Management's Discussion and Analysis

This Management’s Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 2007 (third quarter of fiscal 2008) provides detailed information on the Company’s operating activities for the third quarter of fiscal 2008 and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and nine months ended December 31, 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 first and second quarters of fiscal 2008. Accordingly, the purpose of this document is to provide a third quarter update to this prior information. 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 and Spheral Solar (a now halted development project). Previously, it was also comprised of Photowatt USA (a small module assembly and sales operation closed in the second quarter). 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 division allocation of corporate costs. 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”, “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. ATS presents EBITDA to show its performance before depreciation and amortization. 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 EBITDA to total Company revenue and earnings from operations for the three and nine month periods of fiscal 2008 and 2007 is contained in the MD&A. EBITDA should not be construed as a substitute 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 (the “Board”). This new Board is focused on providing strong leadership to the Company in order to improve operating performance. Following the shareholders’ meeting, the new Board 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), John Bell, Peter Puccetti, Michael Martino and Gordon Presher. Biographies of the new Board can be found at www.atsautomation.com.

During the third quarter, following a thorough and planned review of the Company’s leadership needs, the Board named Anthony Caputo as Chief Executive Officer of ATS. Mr. Caputo is an experienced senior executive with a 25 year track record of delivering performance, growth and value creation in technology, manufacturing and service environments. Most recently Mr. Caputo served as Corporate Vice-President and President and COO of L-3 Communications and prior to that as President and CEO of Spar Aerospace. Mr. Caputo holds a Bachelor of Technology in Engineering from Ryerson University and a Master of Science in Organizational Development from Pepperdine University.

Since joining ATS in mid-November 2007, Mr. Caputo has taken a number of important steps to return the Company to profitability, including:

**Strengthening leadership:**

- Maria Perrella was named Chief Financial Officer, and will begin working at ATS in February 2008. Ms. Perrella is an experienced executive with a track record of identifying and implementing cost savings in organizations, with expertise in public company reporting and compliance, cash and foreign exchange management, tax planning, information technology strategy and implementation, equity and debt structuring, and acquisitions and divestitures. Ms. Perrella is a Chartered Accountant, and previously held executive positions at Arclin, L-3 Communications Canada and Spar Aerospace;
- Chuck Gyles was named Vice President of Organization Effectiveness, and began working at ATS in January 2008. Mr. Gyles has significant experience in company turnarounds and transformations, with expertise in organizational development, management structure and talent assessment. Mr. Gyles previously held executive positions at Weston Foods Canada Ltd., L-3
Communications, Spar Aerospace, Ontario Power Generation, Bombardier Aerospace Group, Loblaw Companies Ltd. and Chrysler;

- During January 2008, Eric Kiisel was appointed Senior Vice-President ASG Canada. Mr. Kiisel is a professional engineer with more than 25 years’ experience in the automation, nuclear and manufacturing industries. He was previously Vice-President Project Management at ASG’s Cambridge, Ontario operation;

- During February 2008, Jim Sheldon was named Vice-President and General Manager ASG USA. Mr. Sheldon has over 20 years of automation experience, including expertise in turnarounds and corporate stabilizations. He is a business accounting major and holds a certification in manufacturing and mechanical engineering;

- Vincent Bes was named Photowatt Chief Financial Officer and will join the organization late in the fourth quarter of fiscal 2008. Mr. Bes was most recently the Chief Financial Officer of Prismaflex International SA, a publicly-traded company in Europe. Mr. Bes will immediately focus on enhancing the profitability and improving internal controls of the existing Photowatt operations in France.

**Improving Automation Systems Group:**

- Management has centralized review of all significant customer bids to increase profitability, coordination, and reduce risk;

- Underperforming divisions and programs have been identified and actions to improve operations and profitability were initiated;

- Costs in excess of pre-determined standards were identified, particularly in overhead and SG&A. Remedial steps have been initiated to eliminate these expenses;

- Performance management and incentive systems are being modified to align with operational improvement objectives;

- Global account management strategies are being developed;

- The sales and marketing group is being realigned and will sell based on the value of outcomes achieved by ASG systems, products and services;

- Consolidation of a small operation in Michigan into other existing facilities was initiated during January 2008, and is expected to be completed by early fiscal 2009.

**Improving Photowatt France:**

- Focus on returning Photowatt France to acceptable levels of profitability through increasing cell efficiency and throughput, while reducing manufacturing and overhead costs;

- An investment (of up to €20 million) was approved to provide expansion within the existing Photowatt France facility to balance production, increase output, and reduce manufacturing costs;

- An evaluation of strategic relationships with third parties was initiated with the goal of improving the market position of Photowatt France and increasing ATS shareholder value.
Continuing the PCG sale process:
- Detailed discussions were initiated with qualified purchasers with a view to obtaining bids during the fourth quarter of fiscal 2008;
- Alternative courses of action were developed if PCG can not be sold on terms acceptable to ATS;
- Measures were initiated to consolidate existing facilities, reduce excess capacity and overhead costs;
- An internal reorganization and cost reduction program was initiated to mitigate deteriorating performance;
- A focused effort to pursue profitable customer contracts and mitigate foreign exchange risk was initiated.

Improving ATS liquidity through the sale of redundant and non-core assets:
- The Company’s investment in shares of Canadian Solar Inc. were sold in the third quarter for a gain of $31.8 million;
- A sale process was initiated to divest of the redundant Spheral Solar building in Cambridge, Ontario;
- A redundant building in Ohio was listed for sale.

Management is still in the process of finalizing plans, but anticipates that the initiatives to improve the operations will cost approximately $30 million over the next several quarters. However, management intends to take a number of cash generating actions, including the sale of non-core assets, to finance a portion of these costs. Management believes that the payback period on the costs of these operational improvement initiatives will likely be less than one year.
Third quarter ASG revenue increased 9% or $9.7 million compared to the same quarter a year ago. This was expected due to growth in Order Bookings and Order Backlog experienced in the first half of fiscal 2008.

Strong revenue growth in ASG’s Canadian operations was partially offset by revenue declines in the USA and Europe. Repetitive Equipment Manufacturing (“REM”) revenue increased 64% to $13.9 million in the third quarter of fiscal 2008, compared to $8.5 million a year ago, primarily reflecting increased order flow from existing customers. REM currently earns revenue primarily from customers in the healthcare industry, but is beginning to expand into the solar industry.

By industrial market, healthcare revenue increased 22% on strong Order Backlog entering the quarter. Computer-electronics revenue declined by 10%, primarily on lower sales in ASG Asia and the USA. Automotive revenue declined 13% reflecting challenges in the North American auto parts sector. However, ASG’s period-end automotive Order Backlog was healthy on orders secured in ASG Europe. Revenue from the energy market increased by 71%, reflecting increased penetration into the nuclear and solar industries. Revenue from “other” markets increased 62%.

Quarter-over-quarter foreign exchange rate changes negatively impacted ASG revenues by an estimated $12.2 million for the three month period ended December 31, 2007, compared to a year ago, primarily reflecting a stronger Canadian dollar relative to the US dollar. The foreign exchange impact for the nine month period ended December 31, 2007 was $18.1 million compared to the prior year.

For the nine months ended December 31, 2007, revenue decreased 4%, reflecting lower Order Backlog entering the current fiscal year and the negative impact of foreign exchange rates.

ASG Operating Results

ASG operating income was $2.1 million (2% operating margin) compared to $2.4 million (2% operating margin) a year ago. Current period operating results reflected stronger performance at ASG’s North American operations, offset by weaker results in Europe and Asia. European results continued to be negatively impacted by low Order Bookings in France. For Asian operations, lower than expected Order Bookings and lower project
margins on several first time assignments negatively impacted the year-over-year performance. Operating earnings in the third quarter of the prior year included wind-up and closure costs of $1.5 million related to the closure of ASG’s California facility.

Operating income for the nine months ended December 31, 2007 was $5.1 million (2% operating margin) compared to $10.8 million (3% operating margin) a year ago. Fiscal 2008 operating income includes severance costs of $2.1 million, compared to $5.0 million of severance and restructuring costs in the same period of fiscal 2007.

Foreign exchange rate changes negatively impacted ASG operating earnings for the three and nine month periods ended December 31, 2007, by an estimated $2.6 million and $5.0 million respectively, compared to a year ago. The negative impact primarily reflects a stronger Canadian dollar relative to the US dollar.

ASG Non-GAAP Reconciliation
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Earnings</td>
<td>$2.1</td>
<td>$2.4</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$4.1</td>
<td>$5.1</td>
</tr>
</tbody>
</table>

ASG Order Bookings and Order Backlog

ASG Order Bookings in the third quarter of fiscal 2008 were $115 million, 6% higher than in the third quarter of fiscal 2007. The year-over-year increase was primarily due to new REM orders secured in the healthcare industry. Order Bookings in the first six weeks of the fourth quarter of fiscal 2008 were $48 million.

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

<table>
<thead>
<tr>
<th></th>
<th>12/31/2007</th>
<th>12/31/2006</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>$73</td>
<td>$68</td>
<td>7%</td>
</tr>
<tr>
<td>Computer-Electronics</td>
<td>42</td>
<td>31</td>
<td>35%</td>
</tr>
<tr>
<td>Automotive</td>
<td>49</td>
<td>37</td>
<td>32%</td>
</tr>
<tr>
<td>Energy</td>
<td>23</td>
<td>10</td>
<td>130%</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
<td>21</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>$211</td>
<td>$167</td>
<td>26%</td>
</tr>
</tbody>
</table>

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 period end Order Backlog will allow revenue to trend upward in the fourth quarter of fiscal 2008.

The Automation Systems Group enters the fourth quarter with a focus on significantly improving profitability across all ASG divisions, including:

- Implementing a centralized bid review process including operational, legal and finance approval of all significant customer bids. This new process is intended to increase profitability of large customer contracts, while reducing working capital commitment, credit risk, technical risk, and contractual risk prospectively and increasing co-ordination of services to customers globally;
- Improving underperforming divisions that do not meet minimum profitability, cash flow and organic growth requirements. The cost structure and market opportunities of such divisions are being analyzed in detail, with the objective of implementing operational improvements to meet profitability and cash flow objectives;
- Managing ongoing programs to ensure they meet minimum profitability and cash flow requirements. Action plans are being developed with the involvement of senior management to improve the profitability and cash flow of such programs;
- Identifying costs in excess of pre-determined standards, particularly in materials, factory overhead and selling, general and administrative expenses. This initiative includes redefining relationships with key suppliers to reduce materials costs of ASG products, evaluating all discretionary spending, and reviewing all support structure costs;
- Modifying performance management and incentive systems to align with operational improvement objectives. Leadership talent is also being assessed in ASG globally, with the objective of further strengthening senior management over the next several quarters;
- Developing global account management strategies to focus on customer service, global solutions and developing long-term, strategic relationships with global accounts;
- Realigning the sales and marketing group to sell based on the value outcomes achieved by ASG systems, products and services. This includes developing intellectual property for use in unsolicited proposals to give our customers significant market advantages and pricing ATS systems, products or services accordingly.

Management expects that costs associated with implementing these initiatives will negatively affect ASG profitability during the next several quarters. However, these measures are expected to improve profitability and cash flow and enhance organic growth thereafter.
Photowatt Technologies Segment

Photowatt Revenue
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Nine Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue by Operating Facility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Photowatt France</td>
<td>$ 51.6</td>
<td>$ 39.5</td>
<td>$ 135.2</td>
<td>$ 112.3</td>
</tr>
<tr>
<td>Photowatt USA</td>
<td>-</td>
<td>1.6</td>
<td>3.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Inter-solar Eliminations</td>
<td>0.1</td>
<td>(1.9)</td>
<td>(1.0)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$ 51.7</td>
<td>$ 39.2</td>
<td>$ 137.3</td>
<td>$ 112.1</td>
</tr>
</tbody>
</table>

Photowatt France Revenue by Product

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Nine Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Polysilicon products</td>
<td>$ 22.8</td>
<td>$ 38.1</td>
<td>$ 75.1</td>
<td>$ 110.5</td>
</tr>
<tr>
<td>MgSi products</td>
<td>28.8</td>
<td>1.4</td>
<td>60.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$ 51.6</td>
<td>$ 39.5</td>
<td>$ 135.2</td>
<td>$ 112.3</td>
</tr>
</tbody>
</table>

Photowatt’s total third quarter revenue was $51.7 million, 32% higher than in the third quarter of fiscal 2007. Higher year-over-year revenues primarily reflected a 41% increase in total MWs sold at Photowatt France to 11.6 MWs from 8.2 MWs in the third quarter of fiscal 2007. Growth in MWs sold resulted from increased ingot, wafer and cell production capacity at Photowatt France which came on line in March 2007. In the third quarter, Photowatt France also increased revenue from sales of its module systems (“Systems”) to approximately $12.8 million from $4.8 million in the third quarter of fiscal 2007. Systems are modules sales, combined with installation kits, solar power system design and/or other value added services.

Photowatt France’s revenue reflects the change in revenue mix from polysilicon products to products made from MgSi. Total MgSi modules and Systems represented $28.8 million of third quarter revenue compared to $1.4 million a year ago. Average MgSi selling prices increased by 4% from the second quarter, with MgSi modules being sold at a 0% to 10% discount compared to polysilicon modules on a per-watt basis. Revenue from polysilicon modules and Systems was $22.8 million in the third quarter, compared to $38.1 million in the third quarter of fiscal 2007. Consistent with the general market trends for solar modules, average selling prices for polysilicon modules and Systems decreased approximately 5% compared to the third quarter of fiscal 2007. Average cell efficiencies were improved in the third quarter to over 13% for MgSi cells.

Foreign exchange rate changes negatively impacted Photowatt France third quarter revenues by an estimated $1.7 million compared to the third quarter of fiscal 2007, primarily reflecting a stronger Canadian dollar relative to the Euro.

For the nine months ended December 31, 2007, revenues increased 22% compared to the nine months ended December 31, 2006. Higher revenues reflected an increase in total MWs sold at Photowatt France to 30.5 MWs from 22.8 MWs during the first nine months of fiscal 2008. These increases were partially offset by reduced average selling prices primarily due to the increased production of MgSi modules which have a lower average selling price than polysilicon modules.
Photowatt Technologies Operating Results  
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Photowatt France</td>
<td>$ (3.5)</td>
<td>$ 4.5</td>
</tr>
<tr>
<td></td>
<td>$ (10.1)</td>
<td>$ 16.3</td>
</tr>
<tr>
<td>Other Solar</td>
<td>(1.2)</td>
<td>(5.3)</td>
</tr>
<tr>
<td></td>
<td>(6.0)</td>
<td>(15.6)</td>
</tr>
<tr>
<td>Photowatt Technologies Operating Earnings (Loss)</td>
<td>$ (4.7)</td>
<td>$ (0.8)</td>
</tr>
</tbody>
</table>

Photowatt France incurred an operating loss of $3.5 million in the third quarter, compared with operating profit of $4.5 million in the third quarter of fiscal 2007. Included in Photowatt France’s third quarter results are severance costs of $0.6 million and a $4.2 million provision related to a customer dispute. Photowatt France’s operating loss also includes the investment in the PV Alliance R&D project which generated a loss of $0.4 million. During the third quarter, Photowatt invested $0.6 million in the PV Alliance. Further funding will be assessed based on the preliminary results and findings of the PV Alliance (see note 16 to the Interim Consolidated Financial Statements).

Photowatt France continues to focus on improving its profitability, particularly on MgSi products, through cost reductions, improved efficiencies and increased selling prices. During the third quarter, significant production improvements continued to increase the profitability of MgSi products. The direct cost per watt of manufacturing MgSi modules has decreased approximately 20% since the first quarter of fiscal 2008.

Compared to the prior year quarter, increased revenue during the third quarter of fiscal 2008 of $12.1 million positively impacted Photowatt France operating earnings. This contribution was offset by a number of factors, including:

- Increased costs of polysilicon feedstock due to industry shortages; greater use of externally-purchased wafers and bricks; 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 silicon;
- The aforementioned decline in average selling price per watt due to the increased proportion of MgSi revenues and decrease in industry price per watt for polysilicon modules;
- A $1.4 million increase in depreciation and amortization compared to the third quarter of fiscal 2007 primarily as a result of the capacity expansion completed in fiscal 2007;
- Increased factory overhead costs of approximately $1.6 million in the third quarter of this year compared to the third quarter last year, reflecting the higher activity levels and increased capacity.

For the nine months ended December 31, 2007, Photowatt France’s operating loss was $10.1 million compared to an operating profit of $16.3 million in the first nine months a year earlier. Lower profitability reflects the factors mentioned above, and a $1.4 million charge taken in the second quarter on a deposit paid to a former silicon supplier.

Other Solar includes Spheral Solar, Photowatt USA, solar corporate costs and inter-solar eliminations. Third quarter operating loss from these divisions was $1.2 million
compared to an operating loss of $5.3 million a year ago. The decrease in operating loss reflects the $2.0 million reduction in expenses in the Spheral Solar division as a result of the decision to halt Spheral Solar development and close this facility. The closure of Photowatt USA reduced third quarter operating loss by $0.3 million compared to a year ago. Solar corporate costs and inter-solar eliminations were lower in the third quarter compared to a year ago by $1.0 million and $0.8 million respectively. For the nine months ended December 31, 2007, Other Solar operating loss decreased to $6.0 million from $15.6 million compared to the same period a year ago.

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

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Earnings (Loss)</td>
<td>$3.5</td>
<td>$4.5</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>3.4</td>
<td>2.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$(0.1)</td>
<td>6.7</td>
</tr>
</tbody>
</table>

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 fiscal 2007 annual MD&A.

In the short term, Photowatt France 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 France as an alternative to polysilicon with the objective of creating a competitive advantage due to the industry-wide shortages of polysilicon. With MgSi products now being manufactured in substantial quantities, the operational focus is to increase the power conversion efficiency (“cell efficiency”) and reduce the cost per watt of manufacturing MgSi modules. Given the shortage of polysilicon at reasonable prices, management expects to continue to use the majority of its manufacturing capacity in fiscal 2008 and fiscal 2009 to produce MgSi products. Although significant improvements have been made, 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).

In light of challenging market conditions, and the resulting decline in performance of Photowatt, management has initiated a strategic and operational review of this business. While this review is undertaken, the Company intends to focus on three strategic initiatives in the short term:

Return the existing Photowatt operations to acceptable levels of profitability. Preliminary results of reviewing Photowatt France’s operations indicate significant opportunities to reduce costs of the existing operating facility. Operational improvements will focus on:

- Reducing scrap rates and simplifying processes using automation. Solar automation experts from the Company’s ASG segment are evaluating the
existing manufacturing processes with a mandate to reduce manufacturing costs in the existing facility. Process improvement efforts will focus on increasing manufacturing yields; reducing scrap rates; increasing throughput at all stages of production and automating manually-intensive processes;

- Increasing both MgSi and polysilicon cell efficiencies. During the third quarter, Photowatt formalized the initial phase of the PV Alliance with EDF EN (“EDF”), a partially owned subsidiary of Electricité de France, and CEA Valorisation which contemplates research to improve the power efficiencies of both polysilicon and MgSi solar cells and, in later phases, manufacturing of the resulting products. Following the official public launch of the PV Alliance on November 9, 2007 attended by the Prime Minister of France, the partners began development activities during the third quarter of fiscal 2008. It is expected that the PV Alliance will apply for subsidies from the French government;
- Evaluating all discretionary spending and focus on reducing other expenditures.

**Invest up to €20 million on expansion of the existing facility and cost improvement initiatives.** Investments will be focused on removing bottlenecks as a means of balancing plant capacity and improving the productivity and efficiency of the facility.

**Enter into strategic relationships to strengthen Photowatt’s market position and increase ATS shareholder value.** During the third and fourth quarters of fiscal 2008, management initiated discussions with potential strategic partners in this respect. Significant contracts to date include:

- An agreement to supply EDF with refined metallurgical silicon modules with delivery of 17.5 MWs in calendar 2008 and a minimum delivery of 10 MWs per annum from January 2009 through to December 31, 2010 – for a total of at least 37.5 MWs – demonstrating early market acceptance of this new product line;
- A multi-year agreement to purchase high-purity polysilicon to support approximately 14 MWs of solar production per annum starting in January 2010 and continuing for a nine-year period.

Management believes that it is imperative to return Photowatt to profitability, maximize the use of the current facility, and enter into a strategic relationship to secure silicon before further significant investments are made in this business. Management continues to believe that Photowatt should become a standalone company, but must first return to acceptable levels of performance.
Precision Components Group Segment

Third quarter PCG revenue of $17.2 million was $2.7 million lower than in the same period of fiscal 2007. PCG revenue for the nine months ended December 31, 2007 of $53.3 million was $11.7 million lower than the comparable prior year period. Declines in PCG revenue compared to the prior year periods were primarily due to lower volumes on existing customer programs primarily caused by significant production cuts by the Big Three North American automakers and due to some programs coming to the end of their product life.

Foreign exchange negatively impacted third quarter fiscal 2008 PCG revenues by an estimated $1.5 million, and $2.6 million for the nine months ended December 31, 2007 compared to the prior year.

PCG Non-GAAP Reconciliation
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Loss</td>
<td>$ (27.0)</td>
<td>$ (1.4)</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$ (25.4)</td>
<td>$ 0.3</td>
</tr>
</tbody>
</table>

During the third quarter of fiscal 2008, the continued decline in PCG profitability indicated a risk that the long-lived assets of PCG were impaired. As a result, management performed an asset impairment test in accordance with CICA Handbook Section 3063, which indicated that anticipated undiscounted future cash flows did not demonstrate full recovery of the carrying value of PCG deferred pre-production costs and property, plant and equipment. As a result, PCG long-lived assets were written down to their estimated fair market value, resulting in a non-cash impairment charge of $19.1 million. Further information is included in Note 18 of the Interim Consolidated Financial Statements. In conjunction with the impairment test on long-lived assets, management performed an assessment on the recoverability of current working capital asset balances. Management has recorded valuation allowances of $4.2 million and $0.7 million against the carrying values of inventory and accounts receivable respectively, due to continued margin deterioration, loss of customer programs and disputed accounts receivable. The PCG operating loss of $27.0 million in the third quarter of fiscal 2008 reflected these non-cash charges. The operating loss in the third quarter of fiscal 2007 included $0.8 million of costs related to the closure of the MPP facility.

Excluding the aforementioned non-cash asset impairment charges, the operating loss for the three months ended December 31, 2007 was $3.0 million compared to $1.4 million a year ago. This reflected lower volumes on existing programs, excess capacity and overhead in existing facilities, and the continued negative impact of a strong Canadian dollar on long term, fixed USD price contracts. Foreign exchange negatively impacted third quarter fiscal 2008 PCG operating earnings by an estimated $0.7 million compared to the third quarter of fiscal 2007 and by an estimated $1.0 million in the nine month period ended December 31, 2007, compared to a year ago.
Excluding the impact of the aforementioned non-cash asset impairment charge, PCG generated negative EBITDA of $1.4 million for the three months ended December 31, 2007 compared to positive EBITDA of $0.3 million a year ago.

**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. During the second quarter of fiscal 2008, ATS and its financial advisors initiated a formal sale process by contacting potential purchasers and circulating a confidential information memorandum to certain qualified potential purchasers. During the third quarter of fiscal 2008, several expressions of interest were received from potential purchasers of PCG. Subsequent to the third quarter, PCG engaged qualified potential purchasers in detailed management presentations and expects to obtain bids during the fourth quarter of fiscal 2008. The Company has also developed alternative courses of action should the Company not be able to sell PCG on terms acceptable to ATS, including strengthening of the core business.

In addition to continuing its efforts to sell PCG, management has started to implement several aggressive performance improvement measures designed to strengthen this operating segment, including initiating:

- The consolidation of the Advanced Manufacturing Division in Cambridge, Ontario, into existing facilities in China and Stratford, Ontario in order to reduce overhead costs, while creating manufacturing capacity for REM (see “Automation Systems Group Segment”);
- An internal reorganization and cost reduction program to improve cash flow and profitability.

PCG is also pursuing profitable customer contracts while working to mitigate foreign exchange risk.

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. The measures being implemented by management are intended to improve the cash flows and profitability of PCG during the first half of fiscal 2009. The objective of these measures is to reduce PCG losses and strengthen the Company’s ability to sell this segment on acceptable terms and within a short timeframe.
Consolidated Results from Operations

Revenue. At $191.3 million, consolidated revenue from continuing operations for the three months ended December 31, 2007 increased 11% compared to a year ago. A 32% increase in Photowatt revenue and 9% increase in ASG revenue more than offset a 14% decline in PCG revenues. For the nine month period ended December 31, 2007, consolidated revenue increased by $1.9 million. A 22% increase in Photowatt revenue more than offset a 4% decline in ASG revenue and an 18% decline in PCG revenue. The estimated effect on revenue of changes in effective foreign exchange rates was a decrease in revenue of $15.4 million for the three months ended December 31, 2007, and $20.6 million for the nine months ended December 31, 2007 compared to the same periods of the prior year.

Consolidated earnings (loss) from operations. For the three and nine month periods ended December 31, 2007, consolidated loss from operations was $2.8 million and $30.1 million respectively, compared to loss from operations of $2.5 million and earnings from operations of $0.7 million a year ago. Fiscal 2008 third quarter performance reflected: operating earnings of $2.1 million at ASG (operating earnings of $2.4 million a year ago); Photowatt operating loss of $4.7 million (operating loss of $0.8 million a year ago); PCG operating loss of $27.0 million ($1.4 million operating loss a year ago); inter-segment eliminations and corporate expenses of $4.9 million ($2.7 million a year ago) and a gain on the sale of a portfolio investment of $31.8 million (nil a year ago). Increased eliminations and corporate expenses reflected incremental professional fees and stock-based compensation. Changes in effective foreign exchange rates decreased operating earnings by an estimated $3.1 million for the three months ended December 31, 2007, and by $5.7 million for the nine months ended December 31, 2007 compared to the same periods in the prior year.

Selling, general and administrative (“SG&A”) expenses. For the third quarter of fiscal 2008, SG&A expenses increased 19% or $4.2 million to $26.5 million compared to the respective prior year period. Included in SG&A for the third quarter of fiscal 2008 was: $0.7 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 a $4.2 million provision related to a customer dispute in Photowatt. Fiscal 2007 third quarter SG&A expenses included $1.5 million in severance charges and lease costs incurred with the closing of the California plant. For the nine months ended December 31, 2007, SG&A expenses increased 16%, or $10.6 million to $76.5 million compared to the respective prior year period. SG&A costs for the nine months ended December 31, 2007 included severance costs of $7.7 million, $1.9 million related to the change in the Board of Directors; and, $0.5 million of recruiting costs for certain senior level positions in the Company. SG&A expenses for the nine months ended December 31, 2006 included a $0.4 million PCG provision for receivables pertaining to an automotive customer that filed for Chapter 11 bankruptcy protection.

Stock-based compensation cost. For the three and nine month periods ended December 31, 2007, stock-based compensation expense increased to $0.6 million and $2.6 million respectively compared to $0.1 million and $0.8 million a year earlier. The increase during the third quarter reflected new option grants made in the quarter. The third quarter of fiscal 2007 also reflected a reduction of stock-based compensation expense of $0.1 million associated with the revaluation of deferred stock units of certain directors of
the Company. Expenses for the nine months ended December 31, 2007 also reflected accelerated vesting of options of certain officers of the Company who resigned during the second quarter. The impact of this accelerated vesting was $1.2 million.

**Interest expense.** For the three month period ended December 31, 2007, interest expense decreased to $0.7 million compared to $1.1 million a year earlier. The decrease in expense in the third quarter primarily reflected lower usage of the Company’s credit facilities compared to the same period a year ago. For the nine month period ended December 31, 2007, interest expense increased to $3.4 million compared to $2.5 million a year earlier. The increase in expense for the nine month period reflects higher usage of the Company’s credit facilities during the year and increased interest rates in the first and second quarters of fiscal 2008.

**Loss from discontinued operations, net of tax.** The loss from discontinued operations during the first nine 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 5 to the Interim Consolidated Financial Statements for further details on the net loss from discontinued operations.

**Provision for (recovery of) 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 loss from continuing operations.** For the three month period ended December 31, 2007, net loss from continuing operations was $3.7 million (5 cents per share) compared to net loss from continuing operations of $2.4 million (4 cents per share) a year ago. For the nine month period ended December 31, 2007, net loss from continuing operations was $31.4 million (46 cents per share) compared to net loss from continuing operations of $2.0 million (3 cent per share) a year ago.

**Net loss.** For the three month period ended December 31, 2007, net loss was $3.7 million (5 cents per share) compared to net loss of $2.4 million (4 cent per share) for the same period last year. For the nine month period ended December 31, 2007, net loss was $31.4 million (46 cents per share) compared to net loss of $4.2 million (7 cents per share) a year ago.

**Foreign Exchange**

Year-over-year foreign exchange rate decreases during the three month period ended December 31, 2007, negatively impacted consolidated revenue by an estimated $15.4 million compared to the third quarter of fiscal 2007. This decrease was primarily related to the effect of a stronger Canadian dollar relative to the US dollar and Euro. Changes in foreign exchange rates also reduced third quarter fiscal 2008 consolidated operating earnings by an estimated $3.1 million compared to the third quarter of fiscal 2007.
### Period Average Market Exchange Rates in CDN$

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<tbody>
<tr>
<td>US $</td>
<td>0.9822</td>
<td>1.1399</td>
<td>(13.8)</td>
<td>1.0410</td>
<td>1.1270</td>
<td>(7.6)</td>
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<tr>
<td>Euro</td>
<td>1.4246</td>
<td>1.4736</td>
<td>(3.3)</td>
<td>1.4460</td>
<td>1.4374</td>
<td>0.6</td>
</tr>
<tr>
<td>Singapore $</td>
<td>0.6758</td>
<td>0.7325</td>
<td>(7.7)</td>
<td>0.6942</td>
<td>0.7157</td>
<td>(3.0)</td>
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### Liquidity, Cash Flow and Financial Resources

On December 27, 2007, the agreement governing the Company's primary operating credit facility (the “Credit Agreement”) was amended resulting in the authorized operating credit facility being reduced from $130.0 million to $80.0 million. The amended operating credit facility, which is secured by a general security agreement, is repayable on March 31, 2008. The amended operating credit facility is subject to a 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 several 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 at terms that are satisfactory to ATS. In the event that such an agreement or extension is not yet in place at March 31, 2008, the Company believes that there is sufficient cash on hand and availability of alternative sources of funding, including financing of land and buildings, to repay amounts due under the credit agreements, 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). In total ATS received subscriptions of 16,011,247 common shares. Under the Additional Subscription Privilege, 1,678,903 shares were purchased. A portion of the net proceeds of the rights offering are being used to further expand the manufacturing capacity and to reduce manufacturing costs of Photowatt France. The remaining proceeds were primarily used during the third quarter to significantly reduce amounts drawn on the Company’s existing operating credit facility.

Cash balances, net of bank indebtedness and long-term debt, at December 31, 2007 increased $63.9 million compared to March 31, 2007, primarily due to the rights offering and the sale of the Company’s investment in shares of Canadian Solar Inc.

The Company invested $2.4 million and $13.8 million respectively in property, plant and equipment during the three and nine month periods ended December 31, 2007, including $1.4 million and $10.2 million respectively in Photowatt.
No stock options were exercised during the first nine months of fiscal 2008. At February 8th, 2008 the total number of shares outstanding was 76,952,155. The outstanding number of options increased 2.0 million due to stock option grants in the third quarter.

The Company's debt to equity ratio at December 31, 2007 was 0.1:1, compared to 0.2:1 at March 31, 2007 and 0.3:1 at September 30, 2007. At December 31, 2007 the Company had approximately $78 million of unutilized credit available under existing operating facilities.

**Related Party Transactions**

Certain of the directors of the Company are related to Goodwood Inc. and Mason Capital Management, LLC. The Company has reimbursed $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**

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<tbody>
<tr>
<td>Revenue</td>
<td>$ 191,339</td>
<td>$ 163,339</td>
<td>$ 174,801</td>
<td>$ 172,486</td>
<td>$ 171,792</td>
<td>$ 164,598</td>
<td>$ 191,196</td>
<td>$ 208,775</td>
</tr>
<tr>
<td>Net earnings (loss) from continuing operations</td>
<td>$ (3,662)</td>
<td>$ (18,763)</td>
<td>$ (8,937)</td>
<td>$ (80,854)</td>
<td>$ (2,389)</td>
<td>$ (2,110)</td>
<td>$ 2,496</td>
<td>$(65,073)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$ (3,662)</td>
<td>$ (18,763)</td>
<td>$ (8,937)</td>
<td>$ (80,854)</td>
<td>$ (2,389)</td>
<td>$ (2,110)</td>
<td>$ 338</td>
<td>$(65,589)</td>
</tr>
<tr>
<td>Basic earnings (loss) per share from continuing operations</td>
<td>$ (0.05)</td>
<td>$ (0.28)</td>
<td>$ (0.15)</td>
<td>$ (1.36)</td>
<td>$ (0.04)</td>
<td>$ (0.04)</td>
<td>$ 0.04</td>
<td>$(1.09)</td>
</tr>
<tr>
<td>Basic earnings (loss) per share</td>
<td>$ (0.05)</td>
<td>$ (0.28)</td>
<td>$ (0.15)</td>
<td>$ (1.36)</td>
<td>$ (0.04)</td>
<td>$ (0.04)</td>
<td>$ 0.01</td>
<td>$(1.11)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per share from continuing operations</td>
<td>$ (0.05)</td>
<td>$ (0.28)</td>
<td>$ (0.15)</td>
<td>$ (1.36)</td>
<td>$ (0.04)</td>
<td>$ (0.04)</td>
<td>$ 0.04</td>
<td>$(1.09)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per share</td>
<td>$ (0.05)</td>
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<td>$ (0.04)</td>
<td>$ (0.04)</td>
<td>$ 0.01</td>
<td>$(1.11)</td>
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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](http://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.

**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 nine month periods ended December 31, 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 nine months ended December 31, 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’ third quarter financial results for the three months ended December 31, 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, certain initiatives to increase profitability, reduce costs improve operation effectiveness, reduce risk and the related timing, impact on results and benefits thereof; potential for ASG revenue growth based on period end Order Backlog; goal to return Photowatt to acceptable levels of profitability during fiscal 2009; timing of Photowatt France becoming a standalone company; continuing impact of Canadian dollar and restructuring within the North American automotive market on ASG and PCG operations; long term market outlook for Photowatt France; demand for solar products; challenges facing Photowatt; expected use of MgSi; expected revenue per watt for MgSi products shipped under EDF contract; short term strategic initiatives at Photowatt France; expectations in relation to PCG sales process; management’s belief that a long-term credit agreement or extension will be reached; 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 structural and operational initiatives or failure of those measures to bring about improved performance; 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 state of the capital markets; the ability of ATS to exit the remaining PCG operations on terms satisfactory to ATS; 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.

February 13, 2008