Automation Systems

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three and nine months ended December 31, 2008 (third quarter of fiscal 2009) provides detailed information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the third quarter of fiscal 2009. 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 2008 and the unaudited interim consolidated financial statements and MD&A for the first and second quarters of fiscal 2009 and, accordingly, the purpose of this document is to provide a third quarter update to the information contained in the fiscal 2008 MD&A. These documents and other information relating to the Company, including the Company's fiscal 2008 audited consolidated financial statements, MD&A and annual information form may be found on SEDAR at www.sedar.com.

Notice to Reader

The Company has two reportable segments: Automation Systems Group ("ASG") and Photowatt Technologies ("Photowatt") which includes Photowatt France (the ongoing Photowatt Technologies operations), Photowatt U.S.A., a small module assembly facility and sales operation closed during fiscal 2008 and Spheral Solar, a halted development project that has been wound down. References to Photowatt's cell ''efficiency'' means the percentage of incident energy that is converted into electrical energy in a solar cell. Solar cells and modules are sold based on wattage output. "Silicon" refers to a variety of silicon feedstock, including polysilicon, upgraded metallurgical silicon ("UMG-Si") and polysilicon powders and fines. As described in note 5 to the interim consolidated financial statements, the Precision Components Group ("PCG") was classified as held for sale as of March 31, 2008, and its results are reported in discontinued operations.

Non-GAAP Measures

Throughout this document the term "operating earnings" is used to denote earnings (loss) from operations. The term EBITDA is used and is defined as earnings (loss) from operations excluding depreciation and amortization (which includes amortization of intangible assets and impairment of goodwill). The term "margin" refers to an amount as a percentage of revenue. The terms "earnings (loss) from operations", "operating earnings", "margin", "operating loss", "operating results", "operating margin", "EBITDA", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. Operating earnings and EBITDA are some of the measures the Company uses to evaluate the performance of its segments. Management believes that ATS shareholders and potential investors in ATS use non-GAAP financial measures such as operating earnings and EBITDA in making investment decisions about the Company and measuring its operational results. A reconciliation of EBITDA to total Company revenue and earnings from operations for the three and nine months ended December 31, 2008 and the three and nine months ended December 31, 2007 is contained in the MD&A. EBITDA should not be construed as a substitute for net income determined in accordance with GAAP. Order Bookings represent new orders for the supply of automation systems and products that management believes are firm. Order Backlog is the estimated unearned portion of ASG revenue on customer contracts that are in process and have not been completed at the specified date.

AUTOMATION SYSTEMS GROUP SEGMENT

ASG Revenue (in millions of dollars)

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	**Nine Months Ended Dec 31, 2008**	Nine Months Ended Dec 31, 2007
Revenue by industry				
Healthcare	**$ 32.4**	$ 37.3	**$ 104.6**	$ 95.9
Computer-electronics	**18.2**	33.2	**82.3**	84.1
Energy	**49.9**	14.4	**132.8**	48.0
Automotive	**27.5**	26.4	**74.2**	80.2
Other	**16.1**	11.5	**40.3**	31.5
Total ASG revenue	**$ 144.1**	$ 122.8	**$ 434.2**	$ 339.7

Third Quarter

ASG third quarter revenue was 17% higher than a year ago, primarily reflecting a 12% increase in Order Backlog entering the third quarter compared to a year ago.

By industrial market, healthcare revenue decreased by 13% reflecting 26% lower Order Backlog entering the third quarter compared to a year ago. Computer-electronics revenue decreased by 45% reflecting 40% lower Order Backlog entering the third quarter compared to a year ago. Revenues from the energy market increased by 247%, primarily reflecting solar industry Order Bookings over the past 12 months. Revenues from the automotive market increased 4% as North American and European revenues were positively impacted by Order Bookings generated during the second quarter of fiscal 2009. "Other" revenues increased 40% year over year due primarily to customer programs in the consumer products industry.

Automation Products Group ("APG"), a division of ASG, contributed revenue of $40.0 million in the third quarter of fiscal 2009, compared to $13.9 million in the third quarter last year. Growth in revenue reflects two significant programs that are new to APG in fiscal 2009.

Foreign exchange positively impacted ASG revenues by an estimated $15.0 million compared to the third quarter of fiscal 2008, primarily reflecting a stronger U.S. dollar and Euro relative to the Canadian dollar.

Year to date

ASG revenue for the nine months ended December 31, 2008 increased 28% over the same period a year ago. This increase primarily reflects higher Order Backlog entering fiscal 2009 compared to fiscal 2008 and higher Order Bookings through the first three quarters of fiscal 2009 compared to the same period a year ago. By industrial market, year to date revenues from healthcare, energy and "other" markets have increased 9%, 177%, and 28% respectively compared to the same period a year ago. These increases were partially offset by computer-electronics and automotive revenue, which decreased by 2% and 7% compared to the same period a year ago.

Foreign exchange positively impacted ASG revenues by an estimated $6.9 million compared to the first nine months of fiscal 2008, primarily reflecting a stronger U.S. dollar and Euro relative to the Canadian dollar.

ASG Operating Results (in millions of dollars)

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	**Nine Months Ended Dec 31, 2008**	Nine Months Ended Dec 31, 2007
Earnings from operations	**$ 14.7**	$ 2.1	**$ 38.9**	$ 5.1
Depreciation and amortization	**2.1**	2.0	**6.2**	6.1
EBITDA	**$ 16.8**	$ 4.1	**$ 45.1**	$ 11.2

Third Quarter

Fiscal 2009 third quarter earnings from operations were $14.7 million (operating margin of 10%) compared to earnings from operations of $2.1 million (operating margin of 2%) in the third quarter of fiscal 2008. Included in third quarter fiscal 2009 earnings from operations was $3.1 million of restructuring charges related to the consolidation of manufacturing facilities in Tucson, U.S.A., Lyon, France, and Shanghai, China into existing operations. The consolidation of these smaller, underperforming manufacturing operations will reduce ASG's workforce by approximately 5% globally. The Company plans to maintain a sales, service and support presence in these geographic regions.

Earnings from operations excluding restructuring charges improved in all geographic locations and primarily reflect the 17% year over year increase in revenue, cost reductions implemented over the past 12 months and improved program management.

Foreign exchange positively impacted ASG third quarter earnings from operations by an estimated $0.7 million compared to the third quarter of fiscal 2008, primarily reflecting a stronger U.S. dollar and Euro relative to the Canadian dollar.

Year to date

For the nine months ended December 31, 2008, earnings from operations were $38.9 million (operating margin of 9%) compared to earnings from operations of $5.1 million (operating margin of 2%) in the same period a year ago. Included in year to date earnings from operations was $3.2 million of restructuring charges related to the aforementioned operational consolidations and the closures of the Michigan and Thailand facilities. The improvement in operating earnings primarily reflects the 28% year over year growth in revenue, cost reductions implemented during fiscal 2008 and fiscal 2009, and improved program management.

Foreign exchange negatively impacted ASG year to date earnings from operations by an estimated $3.9 million compared to the same period in fiscal 2008, primarily reflecting a stronger Canadian dollar relative to the U.S. dollar in the first two quarters, offset by a stronger U.S. dollar relative to the Canadian dollar in the third quarter and a stronger Euro relative to the Canadian dollar in all three quarters.

ASG Order Bookings

Third quarter ASG Order Bookings were $157 million, 37% higher than the third quarter of fiscal 2008, and included an approximate $50 million Order Booking with a new customer in the solar industry. Order Bookings in the first six weeks of the fourth quarter of fiscal 2009 were $40 million.

ASG Order Backlog Continuity (in millions of dollars)

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	**Nine Months Ended Dec 31, 2008**	Nine Months Ended Dec 31, 2007
Opening Order Backlog	**$ 247**	$ 220	**$ 232**	$ 185
Revenue	**(144)**	(123)	**(434)**	(340)
Order Bookings	**157**	115	**459**	394
Order Backlog adjustments[1]	**22**	(1)	**25**	(28)
Total	**$ 282**	$ 211	**$ 282**	$ 211

1 Order Backlog adjustments include foreign exchange and cancellations.

Order Backlog by Industry (in millions of dollars)

	Dec 31, 2008	Dec 31, 2007
Healthcare	**$ 70**	$ 73
Computer-electronics	**21**	42
Energy	**136**	23
Automotive	**34**	49
Other	**21**	24
Total	**$ 282**	$ 211

At December 31, 2008, ASG Order Backlog was $282 million, 34% higher than at December 31, 2007. Year over year, Order Backlog increased 491% in energy, primarily reflecting high Order Bookings from the solar industry during fiscal 2009. This growth was partially offset by decreases of 4% in healthcare, 50% in computer-electronics, 31% in automotive and 13% in ”other” markets. The decline in healthcare Order Backlog reflects lower Order Bookings in North America during the first nine months compared to the prior year. Decreases in Order Backlog from computer-electronics and “other” markets reflect lower Order Bookings in North America and Asia during the first nine months compared to the prior year. The decrease in automotive Order Backlog reflects a decline in Order Bookings primarily in North America.

Automation Systems Group Outlook

Management continues to believe that the long-term fundamental market demand for automation remains strong. However, the rapid global economic downturn and tightening credit markets experienced in the past few months are expected to present immediate challenges. Some ASG customers may experience financial difficulties, reduce their capital spending, or delay programs to varying degrees depending on the market segment. During the third quarter and first six weeks of the fourth quarter, Order Bookings from ASG’s traditional approach to market were negatively impacted as some customers delayed or cancelled new programs. Management believes that Order

Bookings from the traditional channels to market, which focuses on responding to requests for proposals, will continue to decrease in the current economic environment.

Offsetting lower Order Bookings from ASG's traditional sales channels is the Company's revised offering and approach to market. ASG is now developing sales campaigns and targeting automation solutions for its customers based on differentiating technological solutions, value of outcomes achieved by customers and global capability. These strategies are beginning to gain traction and resulted in an approximate $50 million Order Booking in the solar industry during the third quarter. However, Order Bookings from ASG's revised approach to market are sporadic in nature and may not repeat every quarter. During the fourth quarter, ASG plans to begin strengthening the leadership of the front end of the business, align by market segment, increase senior management focus on all customer opportunities and proposals, and cautiously manage cash and credit terms.

Operationally, ASG plans to continue consolidation and restructuring of non-strategic manufacturing operations and to begin rationalizing its supply chain. Management has launched initiatives to further standardize components and sub-assemblies, consolidate the vendor base to reduce cost and improve terms, increase outsourcing of machining and fabrication to low-cost countries, and leverage global operations to deliver customer programs. Completion of the restructuring and implementation of improvements to supply chain are anticipated to cost between $4 million and $6 million during the fourth quarter.

Management is uncertain to what extent the improvement initiatives will offset current market conditions, and will continue to monitor the situation and modify plans accordingly.

Management believes that ATS has a strong balance sheet and is in a position to begin evaluating strategic and opportunistic ASG acquisitions.

PHOTOWATT TECHNOLOGIES SEGMENT

Photowatt Technologies Revenue (in millions of dollars)

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	**Nine Months Ended Dec 31, 2008**	Nine Months Ended Dec 31, 2007
Revenue by operating facility				
Photowatt France	**$ 79.7**	$ 51.6	**$ 221.6**	$ 135.2
Other Solar	**–**	0.1	**–**	2.1
Total revenue	**$ 79.7**	$ 51.7	**$ 221.6**	$ 137.3
Revenue by product				
Polysilicon products	**$ 22.6**	$ 22.9	**$ 75.3**	$ 77.2
UMG-Si products	**57.1**	28.8	**146.3**	60.1
Total Revenue	**$ 79.7**	$ 51.7	**$ 221.6**	$ 137.3

Third Quarter

Photowatt Technologies fiscal 2009 third quarter revenue was $79.7 million, 54% higher than in the third quarter of fiscal 2008. Higher revenue reflected an increase in total megawatts ("MWs") sold at Photowatt France to 16.4 MWs from 11.6 MWs in the same period a year ago. Growth in MWs sold resulted from increased cell efficiency and increased ingot, wafer and cell production compared to the same period a year ago, particularly with UMG-Si products. During the quarter, Photowatt France outsourced 2.6 MW of polysilicon wafer and module production. Revenue from the sale of module systems ("Systems") increased to $22.5 million from $12.8 million in the third quarter of fiscal 2008. Systems include modules, combined with installation kits, solar power system design and/or other value added services. Average selling prices per watt in the third quarter of fiscal 2009 remained stable with the prior year.

Foreign exchange positively impacted Photowatt France third quarter revenues by an estimated $8.3 million on the translation of Photowatt France revenues from Euros to Canadian dollars, reflecting the strengthening of the Euro against the Canadian dollar on higher Euro revenues.

Year to date

Photowatt Technologies revenue for the first nine months of fiscal 2009 increased 61% compared to the same period a year ago. The increase in revenue reflects an increase in MWs sold at Photowatt France from 30.5 MWs to 45.1 MWs. Revenues from System sales increased to $57.4 million from $22.2 million in the same period a year ago. Average selling prices per watt remained stable year over year.

Foreign exchange positively impacted Photowatt France year to date revenues by an estimated $18.4 million on the translation of Photowatt France revenues from Euros to Canadian dollars, reflecting the strengthening of the Euro against the Canadian dollar on higher Euro revenues.

Photowatt Technologies Operating Results (in millions of dollars)

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	**Nine Months Ended Dec 31, 2008**	Nine Months Ended Dec 31, 2007
Earnings (loss) from operations:				
Photowatt France	**$ 8.2**	$ (3.5)	**$ 19.8**	$ (10.1)
Other Solar	**(0.5)**	(1.2)	**4.0**	(6.0)
Earnings (loss) from operations	**$ 7.7**	$ (4.7)	**$ 23.8**	$ (16.1)
Photowatt France EBITDA				
Photowatt France earnings (loss) from operations	**$ 8.2**	$ (3.5)	**$ 19.8**	$ (10.1)
Depreciation and amortization	**4.0**	3.4	**11.5**	9.8
Photowatt France EBITDA	**$ 12.2**	$ (0.1)	**$ 31.3**	$ (0.3)

Third Quarter

Photowatt Technologies fiscal 2009 third quarter earnings from operations were $7.7 million compared to a loss from operations of $4.7 million a year ago.

Fiscal 2009 third quarter earnings from operations for Photowatt France were $8.2 million (operating margin of 10%), compared to a loss from operations of $3.5 million (negative operating margin of 7%) in the third quarter of fiscal 2008. The year over year improvement in operating results reflected higher MWs sold, improved cell efficiency and manufacturing yields, and utilization of the supply chain to increase output. During the third quarter, Photowatt France completed equipment installation in the ingot, wafer and cell production stages.

Average cell efficiency for UMG-Si products increased to 14.4% compared to 13.1% in the third quarter of fiscal 2008. Average cell efficiency for polysilicon products remained stable at 15.2% compared to 15.3% in the third quarter of fiscal 2008. Photowatt France outsourced some wafer and module production to complement internal production. This added incremental earnings to operations, but at lower direct operating margins than for products manufactured using internally-produced wafers and cells.

Photowatt France's earnings from operations included approximately $0.3 million of costs related to the investment in the PV Alliance ("PVA"), a joint venture involving Photowatt France, EDF ENR Reparties ("EDF"), a partially owned subsidiary of Electricité de France, and CEA Valorisation ("CEA"). PVA includes Lab-Fab, a research initiative to improve cell efficiency, and may eventually include manufacturing operations in France – see "Photowatt France Outlook".

Photowatt France's amortization expense was $4.0 million compared to $3.4 million in the third quarter of fiscal 2008 reflecting additional depreciation and amortization from expansion and improvement initiatives.

Foreign exchange positively impacted Photowatt France's third quarter earnings from operations by an estimated $0.5 million compared to the third quarter of fiscal 2008, primarily reflecting a stronger Euro relative to the Canadian dollar.

"Other Solar" includes Spheral Solar, Photowatt U.S.A. and inter-solar eliminations. During the third quarter of fiscal 2009, costs were incurred related to equipment decommissioning and preparing equipment for sale. A year ago, loss from operations included costs associated with the wind-down of the closed Photowatt U.S.A. division, the halted Spheral Solar research initiative and solar corporate costs and inter-solar eliminations.

Year to Date

Photowatt Technologies earnings from operations for the nine months ended December 31, 2008 were $23.8 million compared to a loss from operations of $16.1 million a year ago.

Photowatt France earnings from operations for the nine months ended December 31, 2008 were $19.8 million compared to a loss from operations of $10.1 million a year ago. Operating profitability has increased during fiscal 2009 compared to a year ago on revenue growth and operational improvements to increase cell efficiency, utilization of the supply chain to increase output and improved manufacturing yields.

Foreign exchange positively impacted Photowatt France year to date earnings from operations by an estimated $1.3 million compared to the same period a year ago, primarily reflecting a stronger Euro relative to the Canadian dollar.

Fiscal 2009 "Other Solar" earnings from operations included a gain of $2.0 million on the sale of silicon (not usable by Photowatt France or Spheral Solar) that had a nominal carrying value. This completed the sales transaction initiated in the fourth quarter of fiscal 2008. Also included in year to date fiscal 2009 earnings from operations was a gain of $3.2 million on the sale of the redundant Spheral Solar building in Cambridge, Ontario. The remaining expenses primarily related to the wind-down and closure of the Spheral Solar facility and other clean-up and equipment decommissioning costs. Included in fiscal 2008 loss from operations was the loss from operations from the now closed Photowatt U.S.A. division, the loss from operations from the now halted Spheral Solar research initiative and solar corporate costs and inter-solar eliminations.

Photowatt France Outlook

With respect to fundamental demand, global electricity usage is expected to increase, which management believes provides a positive long-term outlook for solar energy businesses. Countries in which Photowatt France sells products such as Germany, Spain, France and Portugal have significant government subsidy programs for solar power. Certain jurisdictions, such as Spain and Germany, have subsidy programs that are designed to decline over time. Management believes Photowatt France will be impacted by these trends.

Subsequent to the third quarter of fiscal 2009, average selling prices per watt have decreased and management believes that average selling prices per watt may further decline in the remainder of this fiscal year and into fiscal 2010. Reductions in Spanish feed-in tariffs were implemented in the fourth quarter and have already had a negative impact on the average selling price per watt in that market. Management also expects that tightening credit markets may reduce global demand for solar installation projects, and potentially lead to over-supply during fiscal 2010. Management is investigating downstream alternatives to create an additional market for Photowatt France's products and lock in average selling prices for a larger portion of fiscal 2010 sales.

Operationally, UMG-Si products were developed by Photowatt France as an alternative to polysilicon with the objective of creating a competitive advantage, and now account for the majority of products being manufactured by Photowatt France. The operational focus is to increase the cell efficiency and reduce the cost per watt of manufacturing UMG-Si modules.

During the third quarter of fiscal 2009, management substantially completed the previously announced €20 million investment in manufacturing equipment. The equipment will balance production, increase capacity and reduce manufacturing costs in the ingot, wafer and cell stages of production. In addition, Photowatt France has committed to invest a further €4 million in automation systems, which are being designed and built by the Company's ASG segment to improve production processes and increase manufacturing yields. The benefits of these investments are expected to begin positively impacting cost per watt during the fourth quarter of fiscal 2009.

Photowatt France continues to advance the PVA with its partners. Facilities are now ready for equipment installation for a 25 MW cell line to research cell efficiency improvements. The cell line is expected to be completed during the second half of fiscal 2010. Initial research activities began during the third quarter of fiscal 2009 and are anticipated to be largely funded by French government subsidies. Photowatt France's direct investment in the PVA is expected to be approximately €10 million, and have a payback period of about two years. During the second quarter of fiscal 2009, the Company approved the PVA's decision to exercise its option to investigate, on a 6-month exclusive basis, proceeding with the next research stage of the PVA, which contemplates building a second 25MW cell line to research further cell efficiency improvements using "hetero-junction" technology.

Management expects improvements in cell efficiency, manufacturing yields and throughput will reduce Photowatt France's manufacturing cost per watt. However, management does not know to what extent planned reductions in cost per watt will offset the impact of declines in average selling prices on operating earnings. Photowatt will continue to combine process, automation and production knowledge with the goal of achieving desirable results that can be replicated and / or sold in France and other countries.

Consolidated Results from Operations

In fiscal 2008, the Company determined that the Precision Components Group ("PCG") was not strategic to the growth of the Company and committed to a plan to divest PCG. In the third quarter of fiscal 2009, the Company sold the key operating assets and liabilities, including equipment, current assets excluding cash, trade accounts payable and certain other assets and liabilities of PCG for cash proceeds of $4.3 million and promissory notes with a face value of $2.7 million. The transfer of PCG's China-based operations remains subject to receipt of approvals from the Chinese government. Pending receipt of these approvals, $1.5 million of the cash proceeds and $1.0 million of promissory notes is being held in escrow and ownership of PCG's Chinese operations remains with the Company. Accordingly, the results of operations and financial position of PCG have been segregated and presented separately as discontinued operations in the interim consolidated financial statements. The remaining discussion and analysis has been prepared on a continuing operations basis.

During the third quarter of fiscal 2008, management estimated that the initiatives to improve operating performance may cost approximately $30 million. The Company has now incurred $26.8 million of such costs. From the fourth quarter of fiscal 2008 through to the third quarter of fiscal 2009, costs incurred in this respect included restructuring and severance costs of $14.3 million, PCG operating losses of $10.4 million, and $2.1 million related primarily to the wind-down of Spheral Solar. Management more than offset these costs through the sale of the Spheral Solar building (net cash proceeds of $16.0 million, gain on sale of $3.2 million), and the sale of silicon not usable by Photowatt France or Spheral Solar ($18.8 million during the fourth quarter of fiscal 2008 and first quarter of fiscal 2009). Management anticipates that it will incur an additional $4 million to $6 million of costs to complete the currently planned consolidation and restructuring of ASG manufacturing operations and improvements to ASG's supply chain and approach to market. Management is continuing to monitor the impact of the current economic environment on the Company and will modify plans accordingly.

Revenue. At $221.7 million, third quarter consolidated revenue from continuing operations was 27% higher than a year ago. The increase in revenues was driven by a 17% increase in ASG revenues and a 54% increase in Photowatt Technologies revenues. Year to date revenues were $653.3 million or 37% higher than the same period a year ago.

Consolidated earnings from operations. For the three months ended December 31, 2008, consolidated earnings from operations were $18.5 million, compared to earnings from operations of $24.4 million a year ago. Fiscal 2009 third quarter performance reflects: operating earnings of $14.7 million at ASG (operating earnings of $2.1 million a year ago); Photowatt Technologies operating earnings of $7.7 million (operating loss of $4.7 million a year ago); and inter-segment eliminations and corporate expenses of $4.0 million ($4.8 million of costs a year ago and a gain on the sale of a portfolio investment of $31.8 million). Year to date consolidated earnings from operations were $48.3 million, compared to earnings from operations of $0.7 million a year ago. Fiscal 2009 year to date performance reflects: operating earnings of $38.9 million at ASG (operating earnings of $5.1 million a year ago); Photowatt Technologies operating earnings of $23.8 million (operating loss of $16.1 million a year ago); and inter-segment elimination and corporate expenses of $14.4 million ($20.1 million a year ago and a gain on the sale of a portfolio investment of $31.8 million).

Selling, general and administrative ("SG&A") expenses. For the third quarter of fiscal 2009, SG&A expenses decreased 8% or $1.9 million to $22.0 million compared to the respective prior year period. Included in SG&A for the third quarter of fiscal 2009 was $3.1 million of restructuring charges related to the consolidation of small manufacturing operations. Also included in SG&A were higher profit sharing and employee performance incentives on increased earnings, offset by a reduction in wages as a result of the operational restructuring during the year. In the third quarter of fiscal 2008, the Company incurred $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.

For the nine months ended December 31, 2008, SG&A expenses decreased 11% or $7.5 million to $62.5 million compared to the respective prior year period. SG&A costs for the first nine months of fiscal 2009 included $3.2 million of restructuring charges related to the consolidation of small manufacturing operations. Also included in the first nine months of fiscal 2009 were costs of $1.8 million related to the Credit Agreement signed in the first quarter of fiscal 2009 (see "Liquidity, Cash Flow and Financial Resources") and higher profit sharing and employee performance incentives on increased earnings. These costs were partially offset by the recovery of a previously written-off account receivable in Photowatt France of $1.4 million that was collected during the second quarter. SG&A costs for the same nine month period a year ago 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.

Gain on sale of silicon. During the first quarter of fiscal 2009, the Company completed delivery to a third party of silicon that was not usable by Photowatt France or Spheral Solar. The silicon had a nominal carrying value and the Company recognized a gain of $2.0 million on the sale.

Gain on sale of building. During the first quarter of fiscal 2009, the Company completed the sale of the redundant Spheral Solar building in Cambridge, Ontario for net proceeds of $16.0 million. A net gain of $3.2 million was recognized on the sale.

Stock-based compensation cost. For the three and nine month periods ended December 31, 2008, stock-based compensation expense decreased to $0.5 million and $1.9 million respectively from $0.6 million and $2.6 million a year ago. The year to date decrease reflects the recognition of $1.2 million in expenses in the second quarter of fiscal 2008 relating to the accelerated vesting of options of certain officers of the Company who resigned during that quarter. This decrease in costs was partially offset by increased expenses related to performance-based stock options granted during the third and fourth quarters of fiscal 2008.

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

As at December 31, 2008, the following performance-based stock options were un-vested:

Stock price performance threshold	Number of options outstanding	Grant date value per option	Weighted average remaining vesting period	Current year expense ('000s)	Remaining expense to recognize (in 000's)
$8.41	333,333	$ 2.19	2.3 years	$ 171	$ 502
$8.50	889,333	1.41	3.9 years	189	962
$9.08	218,666	2.77	1.8 years	165	385
$10.41	333,334	2.19	3.6 years	121	569
$10.50	889,333	1.41	4.8 years	160	1,006
$11.08	218,667	2.77	3.0 years	114	454
$12.41	333,333	2.19	4.6 years	99	598
$13.08	218,667	2.77	4.0 years	91	485
$13.72	43,825	3.68	– years	18	—
$15.09	43,825	3.68	0.5 years	37	25
$16.60	43,825	3.68	1.3 years	30	50
$19.87	43,200	4.42	– years	38	—

Interest expense and interest income. For the three months ended December 31, 2008, interest expense was less than $0.1 million (interest income of $0.1 million for the nine months ended December 31, 2008) compared to interest income of $0.1 million a year ago (interest expense of $1.1 million for the nine months ended December 31, 2007). Interest expense allocated to PCG and included in discontinued operations was $0.2 million in the third quarter of fiscal 2009 and $1.4 million year to date ($1.3 million and $2.3 million in the third quarter and year to date of fiscal 2008 respectively) reflecting debt attributable to discontinued operations.

Provision for income taxes. In fiscal 2009, the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 33.5% (fiscal 2008 – 36.1%) primarily as a result of the utilization of unrecognized loss carryforwards in Canada and parts of Europe. In fiscal 2008, the Company's effective income tax rate differed from the combined Canadian basic federal and provincial income tax rate primarily as a result of losses incurred in Canada and Europe, the benefit of which was not recognized for financial statement reporting purposes.

Net income from continuing operations. For the third quarter of fiscal 2009, net income from continuing operations was $15.8 million (20 cents earnings per share basic and diluted) compared to net income from continuing operations of $24.4 million (32 cents earnings per share) a year ago. Net income from continuing operations for the nine months ended December 31, 2008 was $43.5 million (56 cents earnings per share basic and diluted) compared to net income from continuing operations of $1.8 million a year ago (3 cents earnings per share).

Loss from discontinued operations, net of tax. The loss from discontinued operations for the three and nine month periods ended December 31, 2008 was $3.5 million and $9.0 million respectively compared to $28.0 million and $33.2 million in the same periods a year ago. See Note 5 to the interim consolidated financial statements for further details on the net loss from discontinued operations.

Net income (loss). For the third quarter of fiscal 2009, net income was $12.3 million (16 cents earnings per share basic and diluted) compared to a net loss of $3.7 million (5 cents loss per share) for the same period last year. Net income in the first nine months of the current fiscal year was $34.5 million (45 cents earnings per share basic and diluted) compared to a net loss of $31.4 million (46 cents loss per share) a year ago.

Foreign Exchange

Year over year foreign exchange rate changes during the third quarter of fiscal 2009 positively impacted consolidated revenues by an estimated $23.3 million compared to the third quarter of fiscal 2008. This increase was primarily related to a stronger U.S. dollar and Euro relative to the Canadian dollar. Year to date foreign exchange rate changes positively impacted consolidated revenues by an estimated $25.3 million as both the Euro and the U.S. dollar were stronger relative to the Canadian dollar on a year to date basis compared to the same period a year ago.

Changes in foreign exchange rates increased consolidated earnings from operations by an estimated $1.2 million compared to the third quarter of fiscal 2008 due to a stronger U.S. dollar and Euro relative to the Canadian dollar. Year to date foreign exchange rate changes negatively impacted consolidated earnings from operations by an estimated $2.6 million as operating earnings were influenced by the weaker U.S. dollar in the first two quarters of the current fiscal year, as well as more income being earned in U.S. dollars by the Company's Canadian divisions which was generally hedged at lower rates compared to a year ago. These negative impacts were offset partially by the stronger U.S. dollar in the third quarter and the stronger Euro during the current fiscal year.

Period Average Market Exchange Rates in CDN$

	Three months ended		**Nine months ended**	
	Dec 31, 2008	Dec 31, 2007	**Dec 31, 2008**	Dec 31, 2007
U.S. $	**1.2095**	0.9822	**1.0873**	1.0410
Euro	**1.5899**	1.4246	**1.5765**	1.4460
Singapore $	**0.8119**	0.6758	**0.7653**	0.6942

Liquidity, Cash Flow and Financial Resources

Cash balances, net of bank indebtedness and long-term debt, at December 31, 2008 increased $17.8 million compared to March 31, 2008. The change in the net cash balance was largely a result of cash generated through positive earnings in the business and proceeds from disposal of assets, partially offset by increased investment in capital assets and silicon deposits. The Company invested $13.8 million in property, plant and equipment in the third quarter of fiscal 2009 and $26.6 million year to date, of which $12.3 million was invested in Photowatt France during the third quarter and $22.3 million year to date. Cash provided by the sale of the redundant Spheral Solar building partially offset silicon deposits made during the third quarter of fiscal 2009.

The Company's investment in non-cash working capital decreased $1.0 million in the third quarter and increased by $7.5 million year to date. Consolidated accounts receivable increased 22% compared to March 31, 2008, driven primarily by increased revenues in the first nine months of fiscal 2009, partially offset by improved accounts receivables collections. Consolidated net construction-in-process decreased 7%

compared to March 31, 2008, reflecting improved payment terms allowing ASG to reduce its cash investment in customer programs. The Company actively manages its accounts receivable and net construction-in-process balances through billing terms on long-term contracts and by focusing on improving collection efforts. Inventories were 35% higher than at March 31, 2008, driven primarily by APG's investment in inventories to meet the requirements for new contracts won in the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, as well as increased silicon inventory at Photowatt. Deposits and prepaid expenses increased 10% on higher deposits on long lead-time materials for automation systems programs. Accounts payable increased 34% on higher purchases and activity levels during the first nine months of fiscal 2009.

During the first quarter of fiscal 2009, the Company established a new primary credit facility (the "Credit Agreement") with total credit facilities of up to $85 million, comprised of an operating credit facility of $40 million which, after the Company meets certain conditions, increases by $5 million monthly increments up to $65 million and a letter of credit facility of up to $20 million for certain purposes. As of January 31, 2009, the Company has met conditions to access $60 million of the $65 million of available operating credit facilities under the Credit Agreement. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by security on the assets, including real estate, of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on October 31, 2009.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letter of credit for certain purposes and/or bankers' acceptances and in U.S. dollars by way of base rate advances and/or LIBOR advances. The interest rates applicable to the operating credit facility are determined based on certain financial ratios. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus 1.25% to 2.25%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 2.25% to 3.25%.

Under the Credit Agreement, the Company pays a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the credit facilities at a rate of 0.5% per annum.

The Credit Agreement is subject to a debt leverage test, a current ratio test, and a cumulative EBITDA test. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also restricts the payment of dividends and the disposition of certain assets. The Company is in compliance with these covenants and restrictions.

In December 2008, the Company's wholly owned subsidiary, Photowatt France, established new credit facilities of €6 million, with terms to maturity of up to six years. The credit facilities are secured by security on certain assets of Photowatt France.

In January 2009, Photowatt France established an additional €6 million credit facility, repayable over three years.

The Company also has other credit facilities comprised of outstanding amounts under short term unsecured credit facilities available totaling approximately €17.8 million.

The Company's total debt to equity ratio (excluding Accumulated Other Comprehensive Income) at December 31, 2008 was 0.7:1. At December 31, 2008 the Company had $55.6 million of unutilized credit available under existing operating and long-term credit facilities and a further $18.5 million available under the letter of credit facility.

In January 2009, the Company completed a public offering of its common shares and issued 10 million common shares for gross proceeds of $50 million, from which underwriter fees, professional fees and other transaction expenses will be deducted. The net proceeds of the offering improve the Company’s financial flexibility and will be used to pursue strategic opportunities, and for working capital and general corporate purposes.

Impact of public offering of common shares on net cash position (in millions of dollars):	
Cash net of debt as at December 31, 2008	$ 45.8
Estimated net proceeds from January 2009 public offering of common shares	46.8
Total	$ 92.6

The Company expects that continued cash flows from operations, together with cash and short-term investments on hand and credit available under operating and long-term credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

No stock options were exercised during the third quarter of fiscal 2009. At February 6, 2009 the total number of shares outstanding was 87,277,155.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q3 2009**	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenue	**$ 221,739**	$ 219,536	$ 212,071	$ 186,474	$ 174,457	$ 146,931	$ 155,407	$ 151,444
Earnings (loss) from operations	**$ 18,472**	$ 13,563	$ 16,278	$ 8,183	$ 24,426	$ (16,913)	$ (6,783)	$ (41,664)
Net income (loss) from continuing operations	**$ 15,814**	$ 12,688	$ 14,991	$ 10,343	$ 24,365	$ (15,492)	$ (7,058)	$ (78,440)
Net income (loss)	**$ 12,316**	$ 9,272	$ 12,930	$ 7,939	$ (3,662)	$ (18,763)	$ (8,937)	$ (80,854)
Basic and diluted earnings (loss) per share from continuing operations	**$ 0.20**	$ 0.16	$ 0.19	$ 0.13	$ 0.32	$ (0.23)	$ (0.12)	$ (1.31)
Basic and diluted earnings (loss) per share	**$ 0.16**	$ 0.12	$ 0.17	$ 0.10	$ (0.05)	$ (0.28)	$ (0.15)	$ (1.35)
ASG Order Bookings	**$ 157,000**	$ 133,000	$ 169,000	$ 137,000	$ 115,000	$ 133,000	$ 146,000	$ 134,000
ASG Order Backlog	**$ 282,000**	$ 247,000	$ 258,000	$ 232,000	$ 211,000	$ 220,000	$ 217,000	$ 185,000

ATS revenue and operating results are generally lower in the second quarter of each fiscal year (three months ended September 30th) due to the summer plant shutdown at Photowatt France. In fiscal 2009, the Company partially offset the negative impact of the summer shutdown – see "Photowatt Technologies Operating Results".

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, 2008 found at www.sedar.com. The Company's off balance sheet arrangements consist of operating lease financing related primarily to facilities and equipment.

In August 2008, the Company entered into a commitment to purchase 1,900 tonnes of UMG-Si commencing immediately through to December 31, 2011. Advance payments of U.S. $1.6 million have been made for application against future shipments.

Changes in Accounting Policies

Effective April 1, 2008, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 "Inventories". The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. There was no impact on the valuation of inventory as at April 1, 2008. Additional disclosure has been provided in Note 4 to the interim consolidated financial statements.

Future Accounting Changes

CICA Handbook Section 3064 "Goodwill and Intangible Assets" establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition and provides guidance on the recognition and measurement of internally developed intangible assets. This standard is effective for interim and annual financial statements for the Company's reporting period beginning on April 1, 2009. The Company is currently evaluating the impact of adoption of this new section.

The CICA's Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. IFRS will require increased financial statement disclosures. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company has commenced its IFRS conversion project. The project consists of four phases: diagnostic, design and planning, solution development and implementation. During the second quarter, the Company initiated the diagnostic phase and expects to complete this phase in the fourth quarter of fiscal 2009.

Controls and Procedures

In its annual MD&A dated June 18, 2008 and for the fiscal year ended March 31, 2008, the Company reported that it had identified certain weaknesses in the design of internal controls over financial reporting. The Company is implementing remediation plans for the identified controls deficiencies, and has completed certain elements of the remediation plans. During the third quarter of fiscal 2009, 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 interim consolidated financial statements and disclosures. During the nine months ended December 31, 2008, there have been no other 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.

Note to Readers: Forward-Looking Statements

This management's discussion and analysis of financial conditions, and results of operations of ATS for the three months ended December 31, 2008 contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: management's belief in relation to long term demand for automation; expectation of challenges associated with current economic environment and credit market; management's belief that order bookings from traditional channels to market will continue to decrease; sporadic nature of order bookings from ASG's revised approach to market; ASG's improvement plans with respect to the front end of the business and operations; expected costs of continuing operational improvements; uncertainty as to impact of current market conditions; ATS' position to begin to evaluate strategic and opportunistic acquisitions; management's belief with respect to the long term outlook for the solar energy business; impact of declining subsidies in some jurisdictions; decline in average selling price per watt; possible reduction in global demand for solar installation projects; management's downstream initiatives at Photowatt France; Photowatt France's operational focus related to UMG-Si; expected benefits of new equipment at Photowatt France; intention to invest further in equipment and expected time frame of impact on performance; expected time frame for completion of PVA cell line, the funding thereof, and anticipated payback period; management's expectations with respect to reductions in cost per watt and the impact of declines in average selling prices; operational initiatives at Photowatt France; and the Company's expectations with respect to working capital and capital asset funding. The risks and uncertainties that may affect forward-looking statements include, among others; general market performance including capital market conditions and availability of credit; economic market conditions; impact of factors such as health of automotive suppliers, financial failure of customers, increased pricing pressure and possible margin compression; foreign currency and exchange risk; the strength of the Canadian dollar; performance of the market sectors that ATS serves; extent of market demand for solar products; successful implementation of improvement initiatives at ASG and Photowatt France and achievement of intended outcomes within the expected timeframe; potential technical issues, cost overruns or unexpected costs associated with these initiatives; ability of ATS to identify and execute upon strategic and opportunistic acquisitions; that some or all of the trends towards automation that ATS believes are attractive dissipate or do not result in increased demand for automation; that multinational companies withdraw from global manufacturing for business, political, economic or other reasons; that ASG's revised offering and approach to market is not successful in securing future orders for competitive or other reasons; the availability of government subsidies for solar products; political, labour or supplier disruptions in manufacturing and supply of silicon; inability to finalize strategic partnerships or alliances to provide for silicon supply; reversal of current silicon supply arrangements and negotiation of new supply arrangements; ability of Photowatt to identify downstream alternatives and lock in average selling prices with their customers; ability of Photowatt France or PVA to obtain grants to fund research and development; potential inability of Lab-Fab to achieve improvements in cell efficiency, including problems with the technology or commercialization thereof; unexpected costs and/or delays in completing the PVA cell line and realizing benefits; slow-down in progress being made with the efficiency and cost per watt of UMG-Si modules; that planned factory improvements at Photowatt France are unsuccessful or delayed; ability to finalize beneficial agreements needed to effectively implement Lab-Fab and ability to properly manage the Lab-Fab relationship; delays or failure in obtaining all remaining approvals and consents in relation to the PCG transaction; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is party; exposure to product liability claims of Photowatt Technologies; risks associated with compliance with existing and new legislation; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS's filings with Canadian provincial securities regulators. Material assumptions related to the estimated payback period for direct investment in the PVA are the securing of government grants and the successful realization of targeted cell efficiency improvements. 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 11, 2009