ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Balance Sheets
(in thousands of dollars – unaudited)

	September 30 2007	March 31 2007
ASSETS		
Current assets		
Cash and short-term investments	**$ 102,277**	$ 25,568
Accounts receivable	**117,052**	131,410
Investment tax credits	**13,712**	13,712
Costs and earnings in excess of billings on contracts in progress	**77,074**	73,755
Inventories	**92,216**	74,804
Future income taxes	**3,260**	-
Deposits and prepaid assets (notes 2 and 5)	**20,874**	10,861
	426,465	330,110
Property, plant and equipment	**206,693**	221,718
Goodwill	**32,225**	35,657
Intangible assets	**235**	352
Future income taxes	**176**	179
Deferred development costs	**2,160**	2,414
Portfolio investments (note 2)	**23,396**	4,728
Restricted cash (note 10)	**3,050**	—
Other assets (note 6)	**23,389**	5,907
	$ 717,789	$ 601,065
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 11)	**$ 119,355**	$ 37,204
Accounts payable and accrued liabilities	**109,574**	122,587
Billings in excess of costs and earnings on contracts in progress	**34,160**	23,186
Future income taxes	**17,585**	14,395
Current portion of other long-term liabilities	**33**	447
	280,707	197,819
Long-term debt (note 11)	**––**	39,025
Future income taxes	**13**	75
Other long-term liabilities	**844**	877
Non-controlling interest	**1,714**	1,890
Shareholders' equity		
Share capital (note 12)	**430,082**	327,560
Contributed surplus	**4,982**	3,193
Accumulated other comprehensive income (note 14)	**(12,946)**	(9,422)
Retained earnings	**12,393**	40,048
	434,511	361,379
	$ 717,789	$ 601,065

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Operations
(in thousands, except per share amounts – unaudited)

	Three months ended		Six months ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Revenue	**$ 163,339**	$ 164,598	**$ 338,140**	$ 355,794
Operating costs and expenses				
Cost of revenue	**147,845**	137,131	**299,281**	293,691
Amortization	**6,933**	7,242	**14,115**	14,485
Selling, general and administrative	**26,517**	22,135	**50,060**	43,688
Stock-based compensation (note 7)	**1,452**	638	**2,040**	739
	182,747	167,146	**365,496**	352,603
Earnings (loss) from operations	**(19,408)**	(2,548)	**(27,356)**	3,191
Other expenses (income)				
Interest on long-term debt	**751**	794	**1,551**	1,522
Other interest	**676**	89	**1,100**	(57)
	1,427	883	**2,651**	1,465
Earnings (loss) from continuing operations before income taxes and non-controlling interest	**(20,835)**	(3,431)	**(30,007)**	1,726
Provision for (recovery of) income taxes	**(2,086)**	(1,305)	**(2,336)**	1,233
Non-controlling interest in earnings of subsidiaries	**14**	(16)	**29**	107
Net earnings (loss) from continuing operations	**(18,763)**	(2,110)	**(27,700)**	386
Loss from discontinued operations, net of tax (note 4)	**––**	—	**––**	(2,158)
Net loss	**$ (18,763)**	$ (2,110)	**$ (27,700)**	$ (1,772)
Earnings (loss) per share (note 8)				
Basic and diluted - from continuing operations	**$ (0.28)**	$ (0.04)	**$ (0.44)**	$ 0.01
Basic and diluted - from discontinued operations	**0.00**	0.00	**0.00**	(0.04)
	$ (0.28)	$ (0.04)	**$ (0.44)**	$ (0.03)

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Shareholders' Equity
(in thousands of dollars – unaudited)

Six months ended September 30, 2007

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period, as previously reported	**$ 327,560**	**$ 3,193**	**$ (9,422)**	**$ 40,048**	**$ 361,379**
Transitional adjustment on adoption of new accounting standards (note 2)	**––**	**––**	**20,534**	**45**	**20,579**
Balance beginning of period, as restated	**327,560**	**3,193**	**11,112**	**40,093**	**381,958**
Comprehensive loss					
Net loss	**––**	**––**	**––**	**(27,700)**	**(27,700)**
Currency translation adjustment (note 15)	**––**	**––**	**(25,328)**	**––**	**(25,328)**
Net unrealized loss on available for-sale financial assets (net of income taxes of $nil)	**––**	**––**	**(5,008)**	**––**	**(5,008)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $nil)	**––**	**––**	**7,054**	**––**	**7,054**
Amount transferred to net earnings (loss) for derivatives designated as cash flow hedges (net of income taxes of $nil)	**––**	**––**	**(776)**	**––**	**(776)**
Total comprehensive loss (note 14)					**(51,758)**
Stock-based compensation	**––**	**1,789**	**––**	**––**	**1,789**
Shares issued during the period for cash on rights offering, net (note 12)	**102,522**	**––**	**––**	**––**	**102,522**
Balance, end of the period	**$ 430,082**	**$ 4,982**	**$ (12,946)**	**$ 12,393**	**$ 434,511**

Six months ended September 30, 2006

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	$ 326,840	$ 2,035	$ (23,017)	$ 125,063	$ 430,921
Net earnings	—	—	—	(1,772)	(1,772)
Currency translation adjustment	—	—	(4,084)	—	(4,084)
Issuance of common shares	511	—	—	—	511
Stocked-based compensation	—	696	—	—	696
Balance, end of period	$ 327,351	$ 2,731	$ (27,101)	$ 123,291	$ 426,272

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 2007	September 30 2006	**September 30 2007**	September 30 2006
Operating activities:				
Net loss	**$ (18,763)**	$ (2,110)	**$ (27,700)**	$ (1,772)
Items not involving cash				
Amortization	**6,933**	7,242	**14,115**	14,485
Future taxes	**(2,490)**	(427)	**(2,695)**	66
Other items not involving cash	**3,032**	(826)	**3,301**	(7,085)
Write down of assets to net realizable value (note 4)	**––**	—	**––**	1,978
Cash flow from operations	**(11,288)**	3,879	**(12,979)**	7,672
Change in non-cash operating working capital	**(2,968)**	(20,126)	**(18,942)**	(32,287)
Cash flows used in operating activities	**(14,256)**	(16,247)	**(31,921)**	(24,615)
Investing activities:				
Acquisition of property, plant and equipment	**(3,600)**	(10,222)	**(11,378)**	(16,368)
Restricted cash (note 10)	**(3,050)**	—	**(3,050)**	—
Investments and other	**(12,547)**	(4,022)	**(20,237)**	(6,363)
Proceeds from disposal of assets	**28**	—	**44**	426
Cash flows used in investing activities	**(19,169)**	(14,244)	**(34,621)**	(22,305)
Financing activities:				
Bank indebtedness	**(26,594)**	11,666	**13,894**	17,884
Share issue costs (note 12)	**(7,688)**	—	**(7,688)**	—
Proceeds from long-term debt (note 11)	**40,000**	—	**60,000**	20,000
Repayment of long-term debt (note 11)	**(426)**	—	**(28,361)**	—
Issuance of common shares (note 12)	**110,210**	8	**110,210**	511
Cash flows provided by financing activities	**115,502**	11,674	**148,055**	38,395
Effect of exchange rate changes on cash and short-term investments	**(924)**	(179)	**(4,804)**	(997)
Increase (decrease) in cash and short-term investments	**81,153**	(18,996)	**76,709**	(9,522)
Cash and short-term investments, beginning of period	**21,124**	37,395	**25,568**	27,921
Cash and short-term investments, end of period	**$ 102,277**	$ 18,399	**$ 102,277**	$ 18,399
Supplementary information				
Cash income taxes paid	**$ 147**	$ 7,651	**$ 1,391**	$ 7,784
Cash interest paid	**$ 1,880**	$ 1,253	**$ 3,715**	$ 2,372

See accompanying notes to interim consolidated financial statements

The interim consolidated financial statements for the three and the six months ended September 30, 2006 have not been reviewed or audited by the Company's auditor.

1. Significant accounting policies:

(i) The accompanying interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP") and the accounting policies and method of their application are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2007 except for the adoption of the new accounting standards included in note 2 herein. The 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 annual consolidated financial statements for the year ended March 31, 2007.

(ii) 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. Change in accounting policies:

Effective April 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments – Recognition and Measurement", 3861 "Financial Instruments – Disclosure and Presentation" and 3865 "Hedges". These CICA Handbook Sections establish the accounting and reporting standards for financial instruments and hedging activities, and require the initial recognition of financial instruments at fair value on the interim consolidated balance sheet. As required by the standards, the comparative interim consolidated financial statements have not been restated, except for the reclassification of the cumulative translation adjustment to accumulated other comprehensive income.

Comprehensive income and equity

CICA Handbook Section 1530 requires the presentation of comprehensive income and its components in a financial statement. Comprehensive income is composed of the Company's net income and other comprehensive income which includes unrealized gains and losses on translating financial statements of self-sustaining foreign operations, changes in the fair value of the effective portion of cash flow hedging instruments and changes in unrealized gains (losses) on available-for-sale financial assets measured at fair value. The Company discloses comprehensive income within its interim consolidated statements of shareholders' equity.

CICA Handbook Section 3251 provides standards for the presentation of equity and changes in equity during the reporting period.

Financial instruments

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial instruments, including derivatives. Under the new standard, all financial instruments are initially recorded on the interim consolidated balance sheet at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the interim consolidated statements of operations except for financial assets and liabilities designated as cash flow hedges which are measured at fair value with changes in fair value recorded as a component of other comprehensive income. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with changes in fair value recorded in other comprehensive income. Such gains and losses are reclassified to earnings when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary. Equity instruments classified as "available-for-sale" that do not have a quoted price in an active market are subsequently measured at cost.

The Company has classified its financial instruments as follows:

- Cash and short-term investments and restricted cash are classified as held-for-trading.
- Accounts receivable and notes receivable included in other assets are classified as loans and receivables.
- Long-term investments in equities included in portfolio investments are classified as available-for-sale.
- Bank indebtedness is classified as held-for-trading.
- Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

The Company has elected to expense transaction costs related to financial instruments classified as other than held-for-trading.

The Company has elected to use trade date accounting for regular-way purchases and sales of financial assets.

Embedded derivatives

In addition to recognizing all stand-alone derivative financial instruments at fair value, CICA Handbook Section 3855 requires embedded derivatives, which are components included in a non-derivative host contract that have features similar to derivatives, to be accounted for separately when their economic characteristics and risks are not closely related to the host instrument and the combined contract is not recorded at fair value. These embedded derivatives are measured at fair value with subsequent changes recorded in the interim consolidated statements of operations. The Company enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. Where the contract is not leveraged, does not contain an option feature and is denominated in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivative is not accounted for separately from the host contract. As allowed under CICA Handbook Section 3855, the

Company elected April 1, 2003 as the transition date for embedded derivatives and only reviewed contracts entered into or modified after that date.

Hedging

CICA Handbook Section 3865 specifies the criteria that must be met in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. If the derivative is designated as a fair value hedge, changes in fair value of the derivative and changes in the fair value of the hedged item attributable to the hedged risk are recognized in the interim consolidated statements of operations. If the derivative is designated as a cash flow hedge, the effective portions of the change in fair value of the derivative are initially recorded in other comprehensive income and are reclassified to the interim consolidated statements of operations when the hedged item is recognized. Hedge accounting is discontinued prospectively when it is determined that the derivative is not effective as a hedge, or the derivative is terminated or sold, or upon sale or early termination of the hedged item. The Company elected to apply hedge accounting for certain forward foreign exchange contracts used to manage foreign currency exposure on anticipated revenue and firm commitments and has designated these as cash flow hedges. The fair value of these derivatives is included in deposits and prepaid assets when in an asset position and in accounts payable and accrued liabilities when in a liability position.

Gains or losses arising from hedging activities are reported in the same caption on the interim consolidated statements of operations as the hedged item.

The types of hedging relationships that qualify for hedge accounting have not changed under CICA Handbook Section 3865. The nature of the items or transactions that the Company hedges and the Company's hedging programs in relation to these items or transactions are included in Note 4 to the Company's annual consolidated financial statements for the year ended March 31, 2007.

Fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

Transition adjustment

The impact of adopting the new standards as at April 1, 2007 was as follows:

- An increase in portfolio investments of $23,677,000, an increase of $21,109,000 in accumulated other comprehensive income (AOCI) and an increase of $2,568,000 in future income tax liability related to recording the fair value of portfolio assets designated as available-for-sale.

- An increase in deposits and prepaid assets of $251,000, an increase of $781,000 in accounts payable and accrued liabilities, a decrease of $575,000 in AOCI and an increase in retained earnings of $45,000 related to recording the fair value of cash flow hedges where hedge accounting is used.

- $9,422,000 of net foreign currency losses that were previously presented as a separate item in shareholders' equity have been reclassified to AOCI.

3. Future accounting changes:

The CICA has issued the following new Handbook Sections that will become effective on April 1, 2008 for the Company:

- CICA Handbook Section 3862, “Financial Instruments – Disclosures”
- CICA Handbook Section 3863, “Financial Instruments – Presentation”
- CICA Handbook Section 1535, “Capital Disclosures”
- CICA Handbook Section 3031, “Inventories”

CICA Handook Section 3862 modifies the disclosure requirements for CICA Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, including required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. The Company is currently evaluating the impact of the adoption of these new sections.

CICA Handbook Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. The entity’s disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied with any capital requirements to which it is subject and the consequences of non-compliance. The Company is currently evaluating the impact of adoption of this new section.

CICA Handbook Section 3031 provides more guidance on the measurement and disclosure requirements for inventories than the previous CICA Handbook Section 3030. The Company is currently evaluating the impact of adoption of this new section.

Each of these sections will be effective for the Company for its annual and interim financial statements beginning on or after April 1, 2008.

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

4. Discontinued operations and assets held for sale:

During the year ended March 31, 2007, 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. 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 interim consolidated financial statements. The results of the discontinued operations were as follows:

	Three months ended		Six months ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Revenue	**$ ––**	$ —	**$ ––**	$ 1,737
Loss from operating activities	**$ ––**	$ —	**$ ––**	$ (180)
Write-down to reduce assets sold to net realizable value, net of tax of ($195,000)	**––**	—	**––**	(1,978)
Loss from discontinued operations, net of tax	**$ ––**	$ —	**$ ––**	$ (2,158)

5. Deposits and prepaid assets:

	September 30 2007	March 31 2007
Prepaid assets	**$ 4,622**	$ 3,752
Silicon and other deposits	**7,208**	6,468
Forward contracts and other	**9,044**	641
	$ 20,874	$ 10,861

6. Other assets:

	September 30 2007	March 31 2007
Deferred pre-production costs	**$ 253**	$ 586
Silicon and other deposits	**23,136**	5,281
Notes receivable	**––**	40
	$ 23,389	$ 5,907

7. Stock-based compensation:

In the calculation of the stock-based compensation expense in the interim consolidated statements of operations, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model for time vested stock options and a binomial option pricing model for performance based stock options.

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

During the three and six months ended September 30 2006, 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 three and six months ended September 30, 2007 certain performance options vested as a result of accelerated vesting provisions on the resignation of certain officers of the Company. In 2006, no performance based options vested.

During the three and six months ended September 30, 2007, the Company granted 1,059,500 options (371,900 in 2006). The options granted vest over 5 years from the date of issue. The fair value of options issued in the three and six month period ended September 30th, 2007 were estimated at the date of the grant using a Black-Scholes option model with the following weighted average assumptions:

	Three months ended		Six months ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Weighted average of risk-free interest rate	**4.00%**	-	**4.00%**	4.18 %
Dividend yield	**0.0%**	-	**0.0%**	0.0 %
Weighted average of expected life (years)	**5.0 yrs**	-	**5.0 yrs**	5.3 yrs
Expected volatility	**41%**	-	**41%**	31%
Number of stock options granted (thousands):				
Time vested	**1,060**	-	**1,060**	372
Performance based	-	-	-	175
Weighted average of exercise price per option (dollars)	**$5.95**	-	**$5.95**	$11.34
Weighted average value per option (dollars):				
Time vested	**$2.49**	-	**$2.49**	$4.17
Performance based	**$ -**	-	**$ -**	$3.68

As a result of the rights offering completed during the three and six month period ended September 30 2007, the exercise price of the options outstanding at the date of the closing of the rights offering was reduced by a factor of 0.9263 and the number of options were increased by 163,196 for time vested options and 41,364 for performance options.

8. Weighted average number of shares:

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

	Three months ended		Six months ended	
	September 30 2007	September 30 2006	**September 30 2007**	September 30 2006
Basic	**67,815**	59,734	**63,562**	59,721
Diluted	**67,815**	59,734	**63,562**	59,721

During the three and six months ended September 30, 2007, the Company executed a rights offering as described in note 12. The exercise price of the rights offering was less than the fair market value of the common shares at issuance of the rights. Accordingly, it contained a bonus element that is similar to a stock dividend. In accordance with the recommendations of Canadian Institute of Chartered Accountants Handbook Section 3500, Earnings Per Share, the weighted average common shares for the three and six months ended September 30, 2006 have been retroactively increased by 489,000 to reflect the bonus element.

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

All stock options are excluded from the weighted average common shares in the calculation of diluted earnings per share for the three and six months ended September 30, 2007 as they are anti-dilutive.

9. 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 and also includes the Company's investment in Spheral Solar™. 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 2007	September 30 2006	**September 30 2007**	September 30 2006
Revenue				
Automation Systems	**$ 109,067**	$ 117,302	**$ 216,851**	$ 239,086
Photowatt Technologies	**37,912**	28,508	**85,601**	72,889
Precision Components	**16,651**	19,327	**36,063**	44,587
Elimination of inter-segment revenue	**(291)**	(539)	**(375)**	(768)
Consolidated	**$ 163,339**	$ 164,598	**$ 338,140**	$ 355,794
Earnings (loss) from operations				
Automation Systems	**$ 2,393**	$ 5,666	**$ 2,968**	$ 8,452
Photowatt Technologies	**(8,886)**	(3,136)	**(11,332)**	1,451
Precision Components	**(2,583)**	(1,716)	**(3,725)**	(846)
Inter-segment elimination and corporate expenses	**(10,332)**	(3,362)	**(15,267)**	(5,866)
Consolidated	**$ (19,408)**	$ (2,548)	**$ (27,356)**	$ 3,191

10. Restricted cash:

As at September 30, 2007 the Company held cash of $3,050,000 in an irrevocable trust on behalf of individuals holding officer and director positions at the Company immediately prior to the September 13, 2007 annual meeting of the shareholders, to be used to indemnify such individuals. Subsequent to September 30, 2007, these funds were released to the Company.

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

11. Long-term debt and financial resources:

On September 27, 2007, the agreement governing the Company's primary operating credit facility and its revolving bank credit facility (the "Credit Agreement") was amended compared to the first quarter resulting in the unsecured operating credit facility of $70,000,000 and the revolving bank credit facility of $60,000,000 being consolidated into one operating credit facility of $130,000,000. The amended operating credit facility, which is secured by a general security agreement, is repayable on December 31, 2007. The amended operating credit facility is subject to adjusted current assets to current debt covenant of 1.25:1, and a debt to shareholder's equity covenant of 1.5:1. Under the terms of the Credit Agreement, the Company is restricted from encumbering any assets with certain permitted exceptions. The Credit Agreement also restricts the disposition of certain assets with an agreement to reduce available credit by an amount equal to a portion of the net proceeds received by the Company from certain material asset sales, if any. The Company is in compliance with these covenants and restrictions.

The Company is currently negotiating with a number of financial institutions to establish a long-term credit facility to replace the Credit Agreement. The Company believes that a long-term credit agreement or credit extension will be reached prior to December 31, 2007 at terms that are satisfactory to ATS. In the event that such an agreement or extension is not yet in place at December 31, 2007, the Company believes that there is sufficient cash on hand and availability of alternative sources of funding, including financing of land and buildings, to repay amounts due under the Credit Agreement and to manage ongoing working capital requirements and meet existing cash commitments.

The following amounts were outstanding:

	September 30 2007	March 31 2007
Bank indebtedness:		
Primary credit facility	**$ 90,965**	$ 6,758
Other facilities	**28,390**	30,446
	119,355	37,204
Long-term debt:		
Primary credit facility	––	39,025
Unsecured non-interest bearing loan GBP due July 29, 2007	––	447
	––	39,472
Less: current portion	––	(447)
	$ ––	$ 39,025

12. Rights Offering:

During the three months ended September 30, 2007, the Company completed a rights offering, raising gross proceeds of $110,209,635 (net proceeds of $102,522,189). The rights offering provided existing common shareholders with rights to subscribe for additional common shares in ATS. Each shareholder of record of the Company on July 19, 2007 received one right for each common share held. For every 3.35 rights held, the holder was entitled to purchase one common share at the subscription price of $6.23 until August 14, 2007. ATS received subscriptions of 16,011,247 common shares. Under the Additional Subscription Privilege 1,678,903 shares were purchased.

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

13. Financial instruments:

Change in fair value of financial instruments

Derivatives that are not designated in hedging relationships are classified as held-for-trading and the changes in fair value are recognized in the interim consolidated statements of operations. During the six months ended September 30, 2007, the fair value of financial assets classified as held-for-trading increased by $1,285,000 and the fair value of financial liabilities classified as held-for-trading decreased by $415,000.

Cash flow hedges

During the six months ended September 30, 2007, an unrealized loss of $45,000 was recognized in selling, general and administrative expense for the ineffective portion of cash flow hedges. After-tax unrealized gains of $5,703,000 included in AOCI at September 30, 2007 are expected to be reclassified to earnings over the next 12 months when the revenue is recorded.

14. Other comprehensive loss:

The components of other comprehensive loss are shown in the following table:

	Three months ended September 30 2007	Six months ended September 30 2007
Net loss	**$ (18,763)**	**$ (27,700)**
Currency translation adjustment	**(8,137)**	**(25,328)**
Net unrealized loss on available for sale financial assets (net of income taxes of $nil)	**(1,153)**	**(5,008)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $nil)	**5,219**	**7,054**
Amount transferred to net loss for derivatives designated as cash flow hedges (net of income taxes of $nil)	**(1,168)**	**(776)**
Comprehensive loss	**$ (24,002)**	**$ (51,758)**

The components of accumulated other comprehensive loss are as follows:

	September 30 2007	March 31 2007
Accumulated currency translation adjustment	**$ (34,750)**	$ (9,422)
Accumulated unrealized gain on available-for-sale financial assets	**16,101**	—
Accumulated unrealized net gain on derivative financial instruments designated as cash flow hedges	**5,703**	—
Accumulated other comprehensive income	**$ (12,946)**	$ (9,422)

15. Currency translation adjustment:

The currency translation adjustment reflects unrealized translation adjustments arising on the translation of foreign currency denominated assets and liabilities of self-sustaining foreign operations. These translation adjustments are recorded in the interim consolidated statements of operations when there is a reduction in the Company's net investment in the respective foreign operations.

16. Income taxes:

The Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 36.1% (2007 – 36.1%) primarily as a result of losses incurred in Canada, the benefit of which have not been recognized for financial statement reporting purposes.

17. Commitments and Contingencies:

During the three months ended September 30, 2007, Photowatt Technologies entered into a nine-year, 44,000,000 Euro ($62,400,000 Canadian) commitment, commencing January 2010, to purchase high-purity polysilicon to support approximately 14 megawatts of Photowatt solar production per annum. Advance payments are required, which will be applied against the price of the product received. During the three months ended September 30, 2007, a 8,986,000 Euro ($12,729,000 Canadian) deposit was made against this commitment.

The Company and obligation related to its right to purchase the remaining outstanding minority interest in a subsidiary. The purchase price is yet to be established but likely to be determined by March 31, 2008.

18. Related Party Transactions:

During the quarter, the Company accrued $484,000 to reimburse Goodwood Inc. and Mason Capital Management, LLC, for proxy solicitation expenses and legal fees, incurred in connection with the proxy contest to reconstitute the ATS board of directors.

The CEO of Photowatt International S.A.S., is also the President of PV Alliance, in which the Company has a 40% investment interest. During the quarter, Photowatt invested 400,000 Euro ($566,600 Canadian) in the PV Alliance.

19. 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 order bookings, Photowatt Technologies and Precision Components volumes, and the Company's earnings in any of its markets. In Photowatt Technologies and Precision Components, due to respective tranditional summer factory shutdowns in Europe and the automotive industry, revenues and operating earnings are generally expected to be lower during the second quarter compared to other quarters. In Photowatt Technologies, slower sales may occur in the winter months, when the weather may impair the ability to install its products in certain geographical areas.

20. Comparative figures:

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