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

	December 31 2007	March 31 2007
ASSETS		
Current assets		
Cash and short-term investments	**$ 38,622**	$ 25,568
Accounts receivable	**125,472**	131,410
Investment tax credits	**13,712**	13,712
Costs and earnings in excess of billings on contracts in progress	**77,757**	73,755
Inventories	**88,427**	74,804
Future income taxes	**2,005**	-
Deposits and prepaid assets (notes 2 and 6)	**15,941**	10,861
	361,936	330,110
Property, plant and equipment	**170,616**	221,718
Goodwill	**32,040**	35,657
Intangible assets	**230**	352
Future income taxes	**1,226**	179
Deferred development costs	**2,042**	2,414
Assets held for sale (note 5)	**14,156**	—
Portfolio investments (notes 2 and 4)	**5,690**	4,728
Other assets (note 7)	**32,121**	5,907
	$ 620,057	$ 601,065
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 11)	**$ 25,864**	$ 37,204
Accounts payable and accrued liabilities	**123,541**	122,587
Billings in excess of costs and earnings on contracts in progress	**34,132**	23,186
Future income taxes	**18,045**	14,395
Current portion of long-term debt (note 11)	**––**	447
	201,582	197,819
Long-term debt (note 11)	**––**	39,025
Future income taxes	**––**	75
Other long-term liabilities	**828**	877
Non-controlling interest	**1,728**	1,890
Shareholders' equity		
Share capital (note 12)	**430,082**	327,560
Contributed surplus	**5,572**	3,193
Accumulated other comprehensive income (note 14)	**(28,465)**	(9,422)
Retained earnings	**8,730**	40,048
	415,919	361,379
	$ 620,057	$ 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		Nine months ended	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 2006
Revenue	**$ 191,339**	$ 171,792	**$ 529,479**	$ 527,589
Operating costs and expenses				
Cost of revenue	**172,712**	145,140	**471,993**	438,831
Amortization	**7,013**	6,787	**21,128**	21,272
Selling, general and administrative	**26,486**	22,264	**76,547**	65,955
Stock-based compensation (note 8)	**588**	95	**2,628**	834
	206,799	174,286	**572,296**	526,892
Earnings (loss) before undernoted	**(15,460)**	(2,494)	**(42,817)**	697
Impairment of long-lived assets (note 18)	**(19,109)**	––	**(19,109)**	––
Gain on sale of portfolio investments (note 4)	**31,779**	––	**31,779**	––
Earnings (loss) from operations	**(2,790)**	(2,494)	**(30,147)**	697
Other expenses				
Interest on long-term debt	**––**	807	**1,551**	2,329
Other interest	**747**	248	**1,847**	191
	747	1,055	**3,398**	2,520
Loss from continuing operations before income taxes and non-controlling interest	**(3,537)**	(3,549)	**(33,545)**	(1,823)
Provision for (recovery of) income taxes	**112**	(1,198)	**(2,224)**	35
Non-controlling interest in earnings of subsidiaries	**13**	38	**42**	145
Net loss from continuing operations	**(3,662)**	(2,389)	**(31,363)**	(2,003)
Loss from discontinued operations, net of tax (note 5)	**––**	––	**––**	(2,158)
Net loss	**$ (3,662)**	$ (2,389)	**$ (31,363)**	$ (4,161)
Loss per share (note 9)				
Basic and diluted - from continuing operations	**$ (0.05)**	$ (0.04)	**$ (0.46)**	$ (0.03)
Basic and diluted - from discontinued operations	**0.00**	0.00	**0.00**	(0.04)
	$ (0.05)	$ (0.04)	**$ (0.46)**	$ (0.07)

See accompanying notes to interim consolidated financial statements

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

Nine months ended December 31, 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	––	––	––	**(31,363)**	**(31,363)**
Currency translation adjustment (note 15)	––	––	**(23,699)**	––	**(23,699)**
Net unrealized loss on available for-sale financial assets (net of income taxes of $nil)	––	––	**(1,726)**	––	**(1,726)**
Amount transferred to income on available for-sale financial assets (net of income taxes of $2,415)	––	––	**(18,420)**	––	**(18,420)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $nil)	––	––	**7,637**	––	**7,637**
Amount transferred to net earnings (loss) for derivatives designated as cash flow hedges (net of income taxes of $nil)	––	––	**(3,369)**	––	**(3,369)**
Total comprehensive loss (note 14)					**(70,940)**
Stock-based compensation (note 8)	––	**2,379**	––	––	**2,379**
Shares issued during the period for cash on rights offering, net (note 12)	**102,522**	––	––	––	**102,522**
Balance, end of the period	**$ 430,082**	**$ 5,572**	**$ (28,465)**	**$ 8,730**	**$ 415,919**

Nine months ended December 31, 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 loss	—	—	—	(4,161)	(4,161)
Currency translation adjustment	—	—	11,006	—	11,006
Issuance of common shares	645	—	—	—	645
Stock-based compensation	—	914	—	—	914
Balance, end of period	$ 327,485	$ 2,949	$ (12,011)	$ 120,902	$ 439,325

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 2007	December 31 2006	**December 31 2007**	December 31 2006
Operating activities:				
Net loss	**$ (3,662)**	$ (2,389)	**$ (31,363)**	$ (4,161)
Items not involving cash				
Amortization	**7,013**	6,787	**21,128**	21,272
Future taxes	**3,217**	(1,809)	**522**	(1,875)
Other items not involving cash	**26**	1,033	**1,288**	(6,659)
Stock-based compensation	**588**	95	**2,628**	834
Gain on disposal of portfolio investment (note 4)	**(31,779)**	—	**(31,779)**	—
Impairment of long-lived assets (note 18)	**19,109**	—	**19,109**	—
Write down of assets to net realizable value (note 5)	**––**	—	**––**	1,978
Cash flow from operations	**(5,488)**	3,717	**(18,467)**	11,389
Change in non-cash operating working capital	**10,923**	23,474	**(8,021)**	(8,813)
Cash flows provided by (used in) operating activities	**5,435**	27,191	**(26,488)**	2,576
Investing activities:				
Acquisition of property, plant and equipment	**(2,422)**	(21,803)	**(13,800)**	(38,171)
Cash paid for acquisition of Subsidiary	**––**	(1,475)	**––**	(1,475)
Restricted cash	**3,050**	—	**––**	—
Proceeds from disposal of portfolio investment (note 4)	**31,932**	—	**31,932**	—
Investments and other	**(7,214)**	(4,430)	**(27,451)**	(10,793)
Proceeds from disposal of assets	**78**	253	**122**	679
Cash flows provided by (used in) investing activities	**25,424**	(27,455)	**(9,197)**	(49,760)
Financing activities:				
Bank indebtedness	**(36,444)**	1,783	**(22,550)**	19,667
Share issue costs (note 12)	**––**	—	**(7,688)**	—
Proceeds from long-term debt (note 11)	**––**	—	**60,000**	20,000
Repayment of long-term debt (note 11)	**(58,456)**	—	**(86,817)**	—
Issuance of common shares of subsidiary	**––**	804	**––**	804
Issuance of common shares (note 12)	**––**	134	**110,210**	645
Cash flows provided by (used in) financing activities	**(94,900)**	2,721	**53,155**	41,116
Effect of exchange rate changes on cash and short-term investments	**386**	1,687	**(4,416)**	690
Increase (decrease) in cash and short-term investments	**(63,655)**	4,144	**13,054**	(5,378)
Cash and short-term investments, beginning of period	**102,277**	18,399	**25,568**	27,921
Cash and short-term investments, end of period	**$ 38,622**	$ 22,543	**$ 38,622**	$ 22,543
Supplementary information				
Cash income taxes paid	**$ 3,165**	$ 1,929	**$ 4,556**	$ 9,713
Cash interest paid	**$ 1,666**	$ 1,414	**$ 5,381**	$ 3,786

See accompanying notes to interim consolidated financial statements

The interim consolidated financial statements for the three and the nine months ended December 31, 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 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, long-term debt and other long-term liabilities 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 meeting the definition of a derivative, 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 has 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.

4. Portfolio investments:

During the three months ended December 31, 2007, the company sold all of its 1,864,398 shares in Canadian Solar Inc., a publicly traded company on Nasdaq, for gross proceeds of $31,774,792 US ($32,031,524 CAN) and net proceeds of $31,676,589 US ($31,932,272 CAN). A gain of $31,778,937 has been recorded in the interim consolidated statement of operations related to this disposition.

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

5. Discontinued operations and assets held for sale:

During the three months ended December 31, 2007, the Company committed to a plan to sell land and one of two buildings related to its ASG Ohio Business Unit. The land and building are ready for sale and management expects to sell them within one year. Accordingly, these assets have been classifed as being held for sale.

During the three months ended December 31, 2007, the Company committed to a plan to sell land and building related to its Spheral Solar development project which was haulted in early fiscal 2008. The land and building are ready for sale and management expects to sell them within one year. Accordingly, these assets have been classifed as being 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		**Nine months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 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)

6. Deposits and prepaid assets:

	December 31 2007	March 31 2007
Prepaid assets	**$ 2,585**	$ 3,752
Silicon and other deposits	**7,962**	6,468
Forward contracts and other	**5,394**	641
	$ 15,941	$ 10,861

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

7. Other assets:

	December 31 2007	March 31 2007
Deferred pre-production costs	$ —	$ 586
Silicon and other deposits	32,081	5,281
Notes receivable	40	40
	$ 32,121	$ 5,907

8. 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 vesting stock options and binomial option pricing models for performance based stock options.

During the three and nine months ended December 31, 2007, the Company issued 1,918,000 performance based options (405,136 in 2006). The performance based options vest based on the ATS stock trading at or above certain thresholds for a minimum of 5 trading days in a fiscal quarter. These performance options expire on the seventh anniversary after the date that the options vest. During the nine months ended December 31, 2007 certain performance options vested as a result of accelerated vesting provisions on the resignation of certain officers of the Company, and during the nine months ended December 31, 2006, certain performance based options vested in the normal course of business.

During the three months ended December 31, 2007, the Company granted 125,000 time vesting options (121,390 in 2006). The 125,000 options granted during the three months ended December 31, 2007 vested upon issuance. During the nine months ended December 31, 2007, the Company granted 1,184,950 time vesting options (206,346 in 2006). The options granted, excluding the 125,000 options granted during the three months ended December 31, 2007, vest over 5 years from the date of issue. The fair value of options issued in the three and nine month periods ended December 31, 2007 and December 31, 2006 were estimated at the date of the grant using a Black-Scholes option model with the following weighted average assumptions:

	Three months ended		Nine months ended	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 2006
Weighted average of risk-free interest rate	**3.97%**	3.92%	**3.98%**	4.04%
Dividend yield	**0.0%**	0.0%	**0.0%**	0.0%
Weighted average of expected life (years)	**7.4 yrs**	5.0 yrs	**6.6 yrs**	5.0 yrs
Expected volatility	**38%**	31%	**39%**	31%
Number of stock options granted (thousands):				
Time vested	**125**	121	**1,185**	206
Performance based	**1,918**	216	**1,918**	405
Weighted average of exercise price per option (dollars)	**$6.96**	$10.94	**$6.62**	$10.75
Weighted average value per option (dollars):				
Time vested	**$1.73**	$3.06	**$2.41**	$3.13
Performance based	**$1.28**	$3.06	**$1.28**	$3.22

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

Stock based compensation recognized for the three and nine months ended December 31, 2007 and credited to contributed surplus was $590,027 and $2,379,227 respectively (2006 – $217,702 and $913,638).

As a result of the rights offering completed during the nine month period ended December 31, 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 vesting options and 41,364 for performance based options.

9. 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		**Nine months ended**	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 2006
Basic	**76,952**	59,741	**68,288**	59,728
Diluted	**76,952**	59,741	**68,288**	59,728

During the nine months ended December 31, 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 nine months ended December 31, 2006 have been retroactively increased by 489,000 to reflect the bonus element.

All stock options are excluded from the weighted average common shares in the calculation of diluted earnings per share for the three and nine months ended December 31, 2007 as they are anti-dilutive.

10. 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.

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

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

	Three months ended		Nine months ended	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 2006
Revenue				
Automation Systems	**$ 122,838**	$ 113,052	**$ 339,689**	$ 352,138
Photowatt Technologies	**51,680**	39,201	**137,281**	112,090
Precision Components	**17,190**	19,906	**53,253**	64,968
Elimination of inter-segment revenue	**(369)**	(367)	**(744)**	(1,607)
Consolidated	**$ 191,339**	$ 171,792	**$ 529,479**	$ 527,589
Earnings (loss) from operations				
Automation Systems	**$ 2,143**	$ 2,395	**$ 5,111**	$ 10,847
Photowatt Technologies	**(4,736)**	(806)	**(16,068)**	645
Precision Components (note 18)	**(27,029)**	(1,383)	**(30,754)**	(2,145)
Inter-segment elimination and corporate expenses	**(4,947)**	(2,700)	**(20,215)**	(8,650)
Gain on sale of portfolio investment	**31,779**	—	**31,779**	—
Consolidated	**$ (2,790)**	$ (2,494)	**$ (30,147)**	$ 697

11. Long-term debt and financial resources:

On December 27, 2007, the agreement governing the Company's primary operating credit facility (the “Credit Agreement”) was amended resulting in the authorized operating credit facility being reduced from $130,000,000 to $80,000,000. The amended operating credit facility, which is secured by a general security agreement, is repayable on March 31, 2008. The amended operating credit facility is subject to a current assets to current debt covenant of 1.25:1, and a debt to shareholders’ 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 at terms that are satisfactory to ATS. In the event that such an agreement or extension is not yet in place at March 31, 2008, 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 agreements, manage ongoing working capital requirements and meet existing cash commitments.

Other facility is comprised of outstanding amounts under short term unsecured credit facilities available in Euro totaling $23,038,000 (16,000,000 Euro). The facilities are provided to a subsidiary by local banks and are currently scheduled to reduce by 6,000,000 Euro on February 29, 2008 and a further 6,000,000 Euro on March 31, 2008.

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

The following amounts were outstanding:

	December 31 2007	March 31 2007
Bank indebtedness:		
Primary credit facility	**$ 8,138**	$ 6,758
Other facility	**17,726**	30,446
	$ 25,864	$ 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 nine months ended December 31, 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.

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 nine months ended December 31, 2007, the fair value of financial assets classified as held-for-trading increased by $292,200 and the fair value of financial liabilities classified as held-for-trading decreased by $42,800.

Cash flow hedges

During the nine months ended December 31, 2007, an unrealized gain of $20,200 was recognized in selling, general and administrative expense for the ineffective portion of cash flow hedges. After-tax unrealized gains of $3,692,500 included in AOCI at December 31, 2007 are expected to be reclassified to earnings over the next 12 months when the revenue is recorded.

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

14. Other comprehensive loss:

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

	Three months ended December 31 2007	Nine months ended December 31 2007
Net loss	**$ (3,662)**	**$ (31,363)**
Currency translation adjustment	**1,628**	**(23,699)**
Net unrealized loss on available for sale financial assets (net of income taxes of $nil)	**3,282**	**(1,726)**
Amount transferred to income on available for-sale financial assets (net of income taxes of $2,415)	**(18,420)**	**(18,420)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $nil)	**583**	**7,637**
Amount transferred to net loss for derivatives designated as cash flow hedges (net of income taxes of $nil)	**(2,593)**	**(3,369)**
Comprehensive loss	**$ (19,182)**	**$ (70,940)**

The components of accumulated other comprehensive loss are as follows:

	December 31 2007	March 31 2007
Accumulated currency translation adjustment	**$ (33,121)**	$ (9,422)
Accumulated unrealized gain on available-for-sale financial assets (net of income taxes of $153)	**963**	—
Accumulated unrealized net gain on derivative financial instruments designated as cash flow hedges	**3,693**	—
Accumulated other comprehensive income	**$ (28,465)**	$ (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.

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

16. Investment in Joint Venture:

During the three months ended December 31, 2007, Photowatt International S.A.S., EDEV EnR Reparties and CEA Valorisation entered into an agreement to establish a joint venture. The joint venture became effective in October 2007 with contributions of cash by the venturers.

This is a jointly-controlled enterprise and accordingly, the Company includes its 40% share of assets, liabilities, revenues and expenses in the interim consolidated financial statements.

The following is a summary of the Company's proportionate share of the joint venture:

	December 31 2007
Balance Sheet	
Current assets	$ 425
Property and equipment	1
Current liabilities	(281)
Net assets	$ 145

	Three months ended December 31 2007
Statement of Operations	
Operating expenses and net loss	$ (426)

17. 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.

18. Asset impairment:

The company regularly reviews the net recoverable amount of its long-lived assets. During the three months ended December 31, 2007, the continued decline in PCG profitability indicated a risk that the long-lived assets of PCG were impaired. As a result, management performed an asset impairment test in accordance with CICA handbook section 3063, which indicated that anticipated undiscounted future cash flows did not demonstrate full recovery of the carrying value of the PCG deferred pre-production costs and property, plant and equipment. As a result, PCG long-lived assets were written down to their estimated fair market value, resulting in an impairment charge of $19,109,000, as follows:

	December 31 2007	December 31 2006
Deferred pre-production costs	$ 107	$ ––
Property, plant and equipment	19,002	––
	$ 19,109	$ ––

19. Commitments and Contingencies:

During the nine months ended December 31, 2007, the Company entered into a commitment to purchase 1,700 tonnes of MgSi commencing in 2007 and ending December 31, 2011. Advance payments are required, which will be applied against the price of the product received. Commencing in calendar 2008, the price per kilogram of metallurgical-grade silicon may be adjusted at the beginning of the year based upon an agreed upon formula.

During the nine months ended December 31, 2007, the Company entered into an eight-year commitment, commencing January 1, 2010, to purchase approximately 32,000,000 polysilicon wafers over the term of the agreement. Advance payments are required, which will be applied against the price of the wafers received during the life of the commitment. The price per wafer will be adjusted at the beginning of each calendar year based upon an agreed upon formula.

During the nine months ended December 31, 2007, the Company entered into a nine-year, 44,000,000 Euro ($62,400,000 CAN) 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 nine months ended December 31, 2007, an 8,986,000 Euro ($12,729,000 CAN) deposit was made against this commitment.

The Company has exercised its right to purchase the remaining outstanding minority interest in a subsidiary. The purchase price is yet to be established.

20. Related Party Transactions:

During the nine months ended December 31, 2007, the Company paid $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 nine months, Photowatt invested 400,000 Euro ($566,760 CAN) in the PV Alliance.

21. 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 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.

22. Comparative figures:

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