ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings (Loss)

(in thousands, except per share amounts – unaudited)

	Three months ended		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
		(as restated)		(as restated)
Revenue	**$ 164,433**	$ 152,050	**$ 355,322**	$ 340,766
Operating costs and expenses:				
Cost of revenue	**137,131**	125,934	**293,691**	276,969
Amortization	**7,242**	6,878	**14,485**	14,173
Selling, general and administrative	**21,960**	22,775	**43,300**	43,097
Stock-based compensation (note 4)	**638**	358	**739**	1,137
	166,971	155,945	**352,215**	335,376
Earnings (loss) from operations	**(2,538)**	(3,895)	**3,107**	5,390
Other (income) expenses:				
Interest on long-term debt	**794**	466	**1,522**	839
Other interest	**89**	285	**(57)**	334
Gain on sale of assets held for sale	**-**	(101)	**-**	(101)
	883	650	**1,465**	1,072
Earnings (loss) from continuing operations before income taxes and non-controlling interest	**(3,421)**	(4,545)	**1,642**	4,318
Provision for (recovery of) income taxes	**(1,301)**	(1,601)	**1,205**	1,221
Non-controlling interest in earnings of subsidiaries	**(16)**	75	**107**	248
Net earnings (loss) from continuing operations	**(2,104)**	(3,019)	**330**	2,849
Loss from discontinued operations, net of tax (note 2)	**(6)**	(486)	**(2,102)**	(928)
Extraordinary gain, net of tax (note 3(ii))	**-**	176	**-**	176
Net earnings (loss)	**$ (2,110)**	$ (3,329)	**$ (1,772)**	$ 2,097
Earnings (loss) per share (note 6)				
Basic and diluted – from continuing operations	**$ (0.04)**	$ (0.05)	**$ 0.01**	$ 0.05
Basic and diluted – from discontinued operations	**0.00**	(0.01)	**(0.04)**	(0.01)
	$ (0.04)	$ (0.06)	**$ (0.03)**	$ 0.04

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars – unaudited)

	Three months ended		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Retained earnings, beginning of period	**$ 125,401**	$ 199,782	**$ 125,063**	$ 208,120
Net earnings (loss)	**(2,110)**	(3,329)	**(1,772)**	2,097
Reduction from share repurchase (note 5)	**-**	-	**-**	(13,764)
Retained earnings, end of period	**$ 123,291**	$ 196,453	**$ 123,291**	$ 196,453

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars – unaudited)

	September 30 2006	March 31 2006
ASSETS		
Current assets:		
Cash and short-term investments	**$ 18,399**	$ 27,921
Accounts receivable	**134,031**	133,450
Income taxes recoverable	**17,727**	19,984
Costs and earnings in excess of billings on contracts in progress	**91,081**	102,759
Inventories	**72,646**	69,833
Other	**11,363**	4,887
	345,247	358,834
Property, plant and equipment	**192,840**	198,863
Goodwill	**33,205**	33,686
Intangible assets	**539**	1,354
Future income tax assets	**50,256**	42,493
Deferred development costs	**3,182**	3,960
Assets held for sale (note 2)	**1,485**	1,485
Other assets	**14,866**	8,697
	$ 641,620	$ 649,372
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	**$ 19,696**	$ 1,812
Accounts payable and accrued liabilities	**88,130**	100,149
Billings in excess of costs and earnings on contracts in progress	**15,202**	39,497
Current portion of long-term debt	**403**	-
Future income taxes	**31,102**	33,367
	154,533	174,825
Long-term debt (note 8)	**57,778**	39,860
Future income taxes	**1,876**	3,121
Non-controlling interest	**1,161**	645
Shareholders' equity:		
Share capital	**327,351**	326,840
Retained earnings	**123,291**	125,063
Contributed surplus	**2,731**	2,035
Cumulative translation adjustment	**(27,101)**	(23,017)
	426,272	430,921
	$ 641,620	$ 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		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Cash flows provided by (used in) operating activities:				
Net earnings (loss)	**$ (2,110)**	$ (3,329)	**$ (1,772)**	$ 2,097
Items not involving cash	**5,351**	4,588	**6,727**	18,637
Stock-based compensation	**638**	358	**739**	1,137
Write down of assets to net realizable value (note 2 (i))	**-**	-	**1,978**	-
Cash flow from operations	**3,879**	1,617	**7,672**	21,871
Change in non-cash operating working capital	**(20,126)**	(89)	**(32,287)**	(33,938)
	(16,247)	1,528	**(24,615)**	(12,067)
Cash flows provided by (used in) investing activities:				
Acquisition of property, plant and equipment	**(10,222)**	(10,162)	**(16,368)**	(23,652)
Cash received upon acquisition of subsidiary (note 3 (ii))	**-**	461	**-**	461
Investments and other	**(4,022)**	(7,810)	**(6,363)**	(13,628)
Proceeds from disposal of assets	**-**	2,460	**426**	2,892
	(14,244)	(15,051)	**(22,305)**	(33,927)
Cash flows provided by (used in) financing activities:				
Bank indebtedness	**11,666**	(2,838)	**17,884**	29,504
Purchase of common shares for cancellation (note 5)	**-**	-	**-**	(25,000)
Proceeds from long-term debt (note 8)	**-**	15,000	**20,000**	15,000
Issuance of common shares	**8**	80	**511**	2,234
	11,674	12,242	**38,395**	21,738
Effect of exchange rate changes on cash and short-term investments	**(179)**	(1,144)	**(997)**	(1,646)
Decrease in cash and short-term investments	**(18,996)**	(2,425)	**(9,522)**	(25,902)
Cash and short-term investments, beginning of period	**37,395**	26,052	**27,921**	49,529
Cash and short-term investments, end of period	**$ 18,399**	$ 23,627	**$ 18,399**	$ 23,627
Supplementary information:				
Cash income taxes paid	**$ 7,651**	$ 415	**$ 7,784**	$ 855
Cash interest paid	**$ 1,253**	$ 728	**$ 2,372**	$ 1,187

See accompanying notes to interim consolidated financial statements

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

These interim consolidated financial 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 primarily recognized when earned, which is generally at the time of shipment and transfer of title to the customer, providing collection is reasonably assured. Revenue on certain long-term contracts in the Photowatt Technologies segment is recognized using the percentage of completion method consistent with the Automation Systems segment accounting policy.

(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 six months ended September 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		**Six months ended**	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Revenue	**$ -**	$ 2,460	**$ 1,737**	$ 4,244
Income (loss) from operations	**$ -**	$ 24	**$ (180)**	$ (93)
Write-down to reduce assets sold to net realizable value	**-**	-	**(1,978)**	-
Income (loss) from discontinued operations, net of tax	**$ -**	$ 24	**$ (2,158)**	$ (93)

(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 six months ended September 30, 2006 to write down the assets sold to their net realizable value.

(ii) During the year ended March 31, 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		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Revenue	**$ 165**	$ 8,428	**$ 472**	$ 16,776
Income (loss) from operations	**$ (10)**	$ (1,158)	**$ 84**	$ (1,752)
Income tax recovery	**4**	393	**(28)**	595
Income (loss) from discontinued operations	**$ (6)**	$ (765)	**$ 56**	$ (1,157)

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 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 accompanying interim consolidated financial statements. The results of the discontinued Thermal Business were as follows:

	Three months ended		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Revenue	**$ -**	$ -	**$ -**	$ -
Income from operations	**$ -**	$ 388	**$ -**	$ 489
Income tax expense	**-**	(133)	**-**	(167)
Income from discontinued operations	**$ -**	$ 255	**$ -**	$ 322

3. Acquisition

(i) During the three months ended September 30, 2006, ATS reorganized certain assets relating to Photowatt International S.A.S. which, as part of its reorganization relating to the Photowatt Technologies segment, diluted the interests of certain minority shareholders resulting in an increase in the Company's goodwill in this segment by $441,000 and its non-controlling interest by the same amount.

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

(ii) During the three months ended September 30, 2005, ATS acquired the net assets and business of an automation business in the United Kingdom in order to increase installation support and sales and service capabilities in this region. The results of this business have been included in the interim consolidated financial statements since acquisition.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed as at the date of acquisition:

Accounts receivable	$ 845
Costs and earnings in excess of billings on contracts in progress and inventories	840
Current liabilities	(1,568)
Net assets acquired excluding cash and long-term debt	117
Cash payment from vendor	220
Cash proceeds from long-term debt	439
Fair value of long-term debt assumed	(402)
	257
Net assets acquired	374
Less: acquisition costs	(198)
Extraordinary gain, net of tax	176

The excess of the fair value of assets acquired less liabilities assumed was first allocated to all of the acquired assets except current assets, with the remaining amount presented as an extraordinary gain, net of income tax.

In conjunction with the purchase of assets, the vendor provided an unsecured non-interest bearing loan of GBP 200,000 that is due on July 29, 2007. The fair value of the long-term debt was estimated using a discount rate of 4.5%, based on other debt instruments with similar characteristics.

4. Stock-based compensation:

In the calculation of the stock-based compensation expense in the interim Consolidated Statements of Earnings (Loss), the fair values of the Company's traditional time vested 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		**Six months ended**	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Weighted average of risk-free interest rate	-	3.35 %	**4.18 %**	3.35 %
Dividend yield	-	0.0 %	**0.0 %**	0.0 %
Weighted average of expected life (years)	-	5.4 yrs	**5.3 yrs**	5.2 yrs
Expected volatility	-	31 %	**31 %**	31 %
Number of stock options granted (thousands):				
Time vested	-	8	**372**	440
Performance based	-	-	**175**	173
Weighted average of exercise price per option (dollars)	-	$ 13.98	**$ 11.34**	$ 14.40
Weighted average value per option (dollars):				
Time vested	-	$ 5.07	**$ 4.17**	$ 5.04
Performance based	-	$ 4.42	**$ 3.68**	$ 4.42

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

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 and second quarters of fiscal 2007, no performance based options vested.

In September 2006, a subsidiary of ATS, Photowatt Technologies Inc., approved the grant of options to two executive officers of the subsidiary to purchase, in aggregate, 302,860 of the subsidiary's common shares at an exercise price of $5.00 per share. The aggregate number of common shares underlying each of these options is subject to an automatic adjustment that will increase or decrease the number such that it is equal to 0.6883% of the common shares in the subsidiary held by ATS immediately prior to Photowatt Technologies Inc.'s initial public offering ("IPO") (note 10). The option to purchase 160,000 common shares granted to one executive vests as to 20% on the completion of the IPO and 20% on each anniversary date of the completion of the IPO. The option to purchase 142,860 common shares granted to the second executive vests as to 20% on each anniversary date of the completion of the IPO. In addition to the above mentioned grants, the two executives are eligible to receive cash payment upon any exercise of these options if the number of shares underlying these options exceeds 302,860 after the adjustment described above. In the event that a change of control of Photowatt Technologies Inc. occurs and the employment of the option holder is terminated or they resign, in either case within three months from the date of such change of control, the options granted to the two executive officers will accelerate and become fully vested.

Furthermore, Photowatt Technologies Inc. has approved the grant to certain directors, officers, employees and other key personnel of Photowatt Technologies Inc., including one of the executives referred to above, of options to purchase an aggregate of 844,000 common shares exercisable at the public offering price at the closing of the IPO. Included in the 844,000 above are options to purchase 292,000 common shares that vest on the achievement of specific defined performance objectives related to the development of Spheral Solar and options to purchase 552,000 common shares that vest as to 20% on each anniversary date of the completion of the IPO.

5. 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 totalling $11,200,000. The excess of cost to repurchase the shares over the stated value was charged to retained earnings.

6. Weighted average number of shares:

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

	Three months ended		**Six months ended**	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
Basic	**59,245**	59,069	**59,232**	59,176
Diluted	**59,245**	59,069	**59,232**	59,427

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

7. 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		Six months ended	
	September 30 2006	September 30 2005	**September 30 2006**	September 30 2005
		(as restated)		(as restated)
Revenue				
Automation Systems	**$ 117,302**	$ 106,628	**$ 239,086**	$ 232,365
Photowatt Technologies	**28,508**	27,237	**72,889**	70,120
Precision Components	**19,327**	21,134	**44,587**	44,914
Elimination of inter-segment revenue	**(704)**	(2,949)	**(1,240)**	(6,633)
Consolidated	**$ 164,433**	$ 152,050	**$ 355,322**	$ 340,766
Earnings (loss) from operations				
Automation Systems	**$ 5,666**	$ (3,122)	**$ 8,452**	$ 3,939
Photowatt Technologies	**(3,136)**	3,070	**1,451**	9,696
Precision Components	**(1,716)**	(1,379)	**(846)**	(2,336)
Inter-segment elimination and corporate expenses	**(3,352)**	(2,464)	**(5,950)**	(5,909)
Consolidated	**$ (2,538)**	$ (3,895)	**$ 3,107**	$ 5,390

8. Long-term debt:

During the six months ended September 30, 2006, the Company drew upon an additional $20,000,000 of the unsecured revolving bank credit facility.

During the six months ended September 30, 2005, the Company drew upon an additional $15,000,000 of the unsecured revolving bank credit facility.

9. Commitments:

In September 2006, a subsidiary of ATS, Photowatt International S.A.S. (the "subsidiary"), entered into an agreement with three partners for a project whose primary objective is to develop a commercial process for the production of solar grade silicon derived from metallurgical silicon with a capacity of 200 tonnes per year. Pursuant to the agreement, the subsidiary's role in the project is to contribute certain expertise and non-financial resources in order to improve and enhance the silicon material developed during the project's development phase. Under the contract, the subsidiary is to be supplied, at predetermined prices, with at least 80% of the volume of solar grade silicon or ingots produced by the project through to April 20, 2008.

In October 2006, a subsidiary of ATS, Photowatt International S.A.S. entered into a 10 year irrevocable commitment to purchase approximately 4,000,000 silicon wafers per annum commencing in calendar 2009. Advance payments are required which will be applied against the price of silicon wafers that will be received during the life of the commitment and can only be refunded in the event of the supplier's failure to deliver silicon wafers in accordance with the agreement. Commencing in 2009, the price of the silicon wafers will be adjusted at the beginning of each calendar year based on a pre-agreed formula.

10. Photowatt Technologies Inc. initial public offering:

In August 2006, the Board of Directors approved the issuance of a preliminary prospectus in connection with the initial public offering in the United States and Canada of Photowatt Technologies Inc., a subsidiary of the Company.

11. 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.