ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings
(in thousands, except per share amounts – unaudited)

	Three months ended			
		June 30 2006		June 30 2005
				(as restated)
Revenue	**$**	**190,889**	$	188,716
Operating costs and expenses:				
Cost of revenue		**156,560**		151,035
Amortization		**7,243**		7,295
Selling, general and administrative		**21,340**		20,322
Stock-based compensation (note 3)		**101**		779
		185,244		179,431
Earnings from operations		**5,645**		9,285
Other expenses (income):				
Interest on long-term debt		**728**		373
Other interest		**(146)**		49
		582		422
Earnings from continuing operations before income taxes and non-controlling interest		**5,063**		8,863
Provision for income taxes		**2,506**		2,822
Non-controlling interest in earnings of subsidiaries		**123**		173
Net earnings from continuing operations		**2,434**		5,868
Loss from discontinued operations, net of tax (note 2)		**(2,096)**		(442)
Net earnings	**$**	**338**	$	5,426
Earnings (loss) per share (note 5)				
Basic and diluted – from continuing operations	**$**	**0.04**	$	0.10
Basic and diluted – from discontinued operations		**(0.03)**		(0.01)
	$	**0.01**	$	0.09

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings
(in thousands of dollars – unaudited)

	Three months ended			
		June 30 2006		June 30 2005
Retained earnings, beginning of period	**$**	**125,063**	$	208,120
Net earnings		**338**		5,426
Reduction from share repurchase (note 4)		**-**		(13,764)
Retained earnings, end of period	**$**	**125,401**	$	199,782

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars – unaudited)

	June 30 2006	March 31 2006
ASSETS		
Current assets:		
Cash and short-term investments	**$ 37,395**	$ 27,921
Accounts receivable	**126,691**	133,450
Income taxes recoverable	**13,447**	19,984
Costs and earnings in excess of billings on contracts in progress	**92,113**	102,759
Inventories	**72,196**	69,833
Other	**8,357**	4,887
	350,199	358,834
Property, plant and equipment	**197,009**	198,863
Goodwill	**32,757**	33,686
Intangible assets	**633**	1,354
Future income tax assets	**44,814**	42,493
Deferred development costs	**3,904**	3,960
Assets held for sale (note 2)	**1,485**	1,485
Other assets	**7,727**	8,697
	$ 638,528	$ 649,372
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	**$ 8,030**	$ 1,812
Accounts payable and accrued liabilities	**90,513**	100,149
Billings in excess of costs and earnings on contracts in progress	**19,179**	39,497
Future income taxes	**31,093**	33,367
	148,815	174,825
Long-term debt	**58,122**	39,860
Future income taxes	**2,172**	3,121
Non-controlling interest	**736**	645
Shareholders' equity:		
Share capital	**327,343**	326,840
Retained earnings	**125,401**	125,063
Contributed surplus	**2,345**	2,035
Cumulative translation adjustment	**(26,406)**	(23,017)
	428,683	430,921
	$ 638,528	$ 649,372

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars – unaudited)

	Three months ended	
	June 30 2006	June 30 2005
Cash flows from operating activities:		
Net earnings	**$ 338**	$ 5,426
Items not involving cash	**1,376**	14,049
Stock-based compensation	**101**	779
Write down of assets to net realizable value (note 2)	**1,978**	-
Cash flow from operations	**3,793**	20,254
Change in non-cash operating working capital	**(12,161)**	(33,849)
	(8,368)	(13,595)
Cash flow from investing activities:		
Acquisition of property, plant, and equipment	**(6,146)**	(13,490)
Investments and other	**(2,341)**	(5,818)
Proceeds from disposal of assets	**426**	432
	(8,061)	(18,876)
Cash flows from financing activities:		
Bank indebtedness	**6,218**	32,342
Proceeds from long-term debt	**20,000**	-
Purchase of common shares for cancellation (note 4)	**-**	(25,000)
Issuance of common shares	**503**	2,154
	26,721	9,496
Effect of exchange rate changes on cash and short-term investments	**(818)**	(502)
Increase (decrease) in cash and short-term investments	**9,474**	(23,477)
Cash and short-term investments, beginning of period	**27,921**	49,529
Cash and short-term investments, end of period	**$ 37,395**	$ 26,052
Supplementary information:		
Cash income taxes paid	**$ 133**	$ 440
Cash interest paid	**$ 1,118**	$ 459

See accompanying notes to interim consolidated financial statements

(tabular amounts in thousands, except per share amounts – unaudited)

These statements have not been reviewed or audited by the Company's auditor.

1. Significant accounting policies:

(i) The accompanying unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP") and the accounting policies are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2006. The unaudited interim consolidated financial statements presented in this interim report do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the Company's fiscal 2006 audited consolidated financial statements.

(ii) Contract revenue in the Automation Systems segment is recognized using the percentage of completion method. The degree of completion is determined based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated for each contract. Incentive awards, claims or penalty provisions are recognized when such amounts are likely to accrue and can reasonably be estimated. Complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

Revenue in the Precision Components and Photowatt Technologies segments is recognized at time of shipment, providing collection is reasonably assured.

(iii) The preparation of these interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions are used when accounting for items such as impairment of assets, recoverability of deferred development costs, fair value of reporting units, fair value of assets held for sale, warranties, income taxes, future tax assets, determination of estimated useful lives of intangible assets and property, plant and equipment, impairment of long-term investments, contracts in progress, inventory provisions, revenue recognition, contingent liabilities, and allowances for accounts receivable.

2. Discontinued operations and assets held for sale:

(i) During the three months ended June 30, 2006, the Company sold the key operating assets and liabilities, including equipment, current assets, trade accounts payable and certain other assets and liabilities of its Berlin, Germany coil winding business for net proceeds of 600,000 euro consisting of cash of 300,000 euro and an interest bearing note receivable of 300,000 euro. Accordingly, the results of operations and financial position of the Berlin coil winding business have been segregated and presented separately as discontinued operations in the accompanying interim consolidated financial statements. The results of the discontinued operations were as follows:

	Three months ended	
	June 30 2006	June 30 2005
Revenue	**$ 1,737**	$ 1,784
Loss from operations	**$ (180)**	$ (117)
Write-down to reduce assets sold to net realizable value	**(1,978)**	-
Loss from discontinued operations, net of tax	**$ (2,158)**	$ (117)

(tabular amounts in thousands, except per share amounts – unaudited)

The loss from discontinued operations includes a non-cash charge of $1,978,000 ($2,173,000 before taxes) during the three months ended June 30, 2006 to write down the assets sold to their net realizable value.

(ii) During fiscal 2005, the Company committed to a plan to sell the key operating assets, including certain working capital and property, plant and equipment, of its precision metals division of the Precision Components segment ("Precision Metals"). Accordingly, the results of operations and financial position of Precision Metals have been segregated and presented separately as discontinued operations and as assets held for sale in the accompanying interim consolidated financial statements. The results of the discontinued operations were as follows:

	Three months ended			
		June 30 2006		June 30 2005
Revenue	**$**	**307**	$	8,348
Income (loss) from operations	**$**	**94**	$	(594)
Income tax (expense) recovery		**(32)**		202
Income (loss) from discontinued operations	**$**	**62**	$	(392)

During the year ended March 31, 2006, the Company reclassified approximately $1,500,000 of net assets as a result of the Company's decision to integrate a product line that had previously been classified as held for sale into its continuing business.

Effective January 2, 2006, the Company completed the sale of Precision Metals for net proceeds of $4,309,000, including transaction costs. The fiscal 2006 loss from discontinued operations includes a charge of $474,000 ($718,000 before taxes) to reduce the Precision Metals assets to the estimated net realizable value including transaction costs. The loss from discontinued operations for the year ended March 31, 2005 includes a $12,825,000 ($19,000,000 before taxes) non-cash charge to write down certain assets to their net realizable value.

The Company retained the land and building related to the Precision Metals operations and has entered into a lease agreement with the purchaser for use of the land and building. The Company expects to sell this land and building and, as such, the assets continue to be classified as held for sale.

(iii) During the year ended March 31, 2005, the Company sold the key intellectual property, inventory and operating assets of its thermal management products business of the Precision Components segment ("Thermals Business") for net proceeds of $8,600,000 resulting in a loss of $1,738,000 ($3,173,000 before taxes). Accordingly, the results of operations of the Thermals Business have been segregated as discontinued operations in the interim consolidated financial statements. The results of the discontinued Thermal Business were as follows:

	Three months ended			
		June 30 2006		June 30 2005
Revenue	**$**	**-**	$	-
Income from operations	**$**	**-**	$	101
Income tax expense				(34)
Income from discontinued operations	**$**	**-**	$	67

(tabular amounts in thousands, except per share amounts – unaudited)

3. Stock-based compensation:

In the calculation of the stock-based compensation expense in the interim Consolidated Statements of Earnings, the fair values of the Company's non-performance based stock option grants were estimated using the Black-Scholes option pricing model and the fair value of the Company's performance based stock option grants were estimated using a binomial option pricing model with the following weighted average assumptions and data:

	Three months ended	
	June 30 2006	June 30 2005
Weighted average of risk-free interest rate	**4.18%**	3.35%
Dividend yield	**0.00%**	0.00%
Weighted average of expected life (years)	**5.3 years**	5.2 years
Expected volatility	**31%**	31%
Number of stock options granted (thousands):		
Non-performance based	**372**	432
Performance based	**175**	165
Weighted average of exercise price per option (dollars)	**$ 11.34**	$ 14.40
Weighted average value per option (dollars):		
Non-performance based	**$ 4.17**	$ 5.04
Performance based	**$ 3.66**	$ 4.42

During the quarters ended June 30, 2006 and 2005, the Company issued certain performance based options. The performance based options vest based on the ATS stock trading at or above a threshold for a minimum of 20 trading days in a fiscal quarter. These performance options expire on the seventh anniversary of the date of the award. During the first quarter of fiscal 2007, no performance based options vested.

4. Share repurchase option:

During the year ended March 31, 2005, the Company received proceeds of $25,000,000 and $2,000,000 related to a "key-man" life insurance policy in respect of the death of Mr. Klaus Woerner. The insurance policy was entered into to provide funding for the repurchase of certain of ATS's shares.

Under an agreement entered into in 1998, the Company was granted the option by 566226 Ontario Ltd., a corporation then controlled by Mr. Woerner, to repurchase all or a portion of the shares held by 566226 Ontario Ltd. upon the death of Mr. Woerner, subject to certain restrictions. This agreement was entered into to provide the Company the ability to ensure an orderly disposition of shares controlled by Mr. Woerner's estate. On April 18, 2005, the Company exercised its option to purchase for cancellation 1,974,723 shares at a price of $12.66 per share. The purchase price of these share was funded by the $25,000,000 of life insurance proceeds.

As a result of the share repurchase, share capital was reduced during the three-months ended June 30, 2005 by the value of $5.69 per share totaling $11.2 million. The excess of cost to repurchase the shares over the stated value was charged to retained earnings.

(tabular amounts in thousands, except per share amounts – unaudited)

5. Weighted average number of shares:

Weighted average number of shares used in the computation of earnings per share is as follows:

	Three months ended	
	June 30 2006	June 30 2005
Basic	**59,220**	59,283
Diluted	**59,386**	59,554

6. Segmented disclosure:

The Company evaluates performance based on three reportable segments: Automation Systems, Photowatt Technologies, and Precision Components. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Photowatt Technologies segment is a high volume manufacturer of photovoltaic products through its subsidiary Photowatt International and also includes the Company's investment in the Spheral Solar™ Technology initiative. The Precision Components segment is a high volume manufacturer of plastic and metal components and sub-assemblies.

The Company accounts for inter-segment revenue at current market rates, negotiated between the segments.

	Three months ended	
	June 30 2006	June 30 2005
		(as restated)
Revenue		
Automation Systems	**$ 121,784**	$ 125,737
Photowatt Technologies	**44,381**	42,883
Precision Components	**25,260**	23,780
Elimination of inter-segment revenue	**(536)**	(3,684)
Consolidated	**$ 190,889**	$ 188,716
Earnings (loss) from operations		
Automation Systems	**$ 2,786**	$ 7,061
Photowatt Technologies	**4,587**	6,626
Precision Components	**870**	(957)
Inter-segment elimination and corporate expenses	**(2,598)**	(3,445)
Consolidated	**$ 5,645**	$ 9,285

7. Cyclical nature of the business:

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 Automation Systems New Order Bookings, Photowatt Technologies and Precision Components volumes, and the Company's earnings in any of its markets.