Automation
Tooling
Systems

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended June 28, 2009 (first quarter of fiscal 2010) is as of August 11, 2009 and provides information on the operating activities, performance and financial position of ATS Automation Tooling Systems Inc. ("ATS" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the first quarter of fiscal 2010. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements and MD&A of the Company for the year ended March 31, 2009 (fiscal 2009) and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2009 MD&A. These documents and other information relating to the Company, including the Company's fiscal 2009 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 which includes Photowatt France ("PWF") (the ongoing Photowatt Technologies operations), and Other Solar which is comprised of now closed solar divisions, principally 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, during fiscal 2009, the Company completed the sale of its Precision Components Group ("PCG"). The sale included the segment's key operating assets and liabilities including its China-based subsidiary. The results of PCG are reported in discontinued operations.

Non-GAAP Measures

Throughout this document the term "operating earnings" is used to denote earnings (loss) from operations. EBITDA is also used and is defined as earnings (loss) from operations excluding depreciation and amortization (which includes amortization of intangible assets). The term "margin" refers to an amount as a percentage of revenue. The terms "earnings (loss) from operations", "operating earnings", "margin", "operating loss", "operating results", "operating margin", "EBITDA", "Order Bookings" and "Order Backlog" do not have any standardized meaning prescribed within Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. Operating earnings and EBITDA are some of the measures the Company uses to evaluate the performance of its segments. Management believes that ATS shareholders and potential investors in ATS use non-GAAP financial measures such as operating earnings and EBITDA in making investment decisions about the Company and measuring its operational results. A reconciliation of operating earnings and EBITDA to total Company net income for the first quarters of fiscal 2010 and 2009 is contained in this MD&A (See "Reconciliation of EBITDA to GAAP Measures"). EBITDA should not be construed as a substitute for net income determined in accordance with GAAP. Order Bookings represent new orders for the supply of automation systems and products that management believes are firm. Order Backlog is the estimated unearned portion of ASG revenue on customer contracts that are in process and have not been completed at the specified date. A reconciliation of Order Bookings and Order Backlog to total Company revenue for the first quarters of fiscal 2010 and 2009 is contained in the MD&A (See "ASG Order Backlog Continuity").

AUTOMATION SYSTEMS GROUP SEGMENT

ASG Revenue (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Revenue by industry		
Healthcare	**$ 36.0**	$ 41.4
Computer-electronics	**14.3**	34.2
Energy	**41.3**	32.0
Automotive	**14.1**	23.9
Other	**9.5**	11.2
Total ASG revenue	**$ 115.2**	$ 142.7

ASG first quarter revenue was 19% lower than a year ago as a result of lower year-over-year Order Bookings generated in both the first quarter of fiscal 2010 and the fourth quarter of fiscal 2009.

By industrial market, healthcare revenue decreased 13% year over year, despite higher Order Bookings and Order Backlog in the past two quarters as certain programs in Order Backlog will be converted to revenue over a longer period of time. This is the result of the Company's approach to market which involves selling more comprehensive automation solutions than in the past, which has extended the period over which Order Backlog will be converted into revenue. Healthcare continues to be a strong market for ASG, particularly within North America where significant Order Bookings were won in the first quarter of fiscal 2010. The 58% decrease in computer-electronics revenues reflected the lower Order Backlog entering the first quarter compared to a year ago. Revenue generated in the energy market increased by 29% based on growth in solar industry Order Bookings during fiscal 2009 compared to fiscal 2008 and increased revenue from the nuclear industry. The 41% decline in automotive revenue compared to a year ago reflected the ongoing challenges in the global automotive industry. "Other" revenues decreased 15% year over year primarily due to lower revenues in the consumer products industry.

Automation Products Group ("APG"), a division of ASG, contributed revenue of $31.6 million in the first quarter of fiscal 2010, compared to $25.9 million in the first quarter last year, a 22% increase.

ASG Operating Results (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Earnings from operations	**$ 14.8**	$ 10.3
Depreciation and amortization	**1.9**	2.0
EBITDA	**$ 16.7**	$ 12.3

Fiscal 2010 first quarter earnings from operations were $14.8 million (operating margin of 13%) compared to earnings from operations of $10.3 million (operating margin of 7%) in the first quarter of fiscal 2009. Included in first quarter fiscal 2010 earnings from operations was $2.1 million of severance and restructuring charges related to division closures initiated in the first quarter of fiscal 2010 in China and Europe and other workforce reductions made primarily in ASG's North American operations. In the first quarter a year ago, the Company incurred $0.1 million of charges related to closing divisions in Michigan and Thailand.

Excluding severance and restructuring charges, fiscal 2010 first quarter operating earnings were $16.9 million (operating margin of 15%) compared to $10.4 million in fiscal 2009 (operating margin of 7%). The improvement was driven by cost reductions implemented during fiscal 2009, supply chain cost reductions and improved program management. On a regional basis, improvements in Canadian and European operating results, excluding severance and restructuring charges were partially offset by reduced earnings in the Company's U.S. operations compared to the same period a year ago.

ASG depreciation and amortization expense was $1.9 million in the first quarter of fiscal 2009 compared to $2.0 million in the same period a year ago.

ASG Order Bookings

ASG Order Bookings were $96 million, 43% lower than in the first quarter of fiscal 2009, reflecting fewer opportunities as customers reduced capital spending and/or delayed programs due to the global economic recession. Fiscal 2010 first quarter Order Bookings include two significant healthcare orders worth approximately $24 million and $10 million. Order Bookings in the first six weeks of the second quarter of fiscal 2010 were $28 million.

ASG Order Backlog Continuity (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Opening Order Backlog	**$ 255**	$ 232
Revenue	**(115)**	(143)
Order Bookings	**96**	169
Order Backlog adjustments[1]	**(6)**	–
Total	**$ 230**	$ 258

1 Order Backlog adjustments include foreign exchange and cancellations.

Order Backlog by Industry (in millions of dollars)

	June 28, 2009	June 30, 2008
Healthcare	**$ 120**	$ 49
Computer-electronics	**15**	38
Energy	**62**	106
Automotive	**18**	39
Other	**15**	26
Total	**$ 230**	$ 258

At June 28, 2009, ASG Order Backlog was $230 million, 11% lower than at June 30, 2008 primarily reflecting lower Order Bookings throughout the first quarter compared to the prior year.

Increased healthcare Order Backlog reflected higher Order Backlog in North America compared to the prior year. Declines in energy and computer-electronics Backlog resulted primarily from lower Order Backlog in North America. Lower automotive Order Backlog reflected lower Order Backlog in all regions compared to the prior year. A decrease in "other" Order Backlog reflected lower Order Backlog primarily in the consumer products industry across all regions.

ASG Outlook

The global economic recession is having a negative impact on ASG's customers and the markets into which ASG sells. As a result, management expects continued reductions and/or delays in capital spending to varying degrees, depending on the market segment. Certain industries, such as automotive have been more severely impacted by the economic environment, increasing the risk of bankruptcies. Other industries such as solar are being impacted by the tighter credit conditions and market challenges, all of which may have a negative impact on ASG's future profitability.

To deal with the immediate market uncertainty, management has increased its focus on all customer opportunities and proposals. Management is also carefully evaluating the cash and credit terms of customer proposals and where appropriate, is not pursuing unacceptable or high risk credit terms. ASG has experienced some success with its new approach to market, however, these opportunities are sporadic in nature and are not expected to repeat every quarter.

Operationally, ASG plans to continue the consolidation and restructuring of underperforming, non-strategic manufacturing operations. These closures will occur over the next several quarters as current customer commitments are completed or moved to other divisions. Completion of these initiatives is expected to cost between $2 million to $4 million, however, management is actively monitoring the changing market conditions and will continue to modify plans accordingly.

Management expects that the implementation of its strategic initiatives to improve leadership, business processes and supply chain management across ASG will have a positive impact on ASG operations. In the short-term however, management is uncertain as to what extent the improvement initiatives will offset current market conditions.

Management believes that the Company's strengthened balance sheet, improved approach to market and operational improvements will allow ASG to emerge from the current global economic recession in a strong competitive position.

PHOTOWATT TECHNOLOGIES SEGMENT

Photowatt Technologies Revenue (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Total Photowatt France revenue	**$ 40.1**	$ 69.3
Revenue by product		
Polysilicon products	**$ 29.2**	$ 31.6
UMG-Si products	**10.9**	37.7
Total Revenue	**$ 40.1**	$ 69.3

Photowatt Technologies fiscal 2010 first quarter revenue of $40.1 million was 42% lower than in the first quarter of fiscal 2009. Lower year-over-year revenues primarily reflected a 40% decrease in total megawatts ("MWs") sold at PWF to 8.3 MWs from 13.8 MWs in the same period a year ago. Lower MWs sold resulted from lower demand due to tighter credit markets, which restricted funding available for solar projects and a general reluctance on the part of customers to commit to new orders until the solar market and average selling prices stabilize. Decreases in average selling prices per watt also had a negative impact on total revenues, partially offset by an increase in system sales. PWF increased revenue from the sale of systems to approximately $24.8 million from $13.3 million in the first quarter of fiscal 2009.

Total UMG-Si products represented $10.9 million of fiscal 2010 first quarter revenue compared to $37.7 million a year ago. Average cell efficiency in the first quarter of fiscal 2010 was approximately 14.2% for UMG-Si cells, compared to approximately 13.8% during the first quarter of fiscal 2009 as a result of process improvements made during fiscal 2009. Revenue from polysilicon products was $29.2 million in the first quarter, compared to $31.6 million in the first quarter of fiscal 2009. Average polysilicon cell efficiency in the first quarter of fiscal 2010 was approximately 15.0%, compared to approximately 15.6% during the first quarter of fiscal 2009 due to the use of lower quality materials during the ramp-up of polysilicon-based production at PWF.

Photowatt Technologies Operating Results (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Earnings (loss) from operations:		
Photowatt France	**$ (7.5)**	$ 5.6
Other Solar	**–**	4.9
Photowatt Technologies earnings (loss) from operations:	**$ (7.5)**	$ 10.5
Photowatt France EBITDA		
Photowatt France earnings (loss) from operations	**$ (7.5)**	$ 5.6
Depreciation and amortization	**4.1**	3.7
Photowatt France EBITDA	**$ (3.4)**	$ 9.3

Photowatt Technologies fiscal 2010 first quarter loss from operations was $7.5 million compared to earnings from operations of $10.5 million a year ago.

Fiscal 2010 first quarter loss from operations for PWF was $7.5 million (operating margin of negative 19%), compared to earnings from operations of $5.6 million (operating margin of 8%) in the first quarter of fiscal 2009. The year-over-year decline in operating results reflected lower MWs sold and lower average selling prices, partially offset by improved UMG-Si cell efficiency and manufacturing yields. Included in the first quarter operating loss is a $4.7 million warranty charge related to a specific customer contract which contained an incremental performance clause beyond PWF's standard warranty terms. To address lower sales volumes, management halted production for a three-week period in the first quarter of fiscal 2010.

PWF's operating loss included approximately $0.1 million of costs related to its investment in PV Alliance ("PVA"), a joint venture involving PWF, EDF ENR ("EDF"), a partially owned subsidiary of Electricité de France, and CEA Valorisation ("CEA"). PVA includes Lab-Fab, a research initiative to improve cell efficiency.

PWF amortization expense was $4.1 million compared to $3.7 million in the first quarter of fiscal 2009 reflecting additional depreciation and amortization from PWF's expansion and improvement initiatives.

Fiscal 2009 first quarter "Other Solar" earnings from operations included a gain of $2.0 million on the sale of silicon (not usable by PWF or Spheral Solar) that had a nominal carrying value, and a gain of $3.2 million on the sale of the redundant Spheral Solar building in Cambridge, Ontario. The remaining $0.3 million of expenses primarily related to the wind-down and closure of the Spheral Solar facility and other clean-up and equipment decommissioning costs.

PWF Outlook

The long-term outlook for the solar energy industry is positive. However, in the short and medium-term, solar power is, and for the foreseeable future will be affected by and largely dependent on, the existence of government incentives. Certain jurisdictions into which PWF sells, such as Spain and Germany, have subsidy programs that are designed to decline over time. Reductions in feed-in tariffs and caps in certain jurisdictions were implemented in the fourth quarter of fiscal 2009 and have had a negative impact on market demand and average selling prices per watt. Management believes PWF's average selling prices per watt may continue to be negatively impacted by these trends in fiscal 2010.

Tightening in the global credit markets has reduced available funding for solar installation projects. The resulting reduction in demand for solar modules, in addition to increased global module capacity in the solar industry, could result in sustained over-supply in fiscal 2010. This is expected to continue to negatively impact PWF. To offset this, management is investigating downstream alternatives to create an additional market for PWF's products and lock in average selling prices for a larger portion of fiscal 2010 sales. To this end, PWF is seeking strategic supply agreements with customers for sales contracts that would consume a significant portion of PWF's current capacity for the next several years. In addition, management is engaging with financial institutions, investors and governments to enable and develop solar projects in which PWF would participate.

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

Management expects improvements in cell efficiency, manufacturing yields and throughput will reduce PWF's direct manufacturing cost per watt. 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. Second quarter fiscal 2010 operating performance is expected to be negatively impacted by the usual three week PWF factory shutdown.

PWF 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.

Consolidated Results from Operations (in millions of dollars)

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
Revenue	**$ 152.7**	$ 212.1
Cost of revenue	**132.6**	178.9
Selling, general and administrative	**18.8**	21.4
Stock-based compensation	**0.8**	0.7
Gains on sale of assets	**–**	(5.2)
Earnings from operations	**$ 0.5**	$ 16.3
Interest expense (income)	**$ 0.5**	$ (0.5)
Provision for (recovery of) income taxes	**(0.3)**	1.8
Loss from discontinued operations	**–**	2.1
Net income	**$ 0.3**	$ 12.9

Revenue. At $152.7 million, consolidated revenue from continuing operations was 28% lower than a year ago. The decrease in revenues resulted from a 19% decrease in ASG revenues and a 42% decrease in Photowatt Technologies revenues.

Cost of revenue. Cost of revenue decreased on a consolidated basis by $46.3 million or 26% to $132.6 million. Gross margin decreased from 16% in the first quarter of fiscal 2009 to 13% in fiscal 2010. The decrease in gross margins reflected lower gross margins at PWF due to lower MWs sold and lower average selling prices in the first quarter of fiscal 2010 compared to a year ago. Lower gross margins in PWF were partially offset by improved first quarter gross margins in ASG as a result of cost reductions implemented during fiscal 2009, supply chain cost reductions and improved program management.

Selling, general and administrative ("SG&A") expenses. For the first quarter of fiscal 2010, SG&A expenses decreased 12% or $2.6 million to $18.8 million compared to the respective prior-year period. SG&A expenses for the first quarter of fiscal 2010 included $2.3 million of Company-wide severance and restructuring costs compared to $0.1 million in the first quarter of fiscal 2009. Lower SG&A costs reflected cost reductions implemented during fiscal 2009, in addition to lower professional fees and lower profit sharing and selling expenses.

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

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.

There were no such gains recorded in the first quarter of fiscal 2010.

Stock-based compensation cost. For the first quarter, stock-based compensation expense increased to $0.8 million from $0.7 million a year earlier primarily reflecting the issuance of employee stock options offset by cancellations.

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

As at June 28, 2009, the following performance-based stock options were un-vested:

Stock price performance threshold	Number of options outstanding	Grant date value per option	Weighted average remaining vesting period	Current year expense (in '000s)	Remaining expense to recognize (in '000s)
$5.49	41,666	$ 1.66	3.4 years	$ 5	$ 63
$7.49	41,667	1.66	4.7 years	3	64
$8.41	266,667	2.11	1.8 years	45	302
$8.50	889,333	1.41	3.4 years	63	836
$9.08	218,666	2.77	1.3 years	59	272
$9.49	41,667	1.66	5.4 years	3	65
$10.41	266,667	2.11	3.2 years	31	381
$10.50	889,333	1.41	4.3 years	54	898
$11.08	218,667	2.77	2.5 years	36	380
$12.41	266,666	2.11	4.2 years	26	413
$13.08	281,667	2.77	3.5 years	32	422
$15.09	5,290	3.68	0.0 years	1	—
$16.60	5,290	3.68	0.8 years	1	4

Earnings from operations. First quarter fiscal 2010 consolidated earnings from operations were $0.5 million, compared to earnings from operations of $16.3 million a year ago. Fiscal 2010 first quarter performance reflected: operating earnings of $14.8 million at ASG (operating earnings of $10.3 million a year ago); Photowatt Technologies operating loss of $7.5 million (operating earnings of $10.5 million a year ago); and inter-segment eliminations and corporate expenses of $6.8 million ($4.5 million of costs a year ago).

Interest expense and interest income. Net interest expense increased to $0.5 million in the first quarter of fiscal 2010 compared to interest income of $0.5 million a year ago. The increase in net interest expense is primarily due to new credit facilities in PWF partially offset by higher cash balances maintained through the first quarter of fiscal 2010 compared to the same period a year ago.

Provision for income taxes. The Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 33.0% (in the first quarter of fiscal 2009 the combined rate was 33.5%) primarily as a result of the utilization of unrecognized loss carryforwards in Canada and losses incurred in parts of Europe, the benefit of which was not recognized for financial statement reporting purposes.

Net income from continuing operations. For the first quarter of fiscal 2010, net income from continuing operations was $0.3 million (0 cents earnings per share basic and diluted) compared to net earnings from continuing operations of $15.0 million (19 cents earnings per share basic and diluted) a year ago.

Loss from discontinued operations, net of tax. During fiscal 2009, the Company sold the key operating assets and liabilities including equipment, current assets, trade accounts payable and certain other assets and liabilities of its Precision Components Group ("PCG") for cash proceeds of $4.3 million and promissory notes with a face value of $2.7 million. This transaction was completed in the fourth quarter of fiscal 2009. Accordingly, the results of PCG operations have been segregated and presented separately as discontinued operations.

The loss from discontinued operations in the first quarter of fiscal 2009 was $2.1 million. There were no discontinued operations in the first quarter of fiscal 2010. See note 5 to the interim consolidated financial statements for further details on discontinued operations.

Net income. For first quarter of fiscal 2010, net income was $0.3 million (0 cents earnings per share basic and diluted) compared to net income of $12.9 million (17 cents earnings per share basic and diluted) for the same period last year.

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

	Three Months Ended June 28, 2009	Three Months Ended June 30, 2008
EBITDA		
Automation Systems	**$ 16.7**	$ 12.3
Photowatt Technologies	**(3.4)**	14.2
Corporate and inter-segment	**(6.6)**	(4.4)
Total EBITDA	**$ 6.7**	$ 22.1
Less: Depreciation and amortization expense		
Automation Systems	**$ 1.9**	$ 2.0
Photowatt Technologies	**4.1**	3.7
Corporate and inter-segment	**0.2**	0.1
Total depreciation and amortization expense	**$ 6.2**	$ 5.8
Earnings (loss) from operations		
Automation Systems	**$ 14.8**	$ 10.3
Photowatt Technologies	**(7.5)**	10.5
Corporate and inter-segment	**(6.8)**	(4.5)
Total earnings from operations	**$ 0.5**	$ 16.3
Less: Interest expense (income)	**$ 0.5**	$ (0.5)
Provision for (recovery of) income taxes	**(0.3)**	1.8
Loss from discontinued operations	**–**	2.1
Net income	**$ 0.3**	$ 12.9

Foreign Exchange

A decrease in the value of the Canadian dollar relative to the U.S. dollar and the Euro had a positive impact on the Company's revenue, earnings from operations and net income in the first quarter of fiscal 2010 compared to the first quarter of fiscal 2009. ATS follows a transaction hedging program to help mitigate the impact of short-term foreign currency movements, primarily in its Canadian operations which often transact business in U.S. dollars. This hedging activity consists primarily of forward foreign exchange contracts for the sale of U.S. dollars. Purchasing third-party goods and services in U.S. dollars by Canadian operations also acts as a partial offset to U.S. dollar exposure. Management estimates that its forward foreign exchange contract hedging program is primarily effective for movements in currency rates within a four-to-six-month period. See note 13 to the interim consolidated financial statements for details on the derivative financial instruments outstanding at June 28, 2009.

Period Average Market Exchange Rates in CDN$

	Three months ended		
	06/28/2009	06/30/2008	% change
US $	**1.1660**	1.0096	15.5%
Euro	**1.5881**	1.5770	0.1%
Singapore $	**0.7919**	0.7388	7.2%

Liquidity, Cash Flow and Financial Resources

At June 28, 2009, the Company had cash and short-term investments of $145.1 million compared to $142.4 million at March 31, 2009. In the first quarter of fiscal 2010, cash flows used in operating activities were $13.8 million, compared to cash flows used in operating activities of $4.7 million in the first quarter of fiscal 2009. The Company's total debt to total equity ratio at June 28, 2009 was 0.1:1. At June 28, 2009, the Company had $68.8 million of unutilized credit available under existing operating and long-term credit facilities and a further $22.9 million available under letter of credit facilities.

In the first quarter of fiscal 2010, the Company's investment in non-cash working capital increased by $20.3 million or 12%. Consolidated accounts receivable decreased 7% or $8.3 million, due primarily to lower revenues in the first quarter of fiscal 2010. Net contracts in progress increased by 6% or $2.7 million compared to March 31, 2009. 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 decreased by 1% or $1.1 million. The Company is targeting to increase the turnover of its inventory. In the short-term, these efforts will be impacted by the Company's ability to increase sales volumes, particularly in PWF. Deposits, prepaid assets and other decreased by 15% or $4.0 million due to a reduction in the fair market value of forward foreign exchange contracts and a reduction in restricted cash being used to secure letters of credit. Accounts payable decreased 14% on lower purchases, consistent with lower revenue levels in the first quarter of fiscal 2010.

Property, plant and equipment purchases totalled $6.0 million in the first quarter of fiscal 2010. Expenditures at PWF totalling $5.5 million were primarily used for production equipment. Included in PWF capital expenditures was $2.7 million related to

PVA for production equipment and building improvements. Total ASG and Corporate capital expenditures were $0.5 million.

The Company's subsidiary, PWF has credit facilities of €37.6 million, through short and long-term debt agreements and capital lease agreements. The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 1.8% and 4.9% per annum. Certain of the credit facilities are secured by certain assets of PWF and are subject to debt leverage tests. PWF is in compliance with these covenants.

In July 2009, PWF established a 6,480 Euro capital lease obligation, repayable over five years. The finance lease bears interest of Euribor plus 1.9% and is secured by certain assets of PWF and a commitment to restrict payments to the Company.

The Company has an additional unsecured credit facility available of 2.0 million Swiss francs. The credit facility bears interest at 6.0% per annum. A portion of the available credit facility is secured by a letter of credit.

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $85 million, comprised of an operating credit facility of $65 million and a letter of credit facility of up to $20 million for certain purposes. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by the assets, including real estate, of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on 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 Company from repurchasing its common shares, paying dividends and from acquiring and disposing of certain assets. The Company is in compliance with these covenants and restrictions.

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, capital assets and strategic investment plans including potential acquisitions. Management is currently seeking to secure additional credit facilities to replace the Credit Agreement expiring in October 2009.

No stock options were exercised during the first quarter of fiscal 2010. At August 7, 2009 the total number of shares outstanding was 87,277,155.

Contractual Obligations

Information on the Company's lease and contractual obligations is detailed in the consolidated annual financial statements and MD&A for the year ended March 31, 2009 found at www.sedar.com. The Company's off balance sheet arrangements consist of operating lease financing related primarily to facilities and equipment.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q1 2010**	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Revenue	**$ 152,701**	$ 201,774	$ 221,739	$ 219,071	$ 212,071	$ 186,474	$ 174,457	$ 146,931
Earnings (loss) from operations	**$ 502**	$ 17,743	$ 18,472	$ 13,563	$ 16,278	$ 8,183	$ 24,426	$ (16,913)
Net income (loss) from continuing operations	**$ 325**	$ 14,041	$ 15,814	$ 12,688	$ 14,991	$ 10,343	$ 24,365	$ (15,492)
Net income (loss)	**$ 325**	$ 13,506	$ 12,316	$ 9,272	$ 12,930	$ 7,939	$ (3,662)	$ (18,763)
Basic earnings (loss) per share from continuing operations	**$ 0.00**	$ 0.17	$ 0.20	$ 0.16	$ 0.19	$ 0.13	$ 0.32	$ (0.23)
Diluted earnings (loss) per share from continuing operations	**$ 0.00**	$ 0.16	$ 0.20	$ 0.16	$ 0.19	$ 0.13	$ 0.32	$ (0.23)
Basic earnings (loss) per share	**$ 0.00**	$ 0.16	$ 0.16	$ 0.12	$ 0.17	$ 0.10	$ (0.05)	$ (0.28)
Diluted earnings (loss) per share	**$ 0.00**	$ 0.15	$ 0.16	$ 0.12	$ 0.17	$ 0.10	$ (0.05)	$ (0.28)
ASG Order Bookings	**$ 96,000**	$ 126,000	$ 157,000	$ 133,000	$ 169,000	$ 137,000	$ 115,000	$ 133,000
ASG Order Backlog	**$ 230,000**	$ 255,000	$ 282,000	$ 247,000	$ 258,000	$ 232,000	$ 211,000	$ 220,000

Interim financial results are not necessarily indicative of annual or longer term results because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact ASG Order Bookings, PWF sales volumes, and the Company's earnings in any of its markets. ATS typically experiences some seasonality with its revenue and earnings due to summer plant shutdowns by its customers and summer shutdown at PWF. Accordingly, revenue during the second quarter is usually lower than in the first, third and fourth quarters. In PWF, slower sales may occur in the winter months, when the weather may impair the ability to install its products in certain geographical areas.

Changes in Accounting Policies

Effective April 1, 2009, the Company retroactively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and intangible assets." The adopted standard establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including internally generated intangible assets. As required by the standard, computer software assets have been retroactively reclassified on the consolidated balance sheets from property, plant and equipment to intangible assets. The net book value of computer software reclassified as of March 31, 2009 was $3.0 million. As of June 28, 2009, computer software of $2.7 million is included within intangible assets. There is no impact on previously reported net income.

Future Accounting Changes

CICA Handbook Section 1582 "Business Combinations" which replaces Handbook Section 1581 "Business Combinations" and is converged with IFRS 3 "Business Combinations" establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt this standard and if so, will be required to early adopt Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

CICA Handbook Section 1601 "Consolidated Financial Statements" and Handbook Section 1602 "Non-Controlling Interests" replace Handbook Section 1600 "Consolidated Financial Statements". Handbook Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Handbook Section 1602 establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. The standards are effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt the standards and if so, will be required to early adopt Handbook Section 1582 "Business Combinations". The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

International Financial Reporting Standards

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

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

The Company has completed the design and planning phase of its IFRS conversion plan. The Company has established a core implementation team and steering committee comprised of members of senior management. In addition, the IFRS conversion project strategy, governance structure and schedule has been implemented. In early fiscal 2010, the Company commenced the solution development phase, which will include detailed review of all relevant IFRS standards, selection of new accounting policies where applicable, including IFRS 1 transition date first time adoption exemptions, development of model IFRS financial statements, identification of information gaps and necessary changes in reporting, processes and systems, development of a process to prepare IFRS comparative information and further training for employees.

Controls and Procedures

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

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

During the three months ended June 28, 2009, 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.

Note to Readers: Forward-Looking Statements

This management's discussion and analysis of financial conditions, and results of operations of ATS contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of ATS, or developments in ATS's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. ATS cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things: the ASG healthcare market; the global economic recession and management's expectation of continued reductions and/or delays in capital spending, risk of customer financial difficulties, and the resulting negative impact on ASG's future profitability; evaluation of cash and credit terms in customer proposals; sporadic nature of opportunities resulting from ASG's new approach to market; ASG plans to continue consolidation and restructuring efforts and the associated timeline and expected costs; management's plan to continue to monitor market conditions and modify plans accordingly; management's expectation that strategic initiatives will have a positive impact on ASG operations and uncertainty as to what extent the improvement initiatives will offset current market conditions; management's belief that the balance sheet, approach to market and operational improvements will allow ASG to emerge from the current global economic recession in a strong competitive position; short, medium, and long term outlook for the solar energy industry; management's belief that PWF's average selling prices per watt may continue to be negatively impacted in fiscal 2010 by trends towards reductions in feed-in tariffs and caps; potential for sustained oversupply of solar modules in the market during fiscal 2010, the expected negative impact on PWF and management's efforts towards offsetting this; management's consideration of a plan to reduce PWF cost structure and the associated cost; management's expectation of reduction in PWF's direct manufacturing cost per watt and uncertainty as to what extent planned reductions in cost per watt will offset the impact of declines in average selling prices on operating earnings; impact of usual three week PWF factory shutdown; intention of PWF to continue to combine process, automation and production knowledge with goal of achieving desirable results; ATS's target to increase turnover of its inventory; ATS's expectations with respect to cash flows; additional credit facilities; seasonality of revenues; and the introduction, evaluation and adoption of new accounting policies and standards. The risks and uncertainties that may affect forward-looking statements include, among others: general market performance including capital market conditions and availability and cost of credit; economic market conditions; impact of factors such as health of automotive customers, financial failure and/or bankruptcy of customers, increased pricing pressure and possible margin compression; the success or failure of management strategies to address the weak global economy and weakened financial condition of actual and potential customers; foreign currency and exchange risk; the relative strength of the Canadian dollar; performance of the market sectors that ATS serves; that one or more customers experience bankruptcy despite focus on credit terms; that consolidation and restructuring efforts take longer than expected and/or incur greater costs than expected; that strategic initiatives will not have the intended impact on ASG operations; ability of Photowatt to identify downstream alternatives and lock in favourable average selling prices with their customers; success or failure of management's efforts to reduce cost per watt at PWF; potential inability to achieve favourable results at PWF through combing process, automation and production knowledge; risk that credit agreement to replace exiting credit facility is not concluded and/or that future credit arrangements are less favourable than those currently in place; extent of market demand for solar products; the availability and possible reduction or elimination of government subsidies and incentives for solar products in various jurisdictions; political, labour or supplier disruptions in manufacturing and supply of silicon; the usefulness or value of existing silicon supplies dissipates due to market conditions or for other reasons; PWF is unable to secure further acceptable silicon feedstock at favourable prices; reversal of current silicon supply arrangements and negotiation of new supply arrangements; potential inability of PVA to achieve improvements in cell efficiency, including problems with the technology or commercialization thereof; slow-down or reversal of progress being made with the efficiency and cost per watt of solar modules either through PVA research and development efforts or PWF's independent efforts; ability to effectively implement PVA projects and ability to properly manage the PVA relationship; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is or may becomes a party; exposure to product liability claims of Photowatt Technologies; risks associated with greater than anticipated tax liabilities or expenses; and other risks detailed from time to time in ATS's filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

August 11, 2009