ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings (Loss)

(in thousands, except per share amounts – unaudited)

	Three months ended		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
		(as restated)		(as restated)
Revenue	**$ 171,792**	$ 176,254	**$ 527,114**	$ 517,020
Operating costs and expenses:				
Cost of revenue	**145,140**	153,053	**438,831**	430,022
Amortization	**6,787**	8,630	**21,272**	22,803
Selling, general and administrative	**22,213**	21,031	**65,513**	64,128
Stock-based compensation (note 4)	**95**	171	**834**	1,308
	174,235	182,885	**526,450**	518,261
Earnings (loss) from operations	**(2,443)**	(6,631)	**664**	(1,241)
Other (income) expenses:				
Interest on long-term debt	**807**	610	**2,329**	1,449
Other net interest	**248**	128	**191**	462
Loss (gain) on sale of assets	**-**	2	**-**	(99)
	1,055	740	**2,520**	1,812
Loss from continuing operations before income taxes and non-controlling interest	**(3,498)**	(7,371)	**(1,856)**	(3,053)
Provision for (recovery of) income taxes	**(1,180)**	(2,188)	**25**	(967)
Non-controlling interest in earnings of subsidiaries	**38**	126	**145**	374
Net loss from continuing operations	**(2,356)**	(5,309)	**(2,026)**	(2,460)
Loss from discontinued operations, net of tax (note 2)	**(33)**	(492)	**(2,135)**	(1,420)
Extraordinary gain, net of tax (note 3 (iv))	**-**	-	**-**	176
Net loss	**$ (2,389)**	$ (5,801)	**$ (4,161)**	$ (3,704)
Earnings (loss) per share (note 6)				
Basic and diluted from continuing operations	**$ (0.04)**	$ (0.09)	**$ (0.03)**	$ (0.04)
Basic and diluted from discontinued operations	**(0.00)**	(0.01)	**(0.04)**	(0.02)
	$ (0.04)	$ (0.10)	**$ (0.07)**	$ (0.06)

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars – unaudited)

	Three months ended		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Retained earnings, beginning of period	**$ 123,291**	$ 196,453	**$ 125,063**	$ 208,120
Net loss	**(2,389)**	(5,801)	**(4,161)**	(3,704)
Reduction from share repurchase (note 5)	**-**	-	**-**	(13,764)
Retained earnings, end of period	**$ 120,902**	$ 190,652	**$ 120,902**	$ 190,652

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars – unaudited)

	December 31 2006	March 31 2006
ASSETS		
Current assets:		
Cash and short-term investments	**$ 22,543**	$ 27,921
Accounts receivable	**152,203**	133,949
Investment tax credits	**6,800**	19,937
Costs and earnings in excess of billings on contracts in progress	**76,418**	102,759
Inventories	**75,112**	69,833
Other	**10,715**	4,887
	343,791	359,286
Property, plant and equipment	**218,883**	198,863
Goodwill (note 3)	**35,839**	33,686
Intangible assets	**446**	1,354
Future income tax assets	**45,651**	42,493
Investment tax credits	**12,633**	-
Deferred development costs	**2,885**	3,960
Assets held for sale (note 2)	**1,485**	1,485
Other assets	**19,425**	8,697
	$ 681,038	$ 649,824
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 8)	**$ 21,479**	$ 1,812
Accounts payable and accrued liabilities	**108,436**	100,601
Billings in excess of costs and earnings on contracts in progress	**24,148**	39,497
Current portion of long-term debt	**445**	-
Future income taxes	**25,614**	33,367
	180,122	175,277
Long-term debt (note 8)	**59,391**	39,860
Future income taxes	**289**	3,121
Non-controlling interest	**1,911**	645
Shareholders' equity:		
Share capital	**327,485**	326,840
Retained earnings	**120,902**	125,063
Contributed surplus	**2,949**	2,035
Cumulative translation adjustment	**(12,011)**	(23,017)
	439,325	430,921
	$ 681,038	$ 649,824

Commitments and Contingencies (note 9)

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		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Cash flows provided by (used in) operating activities:				
Net loss	**$ (2,389)**	$ (5,801)	**$ (4,161)**	$ (3,704)
Items not involving cash	**6,011**	3,176	**12,738**	21,813
Stock-based compensation	**95**	171	**834**	1,308
Write down of assets to net realizable value (note 2 (i))	**-**	-	**1,978**	-
Cash flow provided by (used in) operations	**3,717**	(2,454)	**11,389**	19,417
Change in non-cash operating working capital	**23,474**	37,508	**(8,813)**	3,570
	27,191	35,054	**2,576**	22,987
Cash flows provided by (used in) investing activities:				
Acquisition of property, plant and equipment	**(21,803)**	(10,729)	**(38,171)**	(34,381)
Cash (paid for) received upon acquisition of subsidiary (note 3 (i) and (iv))	**(1,475)**	-	**(1,475)**	461
Investments and other	**(4,430)**	(1,685)	**(10,793)**	(15,313)
Proceeds from disposal of assets	**253**	21	**679**	2,913
	(27,455)	(12,393)	**(49,760)**	(46,320)
Cash flows provided by (used in) financing activities:				
Bank indebtedness	**1,783**	5,804	**19,667**	35,308
Purchase of common shares for cancellation (note 5)	**-**	-	**-**	(25,000)
Proceeds from revolving term debt (note 8)	**-**	-	**20,000**	15,000
Issuance of common shares of subsidiary (note 3 (ii))	**804**	-	**804**	-
Issuance of common shares	**134**	164	**645**	2,398
	2,721	5,968	**41,116**	27,706
Effect of exchange rate changes on cash and short-term investments	**1,687**	(164)	**690**	(1,810)
Increase (decrease) in cash and short-term investments	**4,144**	28,465	**(5,378)**	2,563
Cash and short-term investments, beginning of period	**18,399**	23,627	**27,921**	49,529
Cash and short-term investments, end of period	**$ 22,543**	$ 52,092	**$ 22,543**	$ 52,092
Supplementary information:				
Cash income taxes paid	**$ 1,929**	$ 395	**$ 9,713**	$ 1,250
Cash interest paid	**$ 1,414**	$ 768	**$ 3,786**	$ 1,955

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, investment tax credits, 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 nine months ended December 31, 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		**Nine months ended**	
	December 31 2006	December 30 2005	**December 31 2006**	December 31 2005
Revenue	**$ -**	$ 2,466	**$ 1,737**	$ 6,710
Loss from operations	**$ -**	$ (1)	**$ (180)**	$ (94)
Write-down to reduce assets sold to net realizable value	**-**	-	**(1,978)**	-
Loss from discontinued operations, net of tax	**$ -**	$ (1)	**$ (2,158)**	$ (94)

(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 nine months ended December 31, 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		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Revenue	**$ -**	$ 7,177	**$ 475**	$ 23,953
Income (loss) from operations	**$ (51)**	$ (746)	**$ 33**	$ (2,498)
Income tax provision (recovery)	**18**	255	**(10)**	850
Income (loss) from discontinued operations	**$ (33)**	$ (491)	**$ 23**	$ (1,648)

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 expects to sell this land and building. 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		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Revenue	**$ -**	$ -	**$ -**	$ -
Income from operations	**$ -**	$ -	**$ -**	$ 489
Income tax expense	**-**	-	**-**	(167)
Income from discontinued operations	**$ -**	$ -	**$ -**	$ 322

3. Acquisitions and Divestitures:

(i) During the three months ended December 31, 2006, ATS acquired an additional 2% ownership in one of its subsidiaries in the Photowatt Technologies segment for cash consideration of $1,475,000. This resulted in an increase in the Company's goodwill in this subsidiary by $1,010,000 and a decrease in its non-controlling interest in this subsidiary by $465,000.

(ii) During the three months ended December 31, 2006, options to purchase common shares of a subsidiary in the Photowatt Technologies segment were exercised for cash consideration of $804,000. This resulted in a decrease in the Company's goodwill in this subsidiary by $29,000 and an increase in its non-controlling interest in this subsidiary of $740,000. ATS recorded a dilution gain on the issuance of shares in this subsidiary of $35,000.

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

(iii) During the three and nine months ended December 31, 2006, ATS reorganized certain assets relating to the Photowatt Technologies segment, which diluted non-controlling interest resulting in an increase in the Company's goodwill in this segment by $339,000 during the three months ended December 31, 2006 and $787,000 during the nine months ended December 31, 2006, and an increase in non-controlling interest by the same amounts.

(iv) 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 stock option grants were estimated using the Black-Scholes option pricing model or a binomial option pricing model, with the following weighted average assumptions and data:

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

	Three months ended		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Weighted average of risk-free interest rate	**3.92 %**	-	**4.04 %**	3.4 %
Dividend yield	**0.0 %**	-	**0.0 %**	0.0 %
Weighted average of expected life (years)	**5.0 yrs**	-	**5.0 yrs**	5.0 yrs
Expected volatility	**31.0 %**	-	**31.0 %**	31.0 %
Number of stock options granted (thousands):				
Time vested	**112**	-	**191**	440
Performance based	**200**	-	**375**	173
Weighted average of exercise price per option (dollars)	**$ 11.80**	-	**$ 11.59**	$ 14.40
Weighted average value per option (dollars):				
Time vested	**$ 3.30**	-	**$ 3.66**	$ 5.04
Performance based	**$ 3.30**	-	**$ 3.48**	$ 4.42

During the nine months ended December 31, 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 nine months ended December 31, 2006, 25% of the performance based options issued during the nine months ended December 31, 2006 vested. During the nine months ended December 31, 2005, 25% of the performance based options issued during the nine months ended December 31, 2005 vested.

During the three months ended December 31, 2006, performance based options were issued that vest based upon achievement of internal performance metrics and expire between fiscal 2008 and fiscal 2011.

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, 103,248 of the subsidiary's common shares at an exercise price of $14.67 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 or at the time of Photowatt Technologies Inc.'s initial public offering ("IPO") (note 10). The option to purchase 54,546 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 48,702 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 103,248 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.

Photowatt Technologies Inc. has also 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 193,290 common shares exercisable at the public offering price at the closing of the IPO, of which 1,462 were forfeited during the nine months ended December 31, 2006. These options vest as to 20% on each anniversary date of the completion of the IPO. Photowatt Technologies Inc. has also approved the grant to certain directors, officers, employees and other key personnel of Photowatt Technologies Inc., including one of the executive referred to above, of options to purchase an aggregate of 99,538 common shares exercisiable at the public offering price at the closing of the IPO, of which 3,800 were forfeited during the nine months ended December 31, 2006. These options vest on the achievement of specific defined performance objectives related to the development of Spheral Solar™. As these options vest only upon the completion of the IPO, no stock compensation expense will be recognized until completion of the IPO. At the time of the IPO, the fair value of these stock options will be measured as the exercise price will be known.

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

Subsequent to December 31, 2006, Photowatt Technologies Inc. approved an additional option grant to purchase 58,631 common shares. The terms of this option grant are consistent with those outlined above for the options to purchase an aggregate of 193,290 common shares. Of these options 3,115 were forfeited subsequent to December 31, 2006. The remaining options outstanding at December 31, 2006 regarding the grant of options to purchase an aggregate of 99,538 common shares were forfeited subsequent to December 31, 2006.

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 earnings per share is as follows:

	Three months ended		**Nine months ended**	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
Basic	**59,252**	59,077	**59,239**	59,143
Diluted	**59,252**	59,077	**59,239**	59,143

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 S.A.S. 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.

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

	Three months ended		Nine months ended	
	December 31 2006	December 31 2005	**December 31 2006**	December 31 2005
		(as restated)		(as restated)
Revenue				
Automation Systems	**$ 113,052**	$ 118,309	**$ 352,138**	$ 350,674
Photowatt Technologies	**39,201**	35,199	**112,090**	105,320
Precision Components	**19,906**	24,543	**64,493**	69,458
Elimination of inter-segment revenue	**(367)**	(1,797)	**(1,607)**	(8,432)
Consolidated	**$ 171,792**	$ 176,254	**$ 527,114**	$ 517,020
Earnings (loss) from operations				
Automation Systems	**$ 2,395**	$ (767)	**$ 10,847**	$ 3,172
Photowatt Technologies	**(806)**	(2,872)	**645**	6,822
Precision Components	**(1,332)**	(497)	**(2,178)**	(2,835)
Inter-segment elimination and corporate expenses	**(2,700)**	(2,495)	**(8,650)**	(8,400)
Consolidated	**$ (2,443)**	$ (6,631)	**$ 664**	$ (1,241)

8. Bank indebtedness and Long-term debt:

(a) Bank indebtedness: As at December 31, 2006, a subsidiary of ATS, Photowatt International S.A.S. (the "subsidiary"), has two credit facilities available. The first facility is in the amount of 1,000,000 euro, under which the subsidiary had drawn 75,000 euro as at December 31, 2006, and it bears interest at the French four-month prime rate plus 1.05%. The second facility is in the amount of net 8,000,000 euro, offset by cash deposit on hand at the financial institution, under which the subsidiary had drawn 5,456,000 euro as at December 31, 2006, with 777,000 euro of cash on deposit offsetting the gross amount. This facility bears interest at the euro LIBOR rate plus 0.50% and is available until April 1, 2007 at which time the facility amount will decrease to net 800,000 euro. Both credit facilities are unsecured and repayable on demand.

In February 2007, an additional credit facility was made available to the subsidiary from one of its existing lenders. The additional credit facility increases the current facility of 1,000,000 euro to 15,000,000 euro. The facility is unsecured, repayable on demand, and bears interest at the EURIBOR one-month rate plus 0.50%. The term for this financing extends to the earlier of three months or the date of issue for the initial public offering (note 10). After the expiration of this term, the facility converts to a 8,000,000 euro credit facility, with a similar interest rate, for a one-year period.

(b) Long-term debt: During the nine months ended December 31, 2006, the Company drew upon an additional $20,000,000 (nil – three months ended December 31, 2006) of the unsecured revolving bank credit facility. During the nine months ended December 31, 2005, the Company drew upon an additional $15,000,000 (nil – three months ended December 31, 2005) of the unsecured revolving bank credit facility.

9. Commitments and Contingencies:

During the three months ended December 31, 2006, Photowatt Technologies entered into an agreement with three other 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, Photowatt Technologies' 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, Photowatt Technologies 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.

During the three months ended December 31, 2006, Photowatt Technologies entered into a 10 year irrevocable commitment to purchase approximately 4,000,000 polysilicon wafers per annum commencing in calendar 2009. Advance payments are required which will be applied against the price of polysilicon 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 polysilicon wafers will be adjusted at the beginning of each calendar year based on the agreed upon formula.

In January 2007, a legal claim in the amount of US$19,000,000 ($22,143,000) was served on ATS by one of its customers. The claim alleges that ATS did not meet the requirements of its contract. ATS intends to vigorously defend itself against the claim.

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.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.