Automation
Tooling
Systems

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three and six months ended September 30, 2007 (second quarter of fiscal 2008) provides detailed information on the Company's operating activities for the second quarter of fiscal 2008 and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and six months ended September 30, 2007. 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 fiscal 2007 and the unaudited interim consolidated financial statements and MD&A for the three months ended June 30, 2007 and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2007 MD&A and the first quarter of 2008 MD&A. These documents and other information relating to the Company, including the Company's fiscal 2007 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 three reportable segments: Automation Systems Group ("ASG"), Photowatt Technologies ("Photowatt"), and Precision Components Group ("PCG"). Photowatt Technologies is comprised of Photowatt France, Photowatt USA and Spheral Solar. Photowatt France consists of an integrated solar ingot, wafer, cell and module production facility in France. Photowatt USA is a small module assembly and sales operation in the United States, which was closed during the second quarter. Spheral Solar is a now halted development project based on spheral technology. Any reference to solar production capacity assumes the use of polysilicon at currently experienced levels of efficiency, unless otherwise stated. Actual solar capacity may vary materially for a number of reasons including the use of refined metallurgical silicon ("MgSi"), changes in cell efficiencies and/or changes in production processes. 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, MgSi 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, amortization (which includes amortization of intangible assets, and impairment of goodwill) and segment and business unit allocation of corporate costs. The term "adjusted EBITDA" that is used by the Company from time to time is defined as EBITDA excluding certain adjustments as described in the MD&A. The term "margin" refers to an amount as a percentage of revenue. The terms "earnings from operations", "operating earnings", "margin", "operating loss", "operating results", "operating margin", "EBITDA", "adjusted EBITDA", "adjusted EBITDA margin", "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. A reconciliation to total Company revenue and earnings from operations for the first and second quarters of fiscal 2008 and 2007 is contained in the unaudited interim Consolidated Financial Statements for the three and six months ended September 30, 2007. Operating earnings, EBITDA and adjusted EBITDA are some of the measures the Company uses to evaluate the performance of its segments. ATS presents EBITDA and adjusted EBITDA to show its baseline performance before certain non-cash and restructuring-related expenses and other items that are considered by management to be outside of ATS's expected normal ongoing operational results. Management believes that ATS shareholders and potential investors in ATS use non-GAAP financial measures such as operating earnings, EBITDA and adjusted EBITDA in making investment decisions about the Company and measuring its operational results. EBITDA and adjusted EBITDA should not be construed as substitutes for net income determined in accordance with GAAP.

Overview

At the Company's annual shareholders' meeting held September 13, 2007, ATS shareholders elected a new Board of Directors. This new Board of Directors is focused on providing strong leadership to the Company in order to improve operating performance. Following the shareholders' meeting, the new Board named John K. Bell, FCA, as interim Chief Executive Officer of ATS. Mr. Bell has a successful 30-year career specializing in corporate start-ups, growth and turnarounds with extensive experience in technology, innovation, and automation. The new board also named Neil D. Arnold as non-executive Chairman. Mr. Arnold brings extensive governance experience and financial expertise to this role. Other members of the new board are Neale Trangucci (Chair of the Audit Committee), J. Cameron MacDonald (Chair of the Human Resources Committee), Peter Puccetti, Michael Martino and Gordon Presher. Biographies of the new board can be found at www.atsautomation.com.

Since taking office, the new Board and executive leadership have implemented a number of changes that are intended to improve the performance and potential of the business and, in particular, increase the enterprise value of its Photowatt solar operations in advance of the planned separation of Photowatt from ATS to maximize value to ATS shareholders.

These actions to date include:

- examining the Photowatt strategy, including the timing of the planned separation of this business from ATS, evaluation of research and development alternatives to improve cell efficiencies and manufacturing yields, alternative means of securing additional sources of high quality polysilicon (such as vertical integration of polysilicon production), exploration of investments in alternative solar technologies (such as "thin film") and further capacity expansion;
- appointing Eric Laborde, an experienced solar industry executive who led Photowatt from 2001 through 2006, as President and Chief Executive Officer of Photowatt reporting directly to the Board of Directors;

- formalizing the initial phase of a "lab-fab" collaborative relationship (hereafter referred to as "PV Alliance") between Photowatt France and the Electricité de France ("EDF") (a major European electrical utility) and the French Atomic Energy Commission ("CEA") (the world renowned French research institute) which contemplates research to improve the power efficiencies of both polysilicon and MgSi solar cells and, in later phases, the manufacturing of the resulting products;
- approving a €20 million expansion at Photowatt France, including the increase of ingot manufacturing capacity to 50 megawatts ("MWs") measured using refined metallurgical silicon;
- signing a three-year agreement to supply EDF Energies Nouvelles, an affiliate of EDF, with a substantial portion of Photowatt's refined metallurgical silicon solar modules beginning in calendar 2008;
- evaluating the ASG operating strategy, including increasing focus on deepening and broadening customer relationships and global capacity management;
- meeting with key ASG operating managers to assess workforce needs, technology, and customer relationships;
- interviewing several permanent CEO candidates with the goal of making an announcement by calendar year end;
- distributing a confidential information memorandum to solicit expressions of interest from potential buyers of the Precision Components Group; and
- appointing Garry West, FCA, the Chief Financial Officer on an interim basis. Mr. West recently retired as Partner at Ernst & Young LLP following a distinguished 35 year career.

By maintaining its active approach to corporate governance, the Board intends to support the ATS management team in their efforts to increase value for shareholders, customers and employees over the long term.

Following recent discussions with the Board of Directors, the Chief Operating Officer of ATS, who started on September 11, 2007, will leave the Company on November 30, 2007 after a mutually agreed upon transition.

Automation Systems Group Segment

ASG Revenue
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Healthcare	**$ 29.5**	$ 39.3	**$ 58.6**	$ 86.8
Computer-Electronics	**33.4**	37.8	**63.8**	71.7
Automotive	**26.4**	27.8	**53.7**	58.2
Other	**19.8**	12.4	**40.8**	22.4
Total	**$ 109.1**	$ 117.3	**$ 216.9**	$ 239.1

The significant increases in Order Bookings and Order Backlog experienced in the first and second quarters of fiscal 2008 did not translate into higher overall ASG revenue compared to the second quarter of fiscal 2007. Many of these new projects had not yet progressed from design into manufacturing when materials are procured, equipment is built and proportionately higher levels of revenues are recognized. As a result, ASG second quarter revenue was 7% lower than a year ago, even though Order Backlog entering the second quarter was 23% higher than it was entering the second quarter of fiscal 2007.

By industrial market, revenue from "Other" increased 60% driven by significant increases in revenue from the nuclear industry – a rapidly-growing market for ATS. This growth was offset by a 12% decrease in computer-electronics revenue largely within ASG's North America and Asia-Pacific operations. Despite this decline, revenues from automation equipment sales into the solar industry, which are classified within computer-electronics revenue, increased to $6.6 million in the current quarter compared to $0.1 million in the second quarter of the prior year. Healthcare revenue decreased 25% as many of the Order Bookings from the first quarter in these industries were still in the design stage of production during the second quarter**.** Generally, management believes the sales cycle in healthcare is longer and less predictable than in other markets and this has created variability in healthcare Order Bookings and revenue on a quarterly basis. Automotive revenue decreased by 5%. Management remains focused on growing selectively in these core markets because the Company has strong and growing multinational customer relationships in each and market diversification assists with risk management.

For the six months ended September 30, 2007, revenue decreased 9%, reflecting declines in revenue from the healthcare, computer-electronics and automotive industries, which more than offset increases in "Other" revenues.

Repetitive Equipment Manufacturing ("REM") revenue increased 24% to $11.9 million in the second quarter of fiscal 2008, compared to $9.6 million in the second quarter last year, reflecting increased order flow from existing customers. REM earns revenue primarily from customers in the healthcare industry.

Quarter over quarter foreign exchange rate changes negatively impacted ASG second quarter fiscal 2008 revenues by an estimated $4.8 million compared to the second quarter of fiscal 2007, primarily reflecting a stronger Canadian dollar relative to the US dollar.

ASG Operating Results

ASG operating income during the second quarter of fiscal 2008 was $2.4 million compared to $5.7 million a year ago. The year-over-year change reflects the 7% decrease in ASG revenue, lower operating margins at ASG's operations in Asia resulting from margins on several first-time customers for the region and the $1.8 million estimated negative year-over-year impact of foreign exchange. Performance at ASG Cambridge and Ohio, two of the largest facilities within ASG North America, delivered profitable results in the second quarter as they continued to stabilize following significant restructuring in the final months of fiscal 2007. ASG's European operations generated improved year-over-year results, while REM continued to achieve stable profitability.

Operating income for the six months ended September 30, 2007 included severance costs of $2.1 million, compared to $0.4 million of severance costs in the six months ended September 30, 2006.

ASG Non-GAAP Reconciliation
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Operating Earnings	**$ 2.4**	$ 5.7	**$ 3.0**	$ 8.5
Depreciation and Amortization	**2.0**	3.0	**4.1**	5.8
EBITDA	**$ 4.4**	$ 8.7	**$ 7.1**	$ 14.3

ASG Order Bookings and Order Backlog

ASG Order Bookings in the second quarter of fiscal 2008 were $133 million, 32% higher than in the second quarter of fiscal 2007. Order Bookings in the first six weeks of the third quarter of fiscal 2008 were $52 million.

Automation Systems Order Backlog by Industry
(in millions of dollars, except percentage change)

	9/30/2007	9/30/2006	Percentage Change
Healthcare	**$ 77**	$ 66	16.7%
Computer-Electronics	**64**	31	106.5%
Automotive	**47**	38	23.7%
Other	**32**	27	18.5%
Total	**$ 220**	$ 162	35.8%

At September 30, 2007, ASG Order Backlog was $220 million, 36% higher than at September 30, 2006 and 19% higher than at March 31, 2007. Year-over-year, Order Backlog increased 17% in healthcare, 107% in computer-electronics, 24% in automotive and 19% in "Other", reflecting strong Order Bookings in the first and second quarters of fiscal 2008 in all industrial markets and across the North America and Asia-Pacific geographic regions. The increase in healthcare Order Backlog reflects the Company's continuing strategy to penetrate this market. Healthcare Order Backlog was reduced by US $12.3 million in respect of a project that a customer put on temporary hold in the second quarter of fiscal 2007. While management continues to believe that work with this customer will ultimately proceed, the scope, timing and contract terms are now expected to change. Excluding this order from prior year Order Backlog, healthcare Order Backlog increased approximately 43%. Computer-electronics Order Backlog increased 107% on strong Order Bookings in this industry in ASG business units in Asia, the west coast of North America, and Cambridge, Ontario. The increase in Automotive Order Backlog was primarily due to strong order bookings in Europe, reflecting further market penetration in this geographic region. "Other" Order Backlog increased primarily due to new orders secured in nuclear energy.

Automation Systems Group Outlook

The market outlook for fiscal 2008 expressed in the annual MD&A for fiscal 2007 is unchanged. While management continues to believe that the underlying global trends that create demand for ASG's automated manufacturing solutions are attractive, the strength of the Canadian dollar and ongoing restructuring within the North American automotive market are expected to continue to present challenges. However, management expects the increases in Order Bookings levels over the past four quarters and the resulting improvement in Order Backlog to start the third quarter of fiscal 2008 will allow revenue to trend upward as fiscal 2008 progresses. As well, management expects the combination of higher build activity and ongoing operational improvements, resulting in part from the recent reduction of excess capacity in North America, should also contribute to higher factory utilization – a key driver of earnings.

During the second quarter of fiscal 2008, the Company continued to make structural and operational improvements within its ASG operations and believes these changes will help to deliver better results as revenue and factory utilization increase on the strength of higher Order Backlog.

To further strengthen performance in ASG, management intends to aggressively push forward with its four focused initiatives: improve core operations through better resource utilization and further cost improvements; deepen and broaden customer relationships as well as industry and regional automation markets; further advance ATS' global capabilities and recognized name; and enhance employee talent development.

Photowatt Technologies Segment

Photowatt Revenue
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Revenue by Region				
Germany	**$ 15.6**	$ 6.5	**$ 38.1**	$ 22.3
Spain	**11.0**	12.8	**20.7**	27.5
Rest of Europe	**9.9**	6.7	**20.9**	18.2
North America	**0.4**	0.5	**3.2**	1.9
Asia/Other	**1.0**	2.0	**2.7**	3.0
Total Revenue	**$ 37.9**	$ 28.5	**$ 85.6**	$ 72.9
Revenue by Operating Facility				
Photowatt France	**$ 37.5**	$ 29.0	**$ 83.7**	$ 72.8
Photowatt USA	**0.4**	0.8	**3.0**	2.5
Inter-solar Eliminations	**0.0**	(1.3)	**(1.1)**	(2.4)
Total Revenue	**$ 37.9**	$ 28.5	**$ 85.6**	$ 72.9

Photowatt's total revenue (inclusive of Photowatt France and Photowatt USA) was $37.9 million, 33% higher than in the second quarter of fiscal 2007. Higher year-over-year revenues reflected an increase in total MWs sold at Photowatt France to 8.2 MWs from 5.9 MWs during the second quarter of fiscal 2007 (estimated revenue benefit $11.0 million). Growth in MWs sold resulted from increased ingot, wafer and cell production capacity at Photowatt France which came on line in March 2007. Revenue in both quarters was impacted by Photowatt's annual three week summer factory shutdown, although in the second quarter a year ago, the shutdown was extended by one week (estimated revenue impact $1.7 million) to accommodate equipment realignment necessary to prepare for the aforementioned capacity expansion.

The year-over-year increase in revenue was achieved despite an 8% decrease in average selling prices per watt for polysilicon modules – which impacted revenue by approximately $1.5 million – and a change in revenue mix to products made from MgSi. Management believes the lower average selling price for polysilicon modules was primarily due to reduced government incentives in Germany. Management believes that market conditions in Europe are stabilizing and this was reflected in the fact that solar module prices in the second quarter were consistent with the first quarter of fiscal 2008**.**

In addition, modules and systems made from MgSi represented $14.2 million of second quarter revenue compared to $0.5 million a year ago. MgSi modules were sold at average selling prices approximating 90% of the price per watt for polysilicon modules. This is because the average wattage output of modules at a given size manufactured using MgSi is lower than cells manufactured from polysilicon. In the second quarter, average efficiency for MgSi cells was approximately 13% – the same as the first quarter of fiscal 2008 – compared to approximately 15% for cells produced using polysilicon.

Compared to the first quarter of fiscal 2008, revenue from MgSi modules and systems was $2.5 million lower. This was primarily due to the three week plant shutdown.

For the six months ended September 30, 2007, revenues increased 17% compared to the six months ended September 30, 2006. Higher revenues reflected an increase in total MWs sold at Photowatt France to 18.9 MWs from 14.6 MWs during the first six months of fiscal 2007 (estimated increase in revenue of $20.4 million). These increases were partially offset by reduced average selling prices. Average selling prices per watt for polysilicon modules decreased approximately 8% for the six months ended September 30, 2007 compared to a year ago. In addition, MgSi modules were sold at average selling prices approximating 90% of the price per watt for polysilicon modules. During the six months ended September 30, 2007 Photowatt sold 8.1 MWs of MgSi products compared to 0.1 MWs in the comparable prior year period.

Foreign exchange did not have a significant impact on Photowatt revenue during the three months ended September 30, 2007 compared to the prior year periods.

Photowatt Technologies Operating Results
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Operating Earnings (Loss):				
Photowatt France	**$ (6.1)**	$ 1.5	**$ (6.5)**	$ 11.8
Photowatt USA	**(0.9)**	(0.6)	**(1.2)**	(0.8)
Spheral Solar	**(1.1)**	(3.4)	**(2.4)**	(7.9)
Solar Corporate Costs	**(1.0)**	(0.5)	**(1.6)**	(1.0)
Inter-solar Eliminations	**0.2**	(0.1)	**0.4**	(0.6)
Photowatt Technologies Operating Earnings (Loss)	**$ (8.9)**	$ (3.1)	**$ (11.3)**	$ 1.5

Although the year-over-year increase in MWs sold positively impacted Photowatt France operating earnings by $6.1 million in the second quarter compared to a year ago and $10.2 million for the six months ended September 30, 2007, this contribution was more than offset by a number of factors, including a decline in industry prices per watt, increases in polysilicon costs due to industry shortages, and reduced polysilicon module production. As a result, Photowatt France incurred an operating loss of $6.1 million in the second quarter of fiscal 2008 and an operating loss of $6.5 million for the six months ended September 30, 2007 compared to operating profits of $1.5 million and $11.8 million respectively a year ago.

Other factors that impacted operating earnings during the three and six months ended September 30, 2007 compared to the prior year are as follows:

- lower average selling prices negatively impacted operating income by approximately $3.2 million for the quarter and $10.0 million for the six months ended September 30, 2007;
- increased costs of polysilicon feedstock and lower average cell efficiencies, including slightly lower efficiencies achieved on polysilicon-based cells compared to a year ago due to the use of lower-grade “reclaimed silicon” during production in the first

quarter of fiscal 2008, negatively impacted operating income by $6.5 million during the second quarter and $10.6 million for the six months ended September 30, 2007. This cost increase was partially offset by lower MgSi costs of approximately $2.6 million in the quarter and year to date compared to the use of polysilicon in the prior year;

- greater use of MgSi resulted in increased direct labor, other materials costs, and higher scrap rates per watt, negatively impacting operating income by $2.2 million during the second quarter, and $5.6 million for the six months ended September 30, 2007;
- increased overhead, depreciation and amortization as a result of the capacity expansion completed in fiscal 2007 negatively impacted operating income by $3.3 million during the second quarter, and $5.7 million for the six months ended September 30, 2007.

Also in the second quarter, Photowatt incurred a $1.4 million write off on a deposit paid to a supplier in China of refined metallurgical silicon as management believes recovery is not reasonably assured.

Photowatt USA's operating loss in the second quarter was $0.9 million compared to an operating loss of $0.6 million a year ago. During the quarter, the Company closed its non-strategic module production facility in New Mexico. Photowatt will continue to service its US customers through a new distribution network.

Spheral Solar's operating loss in the second quarter was $1.1 million compared to an operating loss of $3.4 million a year ago. The change primarily reflected the reduction in Spheral Solar staff and expenses associated with the Company's decision, taken in the latter half of the first quarter of fiscal 2008, to halt further internal Spheral Solar development.

Solar corporate costs were $1.0 million in the second quarter of fiscal 2008 compared to $0.5 million a year ago. The current quarter operating loss includes severance costs of $0.7 million, as the Company continues to reduce personnel. Inter-solar eliminations were $0.2 million, which represented the realization of deferred profits on shipments of silicon from Spheral Solar to Photowatt France. No such shipments have been made in fiscal 2008 and none is expected going forward.

Reflecting the reasons noted above, the operating loss for Photowatt was $8.9 million in the second quarter of fiscal 2008 compared to an operating loss of $3.1 million a year earlier.

Photowatt France Non-GAAP Reconciliation
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Operating Earnings (Loss)	**$ (6.1)**	$ 1.5	**$ (6.5)**	$ 11.8
Depreciation and Amortization	**3.2**	2.2	**6.3**	4.5
EBITDA	**$ (2.9)**	$ 3.7	**$ (0.2)**	$ 16.3

Amortization expense at Photowatt France was $3.2 million compared to $2.2 million during the second quarter of fiscal 2007, reflecting additional capital assets purchased during fiscal 2007 in support of the previously discussed capacity expansion program that was completed in March 2007. Photowatt France's EBITDA for the second quarter was negative $2.9 million (negative 8% EBITDA margin) compared to $3.7 million (13% EBITDA margin) a year ago due to the same factors noted above.

Photowatt France Outlook

The long-term market outlook for Photowatt France is positive. Management continues to believe demand for solar products will be positively impacted by a number of trends, which are discussed in the annual MD&A.

In the short term, Photowatt is expected to continue to face the industry-wide challenges associated with shortages of polysilicon, increasing polysilicon prices and lower average selling prices per watt than in fiscal 2007. MgSi products were developed by Photowatt as an alternative to polysilicon with the objective of creating a competitive advantage due to the industry-wide shortages of polysilicon. Although now manufactured in substantial quantities, these products are at an early stage of development and, as expected, power conversion efficiencies are lower than those generated using higher-priced polysilicon feedstock. Given the shortage of polysilicon at reasonable prices, management expects to use a significant part of its manufacturing capacity in fiscal 2008 to produce MgSi products. Until the cell efficiency of these products is enhanced, production of these products is expected to have a negative impact on profitability compared to historical margins using polysilicon (secured at lower historical cost than available in the market today).

To address these challenges, the Company has:

- strengthened its management team through the appointment of an experienced CEO, Eric Laborde, and is actively recruiting a CFO for Photowatt. Mr. Laborde is an experienced solar industry executive who led Photowatt from 2001 through 2006. During this period, Mr. Laborde was instrumental in the turnaround of this business and increased revenues from approximately €30 million to approximately €90 million. Mr. Laborde has also been on the Board of Directors of the EPIA (European Photovoltaic Industry Association) since 2002, is the CEO of PV Alliance (see below), and is involved as special advisor, member of the board, or Chairman, with several companies;
- formalized the initial phase of the PV Alliance with EDF and the CEA which contemplates research to improve the power efficiencies of both polysilicon and MgSi solar cells and, in later phases, the manufacturing of the resulting products. Following the official public launch of the Alliance on November 9, 2007 attended by the Prime Minister of France, François Fillon, the partners will now begin their development activities. It is expected that the PV Alliance will apply for subsidies from the French government;
- signed an agreement to supply EDF, a partially owned subsidiary of Electricité de France and a leader in green power, with a minimum of 10 MWs of refined metallurgical silicon modules per annum from 2008 through to December 31,

2010 – for a total of at least 30 MWs – demonstrating early market acceptance of this new product line;

- engaged in measures (including capital investments) to improve MgSi solar cell and module manufacturing processes. These process improvement efforts are focused on: increasing cell power efficiencies; enhancing manufacturing yields and reducing scrap rates; and, increasing throughput at all stages of production.
- announced plans to increase its ingot manufacturing capacity to 50 MWs (measured using refined metallurgical silicon) by the fourth quarter of fiscal 2009 at an approximate cost of €20 million and invest in other capital equipment designed to improve the productivity and efficiency of the Photowatt manufacturing facility;
- entered into a multi-year agreement to purchase high-purity polysilicon to support approximately 14 megawatts of solar production per annum starting in January 2010 and continuing for a nine year period.

In addition to these significant steps forward, management is currently examining Photowatt's operating strategy, including evaluation of research and development alternatives to improve cell efficiencies and manufacturing yields, alternative means of securing additional sources of high quality polysilicon such as vertical integration of polysilicon production, exploration of investments in alternative solar technologies (such as "thin film") and further capacity expansion. The outcome of this evaluation may impact the timing, magnitude and type of capital expenditures and investments, including the use of proceeds of the recent ATS rights offering. These strategic options are being evaluated because management believes there is significant opportunity to enhance the long-term performance of the solar business while also reducing the risk associated with polysilicon supply. Management believes these options, combined with recent long-term silicon supply contracts (see "Contractual Obligations") which significantly increase Photowatt France's access to silicon material, will strengthen Photowatt prospects for the future. Management intends to continue to fortify this business throughout fiscal 2008 to prepare it for the planned separation of Photowatt from ATS to maximize value for ATS shareholders.

Precision Components Group Segment

Second quarter PCG revenue of $16.7 million was $2.6 million lower than in the same period of fiscal 2007. PCG revenue for the six months ended September 30, 2007 of $36.1 million was $8.5 million lower than the comparable prior year period. The decline in PCG revenue compared to the prior year periods is primarily due to lower volumes on existing customer programs caused by significant production cuts by the Big Three North American automakers and the impact of the consolidation of the MPP business unit, an injection molding operation formerly located in Bowmansville, Ontario, into existing PCG operations.

Foreign exchange negatively impacted second quarter fiscal 2008 PCG revenues by an estimated $0.7 million, and $1.1 million for the six months ended September 30, 2007 compared to the prior year.

PCG Non-GAAP Reconciliation
(in millions of dollars)

	Three Months Ended		Six Months Ended	
	9/30/2007	9/30/2006	**9/30/2007**	9/30/2006
Operating Loss	**$ (2.6)**	$ (1.7)	**$ (3.7)**	$ (0.8)
Depreciation and Amortization	**1.7**	1.7	**3.4**	3.5
EBITDA	**$ (0.9)**	$ 0.0	**$ (0.3)**	$ 2.7

PCG operating loss of $2.6 million reflected the impact of lower revenues, higher material costs and scrap rates related to PCG's Plastics business unit.

PCG EBITDA was negative $0.9 million compared to EBITDA of $0.0 million a year ago, primarily reflecting the impact of lower revenues as a significant portion of the costs of the business are fixed in nature.

Foreign exchange negatively impacted second quarter fiscal 2008 PCG operating earnings by an estimated $0.3 million compared to the second quarter of fiscal 2007.

PCG Outlook

During the first quarter of fiscal 2008, ATS retained financial advisors to identify and evaluate strategic alternatives to exit the remaining PCG operations. Since then, ATS and its financial advisors have initiated a formal sale process by contacting potential purchasers and circulating a confidential information memorandum to certain qualified potential purchasers.

The outlook for PCG is unchanged from year end. Management believes continued strengthening of the Canadian dollar and the difficult conditions in the North American automotive parts market will negatively impact PCG revenue and earnings during the balance of fiscal 2008.

Consolidated Results from Operations

Revenue. At $163.3 million, consolidated revenue from continuing operations for the three months ended September 30, 2007 was slightly less than 1% lower than a year ago. A 33% increase in Photowatt revenue was offset by the 7% and 14% declines in ASG and PCG revenues respectively. The estimated effect on revenue of changes in effective foreign exchange rates was a decrease in revenue of $5.4 million for the three months ended September 30, 2007, and $5.2 million for the six months ended September 30, 2007 compared to the same periods of the prior year.

Consolidated earnings (loss) from operations. For the three and six month periods ended September 30, 2007, consolidated loss from operations was $19.4 million and $27.4 million respectively, compared to loss from operations of $2.5 million and earnings from operations of $3.2 million a year ago. Fiscal 2008 second quarter performance reflected: operating earnings of $2.4 million at ASG (operating earnings $5.7 million a year ago); Photowatt operating loss of $8.9 million (operating loss $3.1 million a year ago); PCG operating loss of $2.6 million ($1.7 million operating loss a year ago); and inter-segment eliminations and corporate expenses of $10.3 million ($3.4 million of expenses a year ago) reflecting incremental severance costs, professional fees, and stock-based compensation. Changes in effective foreign exchange rates decreased operating earnings by an estimated $2.0 million for the three months ended September 30, 2007, and by $2.6 million for the six months ended September 30, 2007 compared to the same periods of the prior year.

Selling, general and administrative ("SG&A") expenses. For the second quarter of fiscal 2008, SG&A expenses increased 20% or $4.4 million to $26.5 million compared to the respective prior year period. Included in SG&A for the second quarter of fiscal 2008 was: $4.1 million of consolidated severance costs pertaining primarily to the resignation of certain senior officers of the Company and the elimination of jobs at Spheral Solar and Photowatt USA; $1.9 million of other direct costs related to the change in the Board of Directors; and, $0.5 million of recruiting costs for certain senior level positions in the Company. Fiscal 2007 second quarter SG&A expenses also included a $0.4 million PCG provision for receivables pertaining to an automotive customer that filed for Chapter 11 bankruptcy protection. For the six months ended September 30, 2007, SG&A expenses increased 15%, or $6.4 million to $50.1 million compared to the respective prior year period. SG&A costs for the six months ended September 30, 2007 included severance costs of $7.0 million.

Stock-based compensation cost. For the three and six month periods ended September 30, 2007, stock-based compensation expense increased to $1.5 million and $2.0 million respectively compared to $0.6 million and $0.7 million a year earlier. The increase primarily reflected accelerated vesting of options of certain officers of the Company who resigned during the quarter. The impact of this accelerated vesting was $1.2 million.

Interest expense. For the three and six month periods ended September 30, 2007, interest expense increased to $1.4 million and $2.7 million respectively compared to $0.9 million and $1.5 million a year earlier. The increase primarily reflects higher usage of the Company's credit facilities and increased interest rates in fiscal 2008.

Loss from discontinued operations, net of tax. The loss from discontinued operations during the first six months of fiscal 2007 included a non-cash charge of $2.0 million ($2.2 million before taxes) to write down the assets of the Company's Berlin, Germany coil winding operation to their net realizable value. This operation was sold during the three months ended June 30, 2006, and accordingly, its results and financial position have been segregated and presented separately as discontinued operations. See Note 4 to the Consolidated Interim Financial Statements for further details on the net loss from discontinued operations.

Provision for income taxes. The Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 36.1% (2007 – 36.1%) primarily as a result of losses incurred in Canada, the benefits of which have not been recognized for financial statement reporting purposes.

Net earnings (loss) from continuing operations. For the second quarter of fiscal 2008, net loss from continuing operations was $18.8 million (28 cents per share basic and diluted) compared to net loss from continuing operations of $2.1 million (4 cents per share basic and diluted) a year ago. The year to date net loss from continuing operations was $27.7 million (44 cents per share basic and diluted) compared to net earnings from continuing operations of $0.4 million (1 cent per share basic and diluted).

Net loss. For the second quarter of fiscal 2008, net loss was $18.8 million (28 cents per share basic and diluted) compared to net loss of $2.1 million (4 cent per share basic and diluted) for the same period last year. The year-to-date net loss was $27.7 million (44 cents per share basic and diluted) compared to net loss of $1.8 million (3 cents per share basic and diluted).

Foreign Exchange

Year over year foreign exchange rate decreases during second quarter fiscal 2008, negatively impacting consolidated revenue by an estimated $5.4 million compared to the second quarter of fiscal 2007. This decrease was primarily related to the effect of a stronger Canadian dollar relative to the US dollar. Changes in foreign exchange rates also reduced second quarter fiscal 2008 consolidated operating earnings by an estimated $2.0 million compared to the second quarter of fiscal 2007.

Period Average Market Exchange Rates in CDN$

	Three months ended			**Six months ended**		
	9/30/2007	9/30/2006	**% change**	**9/30/2007**	9/30/2006	**% change**
US $	**1.0453**	1.1210	(6.8)	**1.0704**	1.1205	(4.5)
Euro	**1.4366**	1.4276	0.6	**1.4566**	1.4193	2.6
Singapore $	**0.6889**	0.7093	(2.9)	**0.7034**	0.7073	(0.6)

Liquidity, Cash Flow and Financial Resources

On September 27, 2007, the agreement governing the Company's primary operating credit facility and its revolving bank credit facility (the "Credit Agreement") was amended resulting in the unsecured operating credit facility of $70 million and the revolving bank credit facility of $60 million being consolidated into one operating credit facility of $130 million. The amended operating credit facility, which is secured by a general security agreement, is repayable on December 31, 2007. The amended operating credit facility is subject to an adjusted current assets to current debt covenant of 1.25:1 and a debt to shareholders' equity covenant of 1.5:1. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also restricts the disposition of certain assets with an agreement to reduce available credit by an amount equal to a portion of the net proceeds received by the Company from certain material asset sales, if any. The Company is in compliance with these covenants and restrictions.

The Company is currently negotiating with a number of financial institutions to establish a long-term credit facility to replace the Credit Agreement. The Company believes that a long-term credit agreement or credit extension will be reached prior to December 31, 2007 at terms that are satisfactory to ATS. In the event that such an agreement or extension is not yet in place at December 31, 2007, management believes that the Company has sufficient cash on hand and availability of alternative sources of funding, including financing of land and buildings, to repay amounts due under the Credit Agreement and to manage ongoing working capital requirements and meet existing cash commitments.

During the second quarter of fiscal 2008, the Company completed a rights offering, raising gross proceeds of $110.2 million (net proceeds of $102.5 million). The rights offering provided existing common shareholders with rights to subscribe for additional common shares in ATS. Each shareholder of record of the Company on July 19, 2007 received one right for each common share held. For every 3.35 rights held, the holder was entitled to purchase one common share at the subscription price of $6.23 until 5:00 pm (Toronto time) on August 14, 2007. The subscription price of $6.23 per share represented a discount of 32% to the closing price of $9.13 per share on July 5, 2007. ATS received subscriptions of 16,011,247 common shares. Under the Additional Subscription Privilege, 1,678,903 shares were purchased. The net proceeds of the rights offering are being used to further expand the manufacturing capacity of Photowatt France, procure silicon supplies, advance research and development, repay its credit facility and for general corporate purposes at Photowatt France. However, as part of the evaluation of the Photowatt strategy, management is assessing the allocation of these funds in support of Photowatt's long-term growth objectives. These proceeds may also be used in the short term to repay the Company's existing operating credit facility if no alternative credit arrangement or an extension of the existing operating credit facility has been reached by December 31, 2007.

Cash balances, net of bank indebtedness and long-term debt, at September 30, 2007 increased $34.0 million compared to March 31, 2007, primarily due to the rights offering. The Company held cash of $3.1 million in an irrevocable trust on behalf of individuals holding officer and director positions at the Company immediately prior to the September 13, 2007 annual meeting of the shareholders. Subsequent to September 30, 2007, these funds were released to the Company.

The Company invested $3.6 million and $11.4 million respectively in property, plant and equipment during the three and six month periods ended September 30, 2007, including $2.2 million and $8.8 million in Photowatt.

No stock options were exercised during the first six months of fiscal 2008. At November 9th, 2007 the total number of shares outstanding was 76,952,155. The outstanding number of options increased 1.3 million due to the rights offering and stock option grants in the second quarter.

The Company's debt to equity ratio at September 30, 2007 was 0.3:1. At September 30, 2007 the Company had approximately $54 million of unutilized credit available under existing operating facilities.

During the six months ended September 30, 2007, the Company repatriated US$25.5 million from its US subsidiaries and used this to repay a portion of its US-denominated LIBOR debt in Canada. The Company also borrowed $60 million of Bankers Acceptances under its credit facilities.

Related Party Transactions

Certain of the directors of the Company are related to Goodwood Inc. and Mason Capital Management, LLC. The Company has agreed to reimburse $0.5 million of proxy-circular related costs incurred in connection with the election of the new Board of Directors.

Mr. Laborde, the new CEO of Photowatt, is also the President of PV Alliance, in which Photowatt has a 40% investment interest. During the quarter, Photowatt invested €0.4 million in the PV Alliance.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q2 2008**	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenue	**$ 163,339**	$ 174,801	$ 172,486	$ 171,795	$ 164,598	$ 191,196	$ 208,775	$ 176,254
Net earnings (loss) from continuing operations	**$ (18,763)**	$ (8,937)	$ (80,854)	$ (2,389)	$ (2,110)	$ 2,496	$(65,073)	$ (5,309)
Net earnings (loss)	**$ (18,763)**	$ (8,937)	$ (80,854)	$ (2,389)	$ (2,110)	$ 338	$(65,589)	$ (5,801)
Basic earnings (loss) per share from continuing operations	**$ (0.28)**	$ (0.15)	$ (1.36)	$ (0.04)	$ (0.04)	$ 0.04	$ (1.09)	$ (0.09)
Basic earnings (loss) per share	**$ (0.28)**	$ (0.15)	$ (1.36)	$ (0.04)	$ (0.04)	$ 0.01	$ (1.11)	$ (0.10)
Diluted earnings (loss) per share from continuing operations	**$ (0.28)**	$ (0.15)	$ (1.36)	$ (0.04)	$ (0.04)	$ 0.04	$ (1.09)	$ (0.09)
Diluted earnings (loss) per share	**$ (0.28)**	$ (0.15)	$ (1.36)	$ (0.04)	$ (0.04)	$ 0.01	$ (1.11)	$ (0.10)

ATS' revenue and operating results are generally lower in the second quarter of each fiscal year (three months ended September 30th) due to summer plant shutdowns.

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, 2007 found at www.sedar.com. The Company's off balance sheet arrangements consist of operating lease financing related primarily to facilities and equipment.

In April 2007, the Company entered into a commitment to purchase 1,700 tonnes of MgSi commencing in 2007 and ending December 31, 2011. Advance payments are required, which will be applied against the price of the product received. Commencing in calendar 2008, the price per kilogram of metallurgical-grade silicon may be adjusted at the beginning of the year based upon an agreed upon formula.

In June 2007, the Company entered into an eight-year commitment, commencing January 1, 2010, to purchase approximately 32 million polysilicon wafers over the term of the agreement. Advance payments are required, which will be applied against the price of the wafers received during the life of the commitment. The price per wafer will be adjusted at the beginning of each calendar year based upon an agreed upon formula.

In September 2007, the Company entered into a nine-year commitment, commencing January 2010, to purchase high-purity polysilicon to support approximately 14 MWs of Photowatt solar production per annum. Advance payments are required, which will be applied against the price of the product received.

The Company has exercised its right to purchase the remaining outstanding minority interest in a subsidiary. The purchase price is yet to be established but likely to be determined by March 31, 2008.

Changes in Accounting Policies

Effective April 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants Handbook Sections which established the accounting and reporting standards for financial instruments and hedging activities. These sections require the initial recognition of financial instruments at fair value on the balance sheet. As required by these standards, the comparative interim consolidated financial statements have not been restated except for the reclassification of the cumulative translation adjustment to accumulated other comprehensive income. See Note 2 to the interim consolidated financial statements for further details including the impact of adopting these standards.

The Canadian Institute of Chartered Accountants has also issued new Handbook Sections that will become effective for the Company on April 1, 2008 – see Note 3 to the interim consolidated financial statements. The Company is currently evaluating the impact of adopting these future accounting standards.

Controls and Procedures

In its annual MD&A dated June 18, 2007 and for the fiscal year ended March 31, 2007, the Company reported that it had identified certain weaknesses in the design of internal controls over financial reporting. The Company, with the assistance of external specialists, has developed remediation plans for the identified controls deficiencies, and continues to make progress on implementing the remediation plans. In preparing the interim consolidated financial statements for the three and six month periods ended September 30, 2007, the Company again performed a number of additional financial review procedures in an effort to mitigate the risk of undetected material errors in the Company's Consolidated Financial Statements and disclosures. During the three and six months ended September 30, 2007, 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.

Forward Looking Statement

This MD&A relates to ATS' second quarter financial results for the three months ended September 30, 2007 and contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS' business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, positive indicators of future performance within

Automation Systems; Photowatt growth plan and expected progress; opportunity for growth within the solar industry and intention to position Photowatt to be a beneficiary of such growth; improvement plans being initiated within ASG; opportunity for growth in worldwide automation systems integration; recruitment of ATS CEO; sale of the PCG business; future performance indicators within ASG; enhancement of global factory utilization within ASG; need to continue to improve productivity and efficiency in ASG Canadian operations; mandate of Photowatt President and CEO to increase enterprise value; consideration of alternative solar technologies, such as thin film, alternative sources of polysilicon, R&D alternatives targeting improved cell efficiencies, and further capacity expansion; contemplation of research by PV Alliance into improved solar power efficiencies and manufacturing of resulting solar products; quantities and timing of supply under sale contract with EDF Energies Nouvelles; benefit or relationship with EDF; expansion of ingot manufacturing capacity at Photowatt France and timing and cost thereof; potential for development of solar group, broadening of its technological footprint, and increase in its enterprise value; planned separation of Photowatt from ATS; management's expectations with respect to ASG revenue trends during fiscal 2008; management's beliefs with respect to market conditions and average selling prices in the European market; the Board's focus on providing leadership in order to improve operating performance; changes implemented with the intention of increasing enterprise value of Photowatt in advance of planned separation of Photowatt from ATS; timing of ATS CEO announcement; efforts to increase value for shareholders, customers and employees; management's focus on growing selectively within the ASG markets; global trends for demand of automated manufacturing; challenges facing the ASG business; management expectations with respect to revenue trends in fiscal 2008; expectation of higher ASG factory utilization and potential for better results; four focused initiatives within ASG; continued servicing of Photowatt's US customers; no expected shipments of silicon from Spheral Solar to Photowatt France; the long term outlook for Photowatt; management's belief with respect to demand for solar products; short term challenges facing Photowatt and impact of MgSi products on profitability; expectation that PV Alliance will apply for subsidies; measures to improve MgSi solar cell and module manufacturing processes; investment in capital equipment designed to improve the productivity and efficiency of the Photowatt manufacturing facility; terms of multi-year agreement to purchase high-purity polysilicon; potential for impact of management examination of Photowatt's operating strategy on capital expenditures, including use of proceeds from recent ATS rights offering; management's belief that there is significant opportunity to enhance the long term performance of the solar business and reduce risk associated with polysilicon supply; management's belief that a long-term credit agreement or extension will be reached prior to December 31, 2007; management's belief that the Company has ability to repay amounts due under the current credit agreement and manage working capital requirements and cash commitments; and terms of various contractual obligations. The risks and uncertainties that may affect forward-looking statements include, among others, general market performance and restructuring within the North American automotive market; foreign currency and exchange risk; strength of the Canadian dollar; performance of the market sectors that ATS serves; that some or all of the trends towards automation that ATS believes are attractive dissipate or do not result in increased demand for automation; risks associated with operating and servicing customers in a foreign country; that multinational companies withdraw from global manufacturing for business, political, economic or other reasons; unforeseen problems with the implementation of the ASG structural and operational initiatives or failure of those measures to bring about improved performance at ASG; that the solar partnerships developed to date are withdrawn or are otherwise unable to meet their objectives; problems associated with the expansion of production capability and adoption of new production processes at Photowatt; managing the impact of supply shortages and higher prices for polysilicon; Photowatt's ability to improve efficiencies of its solar modules produced using lower grade polysilicon or refined metallurgical silicon either alone or through partnerships; Photowatt's ability to secure additional long-term polysilicon supply contracts; the reduction in government incentives and its effect on Photowatt; inability to enter into and advance collaborative development arrangements focused on increasing power efficiencies of solar cells; political, labour or supplier disruptions in manufacturing and supply of silicon; uncertainties related to adopting new technologies, including procuring the appropriate human capital; the receipt of all necessary approvals and any advance tax ruling required in relation to the planned separation of Photowatt from ATS; the state of the capital markets; the ability of ATS to exit the remaining PCG operations; delays in negotiating and concluding an extension or long term credit agreement; and other risks detailed from time to time in ATS' filings with Canadian provincial securities regulators, including ATS' Annual Report and Annual Information Form for the fiscal year ended March 31, 2007. 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.

November 13, 2007