Automation
Tooling
Systems

Interim Consolidated Financial Statements

(Unaudited)

June 30, 2008

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

	June 30 2008	March 31 2008
ASSETS		
Current assets		
Cash and short-term investments	**$ 51,929**	$ 56,785
Accounts receivable	**137,676**	126,052
Investment tax credits	**13,712**	13,712
Costs and earnings in excess of billings on contracts in progress	**86,928**	79,478
Inventories (note 4)	**101,563**	93,751
Future income taxes	**1,023**	1,604
Deposits and prepaid assets (note 6)	**20,660**	15,794
Assets held for sale (note 5)	**10,333**	12,156
	423,824	399,332
Property, plant and equipment	**185,548**	186,054
Goodwill	**35,126**	35,342
Intangible assets	**705**	225
Future income taxes	**2,650**	2,117
Deferred development costs	**1,737**	1,940
Assets held for sale (note 5)	**1,816**	14,190
Portfolio investments	**3,245**	4,927
Silicon and other deposits	**33,770**	33,888
	$ 688,421	$ 678,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 10)	**$ 9,565**	$ 28,754
Accounts payable and accrued liabilities	**154,159**	149,169
Billings in excess of costs and earnings on contracts in progress	**33,484**	26,101
Future income taxes	**15,805**	15,343
Current liabilities associated with assets held for sale (note 5)	**5,188**	9,223
	218,201	228,590
Long-term debt (note 10)	**10,787**	––
Other long-term liabilities	**235**	235
Shareholders' equity		
Share capital (note 11)	**432,756**	432,825
Contributed surplus	**7,062**	6,370
Accumulated other comprehensive loss (note 13)	**(10,220)**	(6,675)
Retained earnings	**29,600**	16,670
	459,198	449,190
	$ 688,421	$ 678,015

See accompanying notes to interim consolidated financial statements

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

	Three months ended	
	June 30 2008	June 30 2007
Revenue	**$ 212,071**	$ 155,407
Operating costs and expenses		
Cost of revenue	**173,029**	134,269
Amortization	**5,821**	5,505
Selling, general and administrative	**21,393**	21,828
Stock-based compensation (note 7)	**744**	588
Gain on sale of silicon	**(2,006)**	—
Gain on sale of building	**(3,188)**	—
Earnings (loss) from operations	**16,278**	(6,783)
Other expenses (income)		
Interest on long-term debt	**12**	800
Other interest	**(498)**	(290)
	(486)	510
Income (loss) from continuing operations before income taxes and non-controlling interest	**16,764**	(7,293)
Provision for (recovery of) income taxes (note 16)	**1,773**	(250)
Non-controlling interest in earnings of subsidiaries	**––**	15
Net income (loss) from continuing operations	**14,991**	(7,058)
Loss from discontinued operations, net of tax (note 5)	**(2,061)**	(1,879)
Net income (loss)	**$ 12,930**	$ (8,937)
Earnings (loss) per share (note 8)		
Basic and diluted - from continuing operations	**$ 0.19**	$ (0.12)
Basic and diluted - from discontinued operations	**(0.02)**	(0.03)
	$ 0.17	$ (0.15)

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Shareholders' Equity and Other Comprehensive Income (Loss)
(in thousands of dollars – unaudited)

Three months ended					**June 30, 2008**
	Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total Shareholders' Equity**
Balance, beginning of period	**$ 432,825**	**$ 6,370**	**$ (6,675)**	**$ 16,670**	**$ 449,190**
Comprehensive loss					
Net income	––	––	––	12,930	**12,930**
Currency translation adjustment (note 14)	––	––	(2,186)	––	**(2,186)**
Net unrealized loss on available for-sale financial assets	––	––	(1,682)	––	**(1,682)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges	––	––	329	––	**329**
Amount transferred to net income (loss) for derivatives designated as cash flow hedges	––	––	(6)	––	**(6)**
Total comprehensive income					**9,385**
Stock-based compensation (note 7)	––	692	––	––	**692**
Costs related to shares issued for rights offering (note 11)	(69)	––	––	––	**(69)**
Balance, end of the period	**$ 432,756**	**$ 7,062**	**$ (10,220)**	**$ 29,600**	**$ 459,198**

Three months ended					June 30, 2007
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	$ 327,560	$ 3,193	$ (9,422)	$ 40,048	$ 361,379
Transitional adjustment on adoption of new standards	—	—	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	—	—	—	(8,937)	(8,937)
Currency translation adjustment (note 14)	—	—	(17,191)	—	(17,191)
Net unrealized loss on available for-sale financial assets	—	—	(3,855)	—	(3,855)
Net unrealized gain on derivative financial instruments designated as cash flow hedges (net of income taxes of $840)	—	—	1,835	—	1,835
Amount transferred to net income (loss) for derivatives designated as cash flow hedges	—	—	392	—	392
Total comprehensive loss					(27,756)
Stock-based compensation (note 7)	—	407	—	—	407
Balance, end of the period	$ 327,560	$ 3,600	$ (7,707)	$ 31,156	$ 354,609

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Statements of Cash Flows
(in thousands of dollars – unaudited)

	Three months ended	
	June 30 2008	June 30 2007
Operating activities:		
Net income (loss)	**$ 12,930**	$ (8,937)
Items not involving cash		
Amortization	**5,821**	7,182
Future income taxes	**510**	(205)
Other items not involving cash	**362**	(319)
Stock-based compensation	**744**	588
Net gain on disposal of property, plant and equipment	**(3,154)**	—
Cash flow from operations	**17,213**	(1,691)
Change in non-cash operating working capital	**(21,922)**	(15,974)
Cash flows used in operating activities	**(4,709)**	(17,665)
Investing activities:		
Acquisition of property, plant and equipment	**(6,997)**	(7,778)
Acquisition of intangible assets	**(500)**	—
Investments and other	**(100)**	(7,690)
Proceeds from disposal of assets	**16,003**	16
Cash flows provided by (used in) investing activities	**8,406**	(15,452)
Financing activities:		
Bank indebtedness	**(19,189)**	40,488
Share issue costs (note 11)	**(69)**	—
Proceeds from long-term debt (note 10)	**10,787**	20,000
Repayment of long-term debt (note 10)	—	(27,935)
Cash flows provided by (used in) financing activities	**(8,471)**	32,553
Effect of exchange rate changes on cash and short-term investments	**(82)**	(3,880)
Decrease in cash and short-term investments	**(4,856)**	(4,444)
Cash and short-term investments, beginning of period	**56,785**	25,568
Cash and short-term investments, end of period	**$ 51,929**	$ 21,124
Supplementary information		
Cash income taxes paid	**$ 12**	$ 1,244
Cash interest paid	**$ 206**	$ 1,808

See accompanying notes to interim consolidated financial statements

1. Significant accounting policies:

(i) The accompanying interim consolidated financial statements of ATS Automation Tooling Systems Inc. and its subsidiaries (collectively "ATS" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("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, 2008 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, 2008. Certain figures for the previous year have been reclassified to conform with the current year's interim consolidated financial statement presentation and to reflect discontinued operations.

(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 long-lived assets, recoverability of deferred development costs, fair value of reporting units and goodwill, fair value of assets held for sale, warranties, income taxes, future tax assets, determination of estimated useful lives of intangible assets and property, plant and equipment, impairment of portfolio investments, contracts in progress, inventory provisions, revenue recognition, contingent liabilities, and allowances for accounts receivable.

2. Changes in accounting policies:

Effective April 1, 2008, the Company prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 "Inventories" with no restatement of prior periods. There was no material impact on the interim consolidated financial statements. See note 4 to the interim consolidated financial statements.

3. Future accounting changes:

CICA Handbook Section 3064 "Goodwill and Intangible Assets" establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition and provides guidance on the recognition and measurement of internally developed intangible assets. This standard is effective for interim and annual financial statements for the Company's reporting period beginning on April 1, 2009. The Company is currently evaluating the impact of adoption of this new section.

The CICA's Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. IFRS will require increased financial statement disclosures. Although IFRS uses a conceptual framework similar to Canadain GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact of this announcement.

(in thousands of dollars, except per share amounts – unaudited)

4. Inventories

Inventories are valued at the lower of cost on a first in, first out basis and net realizable value. Cost of raw materials includes purchase cost and cost incurred in bringing each product to its present location and condition. Cost of work-in-progress includes cost of direct materials, labour and an allocation of manufacturing overheads, excluding borrowing costs, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

	June 30 2008	March 31 2008
Inventories are summarized as follows:		
Raw materials	**$ 68,764**	$ 61,905
Work in process	**11,765**	15,296
Finished goods	**21,034**	16,550
	$ 101,563	$ 93,751

The amount of inventory recognized as an expense and included in cost of revenue accounted for other than by the percentage-of-completion method during the three months ended June 30, 2008 was $56,111 (three months ended June 30, 2007: $33,210). The amount charged to net income and included in cost of revenue for the write-down of inventory for valuation issues during the three months ended June 30, 2008 was $581 (three months ended June 30, 2007: $1,885).

5. Discontinued operations and assets held for sale:

(i) During the year ended March 31, 2008, the Company committed to a plan to sell the key operating assets and liabilities, including equipment, current assets excluding cash, trade accounts payable and certain other assets and liabilities of its Precision Components Group. Accordingly, the results of operations and financial position of the Precision Components Group have been segregated and presented separately as discontinued operations in the consolidated financial statements. The results of the discontinued operations were as follows:

	Three months ended	
	June 30 2008	June 30 2007
Revenue	**$ 12,183**	$ 19,394
Loss from operating activities	**$ (2,061)**	$ (1,879)
Write-down to reduce assets sold to net realizable value, net of tax of $nil	—	—
Loss from discontinued operations, net of tax	**$ (2,061)**	$ (1,879)

(ii) During the three months ended June 30, 2008, the Company sold the land and building related to its Spheral Solar development project which was halted in early fiscal 2008. The land and building were sold for net proceeds of $16,000 and a gain of $3,188 before and after tax. The land and building were held for sale at the end of fiscal 2008.

(iii) During the year ended March 31, 2008, the Company committed to a plan to sell land and one of two buildings related to its Automation Systems Group Ohio division. The land and building are ready for sale and management expects to sell them within one year. Accordingly, these assets have been classifed as held for sale.

(in thousands of dollars, except per share amounts – unaudited)

6. Deposits and prepaid assets:

	June 30 2008	March 31 2008
Prepaid assets	**$ 5,068**	$ 4,611
Silicon and other deposits	**14,620**	9,530
Forward contracts and other	**972**	1,653
	$ 20,660	$ 15,794

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

During the three months ended June 30, 2008 the Company granted 375,000 options (nil in the three months ended June 30, 2007). The options granted vest over 4 years from the date of issue. The fair value of options issued in the three month period ended June 30, 2008 were estimated at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended	
	June 30 2008	June 30 2007
Weighted average risk-free interest rate	**3.24%**	—
Dividend yield	**0%**	—
Weighted average expected life	**4.0 years**	—
Expected volatility	**45%**	—
Number of time vested stock options granted	**375,000**	—
Weighted average exercise price per option	**$ 7.80**	—
Weighted average value per time vested option	**$ 3.03**	—

During the three months ended June 30, 2008 and 2007, no performance based options were granted. Performance based options vest based on 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 three months ended June 30, 2008 and 2007, no performance based options vested.

(in thousands of dollars, except per share amounts – unaudited)

8. Earnings (loss) per share:

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

	Three months ended	
	June 30 2008	June 30 2007
Basic	**77,277,155**	59,751,053
Diluted	**77,847,874**	59,751,053

During the year ended March 31, 2008, the Company executed a rights offering as described in note 11. 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 CICA Handbook Section 3500, “Earnings Per Share”, the weighted average common shares for the three months ended June 30, 2007 have been retroactively increased by 489,000 to reflect the bonus element.

Stock options to purchase 3,721,114 common shares are excluded from the weighted average common shares in the calculation of diluted earnings per share for the three months ended June 30, 2008 as they are anti-dilutive.

9. Segmented disclosure:

The Company evaluates performance based on two reportable segments: Automation Systems Group, and Photowatt Technologies. The Automation Systems Group 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™. As disclosed in note 5 to the interim consolidated financial statements, the Company has reported its Precision Components Group, which is held for sale, in discontinued operations.

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

	Three months ended	
	June 30 2008	June 30 2007
Revenue		
Automation Systems Group	**$ 142,735**	$ 107,784
Photowatt Technologies	**69,337**	47,689
Elimination of inter-segment revenue	**(1)**	(66)
Consolidated	**$ 212,071**	$ 155,407
Earnings (loss) from operations		
Automation Systems Group	**$ 10,302**	$ 575
Photowatt Technologies	**10,513**	(2,446)
Inter-segment elimination and corporate expenses	**(4,537)**	(4,912)
Consolidated	**$ 16,278**	$ (6,783)

(in thousands of dollars, except per share amounts – unaudited)

10. Long-term debt and financial resources:

Effective June 2008, the Company established a new long-term primary credit facility (the "Credit Agreement") with total credit facilities of up to $85,000, comprised of an operating credit facility of $40,000 which, after the Company has met certain conditions, shall increase by $5,000 monthly increments up to $65,000, and a letter of credit facility of up to $20,000 for certain purposes. The operating credit facility is subject to restrictions regarding the extent to which the outstanding funds advanced under the facility can be used to fund certain subsidiaries of the Company. The Credit Agreement, which is secured by security on the assets, including real estate, of the Company's North American legal entities and a pledge of shares and guarantees from certain of the Company's legal entities, is repayable in full on October 31, 2009.

The operating credit facility is available in Canadian dollars by way of prime rate advances, letter of credit for certain purposes and/or bankers' acceptances and in U.S. dollars by way of base rate advances and/or LIBOR advances. The interest rates applicable to the operating credit facility are determined based on certain financial ratios. For prime rate advances and base rate advances, the interest rate is equal to the bank's prime rate or the bank's U.S. dollar base rate in Canada, respectively, plus 1.25% to 2.25%. For bankers' acceptances and LIBOR advances, the interest rate is equal to the bankers' acceptance fee or the LIBOR, respectively, plus 2.25% to 3.25%.

Under the Credit Agreement, the Company shall pay a standby fee on the unadvanced portions of the amounts available for advance or draw-down under the credit facilities at a rate of 0.5% per annum.

The Credit Agreement is subject to a debt leverage test, a current ratio test, and a cumulative EBITDA test. 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 payment of dividends and the disposition of certain assets. The Company is in compliance with these covenants and restrictions.

The Company also has secondary credit facilities comprised of outstanding amounts under short term unsecured credit facilities available in Euro totaling 16,000 Euro.

The following amounts were outstanding:

	June 30 2008	March 31 2008
Bank indebtedness:		
Primary credit facility	**$ —**	$ 8,478
Other facilities	**9,565**	20,276
	$ 9,565	$ 28,754
Long-term debt:		
Primary credit facility	**$ 10,787**	$ ––

11. Rights Offering:

During the year ended March 31, 2008, the Company completed a rights offering, raising gross proceeds of $110,210 (net proceeds of $102,453). 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.

(in thousands of dollars, except per share amounts – unaudited)

12. 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 three months ended June 30, 2008, the fair value of financial assets classified as held-for-trading increased by $122 (increased by $1,655 during the three months ended June 30, 2007) and the fair value of financial liabilities classified as held-for-trading decreased by $108 (decreased by $310 during the three months ended June 30, 2007).

Cash flow hedges

During the three months ended June 30, 2008, an unrealized gain of $23 was recognized in selling, general and administrative expense for the ineffective portion of cash flow hedges (unrealized loss of $46 during the three months ended June 30, 2007). After-tax unrealized gains of $227 included in accumulated other comprehensive loss at June 30, 2008 are expected to be reclassified to earnings over the next 12 months when the revenue is recorded (unrealized gains of $1,652 at June 30, 2007).

13. Accumulated other comprehensive loss:

The components of accumulated other comprehensive loss are as follows:

		June 30 2008		March 31 2008
Accumulated currency translation adjustment	**$**	**(8,965)**	$	(6,779)
Accumulated unrealized gain (loss) on available-for-sale financial assets net of income taxes		**(1,482)**		200
Accumulated unrealized net gain (loss) on derivative financial instruments designated as cash flow hedges		**227**		(96)
Accumulated other comprehensive loss	**$**	**(10,220)**	$	(6,675)

14. 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, the most significant of which are generated through the translation of foreign subsidiaries with functional currencies in US dollars, Euros and the Singapore dollar. 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.

(in thousands of dollars, except per share amounts – unaudited)

15. Investment in Joint Venture:

During the year ended March 31, 2008, Photowatt International S.A.S., EDF 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 proportionately consolidates 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:

	June 30 2008	June 30 2007
Balance Sheet		
Current assets	**$ 277**	$ —
Property and equipment	**1**	—
Current liabilities	**(172)**	—
Net assets	**$ 106**	—

Three months ended	**June 30 2008**	June 30 2007
Statement of Operations		
Operating expenses and net loss	**$ (151)**	$ —

The CEO of Photowatt International S.A.S. is also the President of PV Alliance in which the Company has a 40% investment interest.

16. Income taxes:

The Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 33.5% (2008 – 36.1%) primarily as a result of the utilization of unrecognized loss carryforwards in Canada and parts of Europe. In the three months ended June 30, 2007, the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate primarily as a result of losses incurred in Canada and Europe, the benefit of which was not recognized for financial statement reporting purposes.

17. 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 Group order bookings, Photowatt Technologies volumes, and the Company's earnings in any of its markets. In Photowatt Technologies, due to respective summer factory shutdowns in Europe, 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.

18. Subsequent event:

In August 2008, the Company entered into a commitment to purchase 1,900 tonnes of Upgraded Metallurgical Silicon commencing immediately through to December 31, 2011. Advance payments of U.S. $1.6 million are required, with U.S. $0.9 million being transferred from an earlier deposit with this silicon supplier and will be applied against future shipments.