the U.S. dollar and Euro.

By industrial market, revenue from life sciences (formerly referred to as healthcare) increased 9% year-over-year primarily as a result of the $5.4 million of revenue earned by Sortimat in the last month of the first quarter of fiscal 2011, the majority of which was earned in the life sciences market. Excluding Sortimat's revenue contribution, revenue in the life sciences market decreased 5% due to lower Order Backlog entering the first quarter. The 2% decrease in computer-electronics revenues, despite higher Order Backlog entering the first quarter compared to a year ago, reflected a longer performance period on certain programs. Revenue generated in the energy market decreased 1% on lower Order Backlog entering the fiscal year. The 35% decline in transportation (formerly referred to as automotive) revenue compared to a year ago reflected the 41% lower Order Backlog entering the fiscal year, as a number of customer programs have been delayed. "Other" revenues decreased 66% year over year primarily due to lower revenues in the consumer products market and a longer period of performance for certain programs in this market.

ASG Operating Results

(In millions of dollars. Figures include intersegment revenue)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Earnings from operations	**$ 15.9**	$ 14.8
Depreciation and amortization	**1.8**	1.9
EBITDA	**$ 17.7**	$ 16.7

Fiscal 2011 first quarter earnings from operations were $15.9 million (operating margin of 15%) compared to earnings from operations of $14.8 million (operating margin of 13%) in the first quarter of fiscal 2010. There were no severance and restructuring charges included in the first quarter of fiscal 2011 operating earnings compared to $2.1 million in the prior year related to division closures and workforce reductions made primarily in ASG's North American operations. Sortimat's operating results did not have a material impact on first quarter earnings from operations.

Excluding prior year severance and restructuring charges, the decline in year-over-year earnings from operations was due primarily to lower sales volumes. ASG depreciation and amortization expense was $1.8 million in the first quarter of fiscal 2011 compared to $1.9 million in the same period a year ago.

ASG Order Bookings

ASG Order Bookings in the first quarter were $85 million, 11% lower than in the first quarter of fiscal 2010, which included two significant life sciences orders worth approximately $24 million and $10 million. Lower Order Bookings also reflected a reduction in sales opportunities as customers continued to spend at reduced levels and/or delay capital programs. Order Bookings in the first five weeks of the second quarter of fiscal 2011 were $48 million.

ASG Order Backlog Continuity
(In millions of dollars)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Opening Order Backlog	**$ 209**	$ 255
Revenue	**(107)**	(115)
Order Bookings	**85**	96
Order Backlog adjustments[1]	**28**	(6)
Total	**$ 215**	$ 230

1 Order Backlog adjustments include foreign exchange adjustments, cancellations and incremental Order Backlog of $27 million acquired through the Sortimat transaction.

ASG Order Backlog by Industry
(In millions of dollars)

	June 27, 2010	June 28, 2009
Life sciences	**$ 87**	$ 120
Computer-electronics	**14**	15
Energy	**54**	62
Transportation	**15**	18
Other	**45**	15
Total	**$ 215**	$ 230

At June 27, 2010, ASG Order Backlog was $215 million, 7% lower than at June 28, 2009, primarily reflecting lower Order Bookings throughout the past four quarters compared to the prior year.

ASG Outlook

In the short term, management believes business investment and capital spending by customers will remain low. As the global economy and some of the Company's markets have strengthened, activity in ASG's front-end of the business has increased. However despite signs of improvement in some of ASG's customers' markets, many customers are continuing to push-out spending and delay investment decisions. This will continue to cause volatility in Order Bookings and put pressure on revenues in the short term. Overall, management believes that increased capital spending will continue to lag the general economic recovery as companies are hesitant to invest until their markets stabilize and/or show signs of growth.

The consolidation and restructuring initiatives undertaken have allowed ASG to maintain profitable operating margins, despite lower revenues. However, low volume and revenues due to current market conditions and competitive pressures will continue to present challenges to maintaining margins at current levels. Management expects that the implementation of its strategic initiatives to improve leadership, business processes and supply chain management will continue to have a positive impact on ASG operations. However, the impact of these initiatives will also be affected by current market conditions and lower Order Bookings and Order Backlog. Management expects that until Sortimat is fully integrated, ASG operating margins will be negatively impacted.

Management believes the Company's strengthened balance sheet, approach to market and operational improvements will provide a solid foundation for ASG to improve performance when the general business environment, including capital investment, stabilizes and returns to growth.

The Company's strong financial position also provides ASG with the flexibility to pursue its growth strategy. The Company is actively seeking to expand its position in the global automation market organically and through acquisition. Management is continuing to review a number of opportunities and is actively in discussions and conducting due diligence with respect to certain of these opportunities. The completion and timing of any transaction resulting from such discussions is dependent on a number of factors, including; completion of satisfactory due diligence, negotiation of agreements and requisite Board of Director and other approvals.

PHOTOWATT TECHNOLOGIES SEGMENT

Photowatt Revenue
(In millions of dollars)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Total Revenue	**$ 48.8**	$ 40.1

Photowatt's fiscal 2011 first quarter revenue of $48.8 million was 22% higher than in the first quarter of fiscal 2010. Higher year-over-year revenues reflected $7.1 million of revenue generated primarily from the sale of previously written-down raw material inventory, which was sold for approximately its net book value.

Excluding the revenue from raw material sales, Photowatt's first quarter revenue was 4% higher than the corresponding period a year ago. Total megawatts ("MWs") sold at PWF increased to 11.4 MWs (exclusive of raw material sales) from 8.3 MWs in the same period a year ago, resulting from increased demand due partially to improved credit markets compared to the same period a year ago. Fiscal 2011 first quarter revenue from system sales increased to $26.2 million from $24.8 million in the corresponding period a year ago. Systems include modules, combined with installation kits, solar power system design and/or other value-added services. These year-over-year increases were partially offset by foreign exchange rate changes due to strengthening of the Canadian dollar relative to the Euro, which negatively impacted the translation of revenue in the first quarter of fiscal 2011 compared to the same period a year ago and a decrease in average selling prices per watt.

Photowatt Operating Results
(In millions of dollars)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Earnings (loss) from operations	**$ (0.1)**	$ (7.5)
Depreciation and amortization	**3.3**	4.1
EBITDA	**$ 3.2**	$ (3.4)

Photowatt fiscal 2011 first quarter loss from operations was $0.1 million (operating margin of 0%) compared to a loss from operations of $7.5 million (operating margin of negative 19%) a year ago. The year-over-year improvement in operating results reflected the higher MWs sold, increased system sales, and lower direct manufacturing costs-per-watt. These increases were partially offset by lower average selling prices. Included in last year's first quarter operating loss was a $4.7 million warranty charge related to a specific customer contract which contained an incremental performance clause beyond Photowatt's standard warranty terms.

Photowatt's fiscal 2011 first quarter loss from operations included costs related to the PWO start-up, which was initiated during the third quarter of fiscal 2010.

Photowatt's fiscal 2011 first quarter amortization expense was $3.3 million compared to $4.1 million in the first quarter of fiscal 2010 reflecting foreign exchange as the Canadian dollar strengthened relative to the Euro when compared to the prior year.

Photowatt Outlook

The Company has initiated a formal process to separate Photowatt and has engaged advisors to assist the Company in identifying and evaluating strategic alternatives. The Company has determined it does not meet all of the criteria to classify Photowatt as assets held for sale and its results as discontinued operations in its interim Consolidated Financial Statements as at June 27, 2010. As a result, these assets continue to be classified as held and used. As the form of separation is uncertain, adjustments to carrying value may result and a write-down, if any, will be recorded in the period determined. Conditions in the solar and capital markets will be a consideration in the timing and form of separation.

Solar power is, and for the foreseeable future will be, affected by and largely dependent on the existence of government incentives. Reductions in feed-in tariffs for solar energy announced in the Company's fiscal 2010 fourth quarter in Germany and France, and increased industry inventory levels and capacity, particularly from low-cost manufacturers in Asia, are expected to have a negative impact on average selling prices per watt.

In France, Photowatt has secured sales for a significant portion of its capacity over the next two quarters, however revenues will be impacted by lower year-over-year average selling prices.

In Ontario, Photowatt has secured conditional feed-in tariff approvals totalling approximately 65 MWs related to large scale renewable energy applications made by a project development joint venture, Ontario Solar PV Fields ("OSPV") in which ATS holds a 50% interest. OSPV will utilize a range of solar solutions including modules manufactured by ATS in Cambridge. OSPV's next steps include efforts to arrange financing and ultimate project ownership, as well as obtaining necessary joint venture partner approvals and other requisite approvals. PWO has signed agreements with developers who are in the process of securing conditional feed-in tariff approvals for a number of projects. PWO will provide modules and other related services into these projects. During the first quarter, the first test modules were produced on PWO's Cambridge based 100 MW module line. Production will ramp-up to meet demand in the latter part of the fiscal year.

Management is pursuing other downstream alternatives to create an additional market for Photowatt's products, including working with manufacturing partners to identify and expand its pipeline of both ground-mount and roof-top solar energy projects. Management expects improvements in cell efficiency, manufacturing yields and throughput will continue to reduce Photowatt's direct manufacturing costs-per-watt. Management does not know to what extent planned cost reductions will offset the impact of decline in average selling prices on operating earnings. Second quarter fiscal 2011 operating performance is expected to be negatively impacted by the usual three week PWF factory shutdown.

To keep Photowatt cost competitive, management is now proceeding with a plan to reduce the cost structure, which may cost up to $10 million. Management is actively monitoring the changing market conditions and will continue to modify plans accordingly.

CONSOLIDATED RESULTS FROM OPERATIONS

(In millions of dollars, except per share data)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
Revenue	**$ 151.1**	$ 152.7
Cost of revenue	**120.8**	132.6
Selling, general and administrative	**20.1**	18.8
Stock-based compensation	**0.5**	0.8
Earnings from operations	**$ 9.7**	$ 0.5
Interest expense	**$ 0.5**	$ 0.5
Provision for (recovery of) income taxes	**2.7**	(0.3)
Net income	**$ 6.4**[1]	$ 0.3
Earnings per share		
Basic and diluted	**$ 0.07**	$ 0.00

[1] Rounding

Revenue. At $151.1 million, consolidated revenue for fiscal 2011 first quarter was 1% lower than a year ago. The decrease in revenues resulted from a 7% decrease in ASG revenues, partially offset by a 22% increase in Photowatt revenues.

Cost of revenue. Fiscal 2011 first quarter cost of revenue decreased on a consolidated basis by $11.8 million or 9% from a year ago to $120.8 million. Consolidated gross margin as a percentage of revenue increased to 20% in the first quarter of fiscal 2011 from 13% in the first quarter of fiscal 2010 resulting from improved profitability at both ASG and Photowatt.

Selling, general and administrative ("SG&A") expenses. For the first quarter of fiscal 2011, SG&A expenses increased 7% or $1.3 million to $20.1 million compared to the respective prior-year period. Higher SG&A costs reflected higher costs due to acquisition-related activities and incremental amortization expenses. SG&A expenses for the first quarter of fiscal 2011 included $0.2 million of Company-wide severance and restructuring costs compared to $2.3 million in the first quarter of fiscal 2010.

Stock-based compensation cost. For fiscal 2011 first quarter, stock-based compensation expense decreased to $0.5 million from $0.8 million a year earlier primarily reflecting the revaluation of deferred stock units.

The expense associated with the Company's performance-based stock options is recognized in income over the estimated assumed vesting period at the time the stock options are granted. Upon the Company's stock price trading at or above a stock price performance threshold for a specified minimum number of trading days, the options vest. When the performance-based options vest, the Company is required to recognize all previously unrecognized expenses associated with the vested stock options in the period in which they vest.

As at June 27, 2010, the following performance-based stock options were un-vested:

Stock price performance threshold	Number of options outstanding	Grant date value per option	Weighted average remaining vesting period	Current year expense (in '000s)	Remaining expense to recognize (in '000s)
$8.41	266,667	2.11	0.8 years	45	137
$8.50	889,333	1.41	2.4 years	63	604
$9.08	218,666	2.77	0.3 years	59	54
$9.49	41,667	1.66	4.4 years	3	53
$10.41	266,667	2.11	2.2 years	31	270
$10.50	889,333	1.41	3.3 years	54	698
$11.08	218,667	2.77	1.5 years	38	249
$12.41	266,666	2.11	3.2 years	26	319
$13.08	218,667	2.77	2.5 years	31	316

Earnings from operations. First quarter fiscal 2011 consolidated earnings from operations were $9.7 million, compared to earnings from operations of $0.5 million a year ago. Fiscal 2011 first quarter performance reflected: operating earnings of $15.9 million at ASG (operating earnings of $14.8 million a year ago); Photowatt Technologies operating loss of $0.1 million (operating loss of $7.5 million a year ago); and inter-segment eliminations and corporate expenses of $6.1 million ($6.8 million of costs a year ago).

Interest expense and interest income. Net interest expense was $0.5 million in the first quarter of fiscal 2011 compared to $0.5 million a year ago. The net interest expense is primarily related to credit facilities at Photowatt.

Provision for income taxes. For the three months ended June 27, 2010, the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 30.2% (June 28, 2009 – 33.0%) primarily as a result of losses incurred in Europe, the benefit of which was not recognized for financial statement reporting purposes.

Net income. For first quarter of fiscal 2011, net income was $6.4 million (0.7 cents earnings per share basic and diluted) compared to net income of $0.3 million (0 cents earnings per share basic and diluted) for the same period last year.

Reconciliation of EBITDA to GAAP measures
(In millions of dollars)

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009
EBITDA		
Automation Systems	**$ 17.7**	$ 16.7
Photowatt Technologies	**3.2**	(3.4)
Corporate and inter-segment	**(5.9)**	(6.6)
Total EBITDA	**$ 15.0**	$ 6.7
Less: Depreciation and amortization expense		
Automation Systems	**$ 1.8**	$ 1.9
Photowatt Technologies	**3.3**	4.1
Corporate and inter-segment	**0.2**	0.2
Total depreciation and amortization expense	**$ 5.3**	$ 6.2
Earnings (loss) from operations		
Automation Systems	**$ 15.9**	$ 14.8
Photowatt Technologies	**(0.1)**	(7.5)
Corporate and inter-segment	**(6.1)**	(6.8)
Total earnings from operations	**$ 9.7**	$ 0.5
Less: Interest expense	**$ 0.5**	$ 0.5
Provision for (recovery of) income taxes	**2.7**	(0.3)
Net income	**$ 6.4**[1]	$ 0.3

[1] Rounding

FOREIGN EXCHANGE

Strengthening in the value of the Canadian dollar relative to the U.S. dollar and the Euro had a negative impact on the Company's revenue and operating earnings in the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010. ATS follows a transaction hedging program to help mitigate the impact of short-term foreign currency movements. This hedging activity consists primarily of forward foreign exchange contracts used to manage foreign currency exposure. Purchasing third-party goods and services in U.S. dollars by Canadian operations also acts as a partial offset to U.S. dollar exposure. 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 12 to the interim consolidated financial statements for details on the derivative financial instruments outstanding at June 27, 2010.

Period Average Market Exchange Rates in CDN$

	Three months ended		
	June 27, 2010	June 28, 2009	% change
US $	**1.0277**	1.1660	-11.9%
Euro	**1.3071**	1.5881	-17.7%
Singapore $	**0.7382**	0.7919	-6.8%

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

At June 27, 2010, the Company had cash and short-term investments of $152.5 million compared to $211.8 million at March 31, 2010. In the first quarter of fiscal 2011, cash flows provided by operating activities were $5.9 million, compared to cash flows used in operating activities of $13.8 million in the first quarter of fiscal 2010. The Company's total debt to total equity ratio at June 27, 2010 was 0.1:1. At June 27, 2010, the Company had $77.0 million of unutilized credit available under existing operating and long-term credit facilities and another $29.2 million available under letter of credit facilities.

In the first quarter of fiscal 2011, the Company's investment in non-cash working capital increased by $7.9 million or 9%. Consolidated accounts receivable increased 53% or $45.5 million, due to increased billings on contracts in progress in the first quarter of fiscal 2011 at ASG and Photowatt as well as due to the sale of previously written-down raw material inventory at PWF, for which payment was received subsequent to June 27, 2010. The acquisition of Sortimat also increased the Company's accounts receivable balance at June 27, 2010. Net contracts in progress decreased by 80% or $10.2 million compared to March 31, 2010. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts and by focusing on collection efforts. Inventories decreased year over year by 1% or $1.0 million. Deposits and prepaid assets decreased by 1% or $0.2 million due primarily to a decrease in the fair value of forward foreign exchange contracts, partially offset by an increase in vendor deposits, and restricted cash being used to secure letters of credit. Accounts payable and accrued liabilities increased 30% primarily due to timing of purchases and the assumption of Sortimat's accounts payable and accrued liabilities.

Property, plant and equipment purchases totalled $10.5 million in the first quarter of fiscal 2011. Expenditures at Photowatt, totalling $5.1 million, were used for production equipment and facility improvements, primarily at PWO. Total ASG and Corporate capital expenditures were $5.4 million, primarily related to the purchase of a new building in the U.S.A.

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $85 million, comprised of an operating credit facility of $65 million and a letter of credit facility of up to $20 million for certain purposes. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by the assets, including real estate, of the

Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on April 30, 2011.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letter 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 operating credit facility are determined based on certain financial ratios. 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 1.25% to 2.25%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 2.25% to 3.25%

Under the Credit Agreement, the Company pays a standby fee on the un-advanced portions of the amounts available for advance or draw-down under the credit facilities at rates ranging from 0.675% to 0.975% per annum, as determined based on certain financial ratios.

The Credit Agreement is subject to debt leverage tests, a current ratio test, and a cumulative EBITDA test. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also partially restricts the Company from repurchasing its common shares, paying dividends and from acquiring and disposing certain assets. The Company is in compliance with these covenants and restrictions.

As of June 27, 2010 there is no amount borrowed under the Company's primary credit facility (March 31, 2010 – $nil).

The Company's subsidiary, Photowatt International S.A.S., has credit facilities including capital lease obligations of $57.6 million (44.9 million Euro). The total amount outstanding on these facilities is $50.7 million (March 31, 2010 – $55.9 million), of which $21.8 million is classified as bank indebtedness (March 31, 2010 – $26.0 million), $7.1 million is classified as long-term debt (March 31, 2010 – $7.7 million) and $21.8 million is classified as obligations under capital lease (March 31, 2010 – $22.3 million). The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 1.8% and 4.9% per annum. Certain of the credit facilities are secured by certain assets of Photowatt International S.A.S. and a commitment to restrict payments to the Company and are subject to debt leverage tests. The credit facilities which are classified as current bank indebtedness, are subject to either annual renewal or 60 day notification. At June 27, 2010, Photowatt International S.A.S. was not in compliance with the debt leverage tests on certain of its credit facilities. The lenders have not waived their right to demand repayment of the outstanding principal balances and consequently the entire balance of $7.1 million (5.5 million Euro) has been included in the current portion of long-term debt.

The Company has additional credit facilities of $17.7 million (11.7 million Euro, 31.7 million Indian Rupee and 2.0 million Swiss Francs). The total amount outstanding on these facilities is $10.5 million (March 31, 2010 – $nil), of which $6.9 million is classified as bank indebtedness and $3.6 million is classified as long-term debt. The interest rates applicable to the credit facilities range from 0.0% to 8.5% and EONIA plus 4.0% per annum. A portion of the long-term debt is secured by certain assets of the Company and a portion of the 2.0 million Swiss Francs credit facility is secured by a letter of credit under the primary credit facility.

The Company expects that continued cash flows from operations, together with cash and short-term investments on hand and credit available under operating and long-term credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets, which are listed under the heading Contractual Obligations, and to fund strategic investment plans including potential acquisitions.

During the first quarter of fiscal 2011, 1,000 stock options were exercised. As of August 3, 2010 the total number of shares outstanding was 87,279,155.

Contractual Obligations

Information on the Company's lease and contractual obligations is detailed in the Consolidated Annual Financial Statements and MD&A for the year ended March 31, 2010 found at www.sedar.com. The Company' off-balance sheet arrangements consist of purchase obligations, various operating lease financing arrangements related primarily to facilities and equipment, and derivative financial instruments which have been entered into in the normal course of business.

There are no other significant off-balance sheet arrangements that management believes will have a material effect on the results of operations or liquidity.

In accordance with industry practice, the Company is liable to the customer 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 may provide bank guarantees as security on equipment under lease and on order. As of June 27, 2010, the total value of outstanding bank guarantees available under bank guarantee facilities was approximately $34.6 million (March 31, 2010 – $11.9 million).

CONSOLIDATED QUARTERLY RESULTS

($ in thousands, except per share amounts)	**Q1 2011**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Revenue	**$ 151,114**	$ 138,774	$ 138,133	$ 148,169	$ 152,701	$ 201,774	$ 221,739	$ 219,071
Earnings (loss) from operations	**$ 9,655**	$ (25,994)	$ 4,756	$ 9,305	$ 502	$ 17,743	$ 18,472	$ 13,563
Net income from continuing operations	**$ 6,438**	$ 2,084	$ 3,742	$ 6,012	$ 325	$ 14,041	$ 15,814	$ 12,688
Net income	**$ 6,438**	$ 2,084	$ 3,742	$ 6,012	$ 325	$ 13,506	$ 12,316	$ 9,272
Basic earnings per share from continuing operations	**$ 0.07**	$ 0.03	$ 0.04	$ 0.07	$ 0.00	$ 0.17	$ 0.20	$ 0.16
Diluted earnings per share from continuing operations	**$ 0.07**	$ 0.03	$ 0.04	$ 0.07	$ 0.00	$ 0.16	$ 0.20	$ 0.16
Basic earnings per share	**$ 0.07**	$ 0.03	$ 0.04	$ 0.07	$ 0.00	$ 0.16	$ 0.16	$ 0.12
Diluted earnings per share	**$ 0.07**	$ 0.03	$ 0.04	$ 0.07	$ 0.00	$ 0.15	$ 0.16	$ 0.12
ASG Order Bookings	**$ 85,000**	$ 105,000	$ 92,000	$ 71,000	$ 96,000	$ 126,000	$ 157,000	$ 133,000
ASG Order Backlog	**$ 215,000**	$ 209,000	$ 203,000	$ 197,000	$ 230,000	$ 255,000	$ 282,000	$ 247,000

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 ASG Order Bookings, Photowatt sales volumes, and the Company's earnings in its markets. ATS typically experiences some seasonality with its revenue and earnings due to the summer plant shutdown at PWF. In Photowatt, slower sales may occur in the winter months, when the weather may impair the ability to install its products in certain geographical areas.

ACCOUNTING CHANGES

Business Combinations

CICA Handbook Section 1582 "Business Combinations" which replaces Handbook Section 1581 "Business Combinations" and is converged with IFRS 3 "Business Combinations" establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

Consolidated Financial Statements
CICA Handbook Section 1601 "Consolidated Financial Statements" and Handbook Section 1602 "Non-Controlling Interests" replace Handbook Section 1600 "Consolidated Financial Statements". Handbook Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Handbook Section 1602 establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. The standards are effective for fiscal years beginning on or after January 1, 2011. The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

Multiple Deliverable Revenue Arrangements
CICA EIC 175 "Multiple Deliverable Revenue Arrangements" deals with arrangements that have multiple deliverables and provides guidance which is to be applied to determine how arrangement consideration should be measured, whether the arrangement should be divided into separate units of accounting and how the arrangement consideration should be allocated among the separate units of accounting. The standard is effective for fiscal years beginning on or after January 1, 2011. The Company is evaluating the impact of adoption of this new section.

Accrued Pension Obligation
In the first quarter of fiscal 2011, it was determined that a pension obligation that was assumed in 1998 should have been previously recognized. The arrangement has been recorded with an adjustment to decrease retained earnings as of April 1, 2009 by $2 million (net of tax of nil) with a corresponding increase in accounts payable and accrued liabilities. This adjustment had no material impact on reported earnings, cash flows or earnings per share in prior periods reported.

International Financial Reporting Standards
The CICA's Accounting Standards Board has announced that Canadian publicly-accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies and additional required disclosures will need to be addressed. This change is effective for the Company for interim and annual financial statements beginning April 1, 2011.

The Company commenced its IFRS conversion project in fiscal 2009. The project consists of four phases: diagnostic; design and planning; solution development; and implementation. The diagnostic phase was completed in fiscal 2009 with the assistance of external advisors. This work involved a high-level review of the major differences between current Canadian GAAP and IFRS and a preliminary assessment of the impact of those differences on the Company's accounting and financial reporting, systems and other business processes. The areas of highest potential impact include: property, plant and equipment; provisions and contingencies; and IFRS 1: first time adoption, as well as more extensive presentation and disclosure requirements under IFRS.

The Company's IFRS conversion project is progressing according to plan. The Company is currently in the implementation phase and has completed a detailed review of all relevant IFRS standards and the identification of information gaps and necessary changes in reporting, internal controls over financial reporting, processes and systems. The Company is now confirming the selection of new accounting policies including IFRS 1 transition date first time adoption exemptions, developing model IFRS financial statements and processes to prepare IFRS comparative information and providing on-going training for employees. The Company expects to be in a position to report on the impact of the adoption of IFRS on its opening balance sheet as of April 1, 2010, by March 31, 2011.

The Company is continuing to monitor standards to be issued by the International Accounting Standards Board ("IASB"). Pending completion of some of these projects by the IASB, and until the Company's accounting policy choices are finalized and approved, the Company will be unable to quantify the impact of IFRS on its Consolidated Financial Statements.

Although the implementation activities are well underway and proceeding according to plan, continued progress is necessary before the Company can prudently increase the specificity of the disclosure of IFRS changeover accounting policy differences. In addition, due to anticipated changes in Canadian GAAP and IFRS prior to the Company's transition to IFRS, the full impact of adopting IFRS on the Company's future financial position and results of operations cannot be reasonably determined at this time.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

During the three months ended June 27, 2010, other than as noted below, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

As noted, ATS acquired the Sortimat Group on June 1, 2010. Management has not yet assessed the design or operating effectiveness of Sortimat's disclosure controls and procedures and internal control over financial reporting.

Note to Readers: Forward-Looking Statements

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS's 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: ATS's intention to integrate Sortimat with its ASG segment; expected benefit from Sortimat's experience and products; potential future payments related to purchase of Sortimat; management's belief with respect to business investment and capital spending on automation and the impact on order bookings and revenues; impact of current market conditions and competitive pressures on operating margins; management's expectations as to impact of strategic initiatives; impact of Sortimat acquisition on ASG operating margins until it is fully integrated; management's belief that the Company's strengthened balance sheet, approach to market and operational improvements will provide a solid foundation for ASG to improve performance when the general business environment, including capital investment, stabilizes and returns to growth; the Company's plans to expand its position in the global automation market organically and through acquisition and the completion and timing of any potential acquisitions with respect to which discussion are currently in progress; Company's initiation of a process to consider an appropriate strategy to separate Photowatt from ATS and impacts on the timing and form of separation; expectation of negative impact on average selling prices per watt as a result of certain feed-in tariff reductions and increased industry inventory levels and capacity; impact of lower average selling prices on revenues; OSVP's intentions and next steps in relation to certain Ontario solar projects; PWO provision of modules and related services into solar projects currently seeking FIT conditional approval; the expected ramping up of module output at PWO facilities; management's pursuit of other downstream alternatives for Photowatt; expectations of continued improvements in cell efficiency, manufacturing yields and throughput and impact thereof; impact of usual three week PWF factory shutdown; plan to reduce Photowatt cost structure; intention to modify plans to address changing market conditions; ATS's expectations with respect to cash flows; seasonality of revenues; and the introduction, evaluation and adoption of new accounting policies and standards. The risks and uncertainties that may affect forward-looking statements include, among others: general market performance including capital market conditions and availability and cost of credit; economic market conditions; impact of factors such as increased pricing pressure and possible margin compression; foreign currency and exchange risk; the relative strength of the Canadian dollar; performance of the market sectors that ATS serves; the success of ATS's efforts to integrate Sortimat; the ability of ATS to exploit and realize upon the benefits from Sortimat experience and products; receptivity of customers, suppliers, employees, and market to the Sortimat transaction; that one or more customers experience bankruptcy despite focus on credit terms; that continuing strategic initiatives will not have the intended impact on ASG operations; unanticipated issues in relation to, or inability to successfully negotiate and conclude, one or more M&A activities; near-term performance of Photowatt and impact on divestiture efforts; ability to execute on Photowatt divestiture initiative in current market environment; that PWF's downstream market initiatives are not successful; ability of ATS to acquire the needed expertise and financial partners necessary to effectively develop Ontario solar projects; the financial attractiveness of, and demand for, those solar projects; ATS's ability to conclude relationships with third parties in order to implement its plans for solar projects; the success of developers with whom ATS has signed agreements in obtaining FIT contracts and ultimately developing the projects; that the plans to cut costs at Photowatt are not successful; extent of market demand for solar products; the availability and possible reduction or elimination of government subsidies and incentives for solar products in various jurisdictions; ability to obtain necessary government certifications and approvals for solar projects in a timely fashion; political, labour or supplier disruptions in manufacturing and supply of silicon; 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 becomes a party; exposure to product liability claims of Photowatt Technologies; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS's filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

August 3, 2010