Interim Consolidated Financial Statements

(Unaudited)

June 28, 2009

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

	June 28 2009	March 31 2009
ASSETS		
Current assets		
Cash and short-term investments	**$ 145,092**	$ 142,361
Accounts receivable	**112,191**	120,479
Investment tax credits	**17,538**	14,538
Costs and earnings in excess of billings on contracts in progress	**84,025**	86,079
Inventories (note 4)	**136,464**	137,600
Future income taxes	**7,604**	3,669
Deposits, prepaid assets and other (note 6)	**22,502**	26,507
	525,416	531,233
Property, plant and equipment	**197,603**	201,192
Goodwill	**38,199**	39,990
Intangible assets	**5,863**	6,419
Future income taxes	**3,125**	2,812
Portfolio investments	**3,903**	3,245
Other assets (note 7)	**49,634**	51,172
	$ 823,743	$ 836,063
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 11)	**$ 23,198**	$ 142
Accounts payable and accrued liabilities	**148,125**	172,935
Billings in excess of costs and earnings on contracts in progress	**38,860**	43,600
Future income taxes	**18,619**	15,243
Current portion of long-term debt (note 11)	**4,308**	4,133
Current portion of obligations under capital leases (note 11)	**3,379**	3,409
	236,489	239,462
Long-term debt (note 11)	**11,158**	10,502
Long-term portion of obligations under capital leases (note 11)	**16,494**	17,652
Shareholders' equity		
Share capital	**479,537**	479,537
Contributed surplus	**9,296**	8,722
Accumulated other comprehensive income (note 14)	**5,750**	15,494
Retained earnings	**65,019**	64,694
	559,602	568,447
	$ 823,743	$ 836,063

Contingencies (note 17)

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 28 2009	June 30 2008
Revenue	**$ 152,701**	$ 212,071
Operating costs and expenses		
Cost of revenue	**132,623**	178,850
Selling, general and administrative	**18,766**	21,393
Stock-based compensation (note 8)	**810**	744
Gain on sale of silicon	**—**	(2,006)
Gain on sale of building (note 5)	**—**	(3,188)
Earnings from operations	**502**	16,278
Other expenses (income)		
Interest on long-term debt	**301**	12
Other interest	**239**	(498)
	540	(486)
Income (loss) from continuing operations before income taxes	**(38)**	16,764
Provision for (recovery of) income taxes (note 16)	**(363)**	1,773
Net income from continuing operations	**325**	14,991
Loss from discontinued operations, net of tax (note 5)	**—**	(2,061)
Net income	**$ 325**	$ 12,930
Earnings (loss) per share (note 9)		
Basic and diluted - from continuing operations	**$ 0.00**	$ 0.19
Basic and diluted - from discontinued operations	**—**	(0.02)
	$ 0.00	$ 0.17

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 28, 2009**
	Share Capital	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss) (note 14)**	**Retained Earnings**	**Total Shareholders' Equity**
Balance, beginning of period	**$ 479,537**	**$ 8,722**	**$ 15,494**	**$ 64,694**	**$ 568,447**
Comprehensive income (loss)					
Net income	—	—	—	**325**	**325**
Currency translation adjustment	—	—	**(12,185)**	—	**(12,185)**
Net unrealized gain on available for-sale financial assets	—	—	**658**	—	**658**
Net unrealized gain on derivative financial instruments designated as cash flow hedges	—	—	**377**	—	**377**
Gain transferred to net income for derivatives designated as cash flow hedges	—	—	**1,406**	—	**1,406**
Total comprehensive loss					**(9,419)**
Stock-based compensation (note 8)	—	**574**	—	—	**574**
Balance, end of the period	**$ 479,537**	**$ 9,296**	**$ 5,750**	**$ 65,019**	**$ 559,602**

Three months ended					June 30, 2008
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (note 14)	Retained Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	$ 432,825	$ 6,370	$ (6,675)	$ 16,670	$ 449,190
Comprehensive income (loss)					
Net income	—	—	—	12,930	12,930
Currency translation adjustment	—	—	(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
Loss transferred to net income for derivatives designated as cash flow hedges	—	—	(6)	—	(6)
Total comprehensive income					9,385
Stock-based compensation (note 8)	—	692	—	—	692
Costs related to shares issued for rights offering	(69)	—	—	—	(69)
Balance, end of the period	$ 432,756	$ 7,062	$ (10,220)	$ 29,600	$ 459,198

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 28 2009	June 30 2008
Operating activities:		
Net income	**$ 325**	$ 12,930
Items not involving cash		
Depreciation and amortization	**6,203**	5,821
Future income taxes	**(872)**	510
Other items not involving cash	**11**	362
Stock-based compensation (note 8)	**810**	744
Loss (gain) on disposal of property, plant and equipment	**52**	(3,154)
Cash flow from operations	**6,529**	17,213
Change in non-cash operating working capital	**(20,290)**	(21,922)
Cash flows used in operating activities	**(13,761)**	(4,709)
Investing activities:		
Acquisition of property, plant and equipment	**(6,023)**	(6,849)
Acquisition of intangible assets	**(96)**	(648)
Investments, silicon deposits and other	**(1,426)**	(100)
Proceeds from disposal of assets	**165**	16,003
Restricted cash (note 6)	**2,576**	(8,146)
Cash flows provided by (used in) investing activities	**(4,804)**	260
Financing activities:		
Bank indebtedness (note 11)	**22,625**	(19,189)
Share issue costs	**—**	(69)
Proceeds from long-term debt (note 11)	**1,135**	10,787
Repayment of long-term debt (note 11)	**(131)**	—
Repayment of obligations under capital leases (note 11)	**(811)**	—
Cash flows provided by (used in) financing activities	**22,818**	(8,471)
Effect of foreign exchange rate changes on cash and short-term investments	**(1,522)**	(220)
Increase (decrease) in cash and short-term investments	**2,731**	(13,140)
Cash and short-term investments, beginning of period	**142,361**	55,816
Cash and short-term investments, end of period	**$ 145,092**	$ 42,676
Supplemental information		
Cash income taxes paid	**$ 383**	$ 12
Cash interest paid	**$ 85**	$ 206

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, 2009 except for the adoption of the new accounting standards described in note 2 herein. These interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2009. Certain figures for the previous year have been reclassified to conform with the current year's interim consolidated financial statement presentation.

(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, warranties, income taxes, future income 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 uncollectible accounts receivable.

2. Changes in accounting policies:

Effective April 1, 2009, the Company retroactively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 "Goodwill and Intangible Assets" which replaced CICA Handbook Section 3062 "Goodwill and Other Intangible Assets" and CICA Handbook Section 3450 "Research and Development Costs". The adopted standard establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets.

As required by the standard, the Company has retroactively reclassified computer software assets on the consolidated balance sheets from property, plant and equipment to intangible assets. The net book value of computer software reclassified as of March 31, 2009 was $2,968. As of June 28, 2009 computer software of $2,728 is included within intangible assets. There is no impact on previously reported net income or loss.

3. Future accounting changes:

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. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies and additional required disclosures will need to be addressed. The Company is currently assessing the impact of this announcement on its consolidated financial statements.

CICA Handbook Section 1582 "Business Combinations" which replaces Handbook Section 1581 "Business Combinations" and is converged with IFRS 3 "Business Combinations" establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt this standard and if so, will be required to early adopt Section

1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

CICA Handbook Section 1601 "Consolidated Financial Statements" and Handbook Section 1602 "Non-Controlling Interests" replace Handbook Section 1600 "Consolidated Financial Statements". Handbook Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Handbook Section 1602 establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. The standards are effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt the standards and if so, will be required to early adopt Handbook Section 1582 "Business Combinations". The Company is evaluating the impact of adoption of this new section in connection with its conversion to IFRS.

4. Inventories:

	June 28 2009	March 31 2009
Inventories are summarized as follows:		
Raw materials	$ 87,669	$ 84,678
Work in process	13,421	11,711
Finished goods	35,374	41,211
	$ 136,464	$ 137,600

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 28, 2009 was $48,030 (three months ended June 30, 2008: $56,111). 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 28, 2009 was $991 (three months ended June 30, 2008: $581).

5. Discontinued operations:

(i) During the year ended March 31, 2009, the Company sold the key operating assets and liabilities, including equipment, current assets, trade accounts payable and certain other assets and liabilities of its Precision Components Group ("PCG") for cash proceeds of $4,250 and promissory notes with a face value of $2,750. Accordingly, the results of operations and financial position of PCG have been segregated and presented separately as discontinued operations in the interim consolidated financial statements. The results of the discontinued operations are as follows:

	Three months ended	
	June 28 2009	June 30 2008
Revenue	$ —	$ 12,183
Loss from discontinued operations, net of tax	$ —	$ (2,061)

(ii) During the year ended March 31, 2009, 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.

(iii) During the year ended March 31, 2009, the Company reclassified long-lived assets that were previously held for sale, as held for use assets, as the Company no longer believes these assets will be sold within one year.

6. Deposits, prepaid assets and other:

	June 28 2009	March 31 2009
Prepaid assets	**$ 3,013**	$ 2,755
Restricted cash[(i)]	**9,091**	11,892
Silicon and other deposits	**8,398**	8,731
Forward contracts and other	**2,000**	3,129
	$ 22,502	$ 26,507

(i) Restricted cash consists of cash collateralized to secure letters of credit.

7. Other assets:

	June 28 2009	March 31 2009
Silicon deposits	**$ 49,634**	$ 51,021
Other	**—**	151
	$ 49,634	$ 51,172

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 months ended June 28, 2009 the Company granted 350,000 time vesting options (375,000 in the three months ended June 30, 2008). The options granted vest over 4 years from the date of issue. During the three month periods ended June 28, 2009 and June 30, 2008, no performance based options were granted. Performance based stock options vest based on the Company's stock trading at or above certain thresholds for a specified number of minimum trading days. These performance options expire on the seventh anniversary after the date that the options vest. During the three month periods ended June 28, 2009 and June 30, 2008, no performance based options vested.

The fair value of time vesting options issued during the period were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended	
	June 28 2009	June 30 2008
Weighted average risk-free interest rate	**2.11%**	3.24%
Dividend yield	**0%**	0%
Weighted average expected life	**4.55 years**	4.0 years
Expected volatility	**60%**	45%
Number of stock options granted:		
Time vested	**350,000**	375,000
Weighted average exercise price per option	**$ 5.10**	$ 7.80
Weighted average value per option:		
Time vested	**$ 2.56**	$ 3.03

9. 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 28 2009	June 30 2008
Basic	**87,277,155**	77,277,155
Diluted	**87,277,155**	77,489,356

For the three months ended June 28, 2009, all stock options to purchase common shares are excluded from the weighted average common shares in the calculation of diluted earnings per share as they are anti-dilutive (6,002,405 stock options were excluded in the three months ended June 30, 2008).

10. Segmented disclosure:

The Company evaluates performance based on two reportable segments: Automation Systems and Photowatt Technologies. The Automation Systems segment produces custom-engineered turn-key automated manufacturing systems and test systems. The Photowatt Technologies segment is a high volume manufacturer of photovoltaic products.

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

	Three months ended	
	June 28 2009	June 30 2008
Revenue		
Automation Systems	**$ 115,201**	$ 142,735
Photowatt Technologies	**40,082**	69,337
Inter-segment revenue	**(2,582)**	(1)
Consolidated	**$ 152,701**	$ 212,071
Earnings (loss) from operations		
Automation Systems	**$ 14,752**	$ 10,302
Photowatt Technologies	**(7,533)**	10,513
Inter-segment operating earnings (loss)	**(675)**	293
Stock-based compensation	**(810)**	(744)
Other expenses	**(5,232)**	(4,086)
Consolidated	**$ 502**	$ 16,278

11. Bank indebtedness and long-term debt:

The Company's primary credit facility (the "Credit Agreement") provides total credit facilities of up to $85,000, comprised of an operating credit facility of $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 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 pays 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 Company from repurchasing its common shares, paying dividends and from acquiring and disposing certain assets. The Company is in compliance with these covenants and restrictions.

The Company's subsidiary, Photowatt International S.A.S. has credit facilities including capital lease obligations of 37,596 Euro. The interest rates applicable to the credit facilities range from Euribor plus 0.5% to Euribor plus 1.8% and 4.9% per annum. Certain of the credit facilities are secured by certain assets of Photowatt International S.A.S. and are subject to debt leverage tests. The Company is in compliance with these covenants.

In July 2009, Photowatt International S.A.S. established a 6,480 Euro capital lease obligation, repayable over five years. The finance lease bears interest of Euribor plus 1.9% and is secured by certain assets of Photowatt International S.A.S. and a commitment to restrict payments to the Company.

The Company has an additional unsecured credit facility available of 2,000 Swiss francs. The credit facility bears interest of 6.0% per annum. A portion of the available credit facility is secured by a letter of credit.

In May 2009, a credit facility in the amount of 500 Euro expired.

The following amounts were outstanding:

	June 28 2009	March 31 2009
Bank indebtedness:		
Primary credit facility	**$ —**	$ —
Other facilities	**23,198**	142
	$ 23,198	$ 142
Long-term debt:		
Primary credit facility	**$ —**	$ —
Other facilities	**15,466**	14,635
	$ 15,466	$ 14,635
Less: current portion	**4,308**	4,133
	$ 11,158	$ 10,502
Obligations under capital lease:		
Future minimum lease payments	**$ 22,347**	$ 23,802
Less: amount representing interest (at rates ranging from 3% to 5%)	**2,474**	2,741
	$ 19,873	$ 21,061
Less: current portion	**3,379**	3,409
	$ 16,494	$ 17,652

12. Restructuring:

In fiscal 2008, the Company commenced a restructuring program to improve operating performance. The restructuring program included workforce reductions, and the closure of underperforming, non-strategic divisions. In the three months ended June 30, 2008, severance and restructuring expenses associated with this restructuring program were $160.

In fiscal 2009, the Company accelerated and expanded its previous restructuring program. In the three months ended June 28, 2009, severance and restructuring expenses associated with the closure of two divisions and other workforce reductions were $2,299, primarily in the Automation Systems group.

The following is a summary of the changes in the provision for restructuring costs:

	June 28 2009	June 30 2008
Balance, beginning of the three month period	**$ 4,535**	$ 12,585
Accruals	**2,299**	160
Cash payments	**(2,964)**	(4,476)
Foreign exchange	**(33)**	(37)
Balance, end of period	**$ 3,837**	$ 8,232

13. Financial instruments:

Fair value hedges

Derivatives that are not designated in hedging relationships are classified as held-for-trading and the changes in fair value are recognized in selling, general and administrative expenses in the interim consolidated statements of operations. During the three months ended June 28, 2009, the fair value of derivative financial assets classified as held-for-trading and included in deposits and prepaid assets decreased by $232 (increased by $122 during the three months ended June 30, 2008) and the fair value of derivative financial liabilities classified as held-for-trading and included in accounts payable and accrued liabilities increased by $1,391 (decreased by $108 during the three months ended June 30, 2008).

Cash flow hedges

During the three months ended June 28, 2009, an unrealized gain of $21 was recognized in selling, general and administrative expense for the ineffective portion of cash flow hedges (unrealized gain of $23 during the three months ended June 30, 2008). After-tax unrealized gains of $427 included in accumulated other comprehensive income at June 28, 2009 are expected to be reclassified to earnings over the next 12 months when the revenue is recorded (unrealized gains of $227 at June 30, 2008).

14. Accumulated other comprehensive income:

The components of accumulated other comprehensive income are as follows:

		June 28 2009		March 31 2009
Accumulated currency translation adjustment	**$**	**6,013**	$	18,198
Accumulated unrealized loss on available-for-sale financial assets		**(690)**		(1,348)
Accumulated unrealized net gain (loss) on derivative financial instruments designated as cash flow hedges		**427**		(1,356)
Accumulated other comprehensive income	**$**	**5,750**	$	15,494

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 the PV Alliance, 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 28 2009		June 30 2008
Balance Sheet				
Current assets	**$**	**1,933**	$	277
Property and equipment		**2,985**		1
Intangible assets		**1,564**		—
Current liabilities		**(4,326)**		(172)
Long-term debt		**(2,244)**		—
Net assets	**$**	**(88)**	$	106

Three months ended		**June 28 2009**		June 30 2008
Statement of Operations				
Net loss	**$**	**(145)**	$	(151)

During the year ended March 31, 2009, the PV Alliance established shareholder loans proportionately worth 2,628 Euro, to be received in instalments until September 2009. During the three months ended June 28, 2009, the PV Alliance received an additional shareholder loan proportionately worth 200 Euro. The loans are repayable over five years, guaranteed by the signing of a Pledge Agreement, and bear interest at the maximum fiscally deductible rate.

An operating lease was established during the year ended March 31, 2009 for a portion of the Photowatt International S.A.S. building used by PV Alliance and will result in annual lease payments proportionately worth 83 Euro. The contract with the lessee expires in 2018 with an option to terminate the lease in 2016. The lease contains an option to extend the lease for an additional nine years.

During the three months ended June 28, 2009, the PV Alliance received government assistance of 192 Euro.

16. Income taxes:

For the three months ended June 28, 2009, the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 33.0% (June 30, 2008 – 33.5%) primarily as a result of the utilization of unrecognized loss carryforwards in Canada and losses incurred in Europe, the benefit of which was not recognized for financial statement reporting purposes. In the three months ended June 30, 2008, the Company's effective income tax rate differed from the combined Canadian basic federal and provincial income tax rate primarily as a result of the utilization of unrecognized loss carryforwards in Canada and parts of Europe.

17. Contingencies:

In the normal course of operations, the Company is party to a number of lawsuits, claims and contingencies. Accruals are made in instances where it is probable that liabilities have been incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its consolidated financial position.

18. 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 volumes, and the Company's earnings in any of its markets. ATS typically experiences some seasonality with its revenue and earnings due to summer plant shutdowns by its customers and summer shutdown at Photowatt International S.A.S. Accordingly, revenue during the second quarter is usually lower than in the first, third and fourth 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.