A U T O M A T I O N
(519) 653-6500
(519) 650-6520
730 Fountain Street North, Cambridge, Ontario N3H 4R7

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended July 3, 2011 (first quarter of fiscal 2012) is as of August 16, 2011 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 2012. The interim consolidated financial statements for the three months ended July 3, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with Canadian GAAP and MD&A of the Company for the year ended March 31, 2011 (fiscal 2011) and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2011 MD&A. These documents and other information relating to the Company, including the Company's fiscal 2011 audited consolidated financial statements, MD&A and annual information form may be found on SEDAR at www.sedar.com.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted IFRS as issued by the International Accounting Standards Board ("IASB") effective for its interim and annual financial statements beginning April 1, 2011 with a transition date of April 1, 2010. First quarter fiscal 2012 interim consolidated financial statements are the first financial statements of the Company to be presented on an IFRS basis. Comparative data for all periods subsequent to March 31, 2010 has been restated to be presented on an IFRS basis, including an opening balance sheet as at April 1, 2010.

The Company's annual consolidated financial statements for the year ending March 31, 2012 will be the first annual financial statements that comply with IFRS and these annual consolidated financial statements will be prepared as described in note 2 to the interim consolidated financial statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS Transition Impact on Operating Results

The Company has assessed the effect of adoption of IFRS and the resulting changes in accounting policies based on IFRS standards expected to be in effect at March 31, 2012. Set out below are the key differences identified that had a material impact on the operating results of ATS in the comparative period, fiscal 2011.

Impairment of PWF long-lived assets

Impairment testing of property, plant and equipment under Canadian GAAP is based on a two-step approach when circumstances indicate the carrying value of an asset may not be recoverable. At March 31, 2011, under Canadian GAAP, indicators of impairment were identified in the Company's PWF division. The property, plant and equipment assets were therefore required to be tested for impairment. The first step of the impairment test conducted under Canadian GAAP used undiscounted cash flows projected over the life of the primary asset and compared them to the carrying value of the assets being tested. The first step of the impairment test completed as of March 31, 2011 under Canadian GAAP indicated that the value of PWF's property, plant and equipment was recoverable, and therefore the second step to determine the amount of the impairment loss was not required.

IFRS requires a one-step impairment test for identifying and measuring impairment. This test requires a comparison of the asset's carrying value to the higher of its value in use or its fair value less costs to sell. IFRS tests asset groups for impairment at the independent cash-generating unit ("CGU") level, which is the lowest grouping of assets that generates independent cash inflows. For non-current assets, the Company has determined its CGU's to be at the operating division level. Under IFRS, the Company's impairment test was carried out at the CGU level using a discounted cash flow model to determine the recoverable amount of the PWF CGU. A discount rate of 25% was selected based on the risks specific to the solar industry and PWF's specific standing in the industry. The fair value determined from the recoverable amount calculation was compared to the carrying amount of the PWF CGU, resulting in an impairment of PWF's non-current assets. As a result, under IFRS, the Company recorded a non-cash impairment charge in the fourth quarter of fiscal 2011 which reduced net income by $61.7 million compared to previously reported results under Canadian GAAP.

Classification of Photowatt as "Discontinued Operations"
IFRS requires that an evaluation is made as to whether non-current assets (or a disposal group) should be classified as "held for sale" or as "held for distribution to owners" when specific criteria related to their sale or distribution are met. Canadian GAAP requires that non-current assets to be distributed to owners continue to be classified as held and used until disposed of. The Company has determined that under IFRS, the separation of Photowatt met the criteria of non-current assets held for distribution to owners as of March 31, 2011 and therefore has reclassified this disposal group as "held for distribution to owners" as of March 31, 2011 and reclassified Photowatt's operating results as "discontinued operations" for the current and comparative periods presented in the interim consolidated financial statements.

Business combinations
Acquisition-related costs directly attributable to a business combination may be capitalized to the cost of the acquisition as part of the purchase price allocation under Canadian GAAP. Under IFRS, with the exception of share issuance costs, these costs are to be expensed as incurred. Additionally, restructuring costs included in the purchase price allocation under Canadian GAAP are expensed under IFRS. As a result, under IFRS, the Company recorded additional expenses which reduced net income by $1.2 million in the first quarter of fiscal 2011 and $4.9 million for the fiscal year 2011 compared to previously reported results under Canadian GAAP.

Revenue recognition
Construction contracts are specifically defined under IFRS and require percentage-of-completion revenue recognition. Additionally, service revenues are to be accounted for on a percentage-of-completion basis under IFRS. All revenue contracts have been analyzed to ensure that appropriate revenue recognition criterion has been applied

under IFRS. Revenues previously recognized using completed contract revenue recognition that are required to be recognized under percentage-of-completion accounting under IFRS have been adjusted. As a result, under IFRS, the Company adjusted revenues recognized which increased net income by $0.3 million in the first quarter of fiscal 2011 and reduced net income by $0.9 million for the fiscal year 2011 compared to previously reported results under Canadian GAAP.

Provisions
Under IFRS, restructuring costs are recognized as a provision when an obligation occurs as a result of a past event; it is probable that an outflow of resources will be required; and a reliable estimate of the obligation can be made. Under Canadian GAAP, certain restructuring-related expenses are precluded from being recognized until they are incurred. This results in timing differences between the recognition of certain expenses under Canadian GAAP and IFRS. As a result, under IFRS, the Company recorded an additional restructuring charge in the fourth quarter of fiscal 2011 which reduced net income by $0.7 million compared to previously reported results under Canadian GAAP.

Income taxes
Income tax is recalculated based on differences between Canadian GAAP and IFRS. Income taxes and equity also includes an adjustment to tax effect the share issuance costs which should be reported in equity under IFRS but are reported in income under Canadian GAAP. As a result, under IFRS, the Company recorded additional income tax expenses in the fourth quarter of fiscal 2011 which reduced net income by $0.2 million and income tax recoveries in the fiscal year 2011 which increased net income by $1.1 million compared to previously reported results under Canadian GAAP.

For a full description of all IFRS differences including adjustments to the opening balance sheet as of April 1, 2010, refer to note 25 of the interim consolidated financial statements.

Notice to Reader: Non-IFRS 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 IFRS 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-IFRS financial measures such as operating earnings and EBITDA in making investment decisions and measuring operational results. A reconciliation of operating earnings and EBITDA to net income from continuing operations for the three month periods ending July 3, 2011 and June 27, 2010 is contained in this MD&A (See “Reconciliation of EBITDA to IFRS Measures”). EBITDA should not be construed as a substitute for net income determined in accordance with IFRS.

Order Bookings represent new orders for the supply of automation systems 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 revenues for the three month periods ending July 3, 2011 and June 27, 2010 is contained in the MD&A (See "ASG Order Backlog Continuity"). References to 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.

COMPANY PROFILE

The Company has two operating segments: Automation Systems Group ("ASG") and Photowatt Technologies ("Photowatt") which includes Photowatt France ("PWF") and Photowatt Ontario ("PWO"). Through ASG, ATS provides innovative, custom designed, built and installed manufacturing solutions to many of the world's most successful companies. Founded in 1978, ATS uses its industry-leading knowledge and global capabilities to serve the sophisticated automation systems' needs of multinational customers in industries such as life sciences, computer/electronics, energy, transportation and consumer products. It also leverages its many years of experience and skills to fulfill the specialized automation product manufacturing requirements of customers. Through Photowatt, ATS participates in the growing solar energy industry. ATS employs approximately 2,900 people at 21 manufacturing facilities in Canada, the United States, Europe, Southeast Asia and China.

Value Creation Strategy

To drive value creation, the Company implemented a three-phase strategic plan: (1) fix the business (improve the existing operations, gain operating control of the business and earn credibility); (2) separate the businesses (create standalone ASG and Photowatt businesses, monetize non-core assets and strengthen the balance sheet); and (3) grow (both organically and through acquisition).

In fiscal 2011, the Board of Directors of ATS approved a plan designed to implement the separation of Photowatt from ATS. The Company is advancing its separation strategy via the spinoff of the Photowatt business as a standalone public company to the existing shareholders of ATS or a sale of PWF and/or PWO. As a result, as required by IFRS, Photowatt is presented as "held for distribution to owners'" in the interim consolidated statements of financial position and as "discontinued operations" in the interim consolidated statements of income (loss) and for all periods presented in this MD&A (see note 7 to the interim consolidated financial statements). The Company's continuing operations are reported as one operating segment, ASG (see note 21 to the interim consolidated financial statements).

Proposed Spinoff of Photowatt

The Company has initiated a dual track process to effect the separation of Photowatt from ATS; a spinoff of the Company's combined solar businesses or a sale of PWF and/or PWO. The Company is engaged with a number of interested parties regarding the potential sale of PWF. If a favourable offer is made for PWF, the Company would give it full consideration. In the interim, the Company is advancing its separation strategy via the spinoff of the Photowatt businesses as a standalone public company to the existing shareholders of ATS. Management believes separation will provide a number of benefits to ATS shareholders and both of its automation and solar businesses.

- **Enhanced market understanding.** ASG and Photowatt have different value creation models, risk profiles, and capitalization requirements and they therefore attract different shareholders. Separating ASG and Photowatt will benefit shareholders by providing better visibility, enhanced market understanding and appropriate valuation. Separation will allow both businesses to attract a dedicated investor base and gain improved potential access to growth capital.

- **Greater focus.** The board of directors and management of each entity will have a singular focus on developing their respective business models, balance sheets and strategies. This can enhance decision making and performance and allow both the automation and solar businesses to pursue their short and long-term business objectives and strategies best suited to their unique assets, expertise, and opportunities.

- **Improved value creation for all stakeholders.** Separation will allow each business to better serve its customer base and pursue strategic opportunities that may not be available as part of a combined ATS. Employees could benefit from business-specific incentives which better align employee compensation with business performance and improve the ability of each business to attract, retain and motivate employees.

Detailed plans to effect the spinoff of Photowatt to ATS shareholders as an independent, publicly traded company have been developed. Actions required to implement the spinoff are underway. PWF has notified and received advice from its employee works council regarding the spinoff transaction. The Company has identified a shortlist of candidates for the CEO and board of director roles for the spinoff entity and expects to confirm the appointments in the next fiscal quarter.

The Company currently plans to structure the proposed spinoff as a return of capital to be implemented via a plan of arrangement. The plan of arrangement will be subject to court approval. The Company intends to structure the spinoff transaction on a tax-efficient basis for both the Company and shareholders. The transaction will be subject to approval by ATS shareholders, the satisfaction of applicable regulatory requirements and certain other customary conditions.

Upon receipt of necessary approvals and satisfaction of certain conditions, the Company anticipates completing the spinoff transaction before the end of calendar 2011. However, notwithstanding the receipt and satisfaction of such approvals and conditions, the Company will retain sole and absolute discretion to determine whether it is appropriate to implement the spinoff transaction and if so, the timing of its implementation.

The Company is considering the initial capitalization requirements of Photowatt and various alternatives to achieve this. The Company has the resources to capitalize Photowatt without materially impacting ATS' overall capital resources and therefore its ability to pursue both organic and inorganic growth in its core business. However, the Company is actively considering a number of options with respect to sources of capital for Photowatt.

The spinoff transaction as currently contemplated involves a number of steps and transactions, including obtaining various Court and regulatory approvals. In addition, future financial conditions, superior alternatives or other factors may arise that make another course of action preferable to proceeding with part or all of the spinoff transaction. Any or all of the elements of the spinoff transaction may not occur as currently expected or within the time frames that are currently contemplated. See "Risk Factors" in the Company's most recently filed Annual Information Form.

Growth

To further the Company's growth strategy, ASG will continue to target providing value based, complete automation program solutions for customers based on differentiating technological solutions, value of customer outcomes achieved and global capability. With respect to acquisitions, the Company has an organizational structure, business processes and the experience to successfully integrate companies into the group. Acquisition opportunities are targeted and evaluated based on their ability to bring ATS market or technology leadership, scale and/or an opportunity brought on by the economic environment. Financially, targets are reviewed for their potential to add accretive earnings to current operations.

Business Acquisitions

In fiscal 2011 management completed two acquisitions:

Sortimat Group

On June 1, 2010, ATS completed its acquisition of 100% of Sortimat Group ("Sortimat"). Sortimat is a manufacturer of assembly systems for the life sciences market. Established in 1959, Sortimat has locations in Germany, Chicago and a small, 60% owned subsidiary in India. Sortimat's integration into the Company's ASG segment is materially complete.

The Sortimat acquisition aligned with ATS' strategy of expanding its position in the global automation market and enhancing growth opportunities, particularly in strategic segments such as life sciences. The Company benefits from Sortimat's significant experience and products in advanced system development, manufacturing, handling, and feeder technologies. This acquisition provided ATS with the scale required to further organize its marketing and divisions into a group focused on life sciences with the objective to grow its exposure to this market segment and help customers differentiate themselves from their competitors. To integrate Sortimat and effect margin improvements, the Company deployed people to apply best practices, command and control, and program management and to advance approach to market. The benefits of these integration initiatives are now being realized. Improvements in program management have led to the elimination of a significant number of RED programs (programs which are not delivered to specification, on-time, or on budget). For additional information on the acquisition of Sortimat, refer to note 6 of the interim consolidated financial statements.

ATW

On January 5, 2011, the Company completed its acquisition of the majority of Assembly & Test Worldwide, Inc.'s U.S.-based and German automation and test systems businesses (collectively "ATW"). ATW is a manufacturer of assembly and test systems, with capability in the transportation, life sciences and energy segments.

The Company benefits from ATW's significant experience, particularly in the transportation segment. The acquisition of ATW provided ATS with the scale required to further organize its marketing and divisions into a group within the Company's ASG segment that is focused on transportation. The integration of ATW is in its early stages. To date, management has initiated the consolidation of ATW's Saginaw division into its Livonia and Dayton divisions. Additional incremental margin improvements are targeted through the application of best practices, command and control, program management and approach to market. Management expects the integration process to continue for a number of quarters. For additional information on the acquisition of ATW, refer to note 6 of the interim consolidated financial statements.

OVERVIEW – OPERATING RESULTS FROM CONTINUING OPERATIONS

The operating results from continuing operations comprise the results of ASG. The results of Photowatt are reported as a discontinued operations commencing in the fourth quarter of fiscal 2011, with comparative periods reclassified as discontinued operations.

Consolidated Revenues from Continuing Operations
(In millions of dollars)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
Revenues by market		
Life sciences	**$ 43.8**	$ 39.8
Computer-electronics	**7.1**	14.0
Energy	**25.0**	35.2
Transportation	**40.4**	9.1
Other	**10.6**	3.7
Total revenues from continuing operations	**$ 126.9**	$ 101.8

First quarter revenues were 25% higher than for the same period a year ago as a result of increased Order Backlog entering the first quarter compared to a year ago and revenues earned by Sortimat and ATW.

By industrial market, revenues from life sciences increased 10% year over year primarily as a result of the increase in Order Backlog entering the first quarter compared to a year ago and the inclusion of Sortimat for the full fiscal quarter. The 49% decrease in computer-electronics revenues reflected lower Order Backlog entering the first quarter compared to a year ago. Revenues generated in the energy market decreased 29% on lower Order Backlog entering the first quarter compared to a year ago. The 344% increase in transportation revenues compared to a year ago primarily reflected higher Order Backlog entering the first quarter compared to a year ago and the inclusion of ATW. "Other" revenues increased 186% year over year primarily due to increased revenues in the consumer products market.

Quarter over quarter foreign exchange rate changes negatively impacted the translation of ASG revenues, reflecting the strengthening of the Canadian dollar relative to the U.S. dollar.

Consolidated Operating Results
(In millions of dollars)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
Earnings from operations	**$ 10.5**	$ 8.5
Depreciation and amortization	**3.1**	2.1
EBITDA	**$ 13.6**	$ 10.6

Fiscal 2012 first quarter earnings from operations were $10.5 million (operating margin of 8%) compared to earnings from operations of $8.5 million (operating margin of 8%) in the first quarter of fiscal 2011. Higher earnings from operations primarily reflect higher revenues earned during the period. Increased operating margins in the ATS base business was partially offset by the inclusion of Sortimat and ATW, which had lower operating margins than ASG's other operations, resulting in a consistent operating margin compared to the corresponding period a year ago. Corporate costs decreased on a year over year basis due to lower spending on acquisitions.

Depreciation and amortization expense was $3.1 million in the first quarter of fiscal 2012 compared to $2.1 million in the same period a year ago. The increase in fiscal 2012 first quarter depreciation and amortization primarily related to a $0.9 million increase in amortization on the identifiable intangible assets recorded on the acquisitions of Sortimat and ATW.

ASG Order Bookings
ASG Order Bookings in the first quarter were $157 million, 85% higher than in the first quarter in the previous year, reflecting improved Order Bookings in transportation following a general recovery in the automotive market and new product launches by OEMs and tier 1 suppliers. Improved Order Bookings also reflected additional activity in life sciences markets. Order Bookings in the first six weeks of the second quarter of fiscal 2012 were $90 million.

ASG Order Backlog Continuity
(In millions of dollars)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
Opening Order Backlog	**$ 296**	$ 209
Revenue	**(127)**	(102)
Order Bookings	**157**	85
Order Backlog adjustments[1]	**2**	23
Total	**$ 328**	$ 215

1 Order Backlog adjustments include foreign exchange adjustments, cancellations and, for the three months ended June 27, 2010, incremental Order Backlog of $27 million acquired with Sortimat.

ASG Order Backlog by Industry
(In millions of dollars)

	July 3, 2011	June 27, 2010
Life sciences	$ 112	$ 87
Computer-electronics	15	14
Energy	44	54
Transportation	143	15
Other	14	45
Total	$ 328	$ 215

At July 3, 2011, ASG Order Backlog was $328 million, 53% higher than at June 27, 2010, reflecting improved Order Bookings during the last four quarters. This growth was due to improved market conditions, particularly in life sciences and transportation and the addition of Sortimat and ATW.

ASG Outlook

The general economic environment, which negatively impacted the Company throughout fiscal 2010, continued to recover in the last four quarters. The Company has seen some improvement in certain customer markets; however, many customers remain cautious in their approach to capital investment. Management believes that increased capital spending will lag behind general economic recovery as customers are hesitant to invest until their markets stabilize and/or show signs of growth. Management expects this will continue to cause volatility in Order Bookings, however, the size of ASG's Order Backlog and the portion of Order Backlog that is moving from design to build phases will partially negate the impact of volatile Order Bookings on revenues in the short term. As the global economy and some of the Company's markets have shown signs of strengthening, activity in the Company's front-end of the business has increased.

Management expects that the implementation of its strategic initiatives to improve leadership, business processes and supply chain management will continue to have a positive impact on ATS operations.

The integration of Sortimat is materially complete. Efforts to control and eliminate RED programs, reduce costs and integrate Sortimat into ATS' sales and marketing, program management, and command and control processes are significantly advanced. These initiatives, combined with improved Order Backlog and therefore factory utilization, are expected to drive continued improvements in operating results.

The integration of ATW is well underway. The consolidation of ATW's Saginaw division into divisions in Livonia and Dayton is substantially complete. ATS will target margin improvements through the application of best practices in command and control, program management, performance management and approach to market. The acquisition of ATW has increased ATS revenues; however, until ATW is fully integrated, operating margins are expected to be negatively impacted.

The Company's strong financial position provides a solid foundation to pursue organic growth and the flexibility to pursue its acquisition growth strategy. The Company is actively seeking to expand its position in the global automation market organically and through acquisition. To further this objective, management will continue to review and pursue attractive opportunities.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(In millions of dollars, except per share data)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
Revenues	**$ 126.9**	$ 101.8
Cost of revenues	**92.4**	76.9
Selling, general and administrative	**22.9**	15.9
Stock-based compensation	**1.1**	0.5
Earnings from operations	**$ 10.5**	$ 8.5
Net finance costs	**$ 0.6**	$ 0.2
Provision for (recovery of) income taxes	**3.7**	2.7
Net income from continuing operations	**$ 6.2**	$ 5.6
Loss from discontinued operations, net of tax	**$ (11.2)**	$ (0.4)
Net income (loss)	**$ (5.0)**	$ 5.2
Earnings (loss) per share		
Basic and diluted - from continuing operations	**$ 0.07**	$ 0.06
Basic and diluted - from discontinued operations	**(0.13)**	(0.00)
	$ (0.06)	$ 0.06

Revenues. At $126.9 million, consolidated revenues from continuing operations for the fiscal 2012 first quarter were 25% higher than for the corresponding period a year ago as a result of increased Order Backlog entering the first quarter compared to a year ago and revenues earned by Sortimat and ATW.

Cost of revenues. Fiscal 2012 first quarter cost of revenues increased by $15.5 million or 20% from a year ago to $92.4 million. The increase in gross margin to 27% in fiscal 2012 from 24% a year ago reflects higher revenues and improved program management, partially offset by lower margins from acquired businesses.

Selling, general and administrative ("SG&A") expenses. SG&A expenses for the first quarter of fiscal 2012 increased 44% or $7.0 million to $22.9 million compared to the corresponding prior-year period. Higher SG&A costs reflected incremental spending from acquired businesses, increased sales and marketing expenses and incremental amortization related to identifiable intangible assets recorded on the acquisition of Sortimat, partially offset by lower professional fees for acquisition activities.

Stock-based compensation cost. In the first quarter of fiscal 2012, stock-based compensation expense increased to $1.1 million from $0.5 million a year earlier primarily reflecting additional expense from new stock grants.

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 July 3, 2011, the following performance-based stock options were un-vested:

Stock price performance threshold	**Number of options outstanding**	**Grant date value per option**	**Weighted average remaining vesting period**	**Current year expense (in '000s)**	**Remaining expense to recognize (in '000s)**
$ 8.41	166,667	1.88	0.1 years	$ 23	$ 4
8.50	889,333	1.41	1.5 years	63	350
9.49	41,667	1.66	3.4 years	3	41
10.41	266,667	2.11	1.3 years	31	146
10.50	889,333	1.41	2.3 years	54	481
11.08	218,667	2.77	0.6 years	38	97
12.41	266,666	2.11	2.2 years	26	217
13.08	218,667	2.77	1.6 years	31	193

Earnings from operations. First quarter fiscal 2012 consolidated earnings from operations were $10.5 million, compared to earnings from operations of $8.5 million a year ago reflecting higher revenues and gross margins, partially offset by higher SG&A expenses.

Net finance costs. Finance costs were $0.6 million in the first quarter of fiscal 2012 compared to $0.2 million a year ago. The increase in net finance costs relates to lower cash balances and higher debt.

Provision for income taxes. For the three months ended July 3, 2011, the Company's effective income tax rate differed from the combined Canadian basic federal and provincial income tax rate of 27.8% primarily as a result of losses incurred in Europe, the benefit of which was not recognized for financial statement reporting purposes.

Net income from continuing operations. Net income from continuing operations was $6.2 million (7 cents earnings per share basic and diluted) compared to net income from continuing operations of $5.6 million (6 cents earnings per share basic and diluted) for the first quarter of fiscal 2011.

Reconciliation of EBITDA to IFRS measures

(In millions of dollars)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
EBITDA	**$ 13.6**	$ 10.6
Less: depreciation and amortization expense	**$ 3.1**	$ 2.1
Earnings from operations	**$ 10.5**	$ 8.5
Less: Net finance costs	**$ 0.6**	$ 0.2
Provision for (recovery of) income taxes	**3.7**	2.7
Net income from continuing operations	**$ 6.2**	$ 5.6

FOREIGN EXCHANGE

Strengthening in the value of the Canadian dollar relative to the U.S. dollar had a negative impact on translation of the Company's revenues in the first quarter of fiscal 2012 compared to the first quarter of fiscal 2011. ATS follows a transaction hedging program to help mitigate the impact of short-term foreign currency movements. This hedging activity consists primarily of forward foreign exchange contracts used to manage foreign currency exposure. Purchasing third-party goods and services in U.S. dollars by Canadian operations also acts as a partial offset to U.S. dollar exposure. The Company's forward foreign exchange contract hedging program is intended to mitigate movements in currency rates primarily over a four-to-six month period. See note 13 to the interim consolidated financial statements for details on the derivative financial instruments outstanding at July 3, 2011.

Period Average Market Exchange Rates in CDN$

	Three months ended		
	July 3, 2011	June 27, 2010	% change
U.S. Dollar	**0.9690**	1.0277	-5.7%
Euro	**1.3941**	1.3071	6.7%

DISCONTINUED OPERATIONS: PHOTOWATT

(In millions of dollars)

	Three Months Ended July 3, 2011	Three Months Ended June 27, 2010
Total Revenues	**$ 62.9**	$ 48.8
Loss from operations	**(11.2)**	(0.1)
Loss from discontinued operations, net of tax	**(11.2)**	(0.4)

Revenues

Photowatt's fiscal 2012 first quarter revenues of $62.9 million were 29% higher than in the first quarter of fiscal 2011. Fiscal 2012 revenues included $6.6 million of revenues generated primarily from the sale of excess raw material inventory for approximately its net book value, compared to $7.1 million of such sales a year ago.

Excluding revenues from raw material sales, Photowatt's first quarter revenues were 35% higher than the corresponding period a year ago. Total megawatts ("MWs") sold increased to 14.7 MWs from 11.4 MWs in the same period a year ago. Higher volumes were partially offset by lower average selling prices, which declined by approximately 20% for modules. Dampening the impact of lower module average selling prices was an increase in systems sales to $44.0 million from $26.2 million in the corresponding period a year ago. Systems include modules, combined with installation kits, solar power system design and/or other value-added services.

Quarter over quarter foreign exchange rate changes positively impacted the translation of PWF revenues, reflecting the strengthening of the Euro relative to the Canadian dollar.

Loss from Operations
Photowatt fiscal 2012 first quarter loss from operations was $11.2 million (operating margin of negative 18%) compared to a loss from operations of $0.1 million (operating margin of 0%) a year ago. Included in fiscal 2012 first quarter operating loss was $6.0 million of non-cash charges related to the write-down of inventory to its net realizable value, following declines in market average selling prices due to changes in European feed-in tariffs ("FIT") and excess module supply in the European solar industry. Excluding the inventory impairment charge, the quarter-over-quarter decrease in operating results reflected lower average selling prices which were partially offset by the higher MWs sold, increased system sales, and lower direct manufacturing costs-per-watt.

At PWO, production on the divisions 100 MW module manufacturing line continued to ramp-up and the division operated at approximately breakeven. Lower operating costs in PWF's PV Alliance joint venture were more than offset by higher spending on costs related to the separation of Photowatt.

Photowatt Outlook
Management believes that solar power is, and for the foreseeable future will be, affected by and largely dependent on the existence of government incentives. Announced reductions in FIT for solar energy in Europe, and annual limits on installations eligible for FIT in certain European countries have caused volatility in the European solar industry. Potential project investors are delaying investments in new projects due to the uncertainty and volatility in that market. This is causing increased industry inventory levels for modules, which combined with increasing industry manufacturing capacity, particularly from low-cost manufacturers in Asia, is expected to have a negative impact on average selling prices per watt.

In Ontario, changes to the FIT program could have an impact on PWO's future revenues and profitability and the value of its FIT contracts. Recent improvements made to the regulatory approval process which allows solar project developers with advanced project plans to obtain a waiver of the OPA's termination rights, is expected to improve market stability.

PWO has secured conditional feed-in tariff approvals totalling approximately 64 MWs related to large scale renewable energy applications made by a project development joint venture, Ontario Solar PV Fields ("OSPV") in which ATS holds a 50% interest. OSPV will utilize a range of solar solutions including modules manufactured by ATS in Cambridge. OSPV is in the process of seeking necessary joint venture partner approvals and other requisite approvals. OSPV's next steps include efforts to arrange financing and ultimate project ownership. PWO will supply modules to OSPV and recognize revenues on 50% of those modules over the next two years. As OSPV generates revenue, through either connection to the Ontario power grid or through sale of the projects to third parties, PWO will recognize additional revenues up to its proportionate 50% interest at that time.

During the first quarter of fiscal 2012, PWO signed two customer agreements for the manufacture and supply of customer-branded modules. The first agreement is for the supply of a minimum of 24 MWs over fiscal 2012 and 2013 and allows for the potential to increase volumes by an additional 24 MWs over the term of the agreement. The second agreement is for the supply of a minimum of 160 MWs over four years, with shipments expected to begin in October 2011. The second agreement allows for the potential to increase volumes by an additional 160 MWs over the term of the agreement. Under the first agreement, PWO will recognize revenue on the full value of the modules manufactured. Under the second agreement, PWO will recognize revenue for module manufacturing services and module materials other than solar cells, which will be provided by the customer. Production from the Company's 100 MW module manufacturing line is expected to ramp up to full capacity to meet demand in fiscal 2012. PWO has also signed agreements with developers who are in the process of securing conditional FIT approvals for a number of projects. PWO will provide modules and other related services to these projects.

At PWF, implementation of the restructuring plan initiated in the fourth quarter of fiscal 2011 is underway. The restructuring plan is intended to: (i) focus on growing system sales in France and other emerging European solar markets with attractive FIT regimes for systems sales; (ii) reduce manufacturing costs; and (iii) improve its global supply chain, including subcontracting the assembly of solar modules to third parties. Subsequent to the end of the first quarter, the workforce reductions were completed, resulting in a one-third reduction in PWF's workforce. Effective in the second quarter of fiscal 2012, all internal module production has ceased and is now subcontracted. Internal production of photovoltaic cells is in the process of being reduced to 50 MWs capacity, which will be supplemented with the 25 MW PV Alliance cell line. While PWF believes that the actions will allow PWF to recover competitiveness, there is ultimately no guarantee that the restructuring project and potential future actions will offset all competitive challenges. PWF continues to monitor market conditions and intends to take appropriate actions in relation to such conditions.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

Cash, Leverage and Cash Flow from Continuing Operations
(In millions of dollars, except ratios)

	July 3, 2011	June 27, 2010
Period end cash and cash equivalents	$ 83.7	$ 117.1
Period end debt-to-equity ratio	0.02:1	0.1:1
Cash flows used in operating activities from continuing operations	$ (25.6)	$ (0.7)

At July 3, 2011, the Company had cash and cash equivalents of $83.7 million compared to $117.1 million at March 31, 2011. The Company's total debt-to-total-equity ratio at July 3, 2011 was 0.02:1. At July 3, 2011, the Company had $59.8 million of unutilized credit available under existing operating and long-term credit facilities and another $31.8 million available under letter of credit facilities. In the first quarter of fiscal 2012, cash flows used in operating activities from continuing operations was $25.6 million, compared to cash flows used in operating activities from continuing operations of $0.7 million in the first quarter of fiscal 2011. The increase in cash flows used in operating activities from continuing operations related primarily to timing of investments in non-cash working capital in a number of large customer programs primarily in the transportation market.

In the first quarter of fiscal 2012, the Company's investment in non-cash working capital increased by $37.0 million from March 31, 2011. Accounts receivable increased 26% or $18.4 million, due to timing on billings in certain customer contracts. Net contracts in progress increased by 35% or $9.9 million compared to March 31, 2011. The Company actively manages its accounts receivable and net contracts in progress balances through billing terms on long-term contracts and by focusing on collection efforts. Inventories increased year over year by 5% or $0.6 million. Deposits and prepaid assets increased by 10% or $1.8 million due primarily to an increase in prepaid assets, partially offset by a decrease in restricted cash used to secure letters of credit. Accounts payable and accrued liabilities decreased 3% primarily due to timing of purchases. Provisions decreased by $0.6 million or 7% since March 31, 2011.

Capital expenditures totalled $1.6 million in the first quarter of fiscal 2012 and primarily related to improvements and upgrades at existing facilities.

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $95.0 million comprised of an operating credit facility of $65.0 million and a letter of credit facility of up to $30.0 million for certain purposes. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by the assets, including real estate, of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on April 30, 2012.

As at July 3, 2011, the Company had issued letters of credit in the amount of $5.8 million under the primary credit facility (March 31, 2011 - $5.6 million). No other amounts were drawn on the primary credit facility.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letters 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 0.90% to 1.90% until October 1, 2011 and 0.90% to 2.40% subsequently. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 1.90% to 2.90% until October 1, 2011 and 1.90% to 3.40% subsequently.

Under the Credit Agreement, the Company pays a fee for usage of the $30.0 million letter of credit facility which ranges from 0.80% to 1.90%.

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 rates ranging from 0.475% to 0.725% until October 1, 2011, and 0.475% to 0.850% subsequently.

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

The Company has additional credit facilities available of $12.5 million (6.6 million Euro, 41.2 million Indian Rupee and 2.0 million Swiss francs). The total amount outstanding on these facilities is $10.2 million (March 31, 2011 - $7.9 million), of which $6.6 million is classified as bank indebtedness and $3.6 million is classified as long-term debt. The interest rates applicable to the credit facilities range from 0.0% to 8.5% per annum. A portion of the long-term debt is secured by certain assets of the Company and the 2.0 million Swiss Francs credit facility is secured by a letter of credit under the primary credit facility.

The Company expects to continue increasing its investment in working capital to support its growing backlog, particularly in the transportation market. The Company expects that continued cash flows from operations, together with cash and cash equivalents 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, and to fund strategic investment plans including potential acquisitions. Significant acquisitions could result in additional debt or equity financing requirements.

During the first quarter of fiscal 2012, 4,400 stock options were exercised. As of August 16, 2011 the total number of shares outstanding was 87,293,555.

Discontinued Operations

As at July 3, 2011, the Company's subsidiary, PWF, has credit facilities including finance lease obligations, of $40.8 million (March 31, 2011 - $40.7 million) outstanding, of which $2.1 million would be classified as bank indebtedness (March 31, 2011 - $0.5), $18.4 million would be classified as long-term debt (March 31, 2011 - $19.3 million) and $20.3 million would be classified as obligations under finance leases (March 31, 2011 - $20.8 million). Additional credit facilities of $29.3 million (21.0 million Euro) are available to PWF, upon meeting certain requirements. The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 3.35% and 4.9% per annum. Certain of the credit facilities are secured by certain assets of PWF, and a commitment to restrict payments to the Company and are subject to debt leverage tests. The credit facility classified as long-term debt requires annual payments of $5.2 million (3.8 million Euro) and expires on October 15, 2014. The credit facilities which are classified as bank indebtedness are subject to either annual renewal or 60 day notification.

The PV Alliance joint venture has additional credit facilities as described in note 22 to the interim consolidated financial statements. The PWF and PV Alliance bank indebtedness, obligations under finance leases and long-term debt amounts have been classified as "held for distribution to owners'" in the interim consolidated financial statements.

The Company is considering the initial capitalization requirements of Photowatt in the event a spinoff is pursued and various alternatives to achieve this. The Company has the resources to capitalize Photowatt without materially impacting ATS' overall capital resources and therefore its ability to pursue both organic and inorganic growth in its core business. However, the Company is actively considering a number of options with respect to sources of capital for Photowatt.

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, 2011 found at www.sedar.com. The Company' off-balance sheet arrangements consist of purchase obligations, various operating lease financing arrangements related primarily to facilities and equipment, and derivative financial instruments which have been entered into in the normal course of business.

The Company has initiated discussions with certain vendors with respect to exiting certain long-term supply contracts in its discontinued operations. No provisions for those contracts have been recognized in the interim consolidated financial statements. There are no other significant off-balance sheet arrangements that management believes will have a material effect on the results of operations or liquidity.

In accordance with industry practice, the Company is liable to the customer for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. In addition, the Company may provide bank guarantees as security on equipment under lease and on order. At July 3, 2011, the total value of outstanding bank guarantees available under bank guarantee facilities was approximately $25.0 million (March 31, 2011 – $26.3 million) from continuing operations and was approximately $9.0 million (March 31, 2011 – $13.9 million) from discontinued operations.

CONSOLIDATED QUARTERLY RESULTS

Results for Q1 fiscal 2011 through to Q1 fiscal 2012 are reported based on IFRS. Results for Q2 fiscal 2010 through to Q4 fiscal 2010 are reported based on Canadian GAAP. Results have been reclassified to present Photowatt as discontinued operations.

($ in thousands, except per share amounts)	**IFRS Q1 2012**	IFRS Q4 2011	IFRS Q3 2011	IFRS Q2 2011	IFRS Q1 2011	CDN GAAP Q4 2010	CDN GAAP Q3 2010	CDN GAAP Q2 2010
Revenues from continuing operations	**$ 126,875**	$ 148,389	$ 120,781	$ 114,250	$ 101,838	$ 90,104	$ 78,185	$ 96,441
Earnings (loss) from operations	**$ 10,527**	$ 14,212	$ 7,145	$ 5,622	$ 8,492	$ 16,175	$ 2,727	$ 8,193
Income from continuing operations	**$ 6,208**	$ 14,576	$ 4,131	$ 3,801	$ 5,603	$ 44,006	$ 1,830	$ 4,611
Income from discontinued operations, net of tax	**$ (11,222)**	$ (32,206)	$ (16,074)	$ (2,913)	$ (392)	$ (41,922)	$ 1,912	$ 1,401
Net income (loss)	**$ (5,014)**	$ (17,630)	$ (11,943)	$ 888	$ 5,211	$ 2,084	$ 3,742	$ 6,012
Basic earnings per share from continuing operations	**$ 0.07**	$ 0.17	$ 0.05	$ 0.04	$ 0.06	$ 0.50	$ 0.02	$ 0.05
Diluted earnings per share from continuing operations	**$ 0.07**	$ 0.17	$ 0.05	$ 0.04	$ 0.06	$ 0.50	$ 0.02	$ 0.05
Basic earnings (loss) per share from discontinued operations	**$ (0.13)**	$ (0.37)	$ (0.18)	$ (0.03)	$ (0.00)	$ (0.47)	$ 0.02	$ 0.02
Diluted earnings (loss) per share from discontinued operations	**$ (0.13)**	$ (0.37)	$ (0.18)	$ (0.03)	$ (0.00)	$ (0.47)	$ 0.02	$ 0.02
Basic earnings (loss) per share	**$ (0.06)**	$ (0.20)	$ (0.13)	$ 0.01	$ 0.06	$ 0.03	$ 0.04	$ 0.07
Diluted earnings (loss) per share	**$ (0.06)**	$ (0.20)	$ (0.13)	$ 0.01	$ 0.06	$ 0.03	$ 0.04	$ 0.07
ASG Order Bookings	**$ 157,000**	$ 206,000	$ 133,000	$ 105,000	**$** 85,000	$ 105,000	$ 92,000	$ 71,000
ASG Order Backlog	**$ 328,000**	$ 296,000	$ 215,000	$ 208,000	**$** 215,000	$ 209,000	$ 203,000	$ 197,000

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 revenues and operating performance. ATS typically experiences some seasonality with its revenues and operating earnings due to summer plant shutdowns by its customers and the annual summer shutdown at PWF within its discontinued operations. In Photowatt, slower sales may occur in the fiscal fourth quarter, when the weather may impair the ability to install its products in certain geographical areas.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make estimates and assumptions that affect both the amount and timing of reported assets, liabilities, revenues and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and various factors that management believes to be reasonable under the circumstances. However, due to the nature of estimates, actual results could differ from the estimates. Note 2 and note 3 to the interim consolidated financial statements describe the Company's basis of accounting and significant accounting policies respectively. The following discussion sets forth the estimates that the Company considers as critical in applying significant accounting policies and preparing consolidated financial statements.

Revenue Recognition and Contracts in Progress

The nature of certain ASG contracts requires the use of estimates to quote new business and most automation systems are typically sold on a fixed-price basis. As described in Note 3 (d) to the interim consolidated financial statements, revenue on construction contracts for automation systems and other long-term contracts is recognized under the percentage of completion method of accounting, which requires management to exercise significant judgment in estimating the future costs of completing individual contracts over the life of the contract. If the actual costs incurred by the Company to complete a contract are significantly higher than estimated, the Company's earnings may be negatively affected. The use of estimates involves risks, since the work to be performed requires varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. In the event the Company is unable to meet the defined performance specification for a contracted automation system, it may need to redesign and rebuild all or a portion of the system at its expense without an increase in the selling price. Certain contracts may have provisions that reduce the selling price if the Company fails to deliver or complete the contract by specified dates. These provisions may expose the Company to liabilities or adversely affect the Company's results of operations or financial position.

ASG's contracts may be terminated by customers in the event of a default by the Company and in some cases at the convenience of the customer. In the event of a termination for convenience, the Company typically negotiates a settlement reflective of the progress achieved on the contract and/or the costs incurred to the termination date. If a contract is cancelled, Order Backlog is reduced and production utilization may be negatively impacted.

Complete provision, which can be significant, is made for losses on such contracts when such losses first become known. Revisions in estimates of costs and profits on contracts, which can also be significant, are recorded in the accounting period in which the relevant facts impacting the estimates become known.

A portion of ASG revenue is recognized when earned, which is generally at the time of shipment and transfer of title to the customer, providing collection is reasonably assured.

Photowatt's revenue is generally recognized when earned, which is normally at the time of shipment and transfer of title to the customer, provided collection is reasonably assured. While the Company may enter into long-term sales contracts, many sales are made on the basis of individual orders, as is customary in the industry. This can increase revenue volatility because shipment volumes may vary depending on customer demand.

Valuation of Long-Lived Assets and Goodwill

As described in notes 3(h), 3(l) and 3(p) to the interim consolidated financial statements, long-lived assets such as property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgment is involved in determining expected future cash flows that will be generated by the long-lived assets. During the year ended March 31, 2011, the Company recorded impairment charges of $70.8 million related to the property, plant and equipment of the Company's PWF division.

In connection with business acquisitions completed by the Company, management identifies and estimates the fair value of the net assets acquired, including certain identifiable intangible assets other than goodwill and liabilities assumed in the acquisitions. Any excess of the purchase price over the estimated fair value of the net assets acquired is assigned to goodwill. Goodwill is assessed for impairment on an annual basis or earlier if events or circumstances suggest indicators of impairment.

Valuation of Deferred Income Tax Assets and Investment Tax Credits

As described in note 3(f) to the interim consolidated financial statements, the Company's deferred income tax asset balance represents temporary differences between financial reporting and tax basis of assets and liabilities including research and development costs and incentives, property, plant and equipment, asset impairment charges not yet deductible and operating loss carry-forwards. The Company considers both positive evidence and negative evidence to determine whether, based upon the weight of that evidence, it is probably that future taxable income will be available against which the deferred tax assets can be utilized. Judgment is required in considering the relative impact of negative and positive evidence. The Company reduces deferred income tax assets and investment tax credits to the extent that it is no longer probable that the related tax benefit will be realized. Should the Company determine that it is no longer probable that it will be able to realize all or part of its deferred income tax assets in future fiscal periods, the deferred income tax asset would be reduced, resulting in a decrease to net income in the reporting periods in which management makes such determinations.

Provisions
As described in note 3(q) to the interim consolidated financial statements, the Company records a provision when an obligation exists, an outflow of economic resources required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. The Company records a provision based on the best estimate of the required economic outflow to settle the present obligation at the balance sheet date. While management believes these estimates are reasonable, differences in actual results or changes in estimates could have a material impact on the obligations and expenses reported by the Company.

ACCOUNTING CHANGES

Standards issued but not yet effective or amended up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosures for financial assets that have been transferred, but not derecognized, to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures for continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of calendar 2011. The adoption of the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets, but will potentially have no impact on classification and measurements of financial liabilities. ATS will quantify the impact in conjunction with the other phases, when issued.

IFRS 10 – Consolidated Financial Statements
This standard will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidated - Special Purpose Entities. This standard incorporates a single model for consolidating all entities that are controlled and revises the definition of when an investor controls an investee to be when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and a continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013,

with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

IFRS 11 – Joint Arrangements
This standard will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 11 on its results of operations and financial position.

IFRS 12 – Disclosure of Interest in Other Entities
The new standard includes disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 – Fair Value Measurement
The new standard creates a single source of guidance for fair value measurement, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements
The amendment requires financial statements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendment reaffirms existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendment requires tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax). IAS 1 is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The Company is assessing the impact of IAS 1 on its consolidated financial statements.

IAS 12 – Income Taxes — Recovery of Underlying Assets
The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Company is assessing the impact of IAS 12 on its consolidated financial statements.

IAS 19 – Employee Benefits
The amendment eliminates the option to defer the recognition of gains and losses, known as the 'corridor method', requires remeasurements to be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IAS 19 on its consolidated financial statements.

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 July 3, 2011, other than as noted below, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ATS acquired the Sortimat Group on June 1, 2010. Management has completed its review of the design of disclosure controls and internal controls over financial reporting and implemented certain improvements to the control structure.

ATS acquired the ATW group on January 5, 2011. Management has not yet completed its assessment of the design or operating effectiveness of ATW's disclosure controls and procedures and the procedures and internal controls over financial reporting. The following summary financial information pertains to the acquisition that was included in ATS's Consolidated Interim Financial Statements for the period ended July 3, 2011.

(millions of dollars)	ATW [1]
Revenue	16.7
Net income (loss)	0.6
Current assets [2]	32.1
Non-current assets [2]	8.7
Current liabilities [2]	18.8
Non-current liabilities [2]	5.1

1 Results for the first fiscal quarter ended July 3, 2011
2 Balance sheet as at July 3, 2011

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: a potential spinoff of Photowatt or sale of PWF; management's belief that a spinoff would provide a number of benefits to ATS shareholders and both of its automation and solar businesses, including enhanced market understanding, greater focus, and improved value creation; expected confirmation of appointments for CEO and board for spinoff entity; structure of potential spinoff; timing of potential spinoff; capitalization of Photowatt in spinoff scenario and the Company's resources to capitalize Photowatt; the ASG growth strategy; review and pursuit of acquisition opportunities; management's belief that increased capital spending will continue to lag the general economic recovery; management's expectation that its ASG strategic initiatives will have a positive impact on operations; impact of Sortimat and ATW acquisitions on performance and operating margins; plans to expand the Company's position in the global automation market organically and through acquisition; dependence of solar power on the existence of government incentives; expectation that increased solar industry inventory due to reductions in European FIT, combined with increased industry capacity, will further negatively impact average selling prices per watt; potential for changes to Ontario FIT program to have impact on PWO's future revenues and profitability and expected impact of recent changes to the regulatory approval process in Ontario; PWO securing conditional FIT approvals totaling approximately 64 MWs related to applications made by OSPV; utilization by OSPV of a range of solar solutions including modules manufactured by ATS; OSPV joint venture and other approvals required; OSPV's efforts to arrange financing and ultimate project ownership; expected timing of revenue recognition on various PWO initiatives; timing of ramp up of production to full production on 100 MW module line; PWO agreements with developers in the process of securing conditional FIT approvals; expectation that PWO will provide modules and other related services to these projects; intended outcomes of PWF restructuring plan; reduction in cell manufacturing capacity at PWF; PWF's intention to take appropriate actions in response to market conditions; foreign exchange hedging; expectation 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 sufficient to fund requirements for investments; seasonality of revenues; and accounting standards changes. 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; foreign currency and exchange risk; the relative strength of the Canadian dollar; performance of the market sectors that ATS serves; impact of factors such as increased pricing pressure and possible margin compression; impact of the global economy, conditions in the solar and capital markets, Photowatt performance, the regulatory and tax environment, availability of credit facilities, and unexpected delays and issues, on the timing, form and structure of contemplated separation, the dual track process, and the capitalization requirements of Photowatt; that other capitalization alternatives are not available in a spinoff scenario; that the anticipated benefits of separation are not realized; potential delays in finalizing board and CEO positions for the spinoff; that strategic initiatives within ASG and targeted initiatives at Sortimat and ATW do not have intended positive impact and/or take longer than expected; inability to successfully expand organically or through acquisition, due to an inability to grow expertise, personnel, and/or facilities at required rates or to identify, negotiate and conclude one or more acquisitions; uncertainty of outcome of Ontario election and policies implemented following such election; the availability and possible reduction or elimination of government subsidies and incentives for solar products in various jurisdictions, including France and Ontario; ability of ATS and OSPV to acquire the needed expertise and financing necessary to effectively develop Ontario solar projects; the financial attractiveness of, and demand for, those solar projects; the success of developers with whom ATS has signed agreements in obtaining FIT contracts and ultimately developing the projects; the potential for the ramp up to full production of the 100 MW module line will be hindered or delayed due to an inability to procure necessary permits, approvals, materials, equipment, and staff on a timely basis; ability to obtain necessary government and other certifications and approvals for solar projects in a timely fashion; that one or both of the customer agreements signed by PWO is terminated or impaired as a result of a cancellation or material change in the FIT program in Ontario and as a result contemplated minimum amounts to be supplied are not supplied with resulting impacts on revenue and profitability; that PWF's market strategy is unsuccessful in differentiating it and penetrating the markets it is targeting; that PWF's restructuring plan is not fully achieved and/or does not generate the desired results; that unexpected problems arise with the new module assembly outsourcing arrangements; that one or more customers, or other persons with which the Company has contracted, experience insolvency or bankruptcy with resulting costs or losses to the Company; political, labour or supplier disruptions in manufacturing and supply of silicon; the development of superior or alternative technologies to those developed by ATS; the success of competitors with greater capital and resources in exploiting their technology; market risk for developing technologies; risks relating to legal proceedings to which ATS is or may becomes a party; exposure to product liability claims of Photowatt; risks associated with greater than anticipated tax liabilities or expenses; potential for adoption of new accounting policies to have unanticipated impacts; 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 other than as required by applicable securities laws, ATS does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.