Focused on Our Future

Automation Tooling Systems

2005 ANNUAL REPORT

Financial Highlights

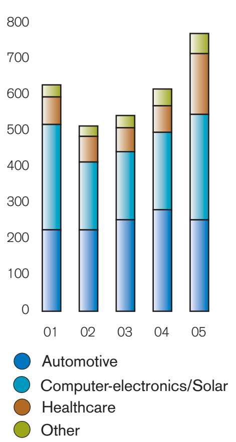
(Tabular amounts in thousands of dollars, except per share amounts)

Years ended March 31	**2005**	2004	2003
Financial results			
Revenue	**$ 770,935**	$ 616,909	$ 543,334
Earnings from operations[1]	**$ 40,537**	$ 12,968	$ 13,248
Net earnings from continuing operations	**$ 30,470**	$ 1,748	$ 3,312
Net earnings (loss)	**$ 9,298**	$ (2,253)	$ 2,343
Per share – basic and diluted			
Earnings per share from continuing operations	**$ 0.50**	$ 0.03	$ 0.05
Earnings (loss) per share	**$ 0.15**	$ (0.04)	$ 0.04
Financial position			
Cash and short-term investments	**$ 49,529**	$ 38,551	$ 82,333
Total assets	**$ 739,789**	$ 729,879	$ 723,858
Shareholders' equity	**$ 534,184**	$ 533,369	$ 547,158
Debt to equity ratio	**0.1:1**	0.1:1	0.1:1

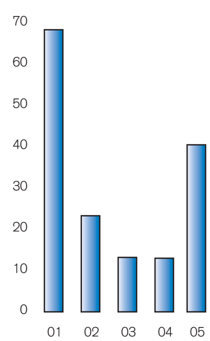
(1) A non-GAAP measure (see Management's Discussion and Analysis).

(2) Certain amounts for fiscal 2004 and fiscal 2003 have been restated to reflect changes in accounting policies, discontinued operations and reclassifications.

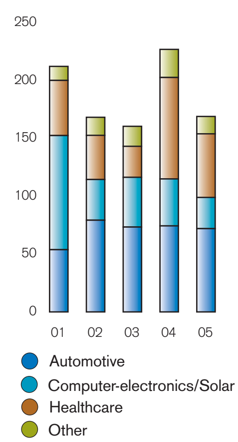
Consolidated Revenue by Industry
(by fiscal year, millions $)



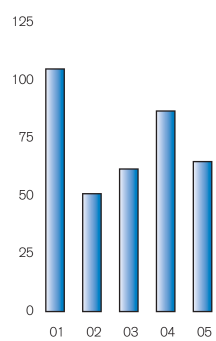
Earnings from Operations
(by fiscal year, millions $)



Automation Systems Backlog by Industry
(at March 31, millions $)



Expenditures on Long-Term Investments
(by fiscal year, millions $)



ON THE COVER: NEW LYOSCAN™ AUTOMATED PHARMACEUTICAL VISION INSPECTION SYSTEM

ATS IS FOCUSED

on high performance and delivering substantial value to our shareholders, customers and employees.

We will:

- Strengthen and expand our partnerships with an extensive base of leading customers in all markets, including automotive, computer-electronics and consumer products and in emerging healthcare, pharmaceutical and solar markets.
- Build and leverage our global brand to achieve the full benefits of our industry-leading global presence, size, capabilities, innovations, market diversification and knowledge.
- Continue advancing the state-of-the-art in automation technology – through developments such as our new Lyoscan™ high-speed, fully automated pharmaceutical vision inspection system pictured on the front cover of this report.
- Further develop the considerable talents of our 4,200 dedicated employees.

With a committed global team, we intend to make the most of our significant competitive advantages, substantial knowledge base, balance sheet strength and recognized industry leadership in fiscal 2006 and beyond.

Focused on

Our Future

Fellow Shareholders:

ATS is the automation industry's leading company.

We achieved this outstanding distinction under the skilled and imaginative leadership of Klaus Woerner, our founder. Klaus passed away on February 7, 2005 but he left us with an incredibly strong foundation – strategically, operationally and financially – to sustain our rapid and profitable growth. As a result of this foundation and the management talent Klaus built around him over the years, we have been able to make a smooth succession in leadership.

In February, Ron Jutras was appointed to succeed Klaus as President and CEO of the Company, and in March and April, a number of other ATS veterans were given formal management responsibilities for specific operational areas. Corporate-wide, we have a proven team and the right priorities to succeed and build on ATS's tradition of success and innovation.

As we transition from the strong entrepreneurial leadership Klaus provided so brilliantly to a more structured, performance-driven management style based on a balance of disciplined teamwork and calculated innovation, ATS is prepared for and focused on our future.

We intend to use this new chapter in our history to build an even stronger, more successful global company for the benefit of our stakeholders. We will do this in a more structured manner – but never losing sight of our core values and the need for innovation and creativity that will allow us to continue to define the leading edge of our industry.

Our focus on the future is well placed. Our industry markets are now more diversified than at any other time in our history. We foresee great opportunities in our emerging targeted markets, particularly in healthcare, pharmaceuticals and solar industries. Our financial strength, unique capabilities, dedicated workforce, size and scope provide us with the means to capture these opportunities – even while we create additional value in our more traditional markets such as automotive and computer-electronics.

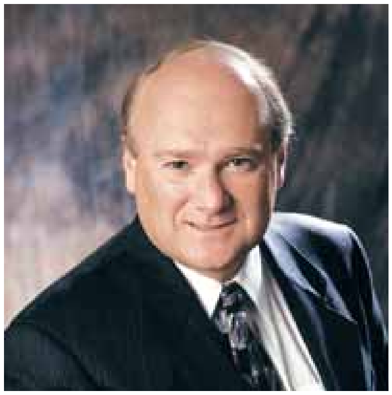
To ensure we achieve full value from these opportunities and the investments made to seize them, we have established a clear corporate agenda. It incorporates a number of meaningful financial, corporate and operating objectives, which we are proud to discuss in this annual report. First, however, it's important to understand our corporate priorities.

Our Priorities for the Future

ATS made meaningful performance gains in fiscal 2005. Consolidated revenue grew 25% to a record $770.9 million, while operating margins for our two largest reporting segments, Automation Systems Group (ASG) and Solar Group, expanded significantly. We also believe that there remains room for substantial further performance improvements in all three of our operating groups in the future.

Our first priority is to build on these gains in operating margins and earnings. This is a challenge we are prepared to meet through a combination of initiatives including:

- Aggressive strategic marketing and sales, which will allow us to continue to identify growth and value-creation opportunities within our markets, build order backlog, further diversify revenue and enhance global factory utilization.



Ron J. Jutras
President and Chief Executive Officer

Lawrence G. Tapp
Non-Executive Chairman of the Board

- Continued emphasis on improved project management and execution – reflecting changes we've made over the past two years to strengthen operating management and improve communications – and an intense focus on customer service, innovation and value creation.
- Greater global use of our innovative standard automation technology platforms that deliver exceptional value for ATS and our customers because they can be assembled and deployed quickly on a global basis while significantly reducing integration risks.
- A diligent corporate-wide focus on cost efficiency and quality improvement, which will involve initiatives such as more effective global procurement of purchased parts and raw materials, and, in the case of Solar Group, ongoing management of silicon feedstock supply and pricing.
- Increased factory utilization and improved efficiency and cost containment within our Precision Component Group (PCG) operations, which are focused on increasing their contribution to our business both strategically and financially. In fiscal 2006, PCG will open a manufacturing facility in China, which will enhance the Group's future opportunities, component sourcing capabilities and revenue diversification.

We're confident these initiatives will enhance our performance and bring greater value to our shareholders and to our customers in fiscal 2006 and beyond.

Our second priority is to create greater value by sharpening the application of our business strategies. As part of this initiative, we are focused on channelling our efforts, our people and our investments around the world into those areas that provide the greatest rewards for our stakeholders. We believe the benefits will be reflected in growth and significantly improved return on equity.

Our corporate strategies provide the framework to channel all of these activities, so they are market proven and customer focused. But customers and markets do not stand still, they are dynamic, and so is ATS.

For this reason, we have implemented a formal strategic planning process. This ongoing activity will enable us to more effectively align and measure the quality and impact of our strategic initiatives around the world, continuously gauge the need for refinement and quickly implement change when necessary.

We do not expect to make major changes in our key market strategies short term – because they are working very effectively and they have been instrumental in enabling us to achieve industry leadership. However, we do believe that meaningful value will accrue as we bring greater focus to defining, communicating and executing these strategies on a more consistent basis around the world.

Our third priority is to build and leverage our global brand. Today, ATS is a company with a global footprint serving multinational companies where they do business. However, we have many substantial opportunities to make greater use of our size, scope and recognized competitive advantages in every market in which we operate. To get full value for our investments, industry-leading size and global presence, we intend to unify, build, and leverage the global ATS brand. This will enhance our industry leadership and strengthen our opportunities in all geographic regions of the world by ensuring that global customers increasingly recognize ATS as the supplier of choice in all regional markets. To build and leverage our brand, we are employing a deliberate program that includes several strategic initiatives:

- Skills development across our global operations.
- Ongoing transfer of technology and knowledge from our most resourceful operations to our younger, smaller facilities to increase their capabilities and market strength.
- Continued innovation to expand our family of standard automation technology platforms as a means to enhance our brand and differentiate ATS from our competitors around the world.
- Further standardization of our proven business processes across facilities.
- More effective use of our global purchasing power.
- The achievement of greater global marketing and sales synergies as we build stronger, deeper global relationships with customers who increasingly need a true global partner.

It will take time and effort to achieve this priority. But we believe the benefits of a unified global ATS brand in the future are obvious: higher customer satisfaction, improved global and regional sales, enhanced worldwide factory utilization, higher cost efficiency and returns on capital employed, and greater industry-leading strength in all regions of the world.

Our fourth priority is to maximize our solar business. Solar is a rapidly growing global industry and ATS Solar represents a significant future opportunity – one that is already producing increasingly attractive performance today. Our Photowatt operation, in fact, achieved record high revenue and operating earnings in fiscal 2005 and on the strength of this performance, ATS Solar has become our second largest reporting segment. Furthermore, our investment in Spheral Solar™ Power (SSP) technology – an exciting next-generation technology is currently advancing toward commercialization. High on our Solar Group's list of priorities in fiscal 2006 is the expansion of output from our first commercial-scale SSP factory that was launched in fiscal 2005. The successful commercialization of SSP is expected to significantly expand the potential rewards from our Solar Group.

To achieve our fourth priority, we have also determined that the Solar Group requires executive leadership dedicated full time to capturing the significant value-creation opportunities and potential we see in this high-growth business while leveraging the combined synergies of Photowatt and Spheral Solar Power. As a result, we created a new position – President & CEO of our Solar Group – and named Syl Ghirardi to it in late May. Mr. Ghirardi is a seasoned executive who now has responsibility for driving the combined future success of our Photowatt and Spheral Solar Power operations.

Our Focus on the Future

ATS is a focused business with solid priorities. Our future is bright. We have the industry's best people, capabilities, assets and leadership. Most of all, we have the passion and intensity to continue the vision that Klaus created.

We sincerely thank our customers for their patronage and encouragement during the past year. Their vote of confidence in the future direction we are taking is most appreciated. Thanks also to our fellow Directors who have, as always, acted decisively and in the best interests of shareholders. We also thank our 4,200 employees for their dedication, innovation, knowledge and commitment to the highest standards of business. Finally, thanks goes to our fellow shareholders for your support and trust. We are committed and focused on creating value and rewarding you for your patience.

Yours sincerely,

Ron J. Jutras
President and Chief Executive Officer

Lawrence G. Tapp
Non-Executive Chairman of the Board

May 26, 2005

We can focus on

Our Future because of the strength of our past.

ATS was founded in 1978 by Klaus Woerner, a gifted engineer and business leader whose clear vision, sharp intellect, hard work and intense passion for value creation made him one of Canada's great entrepreneurs.

On February 7, 2005, at the age of 65, Klaus died after a courageous battle with cancer. He left behind an outstanding legacy of business success and innovation that changed the world of automation and solar technology.

Klaus believed that to create shareholder value, ATS must first deliver customer value. Driven by this enduring philosophy, ATS became the automation industry's leading company with a proven track record of growth generated while serving the needs of an ever-expanding roster of loyal global customers in diverse industrial markets.

Most of all, Klaus focused on the future. To ensure ATS's long-term success, he developed a strong management team, encouraged the ongoing development of our 4,200 highly valued employees and created an innovative apprenticeship program that continues to train young ATS engineers, technologists and skilled trades around the world – our leaders of the future. In short, he left ATS with the ability to progress without interruption.

On behalf of everyone at ATS, we pay tribute to a man who made countless contributions to our Company, our industry and the communities where we live and work. He enriched the lives of all who knew him.

Focused on

Our Future Together

ATS has a committed and highly focused management team in place that is working to achieve clear objectives that will enhance value now and in the future. Here, the senior members of that team respond to three important questions about the future.

Q&A

How will ATS improve shareholder returns?

A

We intend to significantly increase return on equity first by increasing the earnings performance of each of our three operating groups. There is considerable room for margin expansion Company wide, and our agenda calls on us to grow revenues, enhance efficiencies and contain costs. Second, we will leverage our global brand to a much greater degree. Over time, this will help us to maximize the value of our investments in technology development as well as regional infrastructure and capabilities. Third, we will build greater value for shareholders through our Solar activities. In each case, we will bring greater management focus and alignment to our objectives around the globe.

What is your intention with Solar Group now that you have a Group President & CEO in place?

A

Our intention is to make Solar an even more valuable asset for ATS. To realize the full potential of our Solar Group, our first priorities are to complete the commercialization of Spheral Solar Power and continue to achieve strong operating performance from Photowatt. Simultaneously, under Syl Ghirardi's leadership, we intend to develop and implement a more comprehensive, formal business strategy for the Group overall. This will address topics such as intra-group synergies, marketing and sales, organizational needs and funding alternatives. The Solar Group gives ATS an excellent growth platform to leverage and we are intensely focused on getting full value for our investments. We also intend to lever the knowledge we've gained in automating the manufacturing processes of SSP and Photowatt to gain profitable automation business for ASG.

Will ATS continue to innovate?

A

Absolutely. Innovation is the lifeblood of ATS and it ensures our continued industry leadership. Our teams of engineers, technologists and skilled trades provide innovative solutions on every customer project we undertake. We believe this culture will continue to flourish. In fact, we intend to further develop the skills of our people so they can be even more innovative. In recent years, we've also harnessed our team's talents to provide innovative ATS standard automation technology platforms. Again, this will remain a top priority for ATS long into the future. We believe further development of families of standard systems and platforms will be instrumental in building our global brand, differentiating ATS, reducing technical risks and accelerating time to market for our customers. The only difference is that we are putting an even more deliberate structure and process behind innovation and business development to further ensure we achieve attractive returns on our investments while fulfilling well-defined customer needs. The rapid pace of innovation at ATS will therefore continue.

From left to right: **Syl Ghirardi**, President and CEO, Solar Group; **Mike Cybulski**, Executive VP of Operations, Automation Systems Group; **Bruce Seeley**, VP, Precision Components Group; and, **Ron Jutras**, President and Chief Executive Officer.

From left to right: **Lim Chin Hui**, Managing Director of Automation Systems Operations, Asia; **Mike Fisher**, VP Sales, ASG, Eastern North America; **Paul Patterson**, VP, Sales and Business Development, ASG; **Uwe Geissinger**, VP, Automation Systems Operations, Europe; **Jim Sheldon**, VP, Automation Systems Operations, Western USA; and, **Joe Aikins**, VP, Automation Systems Operations, Eastern North America

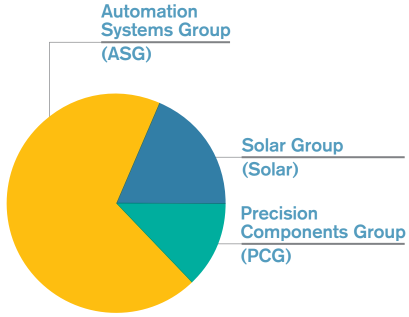
From left to right: **Mike Verhoeve**, VP, General Counsel and Corporate Secretary; **Gerry Beard**, VP and Chief Financial Officer; **John Scott**, VP, Quality and Strategic Processes; **Marilyn Wolfe**, VP, Human Resources; and, **Carl Galloway**, VP, Treasurer.

Focused on a future of

Value Creation

ATS is a knowledge-based company that has consistently demonstrated its ability to strategically apply its diverse skill sets and knowledge to a variety of different manufacturing industries. Over the years, we have exploited this natural advantage by establishing attractive positions in the fast-growing segments of computer-electronics, automotive, consumer products and, more recently, healthcare and solar. In the past five years, we have increased healthcare and solar revenues 45% and 36%, respectively, on a compound annual growth rate basis. In fact, in fiscal 2005, the level of revenue diversification by industry has never been greater. Today, we have ongoing relationships with a number of the world's largest and most successful companies, and our three well-established operating groups are each dedicated to creating value for shareholders and customers. In focusing on the future, we intend to optimize the performance of each of our Groups, and continue to introduce new automation-based solutions – all as a means of building greater financial performance through diversification and accelerating profitable growth.

Fiscal 2005
Revenue by Segment



ATS designed, built and installed this innovative automation system in fiscal 2005 to produce and test a sophisticated medical diagnostic device. The system is a showcase for ATS standard technology platforms and includes ATS SuperTrak™, ATS Trayhandler™, Superbot™ robotics, ATS MACS™ machine control software system, Production stATS™ optimization program, and an ATS flexible feeding system.

ATS has made a major, ongoing commitment to innovation as a means to differentiate the Company and enter new markets. As part of this strategy, ATS created Ampuscan™, a high-speed inspection system, launched in late fiscal 2005. It cost-effectively inspects plastic ampoules for foreign particle inclusions and molding and packaging deformities not detectable by the human eye.

The ATS Lyoscan™ is a high-performance vision inspection system introduced at the end of fiscal 2005 to serve another exciting new healthcare application for the Company – inspecting lyophilized (freeze-dried) biologics and vials. This standard technology platform incorporates up to 25 digital cameras and ATS SmartVision™ which enables high-speed, single pass-through inspection.

ATS Worldwide

AUTOMATION SYSTEMS GROUP
Cambridge, Ontario
Woodbridge, Ontario
Burlington, Ontario
Lewis Centre, Ohio
Rock Hill, North Carolina
Brighton, Michigan
Corvallis, Oregon
Livermore, California
Tucson, Arizona
Bourgoin Jallieu, France
Berlin, Germany
Munich, Germany
Wurenlos, Switzerland
Penang, Malaysia
Kuala Lumpur, Malaysia
Teparuk, Thailand
Singapore
Shanghai, China
Dongguan, China
Tianjin, China

SOLAR GROUP
Cambridge, Ontario
Albuquerque, New Mexico
Bourgoin Jallieu, France

PRECISION COMPONENTS GROUP
Cambridge, Ontario
Stratford, Ontario
Bowmanville, Ontario
Kitchener, Ontario
Shanghai, China

Fiscal 2006 Market Development Objectives

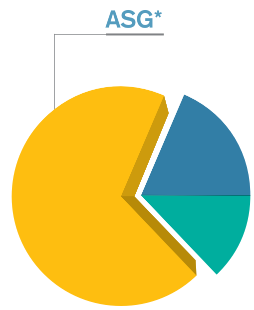
- Attractive growth in all targeted markets.
- Add even more growth in the healthcare market by applying a comprehensive strategy that includes delivering consulting advice through ATS Compliant Solutions™, ongoing standard technology development, and strategic marketing and sales.
- Capitalize on substantial solar energy demand (see page 12).
- Use our expanded sales force and the combined capabilities of Automation Systems and Precision Components groups to further grow contract equipment manufacturing revenue – a business line that almost doubled its revenues in fiscal 2005 to $31 million.
- Grow revenues from the new standard product platforms launched in fiscal 2005 including Lyoscan™ and Ampuscan™, and introduce Flexsys Pak™, a new modular packaging system that uses the power of our SuperTrak™ technology to enable pharmaceutical and consumer goods customers to achieve unprecedented changeover speed and flexibility.
- Further enhance the value of our global facilities to improve return on investment and better serve the needs of multinational customers in all markets.
- Capitalize on our well-established and growing position in Asia, in part by leveraging the presence of our newly opened 60,000 sq. ft. manufacturing facility in Penang, Malaysia.

Focused on our future in

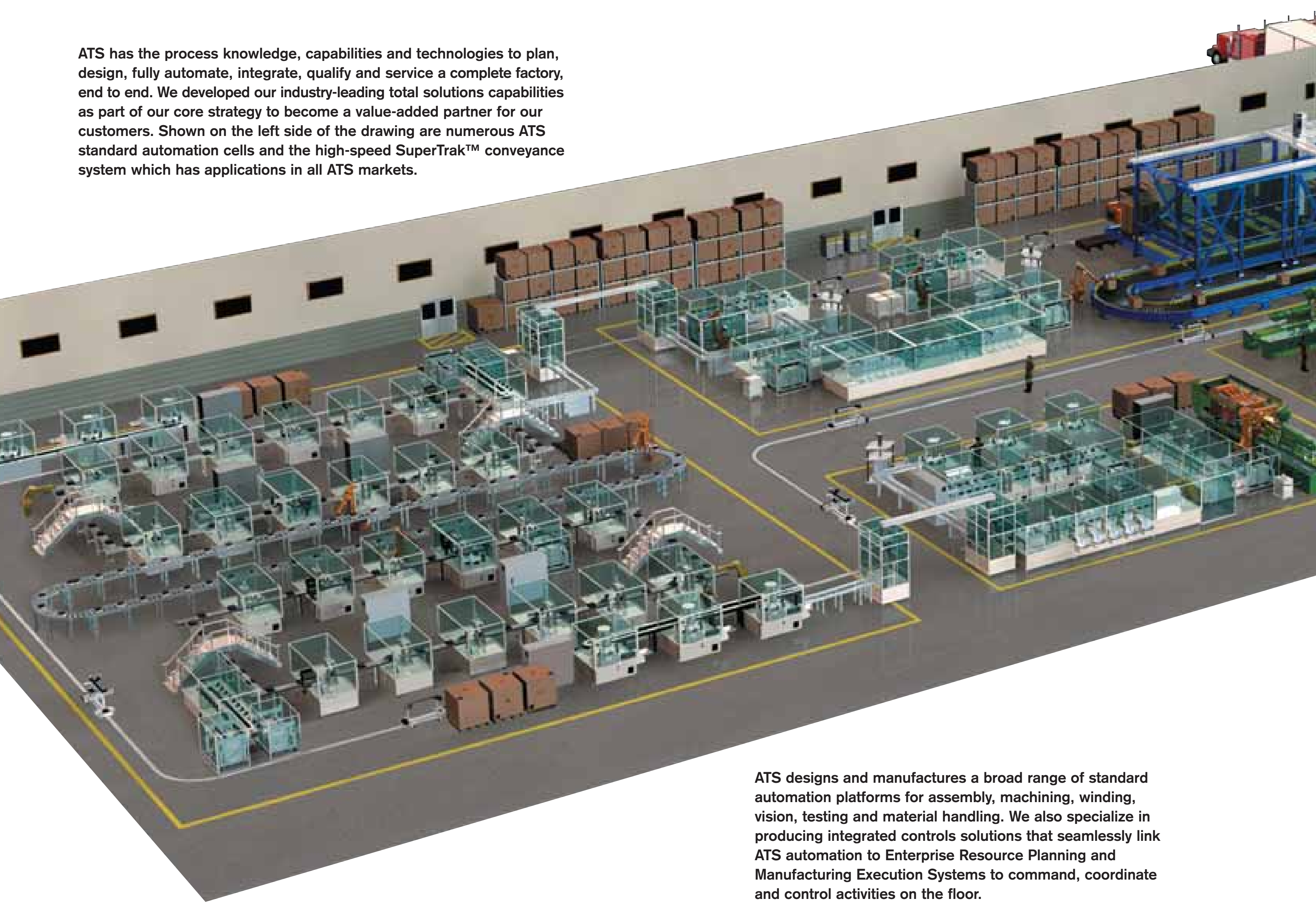
Automation

The need for automation is broadly based and growing. ATS is the industry leader in serving this global need, having designed, built and installed thousands of automation systems over the past 25 plus years. Through Automation Systems Group, we enable global companies to rapidly bring to market sophisticated products requiring innovative, high accuracy manufacturing, inspection and test systems. Increasingly, our customers consider ATS a strategic partner rather than a supplier because they understand the power of our complete manufacturing solutions capabilities that add value from start to finish – from consulting and project simulation through design, engineering, test, installation and service. We intend to further develop these capabilities and more forcefully leverage our distinct competitive advantages – including our unique size and scope – to realize the full value of our industry leadership, further differentiate ATS on a global basis and better serve all of our stakeholders.

Fiscal 2005 Revenue by Segment



* Includes contract equipment manufacturing revenues



ATS has the process knowledge, capabilities and technologies to plan, design, fully automate, integrate, qualify and service a complete factory, end to end. We developed our industry-leading total solutions capabilities as part of our core strategy to become a value-added partner for our customers. Shown on the left side of the drawing are numerous ATS standard automation cells and the high-speed SuperTrak™ conveyance system which has applications in all ATS markets.

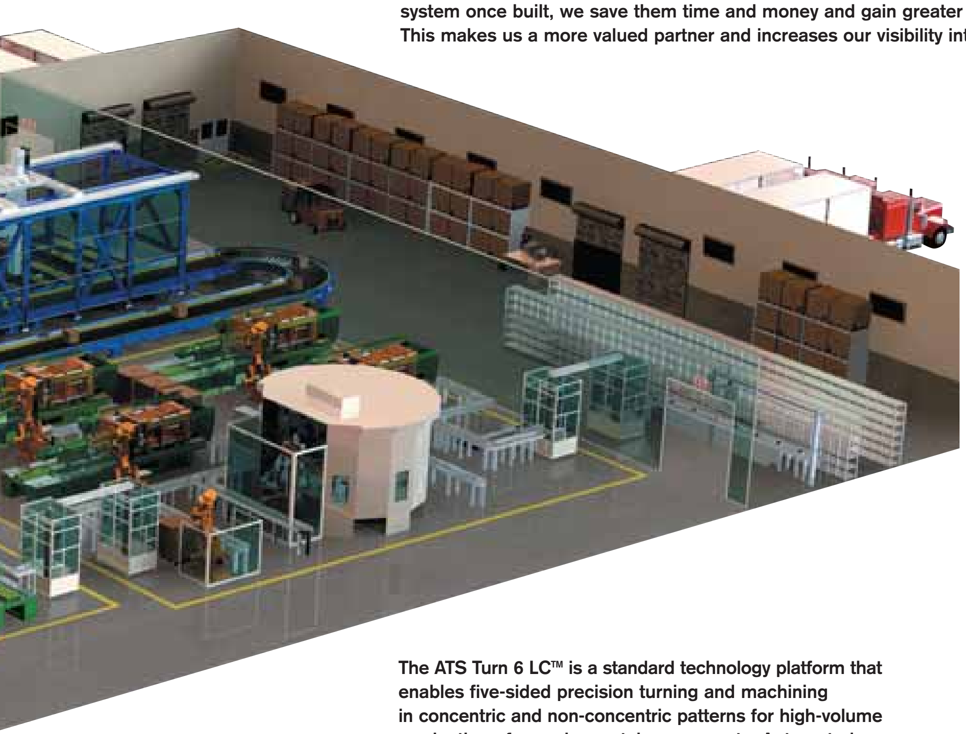
ATS designs and manufactures a broad range of standard automation platforms for assembly, machining, winding, vision, testing and material handling. We also specialize in producing integrated controls solutions that seamlessly link ATS automation to Enterprise Resource Planning and Manufacturing Execution Systems to command, coordinate and control activities on the floor.

ATS FlexTrolley™ is an automated rail-guided vehicle system, designed by ATS to enable station-to-station material transfer for the manual or automated assembly of large, complex products such as automotive axles, suspension struts, dashboards and door modules.

ATS Rotoper™ Flexible Rotary Transfer System is a sophisticated heavy-duty precision machining system that delivers maximum throughput for a wide range of materials including aluminum, steel and cast iron. Here, a material handling system is shown loading a cylinder-head casting into the machining centre.

This specialized blood transport and test system was built by ATS for a healthcare customer as part of our contract equipment manufacturing initiative, which uses the combined capabilities of ASG and PCG. Contract manufacturing is a high-growth business: revenues from this initiative almost doubled in fiscal 2005 to $31 million.

Through our consulting services, such as ATS Compliant Solutions™, we help customers plan their total factory automation by assessing the potential efficiency and throughput ratings of competing technologies and factory configurations. By helping our customers make informed choices before they buy, and qualifying the system once built, we save them time and money and gain greater insight into their automation requirements. This makes us a more valued partner and increases our visibility into future opportunities.



The ATS Turn 6 LC™ is a standard technology platform that enables five-sided precision turning and machining in concentric and non-concentric patterns for high-volume production of complex metal components. Automated machining centres are a fixture in many high-volume production facilities.

Fiscal 2006 Objectives

- Aggressively add new assignments in all targeted markets using ATS's proven corporate strategies (see back cover).
- Expand margins by further improving project execution, global factory utilization and by increasing the use of standard designs and technologies to enhance customer value and reduce cycle times.
- Build strength and capabilities and market coverage of all 17 ASG manufacturing sites to further leverage the Company's industry leadership for global growth and value creation.
- Continue to transfer the leading-edge knowledge and proven business processes from our largest facilities to our smaller facilities to strengthen our global brand and gain internal cost and cycle rate efficiencies.
- Enhance global supply chain management to improve both the cost and efficiency of procurement.

Focused on our future in

Solar

ATS entered the solar industry in 1997 with a strong vision: create substantial value by using our automation capabilities to enhance the economics of solar manufacturing and take advantage of outstanding anticipated growth rates. The vision is now reality. ATS Solar has become our second largest operating group, and in fiscal 2005, it delivered record revenue and earnings. In focusing on our future in solar, we intend to capitalize on expected rapid growth in solar demand. We will do this by adding capacity to our proven Photowatt division, which is one of the most profitable manufacturers of cells and modules in the industry, and by the continued commercialization of Spheral Solar Power (SSP), a highly promising new-generation proprietary solar technology. SSP's advantages include the fact that it uses less silicon, and because of its robust, pliable nature, is well suited for use in new integrated products with the potential to unlock important attractive new applications for solar technology over the next decade. The ramp up of SSP production planned in fiscal 2006 from the first commercial scale SSP factory (launched in fiscal 2005) will be a major step forward in our commercialization initiative and should position our Solar Group for very attractive and rapid growth.

Fiscal 2005 Revenue by Segment

Spheral Solar Power's revolutionary new flexible solar modules offer the promise of better manufacturing economies because they are larger, use less silicon and are more durable than conventional solar technology. The photo shows an SSP laminate that can be seamlessly integrated into commercial roofing materials. Commercial roofing applications represent an excellent growth opportunity for SSP.

Photowatt solar cells and modules were produced on a highly profitable basis in fiscal 2005 as our factory improved capacity utilization and enhanced throughput. Photowatt's products have experienced significant and growing demand, particularly in Europe due to government subsidies for solar power and increasing consumer interest.

In conjunction with various building materials companies such as Elk Corporation, a premium US residential roofing shingle manufacturer, SSP is pursuing the development of building-integrated photovoltaic products. Because of its durability, flexibility and ability to blend in aesthetically, SSP technology is expected to open vast new commercial and residential construction markets for ATS.

SSP's first product, the SuperFlex™ solar module, will be available in 20, 40 and 60 watt models, to provide enough energy to meet the portable power requirements of boaters, outdoor enthusiasts and recreational vehicle users.

SSP's second major product platform will be large power modules targeted at the conventional solar panel market for on and off grid systems. SSP modules do not need heavy glass and metal frames like conventional panels and can be made in much larger sizes to further reduce installation costs.

Fiscal 2006 Objectives

- Build on record Photowatt revenue and earnings generated in fiscal 2005.
- Continue to actively manage silicon feedstock supply to support consistent and economical availability.
- Ramp production in SSP factory towards 20 megawatt nameplate capacity. Commercially launch SSP products for portable power applications and continue progress with the development and launch of fixed power and building material-integrated solar modules.
- Increase capacity of existing Photowatt equipment by further enhancing yield and selectively investing in new equipment to increase capacity and create greater economies of scale.
- Develop and implement a strategic plan to drive the success of Solar Group over the longer term.

Focused on our future in
Precision Components

Precision Components Group provides a valuable service to ATS customers who require rapid, high-volume, high-quality component and subassembly production. Using ATS automated systems and proven high-volume manufacturing capabilities, PCG has extensive in-house experience in part design, prototyping, testing and qualification, as well as precision clean room automated molding, a capability added in fiscal 2005. Increasingly, PCG leverages its infrastructure, proven management processes, labour economics and manufacturing skills to grow in the area of contract equipment manufacturing in support of ASG. In focusing on our future in precision components, we are committed to substantially improving the financial contribution of this Group by completing our current rationalization initiatives, adding profitable new customer programs that make greater use of our skills and capacity, and growing ATS's contract equipment manufacturing business.

Fiscal 2005
Revenue by Segment

* Excludes contract equipment manufacturing revenues

PCG is able to efficiently and quickly mold and assemble sensitive, high-tolerance parts for healthcare and other customers within its new clean room facilities, where dust and other contaminants are controlled. PCG's capabilities position it to serve the high-volume manufacturing needs of customers in ATS's largest industrial markets.

PCG's climate-controlled laboratory testing facilities ensure compliance to customers' rigid dimensional specifications as well as the ability to do long-term durability testing.

PCG has proven expertise in the high-volume manufacture of components and subassemblies – such as those shown above – used in diverse markets including automotive, computer-electronics and healthcare. For the future, it is focused on adding programs that make use of its total capabilities as a way to increase customer and shareholder value.

A PCG technician uses specialized acoustic testing equipment to check for mechanical sound levels within a highly engineered automotive seat component. PCG serves several of the world's largest automotive customers.

Our customers rely on PCG for part prototyping and total program management as well as a variety of manufacturing and testing solutions, including high-volume stamping, over molding and injection molding (as shown).

Fiscal 2006 Objectives

- Enhance profitability by building on breakeven performance achieved in the fourth quarter of fiscal 2005.
- Support the ongoing growth of ASG's contract equipment manufacturing initiative.
- Increase revenues with profitable business that utilizes existing capacity and proven capabilities.
- Strengthen ongoing operations through cost reduction and process improvements including the ongoing roll out of Six Sigma.
- Better support our global customer base by opening a 17,000 sq. ft. manufacturing facility in Shanghai, China.

Management’s Discussion and Analysis

For the year ended March 31, 2005

OVERVIEW

Over the past 27 years, ATS Automation Tooling Systems Inc. (“ATS”) has forged industry-leading capabilities in planning, designing, building, implementing and servicing automated manufacturing, assembly and test solutions for a broad base of customers. Today, its excellent reputation, knowledge, global presence and standard automation technology platforms differentiate ATS and provide it with substantial competitive advantages in the worldwide market for automation. The Company’s solar business is an emerging leader in the rapidly-growing market for solar energy cells and modules. The Company also makes precision components and subassemblies using its own custom-built manufacturing systems, process knowledge and automation technology.

ATS significantly improved its operating performance in fiscal 2005 achieving:

- Consolidated revenue from continuing operations of $770.9 million, a 25% increase from fiscal 2004.
- Net earnings from continuing operations of $30.5 million (50 cents per share, basic and diluted) compared to $1.7 million (3 cents per share, basic and diluted) a year ago.
- Net earnings of $9.3 million (15 cents per share, basic and diluted) compared to a net loss of $2.3 million (loss of 4 cents per share, basic and diluted) in the prior year.
- Return on equity of 1.7%, compared to negative 0.4% in fiscal 2004.
- A continuing strong balance sheet to pursue ongoing profitable growth.

Additionally, following the death of ATS’s founder, President and CEO, Klaus Woerner, in late fiscal 2005, ATS’s succession plan was implemented and a number of key management responsibilities were transitioned. This management team is comprised primarily of ATS management veterans with many years of experience with the Company.

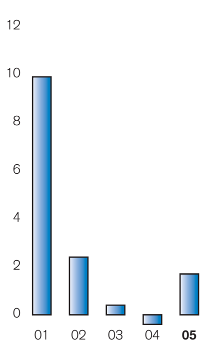
NOTE TO READER

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the Company’s audited consolidated financial statements for the years ended March 31, 2005 and 2004 (“Consolidated Financial Statements”) which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). Amounts are expressed in Canadian currency unless otherwise noted. Additional information relating to the Company, including the Annual Information Form, may be found on SEDAR’s website at www.sedar.com.

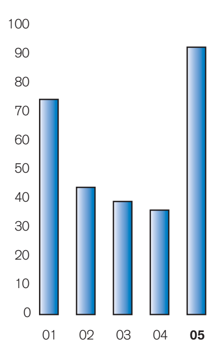
REPORTING SEGMENTS AND NON-GAAP MEASURES

The Company reports results for three operating segments: Automation Systems Group (“ASG”), Precision Components Group (“PCG”) and Solar Group (“Solar”). Note 21 to the Consolidated Financial Statements provides selected financial data for each of the Company’s segments including revenue and earnings (loss) from operations and a reconciliation to total Company revenue and earnings from operations for fiscal 2005 and 2004. Operating earnings is one of several measures the Company uses to evaluate the performance of these segments. Throughout this document the term “operating earnings” is used to denote earnings from operations. The terms “earnings from operations”, “operating earnings”, “operating loss”, “operating results”, “operating margin”, “Order Bookings” and “Backlog” do not have any standardized meaning prescribed within GAAP and therefore may not be comparable to similar measures presented by other companies.

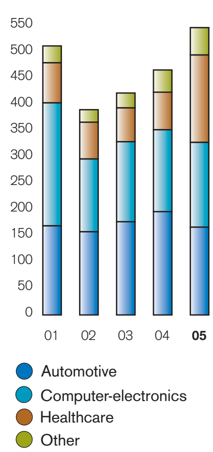
Return on Equity
(by fiscal year, %)



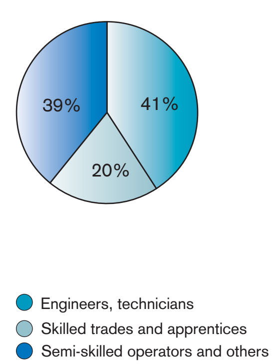
Cash Flow from Operations
(by fiscal year, millions $)



Automation Systems Group Revenue by Industry
(by fiscal year, millions $)



Employee Skill Sets
(at March 31, 2005)



AUTOMATION SYSTEMS GROUP

OVERVIEW

The Company's largest segment is Automation Systems Group ("ASG"), which contributed 71% of consolidated revenue in fiscal 2005 compared to 76% in fiscal 2004. ASG is primarily engaged in the custom design, manufacture, installation, service and support of automated manufacturing and test systems used principally by multinational companies in a broad range of industries.

ASG categorizes its market segments into four industry groups: automotive, computer-electronics, healthcare and "other". The "other" category includes a variety of industries of which consumer products is the largest portion. Depending on complexity, contract values for individual custom automation systems are often in excess of $1.0 million. Given the custom nature of these assignments and depending on contract size, contract durations vary greatly, however, the typical duration of a contract from start to finish is in the range of 36 to 42 weeks.

As described in Note 1(h) to the Consolidated Financial Statements, revenue from automation systems contracts is recognized under the percentage of completion method of accounting, which requires management to exercise significant judgment in estimating the future costs of completing individual contracts. Complete provision, which can be significant, is made for losses on such contracts when such losses first become known. Revisions in estimates of costs and profits on contracts, which can also be significant, are recorded in the accounting period in which the relevant facts impacting the estimates become known.

ASG serves its multinational customers globally and operates 17 manufacturing facilities – encompassing 1.3 million sq. ft. of floor space – including 4 facilities in Canada (584,000 sq. ft.), 6 facilities in the US (437,000 sq. ft.), 4 facilities in Europe (205,000 sq. ft.) and 3 facilities in Asia-Pacific (107,000 sq. ft.). The Company also has a number of regional sales and service locations to provide additional customer and marketing support.

AUTOMATION SYSTEMS GROUP STRATEGY

Management believes that ASG's ability to successfully supply its manufacturing solutions to its multinational customers in global markets will largely determine the Company's ability to expand its revenues and earnings both near term and beyond. ASG's strategies consist of the following core elements:

- Identifying high growth market segments and targeting expanding global manufacturers in these segments.
- Maintaining an innovative culture intent on advancing ATS's industry-leading automation technology, capabilities and knowledge to continuously improve ASG's ability to serve current and future customers.
- Responding to customers' global business needs with full-service capabilities, training and support, including being a value-added extension of customers' engineering and manufacturing resources.
- Leveraging internal automation and manufacturing knowledge to secure high-growth rates in complementary markets such as contract equipment manufacturing.

Through strategic business development, ASG continues to explore and develop attractive new opportunities both within its primary industrial markets of healthcare, automotive and computer-electronics and in emerging markets. This diversification strategy is intended to mitigate some of the cyclical risks of individual industrial markets, increase ASG's technical capabilities and experience, and allow ASG to grow its diversified customer base and revenues.

ASG's well-established positions in automotive and computer-electronics markets continue to provide sound growth opportunities. Customers in these markets are large users of automation and require new automation solutions on an ongoing basis to support new product introductions, platform changes and global expansion. During fiscal 2005, the Company announced a $17 million order from a major tier one automotive parts manufacturer and $37 million in orders from a major supplier of flat panel display materials. In fiscal 2005, the automotive and computer-electronics markets each accounted for approximately 30% of ASG revenues.

ASG made significant strides in the healthcare industry in fiscal 2005 and more than doubled its revenues in this market. Healthcare has many characteristics that management believes make it an attractive long-term market for ATS. The healthcare industry is undergoing significant change as cost and quality control pressures have increased. In addition, increasing healthcare regulations, as well as advances in science, have encouraged the adoption of more advanced manufacturing processes and technologies. ATS defines the healthcare market to include pharmaceutical product manufacturers, biomedical product manufacturers and medical device manufacturers. Management believes the healthcare market is generally well funded, large and growing quickly, has substantial needs for automation technology, and possesses the scale to require repeat systems to support manufacturing volume.

Compared to other major ATS markets, management believes the overall sales cycle for healthcare automation is generally longer. To increase visibility into healthcare market order opportunities and assist customers to more efficiently plan, design, implement and validate their automation programs, ASG created ATS Compliant Solutions™ in fiscal 2005. This service effectively extended ASG's ability to serve the total solutions needs of healthcare customers and is designed to help customers improve their adoption of automated manufacturing, inspection and test solutions and reduce their time to market, which is a critical success factor for the launch of many healthcare products. ATS Compliant Solutions has also provided valuable expertise and training to support ASG as it has increased its penetration in the design, supply, validation and support of automated manufacturing systems into specialized healthcare markets. In its first year, ATS Compliant Solutions surpassed its consulting revenue targets and forged a number of important new customer relationships for ASG. In doing so, this business unit provided valued service for both existing and new ASG customers, increased automation systems order quotation activity and provided ASG with the opportunity to significantly broaden its customer base in healthcare while enhancing the amount of ASG revenue earned from healthcare customers.

INNOVATION AND TECHNOLOGY DEVELOPMENT

Innovation and focused technology development are also important components of ASG's strategic and competitive advantages. ASG standard technology platforms reduce delivery lead times, mitigate technical risks, lower customers' total cost of ownership, drive increased profitability and help ASG further diversify its revenue. Over the past several years, ASG has developed a technology base and family of standard automation technology platforms (software and hardware modules) that are integrated into, and enhance the value of, ASG automation solutions for customers. ASG's standard automation platforms are manufactured on a repetitive basis and are expected to provide ATS with economic benefits over custom designed and built products or third-party products, where such comparable third-party products exist.

During fiscal 2005, ATS focused a substantial portion of its development resources on creating technologies that are targeted to serve the healthcare industry, including the development of a vaporous hydrogen peroxide-compatible robotic platform to enable automated manufacturing and inspection in the harshly disinfected and highly sterile environments required in many areas of healthcare-related production.

New and advanced technology was a significant contributing factor to increased revenues in fiscal 2005 and management is aggressively promoting ongoing innovation as part of the ASG strategy. In early fiscal 2006, the Company launched Lyoscan™ and Ampuscan™, two new standard technology platforms for the healthcare market and, in the second quarter, plans to introduce a high-speed, highly flexible standard automation packaging system for healthcare and consumer products applications. Other technology development initiatives during fiscal 2005 included enhancements to ATS's high-speed SuperTrak™ pallet-based conveyance system, ATS MACS™ – a robust machine control software system, ATS STATS™ – a production supervision and optimization software system, and ATS SmartVision™ – a low-cost machine vision inspection module.

By marketing and applying these and many other proven standard ATS systems, while continuing to innovate to meet attractive, well-defined market needs, the Company expects to continue to add to its industry-leading competitive advantages and growth momentum.

CONTRACT EQUIPMENT MANUFACTURING

The Company's contract equipment manufacturing business, which in fiscal 2005 primarily served the healthcare industry, was successfully launched in fiscal 2004 and grew significantly in fiscal 2005, with year-over-year revenue almost doubling to $31 million. Contract equipment manufacturing involves the repetitive manufacture of sophisticated equipment or workcells. This equipment is often resold by the customer, either integrated into a larger product or as a standalone machine. Selling prices for contract equipment manufacturing systems are typically less than $0.3 million per unit; however, because multiple units may be sold under a contract, overall contract values may be large in the aggregate. To leverage the repetitive manufacturing skills, infrastructure, labour economics and related cost advantages that PCG offers, PCG effectively acts as the outsourced manufacturer of this equipment for ASG. However, due to the underlying nature of this business which involves the supply of automated equipment, revenue, expenses, assets and liabilities related to this initiative are reported within ASG.

AUTOMATION SYSTEMS GROUP OPERATING RESULTS (in millions of dollars, except employees)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Revenue by industry			
Automotive	**$ 167.3**	$ 196.8	$ 177.6
Computer-electronics	**161.4**	156.0	152.4
Healthcare	**166.5**	71.6	64.4
Other	**52.2**	42.3	28.4
Total ASG revenue	**$ 547.4**	$ 466.7	$ 422.8
Revenue by installation location			
North America	**$ 358.8**	$ 336.0	$ 283.7
Europe	**112.5**	91.8	95.6
Asia/other	**76.1**	38.9	43.5
Total ASG revenue	**$ 547.4**	$ 466.7	$ 422.8
Operating earnings	**$ 38.8**	$ 22.4	$ 19.3
Operating margin %	**7.1%**	4.8%	4.6%
Employees at year end	**2,612**	2,310	2,142

This table includes ASG revenue from the supply of automation systems to the Company's Spheral Solar Power™ ("SSP") initiative, which is part of the Solar Group segment. These inter-segment revenues, totalling $12.7 million in fiscal 2005, $33.5 million in fiscal 2004 and $7.5 million in fiscal 2003, are included under *Revenue by industry – Computer-electronics* and *Revenue by installation location – North America* in the table. ASG sells automation to the Solar Group at prices which management believes are comparable to prices that would be charged to other third-party customers. Revenue and related costs from inter-segment work are eliminated on consolidation.

Management believes ASG's record revenue performance in fiscal 2005 reflected several factors, including strong Backlog entering the year, ASG's strategic initiatives such as aggressive marketing and sales, and a focus on technology and skills development. The Company realized significant benefits from its strategic push into the healthcare industry, with healthcare revenues more than doubling in fiscal 2005 compared with fiscal 2004. In addition, the Company continued to benefit from its growing worldwide reputation as the industry's leader, its financial stability and its expanding capabilities and international presence, all of which are attractive to multinational customers who have global requirements.

ASG made substantial progress in fiscal 2005 by overcoming the strong Canadian dollar and generated a 17% increase in revenues despite the significant negative impact of foreign exchange rates. Management estimates that the significant changes in foreign exchange rates relative to the Canadian dollar during 2005 reduced fiscal 2005 ASG revenue by $33.2 million on a comparative basis to fiscal 2004.

During fiscal 2003 and 2004, in anticipation of a recovery in demand and because of the significant costs and time necessary to recruit and train skilled employees upon whom ASG relies to serve the needs of its customers, ATS retained the majority of ASG's highly skilled workforce. During these years, this strategy resulted in some underutilized productive capacity, which negatively impacted earnings but was seen as an important investment for the longer-term success of ASG. In fiscal 2005, this strategy yielded significant benefits as ASG was able to quickly respond to increased demand and generate higher revenues and increased profitability.

OPERATING EARNINGS

Fiscal 2005 ASG operating earnings improved $16.4 million, or 73%, over fiscal 2004, reflecting revenue growth and margin improvements. This strong earnings growth was achieved despite a number of factors, including:

- Development expenditures incurred during fiscal 2005 to continue to enhance the ATS standard technology platforms to meet both the current and future needs of the healthcare market.
- Ongoing pricing competition in a number of the Company's markets.
- An increase in sales and marketing-related expenditures incurred to support the Company's strategies and increased revenues.
- Increased profit sharing and bonus incentive costs tied directly to increased profitability and performance.
- Changes in foreign exchange rates which reduced operating earnings by an estimated $14.0 million in fiscal 2005 on a comparative basis to fiscal 2004.

As fiscal 2005 progressed, increased Backlog enabled ASG to improve utilization of its productive capacity at most of its operations compared to fiscal 2004. The highest utilization for the full fiscal year continued to be in ASG's Eastern North American facilities. Utilization of ASG's Western USA operations remained constrained during the early part of fiscal 2005 due to inconsistent order flow. However, Western USA order flow and, consequently, utilization, improved in the second half of the year with the receipt of orders in the amount of $37 million to automate production of flat panel display systems. Low utilization continued to be experienced during most of fiscal 2005 in European operations as they continued to experience weak market conditions. In Asia, production loading and utilization improved as the year progressed and order flow improved.

Management believes that in fiscal 2005, the proportionate number of first-time orders decreased and returned to more normal levels. First-time automation projects typically have lower margins than repeat projects. This allowed ASG to increase production utilization and was partially responsible for improved operating margins and profitability. In fiscal 2004, ASG operating margins were negatively impacted by the relatively high proportion of first-time automation systems projects in the revenue mix and reflecting, in part, increased penetration into healthcare markets.

ASG financial results were also affected by the following factors during the past two years:

- A $3.5 million pre-tax charge in the fourth quarter of fiscal 2005 for two customers whose financial condition had deteriorated.
- A provision taken in the first quarter of fiscal 2005 due to a significant cost overrun on a large project in Europe.
- A pre-tax $0.7 million non-customary operating cost incurred in the fourth quarter of fiscal 2004 related to the information systems implementation in Europe and severance and relocation costs.
- A $2.0 million pre-tax expense in the second quarter of fiscal 2004 to cover a cost overrun on a customer program, to write down certain inventory in ASG West Coast operations, and for severance and relocation costs. A portion of this expense also was incurred as part of the planned move of ASG operations in France into a new facility built to increase efficiency and floor space.

In the first quarter of fiscal 2004, the Company purchased the non-controlling equity interests in the Company's ATS Informatic Systems Inc. subsidiary at a cost of $0.7 million. This transaction reduced the non-controlling interest in earnings of subsidiaries but did not impact ASG's operating earnings as the subsidiary was already consolidated in ASG's operating results. In the second quarter of fiscal 2004, the Company sold the principal assets of its Eco-Snow Systems Inc. precision cleaning business for proceeds of $8.9 million (see "Discontinued Operations").

ORDER BOOKINGS AND BACKLOG

New ASG order bookings represent new orders for the supply of automation systems which management believes are firm ("Order Bookings"). Order Bookings were $482 million in fiscal 2005, 9% lower than the $528 million recorded in fiscal 2004, reflecting the decline in new Order Bookings in the fourth quarter of fiscal 2005.

NEW AUTOMATION SYSTEMS ORDER BOOKINGS BY QUARTER (in millions of dollars)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Q1	**$ 117**	$ 105	$ 128
Q2	**154**	145	82
Q3	**124**	94	93
Q4	**87**	184	123
Total Order Bookings	**$ 482**	$ 528	$ 426
Backlog at March 31	**$ 169**	$ 227	$ 161

Backlog is the estimated unearned portion of ASG revenue on customer contracts which are in process and have not been completed at the specified date. Backlog was $169 million at March 31, 2005, 26% lower than at March 31, 2004. Period-end Backlog included orders from each of the Company's industrial markets.

OUTLOOK

Management continually assesses quotation and active order prospects to plan and manage factory utilization. This is vital because the flow of orders is seldom ideal in the automation industry, and there are often significant changes in Order Bookings and Backlog levels from quarter to quarter.

Management believes that both the quality and quantity of its order prospects improved during the second half of fiscal 2005, reflecting the benefits of the Company's strategy. However, actual Order Bookings declined significantly in the fourth quarter of fiscal 2005 and, as a result, Backlog was lower at March 31, 2005 compared to a year earlier. It is management's view that the prospects for the Company remain strong; however, ASG earnings will be dependent on the Company's ability to generate additional Order Bookings at attractive margins and on a timely basis to maintain Backlog at levels that provide for good utilization of manufacturing resources. Therefore, the decline in Backlog, primarily at its Canadian facilities, makes ASG's outlook for fiscal 2006 dependent on obtaining new order placements during the first half of the fiscal year.

Management believes that the lower year-end Backlog reflects an increase in the number and length of order delays, occurring principally in the second half of fiscal 2005, primarily due to a number of customer-related factors. Other reasons may include the potentially longer sales cycle in the healthcare industry and continued customer caution towards capital spending in the current environment in all markets. Based on active communications with customers, management believes that the order activity slowdown is temporary. Therefore, it has determined that under these positive order prospect conditions, the Company will retain its current productive resources to secure orders and drive revenue while it works aggressively to translate outstanding quotations into firm orders.

Management also continues to believe the underlying medium and long-term trends that create demand for ASG's automated manufacturing, assembly and test systems are attractive and evolving positively in numerous markets. These trends include the continuing need for manufacturers to reduce costs, outsource, implement technology advancements, launch sophisticated, often miniaturized new products, improve quality, automate challenging production processes, and compete and operate globally. In addition, the increasing globalization of manufacturing is also a positive trend for which management believes ATS is well-positioned, due to its established and industry-leading worldwide presence.

Management believes that the Company's strategies have allowed ASG to gain significant competitive advantages in the form of innovative, industry-leading capabilities, knowledge, experience and technology. These strategies have also strengthened ASG through market and customer diversification. Based on management's expectation of continuing demand for automation solutions in fiscal 2006, ASG intends to use its competitive advantages and the Company's financial strength to increase revenue, margins, earnings and return on investment.

SOLAR GROUP

OVERVIEW

Solar Group includes Photowatt International SA, located in France, and its related module assembly business in New Mexico, USA (together referred to as “Photowatt”), as well as Spheral Solar™ Power (“SSP”) which is located in Cambridge, Ontario. Solar Group generated 19% of consolidated ATS revenue in fiscal 2005, compared to 14% in fiscal 2004, all of which was generated by Photowatt.

Photowatt is a high-volume manufacturer of conventional multi-crystalline solar cells and modules used to generate clean, renewable photovoltaic electricity. It employed a total of 572 people at March 31, 2005 (471 at March 31, 2004) and occupies a total of 145,000 sq. ft. of manufacturing space.

Photowatt’s revenue is recognized at the time of product shipment to the customer, providing collection is reasonably assured. Photowatt’s customers include numerous small and large distributors and systems integrators in Europe, Africa and the United States. While Photowatt may enter into long-term sales contracts, many sales are made on the basis of individual orders, as is customary in the industry. This can increase revenue volatility because shipment volumes may vary depending on current demand.

SSP is currently commercializing a proprietary new generation solar technology called Spheral Solar™ Technology. SSP employed 153 people at March 31, 2005 (99 at March 31, 2004) at its 193,000 sq. ft. manufacturing facility that was opened in the first quarter of fiscal 2005. Since SSP is currently in the start-up stage and has not yet generated any revenue, all costs of the SSP development program to date, including the original costs of acquiring the underlying technology, have been capitalized on the Company’s balance sheet.

Solar markets in fiscal 2005 and 2004 have been growing and changing rapidly as a result of increases in government subsidy programs, significant additions to worldwide production capacity and growing demand for clean renewable energy. Prices for solar products in fiscal 2005 began to increase due to very strong demand, reversing the declining trend seen in fiscal 2003 and 2004. Conventional solar products are priced primarily on watts of electrical output generated, and prices fluctuate based on the competitive environment and demand. Market prices for solar modules in fiscal 2005 were approximately 2.70 to 3.10 euros per watt. Industry estimates show that the global photovoltaic market in calendar 2004 was in excess of 900 megawatts and, since calendar 2000, has achieved an average annual industry growth rate of over 30%. As a result of government subsidy programs, the two most established markets for solar power generating products are Germany and Japan, which together are estimated to account for more than two-thirds of the worldwide market.

The continued availability of government subsidies is expected to be a major driver of demand for solar products in the foreseeable future, since the unsubsidized costs of using solar energy remain more expensive, on a cost per watt basis, than the retail costs for conventional hydroelectric, nuclear or fossil fuel-generated energy sources in most industrialized regions of the world.

SOLAR GROUP OPERATING RESULTS (in millions of dollars, except employees)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Revenue by region			
Europe	**$ 134.1**	$ 80.4	$ 28.8
North America	**7.0**	6.9	8.2
Africa/Asia	**2.7**	1.2	11.2
Total Solar revenue	**$ 143.8**	$ 88.5	$ 48.2
Operating earnings (loss)	**$ 13.1**	$ 4.2	$ (0.1)
Operating margin %	**9.1%**	4.8%	(0.3%)
Employees at year end	**725**	570	414

In fiscal 2005, Solar Group revenue and operating earnings were solely derived from Photowatt. Solar Group revenues increased $55.3 million or 62% in fiscal 2005, compared to fiscal 2004, reflecting strong demand, largely as a result of new subsidy programs which were implemented in January 2004, and reflecting Photowatt's success in continuing to improve its production processes to increase output. Translation gains related to changes in exchange rates for the euro compared to the Canadian dollar accounted for an estimated $0.5 million of the increased revenue in fiscal 2005.

Solar Group operating earnings were $13.1 million, compared to $4.2 million in fiscal 2004, reflecting increased revenue, improved factory utilization, cost reduction initiatives and improved efficiencies. Other factors affecting operating results included lower research and development costs in fiscal 2005 as a result of increased government funding of these initiatives, higher employee performance incentive costs tied to improved earnings, and higher selling and administrative costs associated with the substantial increase in revenues.

During fiscal 2005, a worldwide shortage of silicon feedstock resulted in much higher industry prices for this primary raw material. Due to its ongoing silicon supply management efforts, strong market conditions and gains made in operating efficiency, Photowatt more than offset the negative impact of these higher silicon prices on operating results.

PHOTOWATT STRATEGY

Photowatt continues to develop and implement continuous improvement and cost reduction initiatives as a means of reducing product costs and improving production efficiencies and profitability. Numerous cost reduction and efficiency initiatives were implemented in fiscal 2005 and 2004 to enable Photowatt to increase the capacity of its current manufacturing facility without a major plant expansion. As a result of these investments, significant improvements have been made to increase capacity utilization and enhance throughput. Enhancements were also made to increase the quality and energy-producing capability of Photowatt's products. All of these initiatives are intended to lower the manufacturing cost per watt of Photowatt's solar products.

PHOTOWATT OUTLOOK

As a result of current European subsidy programs and the growing demand for clean renewable energy, demand for Photowatt's solar products is expected to remain strong in fiscal 2006.

The growing shortage of silicon feedstock continues to be an industry-wide concern, and silicon prices increased significantly in fiscal 2005. Photowatt believes that it has secured sources of silicon for significant amounts of its capacity in fiscal 2006 and is continuing to devote resources to secure additional supply. However, given the current industry-wide silicon shortage, there continues to be increased risk and uncertainty regarding silicon availability. Photowatt continues to be concerned about the availability of silicon, shortages of which would negatively impact its ability to utilize its production capacity.

Photowatt's silicon costs are expected to increase during fiscal 2006 as its existing inventory of lower-priced silicon is consumed and as new silicon purchases are made at higher prices. Further improvements are expected in equipment optimization and throughput during fiscal 2006, however, there is a risk that these benefits may not be able to fully offset higher silicon prices.

Longer term, management believes prices for solar products, measured on a "cost per watt of power generated" basis, will likely continue to fluctuate as a result of changes in subsidies and increasing worldwide supply. As a result of the potential for market price declines, management continues to focus on cost reduction and efficiency improvements to mitigate the impact on operating earnings.

Photowatt is currently operating near capacity. During fiscal 2006, targeted investments are planned to enable the Company to further increase output and efficiency of its existing factory in France. Management intends to use the strong cash flow being generated within Photowatt to fund its near-term capacity expansion and silicon supply initiatives. The current environment of strong demand and high factory utilization provides a positive outlook for Photowatt in fiscal 2006.

SPHERAL SOLAR POWER STRATEGY

To complement Photowatt's conventional solar products and to gain competitive cost and market advantages longer term, the Company is now commercializing a new generation proprietary solar technology known as Spheral Solar Technology ("SST"). SST is designed to produce a pliable, lightweight, durable solar cell which is expected to create new market opportunities for the adoption of solar technology that are not practical with conventional, fragile crystalline solar cells. SST is also expected to be very cost attractive since it is designed to use less silicon per watt and less expensive sources of silicon than conventional technologies.

SSP continues to develop distribution channels for its products. SSP's first product, SuperFlex™, is a lightweight, durable and flexible portable power module that is considered to have significant competitive advantages over rigid, conventional solar panels. Based on marketing activities and feedback from potential customers, management believes there is significant demand for this flexible solar module with marine, recreational vehicle and other portable uses.

A second SSP product platform is large power modules or solar panels. These large power modules are expected to complement the Photowatt product line and will target the conventional solar panel market for both grid-connected and off-grid systems. The size of conventional solar panels is typically limited due to the weight of the glass and frame needed to protect the cells from the environment and potential breakage. The SSP power module products are expected to take advantage of the lightweight, durable nature of the SSP technology by increasing the size of individual solar panel products to reduce the total installed cost of solar panel systems, thereby providing the Company with competitive advantages in the current conventional solar market.

SSP, in conjunction with various building material companies, is also pursuing the development of Building Integrated Photovoltaic ("BIPV") products. It is expected that BIPV product development cycles will be longer due to regulatory approval requirements. In fiscal 2004, SSP entered into a joint product development agreement and commenced development work with Elk Corporation, a premium residential roofing shingle manufacturer, on a BIPV product targeted for the residential roofing market. Similar development work has also been undertaken with commercial roofing material manufacturers. Management believes that BIPV products present a major future market opportunity for SSP given the advantages of SSP solar cells.

INVESTMENT IN SPHERAL SOLAR POWER

In July 2002, ATS announced it had successfully obtained up to $29.5 million of Canadian federal government assistance under the Technologies Partnerships Canada program to support the development and commercialization of the technology, including the construction of a state-of-the-art manufacturing facility. The facility's initial targeted annual production capacity is 20 megawatts with the expectation that the capacity can be increased to 40 megawatts without expanding the building and certain infrastructure investments.

The Company's total investment in SSP, after government assistance, but including the original investment in the technology, was $100 million at March 31, 2005 ($74 million at March 31, 2004). SSP development and capital equipment costs of $36 million and $62 million, respectively, and intellectual property originally developed by Texas Instruments have been capitalized on the Company's balance sheet in accordance with Canadian GAAP. Therefore, development costs incurred in fiscal 2005 are not reflected in operating earnings in the year. The deferral of SSP development costs will cease based on the earlier of the date certain commercial production requirements are met or September 30, 2005. Following the end of the deferred development period, SSP's operating revenues and expenses, including amortization of deferred development costs, will be reflected in consolidated operating results. The deferred development costs will be amortized over the first 100 megawatts of production. It is expected that the SSP factory will initially record operating losses until its production volumes increase and operating efficiencies and yields improve.

SPHERAL SOLAR POWER OUTLOOK

SSP is currently in a very important phase of its commercialization program. Using valuable insights gained from the limited actual production of the first fully-functional SSP SuperFlex™ units in early fiscal 2006, the SSP factory is scheduled to undergo an intense and iterative optimization program. Each iteration of the optimization program is expected to provide meaningful, incremental increases in throughput and efficiency and to move the productive output of this first commercial SSP factory towards its targeted factory nameplate capacity of 20 megawatts per annum. This process is intended to demonstrate the expected cost advantages and manufacturability of SSP products on a commercial scale which is necessary for successful commercialization.

While management believes that SSP will be successful, the initiative involves certain inherent risks regarding new technology, market development, market acceptance and commercialization which are significantly greater than those associated with the Company's more established businesses. The development and commercialization program also involves significant risk of delays in the planned launch and ramp up of production from unforeseen events or other factors.

As part of the commercialization of SSP, management intends to continue to identify and evaluate numerous strategic alternatives for its combined Solar Group activities. In May 2005, as part of the Company's key priorities for fiscal 2006 to drive Solar Group's strategy development and long-term performance, the Company recruited and hired the Solar Group's first ever President and Chief Executive Officer.

PRECISION COMPONENTS GROUP

OVERVIEW

The Precision Components Group ("PCG") is primarily a high-volume, repetitive manufacturing business that has the capabilities to serve automotive, computer-electronics, healthcare and other markets. Products supplied by PCG include precision plastic injection-molded components, turned and stamped metal components and complete subassemblies which contain other components manufactured by PCG. These various components are often produced using production equipment manufactured by the Company's Automation Systems Group. PCG serves a number of the same customers as ASG and works with ASG by providing its product prototyping, engineering, technical and high-volume manufacturing expertise to help customers launch their product manufacturing.

PCG also provides contract equipment manufacturing services to ATS customers to enable the Company to take advantage of the repetitive manufacturing skills, infrastructure, labour rates and other cost advantages of the PCG operations. As previously noted in the ASG discussion, because the contract equipment manufacturing done by PCG involves the assembly of automated systems and equipment, the contract equipment manufacturing financial results are reported as part of the ASG segment (see "Automation Systems Group").

PCG revenue is recognized at the time of product shipment to the customer, provided that collection is reasonably assured. PCG's revenues are primarily derived from tier one, tier two and tier three automotive supply companies in North America. The continuing PCG operations consist of four manufacturing plants located in Ontario with aggregate square footage of 366,000, including approximately 39,000 sq. ft. related to contract equipment manufacturing.

PCG generated 13% of consolidated ATS revenue from continuing operations in fiscal 2005 and 16% in fiscal 2004. The decline in US to Canadian exchange rates over the past two years has dramatically reduced PCG profitability due to the long-term nature of PCG contracts and large amount of US dollar sales. All references to PCG refer to the continuing PCG operations unless otherwise noted. For a detailed discussion of the discontinued PCG operations see "Discontinued Operations".

PRECISION COMPONENTS GROUP STRATEGY

PCG's strategy is to target value-added manufacturing and higher margin subassembly assignments in both automotive and other markets and to support the Company's drive to deliver a broader range of manufacturing solutions for the healthcare industry. More specifically, PCG is targeting opportunities that allow it to make combined use of its diverse engineering, prototyping and manufacturing capabilities in engineered injection-molding, metal forming, automated assembly and test. This plan, coupled with ongoing cost and efficiency improvement initiatives, is intended to bring PCG back to satisfactory levels of profitability, increase the utilization of the Group's total capabilities, reduce dependence on the automotive market, offset substantial competitive pricing pressures and provide a basis for profitable future growth.

PCG is focused on continually reducing its operating costs through improved utilization, increased efficiencies and reducing costs through reductions in costs of supply and other internal cost saving initiatives. In fiscal 2005, PCG continued to build on its global sourcing strategies launched in fiscal 2004 to secure lower-cost sources of components, tools and supplies. PCG also launched additional internal improvement programs, including Six Sigma and other cost reduction programs that are expected to generate additional substantial future cost savings.

Due to the substantial change in US dollar exchange rates over the past two years and rising costs of certain of its raw materials, PCG's strategy also involves continued rationalization of programs with poor profitability through program discontinuance, cost improvement or, where appropriate, price increases to its customers. PCG continues to seek price increases from customers to offset the significant increase in certain raw material costs which occurred during the past year and as a result of changes in US dollar exchange rates. Price increases may be delayed or not be granted by customers, which may result in the loss of business. This strategy resulted in the loss of one particular unprofitable program, as described in Results from Continuing Operations.

To serve its existing customer base and to provide purchasing services to its North American based operations, in fiscal 2006, PCG will establish a small 17,000 sq. ft. manufacturing facility in Shanghai, China.

As part of its ongoing initiatives to enhance the performance and profitability of PCG, during the fourth quarter of fiscal 2005, PCG began the planned closure of its McAllen, Texas manufacturing facility, which is on schedule to be completed in June 2005. The consolidation of McAllen's production into existing PCG facilities is expected to reduce overall operating costs and improve overall PCG asset utilization. The total cash expenditures associated with closing McAllen and transferring this business, including relocating equipment and employee severance, are estimated to be approximately $1.0 million, of which approximately $0.1 million was spent in fiscal 2005. The benefits from this consolidation are expected to begin to be realized in the second quarter of fiscal 2006. Additional non-cash charges of approximately $1.0 million were incurred by the Company in the fourth quarter of fiscal 2005 to decrease the book value of the assets in McAllen which are not being transferred to other PCG facilities, including the land and building, to their estimated net realizable value.

In fiscal 2005, management determined that both the thermals solutions business and the precision metals business were no longer strategic to the Company. The thermals solutions business was sold in November 2004 for net proceeds of $8.6 million and management is currently in discussions with several potential buyers of the precision metals business (see "Discontinued Operations").

PRECISION COMPONENTS GROUP RESULTS FROM CONTINUING OPERATIONS (in millions of dollars, except employees)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Revenue by industry			
Automotive	**$ 86.7**	$ 86.3	$ 78.2
Computer-electronics	**4.6**	8.1	0.5
Other	**6.8**	6.9	8.2
Total PCG revenue	**$ 98.1**	$ 101.3	$ 86.9
Revenue by region			
North America	**$ 91.5**	$ 97.3	$ 84.5
Europe	**2.8**	2.6	1.3
Asia	**3.8**	1.4	1.1
Total PCG revenue	**$ 98.1**	$ 101.3	$ 86.9
Operating earnings (loss)	**$ (0.4)**	$ (1.7)	$ 2.8
Operating margin %	**(0.4%)**	(1.7%)	3.2%
Employees at year end	**835**	974	932

Fiscal 2005 PCG revenue from continuing operations decreased 3% over fiscal 2004 reflecting lower foreign exchange rates, rationalization and the volatile automotive market. The estimated negative foreign exchange impact on revenue in fiscal 2005 was $4.3 million, on a comparative basis to fiscal 2004. Comparative figures for fiscal 2004 and 2003 have been restated for PCG's discontinued operations.

Despite a $3.2 million decrease in revenue in fiscal 2005, PCG reduced its operating loss from continuing operations by $1.3 million. This improvement was achieved even though the value of the US dollar compared to the Canadian dollar continued to decline during the period. Since a large portion of PCG's goods are sold in US dollars, the decline in the value of the US dollar resulted in a substantial decline in the price, in Canadian dollars, PCG receives. The estimated impact of this change in foreign exchange rates, net of the benefits of the Company's hedging, was a reduction in PCG operating earnings of $1.8 million on a comparative basis to fiscal 2004.

PCG's operating results in fiscal 2005 and 2004 also reflected a number of other important factors:

- Sales under the five-year automotive subassembly order received by PCG in fiscal 2002 for a new power seat-adjustment subsystem that commenced production in fiscal 2004 generated approximately $16 million of revenue in both fiscal 2005 and fiscal 2004. No shipment volumes are guaranteed under the contract. Revenue from this program in fiscal 2005 was less than the previously estimated $30 million per annum due to lower than expected program vehicle sales and the decrease in the value of the US dollar. However, PCG has identified opportunities for other similar product sales to this particular customer as well as other customers and believes such sales will partially offset the lower than expected volumes under this program.
- During fiscal 2005, as a result of requesting price increases on a program that had been unprofitable, PCG received notice that a customer program would be terminated in the first quarter of fiscal 2006. A non-cash charge of $0.5 million (after tax $0.4 million) was taken to reduce the value of this program's dedicated assets to their estimated net recoverable amount.
- Due to continued weakness in North American automotive markets, PCG's customer plant shutdowns were more prolonged in fiscal 2005 than in fiscal 2004. These longer customer shutdowns reduced revenues and occurred in the summer (second quarter) and at the end of the calendar year (third quarter).
- The costs of new program launches negatively impacted PCG results to a lesser extent in fiscal 2005 compared to fiscal 2004. As PCG starts production of new programs, it typically incurs costs and production inefficiencies which negatively impact operating margins and earnings. Delays in the ramp up of production volumes on new programs will negatively impact performance during the launch period.
- Higher than normal repair and maintenance expenditures and production inefficiencies during fiscal 2004, primarily as a result of the major power blackout in eastern North America and the resulting power shortages which followed.

- Higher raw material costs including steel and resin costs reduced profitability to the extent that these costs were not recovered from customers. Management estimates that, as a result of its pricing negotiation strategies, by the end of fiscal 2005, a substantial portion of the increased steel prices were being recovered from its customers.
- Costs associated with reducing its workforce to achieve cost reductions and efficiency gains.
- Expenses of approximately $0.7 million were incurred during fiscal 2004 representing third-party consulting costs related to PCG's implementation of the important new TS16949 quality improvement and cost reduction initiative.

PRECISION COMPONENTS GROUP OUTLOOK

Management's priority is to return PCG to satisfactory profitability. Achievement of this goal requires PCG to continue to overcome the significant challenges posed by volatile automotive market conditions – specifically, the declining market share of North American automakers – and the substantial decline in the US dollar exchange rate. Management believes that achieving this goal is predicated on successfully realizing the expected benefits from consolidation of the McAllen business, the continued ramp up of programs on hand, realization of the expected benefits of its cost reduction initiatives including Six Sigma, securing profitable new business, and the continued rationalization of unprofitable programs.

Based on industry forecast production data, production volumes of new vehicles by North American automobile companies in calendar 2005 are forecast to be between 15.8 million and 16 million units, slightly higher than volumes in calendar 2004. Although this industry data indicates that overall unit volumes are relatively stable, there continues to be significant volatility within the industry and various automotive platforms and programs.

CONSOLIDATED FINANCIAL RESULTS

SELECTED ANNUAL INFORMATION (in millions of dollars, except per share amounts)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Revenue	**$ 770.9**	$ 616.9	$ 543.3
Earnings from operations	**$ 40.5**	$ 13.0	$ 13.2
Net earnings from continuing operations	**$ 30.5**	$ 1.7	$ 3.3
Earnings per share from continuing operations – basic and diluted	**$ 0.50**	$ 0.03	$ 0.05
Net earnings (loss)	**$ 9.3**	$ (2.3)	$ 2.3
Earnings (loss) per share – basic and diluted	**$ 0.15**	$ (0.04)	$ 0.04
Total assets	**$ 739.8**	$ 729.9	$ 723.9
Total long-term debt	**$ 41.1**	$ 44.4	$ 49.8

Fiscal 2005 consolidated revenues from continuing operations increased 25% over fiscal 2004, reflecting the segmented factors previously discussed.

Consolidated earnings from operations and net earnings from continuing operations were significantly higher than in fiscal 2004, reflecting increased revenues, the discontinued thermals solutions and precision metals operations and the improved margins from continuing operations in the Company's three operating segments. Management estimates that changes in foreign exchange rates relative to the Canadian dollar during 2005 reduced fiscal 2005 consolidated earnings from operations by $15.8 million on a comparative basis to fiscal 2004. The estimated impact of changes in foreign exchange rates on net earnings from continuing operations for the year ended March 31, 2005 was a reduction in net earnings of $10.4 million (17 cents per share, basic and diluted) on a comparative basis to fiscal 2004.

UNUSUAL ITEMS

The Company's net earnings from continuing operations in fiscal 2005 and 2004 included several special charges and unusual items, as follows:

Goodwill: In the fourth quarter of fiscal 2005, a $22.2 million ($20.7 million after tax) non-cash charge was taken related to the write-down of PCG's goodwill. The annual review of the Company's goodwill concluded that the value of the PCG goodwill was impaired as a result of both continued sector-wide difficulties in the North American automotive industry and the substantial decline in the relative value of the US dollar.

McAllen, Texas: In the fourth quarter of fiscal 2005, a $1.0 million ($0.6 million after tax) non-cash charge was recorded related to the closure of PCG's McAllen, Texas facility, to reflect the expected net realizable value on the disposition of assets that will not be transferred to other PCG facilities, including land and building.

Insurance Proceeds: In the fourth quarter of fiscal 2005, the Company received proceeds of $25.0 million and $2.0 million from two life insurance policies as a result of the death of the Company's founder, Mr. Klaus Woerner. The $25.0 million of life insurance proceeds were received by the Company under a life insurance policy that was established in conjunction with the Company entering into an option to repurchase certain shares held by Mr. Woerner (see "Share Repurchase Option"). The remaining $2.0 million of life insurance proceeds will be used to fund the transition costs associated with the change in Company leadership. These costs began to be incurred in the fourth quarter and will continue into fiscal 2006.

Tax Rate Change: In the third quarter of fiscal 2004 a non-cash charge of $2.1 million was recorded to adjust the accumulated future income tax liabilities as a result of increases in future income tax rates in the province of Ontario (see Note 14 to the Consolidated Financial Statements).

Other: In the fourth quarter of fiscal 2004, the Company recorded charges aggregating $5.3 million ($4.4 million after tax) for non income-related tax reassessment provisions, to write off the value of a permanently impaired portfolio investment and to write down certain production equipment to its estimated net recoverable amount (see Note 18 to the Consolidated Financial Statements).

DISCONTINUED OPERATIONS

For the year ended March 31, 2005, the Company incurred an after-tax loss from discontinued operations of $21.2 million (35 cents per share, basic and diluted) related to the discontinuation of PCG's thermal solutions business ("Thermals Business") and its precision metals division ("Precision Metals"), and of ASG's discontinued Eco-Snow Systems Inc. operation ("Eco-Snow").

Precision Metals: In the fourth quarter of fiscal 2005, the Company committed to a plan to sell Precision Metals and accordingly, the results and financial position of this division have been segregated and presented separately as "discontinued operations" and "assets held for sale" in the Consolidated Financial Statements. The loss from Precision Metals discontinued operations of $17.0 million in fiscal 2005 included an after-tax non-cash charge of $12.8 million (pre-tax $19.0 million) to reduce the carrying value of the Precision Metals assets to management's estimate of their net realizable value. The Company is currently in discussions with potential acquirers of this business with the intention to conclude a sale during fiscal 2006. As the assets have not yet been sold, actual net realizable value of the assets could differ materially from management's current estimate.

Thermals Business: During the third quarter of fiscal 2005, the Company sold the intellectual property, inventory and key operating assets of its Thermals Business for net cash proceeds of $8.6 million. The loss from the discontinued Thermals Business for fiscal 2005 of $3.8 million (2004 – $1.2 million) includes the pre-tax loss on the sale of the assets of $3.2 million (after tax $1.7 million). The Company is not expecting to incur any significant further costs related to this business in fiscal 2006.

Eco-Snow: During the second quarter of fiscal 2004, the Company completed the sale of the Eco-Snow intellectual property and key operating assets for proceeds of $8.9 million. During fiscal 2005 the loss from the discontinued Eco-Snow operations was $0.4 million (2004 – $0.3 million) which related mainly to the settlement of matters that were outstanding at the time of the sale.

See Note 2 to the Consolidated Financial Statements for further details on the discontinued operations.

FOURTH QUARTER 2005

Consolidated revenue from continuing operations in the three months ended March 31, 2005 increased by 14%, to $209 million from $183 million in the fourth quarter of fiscal 2004, with ASG revenue increasing 9%, reflecting the strong growth in the healthcare market and Solar Group revenue increasing 57% primarily due to strong market demand. The increases in ASG and Solar Group revenue compared to the fourth quarter of fiscal 2004 more than offset the 16% decrease in PCG revenue that was mainly attributable to weakness in the North American automotive sector and lower foreign exchange rates. Changes in effective foreign exchange rates reduced consolidated revenues for the three months ended March 31, 2005 by an estimated $11.0 million on a comparative basis to the same period of fiscal 2004.

Operating earnings for all three segments in the fourth quarter of fiscal 2005 continued the trend of substantial improvement over the comparable quarter of the prior year. ASG results improved primarily as a result of higher revenues, better resource utilization, and improved order execution. Solar results were substantially better than the comparable quarter of fiscal 2004 mainly due to a 57% increase in revenue and significant improvements in production yield and throughput as a result of continued optimization of investments made over the past two years. Despite a 16% reduction in revenue, largely due to deterioration in automotive market conditions, PCG results improved in part due to the benefits of its cost reduction and operational streamlining initiatives.

Further analysis of the financial results of the fourth quarter was publicly released on May 26, 2005 and can be found on SEDAR at www.sedar.com or on the Company's website at www.atsautomation.com.

SUMMARY OF CONSOLIDATED QUARTERLY DATA (in thousands of dollars, except per share data)

Fiscal 2005	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	**$ 181,486**	**$ 180,294**	**$ 200,460**	**$ 208,695**
Earnings from operations	**$ 6,341**	**$ 7,654**	**$ 11,175**	**$ 15,367**
Net earnings from continuing operations	**$ 3,945**	**$ 4,684**	**$ 7,283**	**$ 14,558**
Earnings per share from continuing operations, basic and diluted	**$ 0.07**	**$ 0.08**	**$ 0.12**	**$ 0.24**
Net earnings	**$ 2,780**	**$ 432**	**$ 5,627**	**$ 459**
Earnings per share, basic and diluted	**$ 0.05**	**$ 0.01**	**$ 0.09**	**$ 0.01**

Fiscal 2004	Q1	Q2	Q3	Q4
Revenue	$ 136,834	$ 137,291	$ 159,844	$ 182,940
Earnings from operations	$ 3,438	$ 2,099	$ 1,797	$ 5,634
Net earnings (loss) from continuing operations	$ 2,246	$ 1,382	$ (1,045)	$ (835)
Earnings (loss) per share from continuing operations, basic and diluted	$ 0.04	$ 0.02	$ (0.02)	$ (0.01)
Net earnings (loss)	$ 2,145	$ 372	$ (1,701)	$ (3,069)
Earnings (loss) per share, basic and diluted	$ 0.04	$ 0.01	$ (0.03)	$ (0.05)

INVESTMENTS

Reflecting improved non-cash working capital efficiency, in fiscal 2005, the Company's investment in non-cash working capital increased 9% on a 25% increase in revenues. The increase in working capital reflects numerous factors, including increased revenue, the timing of various expenditures and collections on projects that are reflected in changes in working capital for contracts-in-progress, variations in accounts receivable, accounts payable and inventories, and the impact of changes in foreign exchange rates. Management continues to actively manage its investment in non-cash working capital relative to revenue volumes in order to improve return on investment, and expects that future cash investments in non-cash operating working capital will continue to fluctuate relative to revenue volumes.

SUMMARY OF INVESTMENTS (in millions of dollars)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Investments – increase (decrease)			
Non-cash operating working capital	**$ 26.3**	$ (2.2)	$ 5.2
Acquisitions	**–**	0.7	14.7
Property, plant and equipment	**49.9**	76.0	37.6
Other long-term investments	**15.0**	10.2	9.3
Disposal of assets held for sale	**(10.3)**	(8.9)	–
Total net investments	**$ 80.9**	$ 75.8	$ 66.8

Property, plant and equipment expenditures totalled $49.9 million in fiscal 2005 to support the ongoing operation of the Company's three segments. Investment in Spheral Solar Power property, plant and equipment totalled $12.1 million in fiscal 2005 (2004 – $44.5 million). Total ASG property, plant and equipment expenditures of $17.7 million include the costs for the new ASG facility in Ohio which was purchased to increase ATS Ohio's capacity; the newly constructed ASG facility in Malaysia that serves to increase ATS's presence and better serve customers in Asia; and the costs to construct a building addition in Oregon that will consolidate the Oregon operations, reduce costs and increase efficiencies. PCG fixed asset purchases, consisting mainly of equipment purchases for new programs, totalled $5.7 million. Expenditures at Photowatt totalling $14.4 million were primarily to increase capacity and manufacturing efficiencies.

Innovation and related development initiatives are a key element of the Company's strategy to increase earnings and return on investment, and ATS intends to continue these development activities for the foreseeable future. During fiscal 2005, ATS continued to invest in development programs, each of which is intended to support future revenue and earnings growth. Under GAAP, costs relating to development projects which meet certain specified criteria are to be deferred to the extent that recovery of the related development cost can be reasonably regarded as assured. As described in Note 8 to the Consolidated Financial Statements, the Company deferred $21.6 million of development costs in fiscal 2005 (2004 – $8.8 million), $20.4 million of which was related to SSP. Of the $20.4 million SSP development costs for fiscal 2005, $6.9 million related to capital assets that were re-classified from capital assets to deferred development costs as a result of decommissioning the pilot line and other development equipment. Deferred development costs of $2.6 million were disposed of in conjunction with the sale of the PCG Thermals Business during the third quarter of fiscal 2005. At March 31, 2005, total investment in deferred development was $41.2 million, $35.6 million of which is related to SSP.

The Company's investment in deferred pre-production costs was $2.3 million at March 31, 2005 (2004 – $3.0 million). Deferred pre-production costs primarily relate to qualified expenditures, other than capital equipment, for orders on hand in the Precision Components Group and in the contract equipment manufacturing business. Amortization of deferred pre-production expenditures totalled $0.7 million in fiscal 2005.

All of the Company's investments involve risks and require that the Company make judgments and estimates regarding the likelihood of recovery of the respective costs. In the event management determines that any of the Company's investments have become permanently impaired or recovery is no longer reasonably assured, the value of the investment would be written down to its estimated net realizable value as a charge against earnings. Due to the magnitude of certain investments, such write downs could be material.

LIQUIDITY, CASH FLOW AND FINANCIAL RESOURCES

A key strategic objective is to continue to maintain a strong balance sheet to provide the financial resources to support investment in short-term working capital, long-term investments for continuing operations and for new growth initiatives. Management also believes that the Company's financial strength is a significant competitive advantage due to the fact that customers value financial stability, especially in light of the significant financial difficulties of many of the Company's competitors over the past several years.

CASH, LEVERAGE AND CASH FLOW FROM OPERATIONS (in millions of dollars, except ratios)

	Fiscal 2005	Fiscal 2004	Fiscal 2003
Year-end cash and short-term investments	**$ 49.5**	$ 38.6	$ 82.3
Year-end debt to equity ratio	**0.1:1**	0.1:1	0.1:1
Cash flow from operations	**$ 92.7**	$ 36.2	$ 39.2

Cash and short-term investments increased by $11.0 million during fiscal 2005 as a result of the $27.0 million of life insurance proceeds received and strong cash flows from operations, which more than offset total net investments made during fiscal 2005. Subsequent to March 31, 2005, $25.0 million of insurance proceeds was used to purchase, for cancellation, approximately 1.97 million of the Company's common shares (see "Share Repurchase Option" below). In addition to its cash position, at March 31, 2005, ATS had $96 million of unutilized credit available under its various operating and term bank facilities. The Company ended the year with no short-term debt and with its debt to equity ratio remaining strong at 0.1:1. Management believes that the Company's strong balance sheet provides ATS with significant financial flexibility to support its strategies and future opportunities. Management also believes that the Company's foreseeable cash needs for fiscal 2006 can be funded by cash from operations, existing cash resources, available credit and debt capacity.

The Company's future cash flow depends on a number of factors including operating earnings, ongoing working capital requirements, the level and timing of new business and capital expenditures, or acquisitions which ATS may make. Automation systems contracts can have a significant impact on the Company's working capital requirements due to the underlying nature of the business. Cash flow from an automation systems contract is determined by the progress billing schedule negotiated with the customer and the achievement by ATS of specified progress billing milestones. These factors vary from contract to contract, and may result in significant changes in cash requirements from quarter to quarter. Working capital requirements in Solar Group and PCG also fluctuate due to changes in revenue, negotiated contract terms and inventory levels. Due to the tightness of silicon supply, the nature of market supply agreements and the terms of that supply are changing and are becoming increasingly more onerous on silicon buyers. Solar Group is considering various alternatives to improve the security of supply. These alternatives include commitments to higher pricing than in the past and are likely to include some form of advance payments against future shipments which will result in a corresponding increase to investment in working capital. Timing of cash flows in Solar Group and PCG may also vary depending upon the launch of production on new orders and ongoing shipment releases provided by the customer. The Company continues to experience demand for extended payment terms by customers in all of its business segments.

Note 10 to the Consolidated Financial Statements describes the Company's long-term debt position and repayment obligations at March 31, 2005. The Company's significant commitments, including minimum lease payments under operating leases, are described in Note 16 to the Consolidated Financial Statements. There are no other significant off balance sheet arrangements that management believes will have a material effect on the results of operations or liquidity.

Property, plant and equipment expenditures of approximately $40 million are budgeted for fiscal 2006. This includes costs for the planned expansion of capacity at Photowatt, completion of construction of the ASG Oregon facility, the purchase of production equipment for SSP, and the capital requirements for continuing ASG and PCG businesses. Capital spending in any particular year is primarily determined by the Company's need to expand capacity for new orders, update technology in response to market demands, gain increased operational efficiencies and enhance revenue opportunities in regional markets. Capital expenditures related to new PCG orders must often be made six months or more before shipments start.

SSP is expected to continue to require cash funding through fiscal 2006; however, the majority of the estimated costs for construction of the building, infrastructure and production equipment for the first 20 megawatts factory were funded during the past three years.

The Company reviews strategic acquisition opportunities on a regular basis. Acquisition cash needs, if any, would depend on the size of the acquisition and the form of purchase consideration to be paid.

SHARE REPURCHASE OPTION

Under an agreement entered into in 1998, the Company was granted the option by 566226 Ontario Ltd., a corporation at that time controlled by the Company's founder, President and CEO, Klaus Woerner, to repurchase all or a portion of the ATS shares held by 566226 Ontario Ltd. upon the death of Mr. Woerner, subject to certain limits and restrictions. This agreement was entered into to provide the Company with the ability to ensure an orderly disposition of a portion of the shares controlled by Mr. Woerner's estate in the event of Mr. Woerner's death.

Subsequent to March 31, 2005, the Company exercised its option to purchase, for cancellation, 1,974,723 ATS common shares at a price of $12.66 per share. The total purchase price of $25.0 million was funded by life insurance proceeds of $25.0 million received under the life insurance policy that had been maintained in respect of Mr. Woerner and which was established in conjunction with the option agreement.

IMPACT OF FOREIGN EXCHANGE

A decline in the value of US currency relative to the Canadian dollar had a large, negative impact on the Company's revenue, operating earnings and net earnings in fiscal 2005 on a comparative basis to fiscal 2004. The table provides an estimate of the impact on revenue and operating earnings (net of the offsetting impact of the Company's forward exchange contracts) due to changes in foreign exchange rates for all of the Company's principal trading currencies.

ESTIMATED FISCAL 2005 FOREIGN EXCHANGE IMPACT (in millions of dollars)

For the year ended March 31, 2005	**As reported**	% change vs. last year	Estimated impact of foreign exchange included in reported results	% change vs. last year excluding foreign exchange impact
Revenue*				
Automation Systems	**$ 547.4**	+17%	$ (33.2)	+24%
Solar	**143.8**	+62%	0.5	+62%
Precision Components	**98.1**	-3%	(4.3)	+1%
Elimination of inter-segment revenue	**(18.4)**			
Consolidated	**$ 770.9**	+25%	$ (37.0)	+31%
Operating earnings*				
Automation Systems	**$ 38.8**	+73%	$ (14.0)	+135%
Solar	**13.1**	+210%	–	+210%
Precision Components	**(0.4)**	+76%	(1.8)	+180%
Inter-segment elimination and other corporate expenses	**(11.0)**			
Consolidated	**$ 40.5**	+213%	$ (15.8)	+334%

* From continuing operations

ATS continues to follow a transaction hedging program to help mitigate the impact of short-term foreign currency movements, primarily in its Canadian operations which often transact business in US dollars. This hedging activity consists primarily of forward exchange contracts for the sale of US dollars but also includes purchasing third-party goods and services in US dollars. Management estimates that its forward exchange contract hedging program is primarily effective for movements in currency rates within a four-to-six month period. See Note 4 to the Consolidated Financial Statements for details of the financial instruments outstanding at March 31, 2005. The impact on consolidated operating earnings from translation was not material in fiscal 2005.

Currency	**Year-end actual exchange rates in CDN$**			**Period average exchange rates in CDN$**		
Year ended	**03/31/2005**	03/31/2004	% change	**03/31/2005**	03/31/2004	% change
US dollar	**1.2151**	1.3150	-8%	**1.2768**	1.3525	-6%
Euro	**1.5661**	1.5933	-2%	**1.6072**	1.5889	+1%
Singapore dollar	**0.7321**	0.7854	-7%	**0.7622**	0.7822	-3%

CHANGES IN ACCOUNTING POLICIES

Note 1 to the Consolidated Financial Statements describes the basis of accounting and the Company's significant accounting policies.

HEDGING RELATIONSHIPS

In fiscal 2005, the Company implemented, on a prospective basis, the Canadian Institute of Chartered Accountants' ("CICA") *Accounting for Hedging Relationships Guideline* ("AG-13") and the CICA's *Emerging Issues Committee Abstract 128* ("EIC-128"). AG-13 deals with the identification, documentation, designation and effectiveness of hedges. EIC-128 provides the accounting for financial instruments that do not qualify for hedge accounting under AG-13. Upon implementation of these new standards, the Company assessed existing derivative financial instruments and formally designated certain qualifying financial instruments as hedges.

Under this new guidance, gains or losses on designated financial instruments are offset against the item being hedged. All derivative financial instruments that have not been specifically designated or that do not meet the criteria for hedge accounting are marked to market with the related gains or losses included in earnings for the period with an offsetting asset or liability being recorded. The adoption of the new recommendations had no material impact on the Consolidated Financial Statements for the year ended March 31, 2005.

ASSET RETIREMENT OBLIGATIONS

In fiscal 2005, the Company adopted the new Section 3110 of the CICA handbook, *Asset Retirement Obligations*. This section establishes standards for the recognition, measurement and disclosure of liabilities related to legal obligations associated with the retirement of tangible long-lived assets. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the passage of time and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. The adoption of this new section had no impact on the Consolidated Financial Statements.

EXPENSING OF STOCK OPTIONS

In fiscal 2004, the Company began expensing employee stock-based compensation using the fair value method in accordance with the new recommendations of CICA handbook Section 3870, *Stock-based Compensation and Other Stock-based Programs*. The adoption of this accounting policy and the assumptions used in determining fair value are more fully described in Notes 1(m) and 12 to the Consolidated Financial Statements. As permitted by the CICA, the Company adopted these recommendations prospectively without restatement of any comparable period.

FINANCIAL INSTRUMENTS

The CICA has published three new accounting standards: "*Financial Instruments – Recognition and Measurement*", "*Hedges*" and "*Comprehensive Income*". These accounting standards introduce new requirements for the recognition and measurement of financial instruments that are designed to harmonize Canadian accounting standards with US standards. These accounting standards are to be applied no later than the fiscal years beginning on or after October 1, 2006. Management is currently evaluating the potential implications of these new standards on the Company's financial statements.

RELATED-PARTY TRANSACTIONS

There were no related-party transactions in fiscal 2005.

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective, based on their evaluation of the effectiveness of these controls and procedures as of the end of the period covered by this report.

OTHER CONSIDERATIONS AND RISK FACTORS

Use of Estimates and Contract Risk: The nature of ASG contracts requires the use of estimates to quote new business and most automation systems are typically sold on a fixed-price basis. As described in Note 1(h) to the Consolidated Financial Statements, revenue on automation systems contracts is recognized under the percentage of completion method of accounting, which requires management to exercise significant judgment in estimating the future costs of completing individual contracts over the life of the contract. If the actual costs incurred by the Company to complete a contract are significantly higher than estimated, the Company's earnings may be negatively affected. The use of estimates involves risks, since the work to be performed involves varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. In the event the Company is unable to meet the defined performance specification for a contracted automation system, it may need to redesign and rebuild all or a portion of the system at its expense without further increase in the selling price. Certain contracts may have provisions which reduce the selling price if the Company fails to deliver or complete the contract by specified dates. These provisions may expose the Company to contingent liabilities.

ASG contracts may be terminated by customers in the event of a default by the Company or for convenience of the customer. In the event of a termination for convenience, ATS must typically negotiate a settlement reflective of the progress achieved on the contract and/or the costs incurred to the termination date. If a contract is cancelled, Backlog would be reduced and production efficiencies may be temporarily negatively impacted.

Automation Systems Pricing: Individual prices and terms for automation systems contracts are typically negotiated between ATS and its customers. Profit margins vary depending on a number of factors, including, but not limited to, market conditions, technical risk, competition, the results of negotiation and revenue mix.

Automation Systems Revenue Mix: An automation systems order typically requires ATS to integrate third-party content (third-party equipment and subcontract work) with its own products and services (ATS value-added) to produce a complete automated manufacturing system. Third-party content typically comprises a significant portion of the total value of an automation systems order. Specific third-party equipment, reflecting the functional requirements of the system, is often required under the terms of the customer's order. ATS subcontracts work on an automation systems order as required to supplement internal resources and to manage capacity, Backlog and customer delivery schedules. The amount of revenue ATS earns from third-party content in automation systems in a particular reporting period depends primarily on the value of such content integrated by ATS during that period. The amount of third-party content may be subject to significant fluctuations from period to period and depends upon the nature and specifications of the automation systems orders in process, the value and timing of deliveries of third-party content, and the amount of subcontracting used in the period.

ASG typically earns significantly lower margins on third-party content compared to margins from ATS value-added content. Therefore, higher-than-normal third-party content in a period may increase revenues while diluting margins, whereas lower third-party content in a period may reduce revenues and increase margins.

ASG earnings and operating margins may also be impacted by changes in the proportion of revenue derived from first-time automation systems projects compared to repeat automation systems projects. First-time systems may have lower margins than repeat systems because the technical risks associated with such projects are higher and the costs of non-recurring engineering and development may be higher than the amounts provided for in the Company's quotation. Repeat systems are often completed more quickly, at lower cost and with better margins because the development work was completed on previous projects. Projects from first-time customers also have increased risk of lower margins as customer expectations may vary from those of the Company, resulting in higher costs to complete an order.

Foreign Exchange Risk: The operation and activities of the Company in foreign markets creates both foreign currency translation and transaction exposure to changes in exchange rates, primarily to the US dollar and the euro. The accounting policy for foreign currency translation is described in Note 1(b) to the Consolidated Financial Statements. The Company does not hedge its earnings translation exposure. Therefore, the impact of changes in exchange rates on the translation of the earnings of foreign subsidiaries into Canadian dollars will be directly reflected in consolidated earnings. However, to reduce its estimated net foreign currency transaction exposure, the Company maintains a hedging program which is described in Note 4 to the Consolidated Financial Statements. To the extent net foreign currency cash inflows are not fully hedged, strengthening of the Canadian currency, vis-à-vis these foreign currencies, will negatively impact the Company's earnings stated in Canadian dollars. The transaction hedging program helps mitigate the short-term impact of changes in exchange rates on the Company's revenues, earnings, balance sheet and Backlog while the Company seeks to adjust to longer-term changes in exchange rates and the impact on the Company's competitiveness in foreign markets.

To further reduce the longer-term impact of US dollar currency movements on the Company's competitiveness, ATS has a significant operating presence in the US and may also be able to manage the amount of foreign purchases in its Canadian operations to reduce its net currency exposure. In addition the Company has worked to gain efficiencies and competitive advantages. However, the Company has significant competition located in the US, and, to the extent the Company's Canadian operations are not able to adjust to changes in exchange rates by reducing costs, increasing work in the US, or by providing more valuable products that command higher prices, revenues and earnings will be negatively impacted. The Audit and Finance Committee of the Board of Directors regularly reviews the Company's hedging policy and activities.

Pricing, Quality, Delivery and Volume Risk: PCG manufactures engineered components and subassemblies primarily for automotive customers, typically under long-term, high-volume contracts of three-to-five-year durations. The majority of these contracts are sole-sourced, usually to tier one, tier two or tier three automotive customers. Non-automotive products supplied by the Solar Group and PCG are often not sole-sourced, and the volumes and duration of the contracts are less certain. The existence of competitive suppliers of these precision components and solar products may expose the Company to greater pricing pressure and volume risk.

Typically, PCG and Solar Group contracts do not provide volume guarantees. The actual volume of product shipped may vary materially from planned levels during the term of the contract and from quarter to quarter. Variations from planned volumes may occur for a number of reasons including changes in demand for the customer's end product, capacity constraints, quality problems, competition, and obsolescence.

ATS is required to remain competitive on price, quality and delivery as a condition of many of its precision components and solar contracts. Pricing is often subject to revision and adjustment as a result of negotiations and cost reduction obligations to which the Company may be subject. Price reductions may also be mandatory under the terms of some contracts. The Company may also believe it necessary to voluntarily reduce prices as a way to secure higher proportions of customers' releases when competitive circumstances exist. To the extent ATS is obligated, or agrees, to reduce prices, and the impact of these reduced prices is not offset through cost reductions or efficiencies gained from higher volumes, operating margins and earnings will be negatively impacted. Failure to remain competitive on price, quality and delivery may result in the loss of single source status (if in place), reduced shipments and possible termination of the contract. Management believes such terms are customary in the industries in which it currently operates.

Risks Associated with Product Failure: The Company generally manufactures or assembles products based on the specifications of third parties. Although the Company takes steps to contractually reduce the risk of product liability-related claims, the success of these measures cannot be assured with certainty. The effectiveness of such contractual limitations of liability depends, to a significant degree, on judicial decisions and the application of ever-developing jurisprudence in each of the jurisdictions in which the Company operates. The Company generally arranges its product liability insurance coverage limits consistent with industry practice, having regard to the size and nature of its business. However, if an alleged product defect results in direct injury or loss, these factors may result in liability to the Company that may exceed the limits of its liability insurance policy and may have an adverse effect on future operating results.

Government Subsidies for Solar Products: The current dependence of the solar market on government subsidies can create market volatility including rapid changes in demand and pricing. Currently management believes that market demand for both Photowatt and SSP solar products is strong in part due to the strong demand created by the subsidies being provided by countries such as Germany. These government subsidies are at risk to change depending on various factors including the particular political situation of the country providing the subsidy.

Expansion Risks: New Solar Group and PCG contracts may require the Company to invest in new production equipment, systems and, sometimes, facilities often on tight time schedules and often without guaranteed revenue volumes. Solar Group is also required to invest in and adopt new production processes to gain efficiencies. Bringing these investments into production quickly may expose the Company to integration risks depending on the size of the investment, the schedule, the technology involved, and the nature of the products to be produced. When production is started, the Company often incurs higher costs and lower production rates than for more established programs and may encounter significant costs to correct problems which may arise. Furthermore, failure to meet a customer's requirements may negatively impact the Company, including possible termination of the contract.

The Company may also experience negative impacts on operating results during periods of rapid change in ASG revenue. New employees added in highly skilled areas typically take 12 months or more to become fully trained in ATS-specific technologies and procedures. New ASG facilities may not be fully utilized immediately upon occupancy. Until new employees and new facilities are fully productive, ASG operating margins may be lower than historical norms. In addition, because of high recruiting and training costs and the competitive advantages of retaining a stable and experienced workforce, the Company may retain skilled workers during periods of reduced demand resulting in lower earnings and operating margins during such periods.

Availability of Human Resources: The Company's business, especially ASG, is knowledge-based. Management believes that to increase ASG capacity it must continue to attract, retain and develop technical employees whose skills are increasingly in demand. To a lesser degree, ability to increase PCG and Solar Group capacity is dependent upon availability of key employees with the specialized skills required to support growth. The Company's future success also depends upon a number of key members of ATS senior management.

New Product Market Acceptance and Obsolescence Risk: Market risk for new or developing technologies such as SSP, automation standard technology platforms and solar products may be higher than for the Company's more established customer solutions. There is no assurance that new products will be accepted by the market, that planned volumes will be realized over the product life or that the product life will not be shorter than expected due to product obsolescence. New products that are launched by ATS, or its competitors, may also have price or other advantages over earlier generations of products which compete for the same business, resulting in inventory obsolescence. In addition, newer product offerings may also require more significant marketing and sales efforts to gain market acceptance.

Availability of Raw Materials and Other Manufacturing Inputs: Inability to secure enough raw materials and other inputs to meet sales demands could negatively impact sales and earnings. Most equipment and other supplies that are integrated into automation systems are typically available from several suppliers. Customers may specify a particular supplier for certain components of their automation system, and this specification may constrain the availability of that equipment or supply. Availability of such items has, to date, not caused any significant difficulties for the Company. The plastics, metals and other raw materials used most commonly in PCG operations are also available from several sources. Growing demand for plastics, metals and other materials in Asia resulted in higher costs for certain raw materials used by the Company in fiscal 2005. Within the Solar Group operations, the supply of solar-grade silicon, wafers, cells and certain specialized manufacturing tools and fixtures can involve the risk of shortages, especially in periods of strong market demand. Since there are few suppliers, demand can change quickly and there may be limited quantities of these inputs available. The solar industry is currently experiencing a growing shortage of silicon which is causing the price of silicon to increase significantly and may also cause shortfalls in production output due to lack of supply.

Income and Other Taxes: The Company operates and is subject to income tax and other forms of taxation (which are not based upon income) in numerous tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to changes. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of tax liabilities and changes in the amount of other forms of taxation.

Cyclicality: Historically, many of the individual markets served by the Company have tended to be cyclical in nature. Changes in economic environments, product life cycles and customer product demand within the Company's markets may impact ASG Order Bookings and revenue, Solar Group and PCG volumes, and the Company's earnings in any of its markets. To the extent the Company has not secured new orders sufficient to replace any reduction or loss of business that may arise under individually material contracts, the future revenues and earnings of ATS may be materially negatively impacted. The Company's broad customer base and its strategy of diversification through participation in different industries and geographic regions are intended to provide opportunities to generate new revenue and help reduce cyclical risk associated with individual markets. However, because of globalization of markets, economic downturns may be broad-based.

Variations in Quarterly Results: The revenues, operating margins and earnings of ATS may vary from quarter to quarter as a result of risk factors discussed in this report. Additional factors which may impact quarterly results include changes in the proportion of revenue derived from the different activities of the Company, the proportions of ASG revenue derived from repeat systems and first-time systems, different margins on work performed, acquisitions, rate of capacity utilization and expansion, level of investment in new operations, number of new employees added in a period, level of general and administrative expenses required to support the Company's growth, level of research and development activities, bad debt expenses and changes in prevailing currency exchange rates which are used to translate the financial results of foreign subsidiaries into Canadian dollars.

While sales of ASG's technologies and solutions are generally not seasonal in nature, the Company's quarterly results have often reflected lower revenue and earnings during the summer months, or second quarter. Order Bookings can also be lower during the summer months. This has generally been the result of vacations (which reduce order activity and capacity) and seasonal customer plant shutdowns. In the Solar Group and PCG, due to respective traditional 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.

Litigation: From time to time the Company and its subsidiaries may be subject to actual or threatened litigation and legal claims. It is management's opinion that, at the present time, there is no outstanding litigation, claims or threatened or pending litigation or claims that would have a material impact on the Company's financial position.

Dependence on Key Personnel: The success of the Company is dependent upon the attraction and retention of highly skilled personnel in a number of key areas including at the management level for its various operations around the world. The unexpected loss or departure of any of the Company's key officers or employees could be detrimental to the future operations of the Company. The success of the Company's business will depend, in part, upon the Company's ability to attract and retain qualified personnel as they are needed. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel. Management seeks to have employment and compensation policies and practices in place that, to the extent reasonably possible, enhance the retention and future recruitment of qualified personnel.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. These include statements about management's expectations, beliefs, intentions, goals, targets, plans, objectives or strategies for the future, which are indicated by words such as "anticipate", "intend", "believe", "prospects", "likely", "may", "could", "would", "estimate", "forecast" and "expect" and similar words. All forward-looking statements reflect management's views with respect to future events as of the date of this MD&A, and are subject to numerous risks, uncertainties and assumptions that have been made. Management has identified a number of important factors that could cause actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements which are discussed in this MD&A, elsewhere in this annual report, and in other continuous disclosure filings of the Company. The section titled "Other Considerations and Risk Factors" is an important part of this MD&A. Actual results could vary materially from those that are expressed or implied by these forward-looking statements due to a number of risks and uncertainties including, but not limited to, those that are specifically described in this MD&A, those that are unknown to management at this time and risks that management may currently believe to be immaterial. The Company expressly disclaims any intention and undertakes no obligation to update or revise any forward-looking statements to reflect subsequent information, events or circumstances or otherwise.

May 26, 2005

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of ATS Automation Tooling Systems Inc. and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements and other information in this Annual Report include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

ATS Automation Tooling Systems Inc. maintains systems of internal accounting and administrative controls which are of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

Management's responsibilities for financial reporting are overseen by the Board of Directors, which is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee.

The Audit and Finance Committee is appointed by the Board and all of its members are outside directors. The Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements and the external auditors' report. The Committee has reported its findings to the Board which has approved the consolidated financial statements for issuance to shareholders. The Committee also considers, for review by the Board and approval of the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited on behalf of the shareholders by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to the Audit and Finance Committee.

Ron J. Jutras
President and Chief Executive Officer

Gerald R. Beard
Vice President and Chief Financial Officer

May 18, 2005

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of ATS Automation Tooling Systems Inc. as at March 31, 2005 and March 31, 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and March 31, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Waterloo, Canada

May 18, 2005

Consolidated Balance Sheets

(In thousands of dollars)

At March 31	2005	2004
Assets		
Current assets:		
Cash and short-term investments	**$ 49,529**	$ 38,551
Accounts receivable	**141,107**	130,406
Income taxes recoverable	**12,502**	6,380
Costs and earnings in excess of billings on contracts in progress (note 5)	**108,956**	102,404
Inventories (note 5)	**66,627**	74,161
Assets held for sale (note 2)	**6,820**	–
Other	**3,749**	3,873
	389,290	355,775
Property, plant and equipment (note 6)	**245,875**	267,069
Goodwill (note 15)	**34,750**	59,533
Intangible assets (note 7)	**3,599**	6,001
Future income tax assets (note 14)	**14,539**	10,759
Deferred development costs (note 8)	**41,215**	25,076
Assets held for sale (notes 2 and 18)	**6,057**	–
Other assets (note 9)	**4,464**	5,666
	$ 739,789	$ 729,879
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 102,984**	$ 95,074
Billings in excess of costs and earnings on contracts in progress (note 5)	**15,352**	19,026
Future income taxes (note 14)	**27,838**	21,497
	146,174	135,597
Long-term debt (note 10)	**41,070**	44,447
Future income taxes (note 14)	**17,684**	16,061
Non-controlling interest	**677**	405
Shareholders' equity:		
Share capital (note 11)	**334,966**	334,365
Retained earnings	**208,120**	198,822
Contributed surplus	**783**	280
Cumulative translation adjustment (note 13)	**(9,685)**	(98)
	534,184	533,369
	$ 739,789	$ 729,879

Commitments (note 16)
Subsequent event (note 19)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ron J. Jutras
Director

Robert W. Luba
Director

Consolidated Statements of Earnings

(In thousands of dollars, except per share amounts)

Years ended March 31	2005	2004
Revenue	**$ 770,935**	$ 616,909
Operating costs and expenses:		
Cost of revenue	**621,837**	511,443
Amortization	**28,398**	24,907
Selling and administrative	**79,660**	67,311
Stock-based compensation	**503**	280
	730,398	603,941
Earnings from operations	**40,537**	12,968
Other expenses (income):		
Interest on long-term debt	**1,020**	789
Other interest expense (income)	**364**	(574)
Insurance proceeds (note 19)	**(27,000)**	–
Goodwill impairment (note 15)	**22,183**	–
Other (note 18)	**2,142**	5,275
	(1,291)	5,490
Earnings from continuing operations before income taxes and non-controlling interest	**41,828**	7,478
Provision for income taxes (note 14)	**11,025**	5,623
Non-controlling interest in earnings of subsidiaries	**333**	107
Net earnings from continuing operations	**30,470**	1,748
Loss from discontinued operations, net of tax (note 2)	**(21,172)**	(4,001)
Net earnings (loss)	**$ 9,298**	$ (2,253)
Earnings per share from continuing operations (note 20)		
Basic and diluted	**$ 0.50**	$ 0.03
Earnings (loss) per share (note 20)		
Basic and diluted	**$ 0.15**	$ (0.04)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

(In thousands of dollars)

Years ended March 31	2005	2004
Retained earnings, beginning of year	**$ 198,822**	$ 201,075
Net earnings (loss)	**9,298**	(2,253)
Retained earnings, end of year	**$ 208,120**	$ 198,822

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of dollars)

Years ended March 31	2005	2004
Cash flows from operating activities:		
Net earnings (loss)	**$ 9,298**	$ (2,253)
Write down for impairment in value of assets (notes 2, 15 and 18)	**43,325**	4,773
Other items not involving cash	**40,070**	33,716
Cash flow from operations	**92,693**	36,236
Change in non-cash operating working capital	**(26,290)**	2,152
	66,403	38,388
Cash flows from investing activities:		
Acquisition of interest in subsidiaries (note 3)	**–**	(650)
Acquisition of property, plant and equipment	**(49,894)**	(75,997)
Investments and other	**(14,980)**	(10,185)
Proceeds from disposal of assets held for sale	**10,261**	8,877
	(54,613)	(77,955)
Cash flows from financing activities:		
Issuance of common shares, net of cost of issuance	**601**	266
Other	**(26)**	4
	575	270
Effect of exchange rate changes on cash and short-term investments	**(1,387)**	(4,485)
Increase (decrease) in cash and short-term investments	**10,978**	(43,782)
Cash and short-term investments, beginning of year	**38,551**	82,333
Cash and short-term investments, end of year	**$ 49,529**	$ 38,551

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars, except per share amounts)

1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES:

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with prior periods. Amounts are stated in Canadian dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform with the current year's presentation.

(a) Principles of consolidation: These consolidated financial statements include the accounts of ATS Automation Tooling Systems Inc. and subsidiary companies. All significant intercompany transactions and balances have been eliminated.

(b) Foreign currency translation: The assets and liabilities of self-sustaining foreign subsidiaries are translated into Canadian dollars at year-end exchange rates and the resulting unrealized exchange gains or losses are included as a separate component of shareholders' equity. The earnings statements of these operations are translated at exchange rates prevailing during the year.

Other monetary assets and liabilities including long-term monetary assets and liablities, which are denominated in foreign currencies, are translated into Canadian dollars at year-end exchange rates, and transactions included in earnings are translated at rates prevailing during the year. Exchange gains and losses resulting from the translation of monetary assets and liabilities are included in the consolidated statements of earnings, with the exception of unrealized foreign exchange gains and losses on long-term debt denominated in foreign currencies. For such long-term debt that is designated as a hedge of the net investment in a self-sustaining foreign subsidiary, the exchange gains or losses are included in the cumulative translation adjustment account, while exchange gains and losses on such long-term debt that is not designated as a hedge are included in earnings.

(c) Derivative financial instruments: Derivative Financial Instruments are utilized by the Company to manage its foreign currency exposures. Effective April 1, 2004, the Company implemented the Canadian Institute of Chartered Accountants' ("CICA") *Accounting for Hedging Relationships Guideline* ("AG-13") and the CICA's *Emerging Issues Committee Abstract 128* ("EIC-128"). AG-13 deals with the identification, documentation, designation, and effectiveness of hedges. EIC-128 provides the accounting for financial instruments that do not qualify for hedge accounting under AG-13. Upon implementation of these new standards, the Company assessed existing derivative financial instruments and formally designated certain qualifying financial instruments as hedges.

Gains or losses on designated financial instruments are offset against the item being hedged. All derivative financial instruments that have not been specifically designated or that do not meet the criteria for hedge accounting are marked to market with the related gains or losses included in earnings for the period with an offsetting asset or liability being recorded. The adoption of the new recommendations had no material impact on the Company's consolidated financial statements for the year ended March 31, 2005.

(d) Cash and short-term investments: Cash and short-term investments consist of cash and highly liquid money market instruments, typically with maturities of three months or less.

(e) Property, plant and equipment: Property, plant and equipment are recorded at cost. Amortization is computed using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Declining-balance	4%
	Straight-line	3%–6%
Production equipment	Straight-line	10%–30%
Other equipment and furniture	Declining-balance	20%–30%

Leasehold improvements are amortized over the terms of the related leases on a straight-line basis.

(f) Goodwill and intangible assets: Goodwill represents the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed, less any subsequent impairment write-down. Goodwill is subject to an impairment test on at least an annual basis or upon the occurrence of certain events or circumstances. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The Company conducted its annual goodwill impairment assessment in the fourth quarter of fiscal 2005 and recorded an impairment charge as further described in note 15.

Intangible assets, which are patents and licences on technologies, are recorded at cost and amortized over their estimated economic life, ranging from 3 to 20 years.

(g) Long-lived assets: Effective April 1, 2003, the Company prospectively adopted the new CICA Handbook Section *Impairment of Long-Lived Assets*. This recommendation establishes new standards for the recognition, measurement and disclosure of the impairment of long-lived assets. During the years ended March 31, 2004 and 2005, the Company determined that the carrying value of certain property, plant and equipment was in excess of its associated estimated undiscounted cash flows and the assets were written down as further described in note 18.

(h) Contract revenue and inventories: Contract revenue in the Automation Systems segment is recognized using the percentage of completion method. The degree of completion is determined based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated for each contract. Incentive awards, claims or penalty provisions are recognized when such amounts can reasonably be determined.

Complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

Revenue in the Precision Components and Solar segments is recognized at time of shipment, providing collection is reasonably assured.

Provisions for warranty claims and other allowances are made based on contract terms and prior experience.

Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value.

(i) Research and development costs: Research costs are expensed as incurred. Development costs which meet generally accepted criteria are deferred and amortized over the period in which the Company expects to benefit from the resulting product or process. Research and development costs which are expensed by the Company are charged to cost of revenue as a substantial portion of the expenses relate to customer contracts. Subject to meeting the generally accepted criteria, the Company capitalizes both direct and indirect costs with respect to ventures which are in the development stage.

(j) Pre-production costs: Pre-production costs related to new contracts are deferred and amortized over the life of the related contract on a units-of-production basis.

(k) Investment tax credits and government assistance: Investment tax credits and government assistance are accounted for as a reduction in the cost of the related asset or expense when there is reasonable assurance that such credits or assistance will be realized.

(l) Income taxes: The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(m) Stock-based compensation plans: During the year ended March 31, 2004, the Company began expensing employee stock-based compensation using the fair value based method for all awards granted on or after April 1, 2003, in accordance with CICA Handbook Section *Stock-based compensation and other stock-based payments* ("CICA 3870").

For the years prior to March 31, 2004, the Company accounted for stock-based compensation provided to its employees and directors as capital transactions. Pro forma disclosures present net earnings and earnings per share had the compensation cost for the Company's stock option plan been determined and recorded based on the fair value of options awarded for the year ended March 31, 2003. In accordance with CICA 3870, no compensation expense is recorded in the consolidated statements for stock options awarded and outstanding prior to April 1, 2003.

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside of the control of the Company. If other assumptions are used, stock-based compensation expense could be significantly impacted. As stock options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those stock options, is credited to share capital.

Compensation expense is recognized for the Company's contributions and obligations under the Employee Share Purchase Plan, the Deferred Stock Unit Plan, and the Stock Option Plan.

(n) Earnings per share: The calculation of earnings per share is based on the weighted average number of shares issued and outstanding. Diluted earnings per share is calculated using the treasury stock method which includes the effect of the exercise of dilutive elements.

(o) Disposal of long-lived assets and discontinued operations: Effective April 1, 2003, the Company prospectively adopted CICA recommendations that establish standards for the disposal of long-lived assets and discontinued operations. The Company has followed the new recommendations in accounting for the assets held for sale and discontinued operations as described further in note 2.

(Tabular amounts in thousands of dollars, except per share amounts)

(p) Asset retirement obligations: Effective April 1, 2004, the Company adopted the new Section 3110 of the CICA Handbook, *Asset Retirement Obligations*. This section establishes standards for the recognition, measurement and disclosure of liabilities related to legal obligations associated with the retirement of tangible long-lived assets. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the passage of time and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. The adoption of this new section had no impact on the Company's consolidated financial statements.

(q) Use of estimates: The preparation of these consolidated financial statements in conformity with generally accepted accounting principles 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 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, fair value of reporting units, 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 long-term investments, contracts in progress, inventory provisions, revenue recognition, and allowances for accounts receivable.

2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE:

(i) During the three months ended March 31, 2005, the Company committed to a plan to sell the key operating assets, including working capital and property, plant and equipment, of its precision metals division of the Precision Components segment ("Precision Metals"). Accordingly, the results of operations and financial position of Precision Metals have been segregated and presented separately as discontinued operations and assets held for sale in the accompanying consolidated financial statements. The results of the discontinued operations were as follows:

Years ended March 31	**2005**	2004
Revenue	**$ 30,613**	$ 32,237
Loss from operating activities	**$ (6,202)**	$ (3,749)
Write-down to reduce Precision Metals to its estimated net realizable value	**(19,000)**	–
Income tax recovery	**8,191**	1,252
Loss from discontinued operations	**$ (17,011)**	$ (2,497)

The discontinued operations for the year ended March 31, 2005 includes an after-tax, non-cash expense of $12,825,000 (pre-tax $19,000,000) to reduce the Precision Metals assets to their estimated net realizable value. As the assets have not yet been sold, actual net realizable value of the Precision Metals assets could differ materially from management's current estimate. The results of the year ended March 31, 2004 include a $1,236,000 (pre-tax $1,873,000) charge to write down certain assets to their net realizable value.

(ii) During the year ended March 31, 2005, the Company sold the key intellectual property, inventory and operating assets of its thermal management products business of the Precision Components segment ("Thermals Business") for net proceeds of $8,600,000, resulting in a loss of $3,173,000 ($1,738,000 after income taxes). Accordingly, the results of operations of the Thermals Business have been segregated and presented separately as discontinued operations in the consolidated financial statements. The results of discontinued operations, including the loss on sale of the assets, were as follows:

Years ended March 31	**2005**	2004
Revenue	**$ 5,029**	$ 17,244
Loss from operations	**$ (6,246)**	$ (1,845)
Income tax recovery	**2,480**	627
Loss from discontinued operations	**$ (3,766)**	$ (1,218)

(iii) During the year ended March 31, 2004, the Company sold the intellectual property and key operating assets of its Automation Systems subsidiary, Eco-Snow Systems Inc. ("Eco-Snow") for proceeds of $8,877,000, which resulted in no material gain or loss. Accordingly, the results of operations of Eco-Snow have been segregated and presented separately as discontinued operations in the consolidated financial statements. The results of the discontinued operations were as follows:

Years ended March 31	**2005**	2004
Revenue	**$ –**	$ 963
Loss from operations	**$ (659)**	$ (477)
Income tax recovery	**264**	191
Loss from discontinued operations	**$ (395)**	$ (286)

3. ACQUISITIONS:

In May 2003, the outstanding equity of an automation systems subsidiary was purchased for cash consideration of $650,000. The acquisition was accounted for using the purchase method. The fair value of the tangible assets and liabilities acquired was approximately equal to the consideration paid.

4. FINANCIAL INSTRUMENTS:

The contract nature of the Company's business may result in significant fluctuations from period-to-period in the relative percentages of accounts receivable and contracts in progress concentrated with any one customer, industry or geographic region. At March 31, 2005, no customer accounted for more than 10% of the combined balance of accounts receivable and contracts in progress. At March 31, 2004, one customer accounted for approximately 11% of the combined balance of accounts receivable and contracts in progress.

The Company generates significant revenues in major foreign currencies, primarily US dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this net foreign currency exposure ("transaction exposure"), the Company has entered into foreign exchange contracts. The timing and amount of these foreign exchange contracts are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets, and the Company's past experience.

A summary of the Company's significant forward contracts outstanding to manage transaction exposure is as follows:

Currency sold	Currency bought	Notional amount sold	Weighted average rate
US dollars	Singapore dollars	5,700,000	1.6537
US dollars	Canadian dollars	141,000,000	1.2518
Euro	Swiss Francs	5,330,000	1.5435

All of the above contracts mature within one year from March 31, 2005.

Based on foreign exchange rates as at March 31, 2005 for contracts with similar remaining terms to maturity, at March 31, 2005, the total unrealized gains relating to all of the Company's forward contracts was approximately $5,700,000 (2004 – $3,000,000) of which $4,853,000 (2004 – $907,000) has not yet been recognized in earnings. Total net foreign exchange gains recognized in the year ended March 31, 2005 was $247,000.

In addition, the Company enters forward contracts to manage the foreign exchange risk arising from certain intercompany loans. Any gains and losses on these contracts are recognized immediately.

The carrying amounts reported in the balance sheets for cash and short-term investments, accounts receivable, contracts in progress, and accounts payable and accrued liabilities approximate their fair values, due to the short-term nature of those instruments.

The carrying value of long-term debt approximates fair value since the effective interest rates reflect current market rates.

5. CONTRACTS IN PROGRESS AND INVENTORIES:

At March 31	**2005**	2004
Contracts in progress:		
Costs incurred on contracts in progress	**$ 424,861**	$ 410,162
Estimated earnings	**107,623**	95,847
	532,484	506,009
Progress billings	**(438,880)**	(422,631)
	$ 93,604	$ 83,378
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	**$ 108,956**	$ 102,404
Billings in excess of costs and earnings on contracts in progress	**(15,352)**	(19,026)
	$ 93,604	$ 83,378
Inventories are summarized as follows:		
Raw materials to be used in manufacturing	**$ 36,747**	$ 31,063
Work in process	**17,579**	26,788
Finished goods available for sale	**12,301**	16,310
	$ 66,627	$ 74,161

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars, except per share amounts)

6. PROPERTY, PLANT AND EQUIPMENT:

At March 31			2005	2004
	Cost	**Accumulated amortization**	**Net book value**	Net book value
Land and land improvements	**$ 27,941**	**$ –**	**$ 27,941**	$ 28,001
Buildings	**84,982**	**19,365**	**65,617**	65,572
Leasehold improvements	**6,235**	**3,642**	**2,593**	2,946
Production equipment	**138,040**	**64,207**	**73,833**	100,529
Other equipment and furniture	**38,062**	**24,226**	**13,836**	13,086
Spheral Solar facilities and production equipment	**62,055**	**–**	**62,055**	56,935
	$ 357,315	**$ 111,440**	**$ 245,875**	$ 267,069

7. INTANGIBLE ASSETS:

During the year ended March 31, 2005, the Company purchased $130,000 of intangible assets (2004 – $263,000) and recorded $724,000 of amortization from continuing operations (2004 – $891,000) on the intangible assets. As of March 31, 2005, the total accumulated amortization on the continuing operations intangible assets was $3,430,000 (2004 – $3,354,000). During the year ended March 31, 2005, the net book value of intangible assets disposed of in conjunction with the discontinued Thermals Business was $1,499,000, which includes amortization of $277,000 taken in the year.

8. DEFERRED DEVELOPMENT COSTS:

At March 31	2005	2004
Deferred development – Spheral Solar™ Power	**$ 35,585**	$ 15,147
Deferred development costs – other programs	**5,630**	9,929
	$ 41,215	$ 25,076

During the year ended March 31, 2005, the Company deferred $21,645,000 of net development costs (2004 – $8,810,000). Amortization from continuing operations was $2,407,000 (2004 – $3,194,000) and from discontinued operations was $418,000 (2004 – $nil). During the year ended March 31, 2005, net deferred development costs disposed of in conjunction with the discontinued operations were $2,632,000 (2004 – $1,808,000).

9. OTHER ASSETS:

At March 31	2005	2004
Deferred pre-production costs	**$ 2,292**	$ 2,986
Notes receivable	**84**	59
Long-term investments	**2,088**	2,621
	$ 4,464	$ 5,666

10. LONG-TERM DEBT:

At March 31	2005	2004
Unsecured revolving bank credit facility available in CDN$, or equivalent in other currencies, with interest at bank prime rate, or at rates tied to LIBOR, or bankers' acceptances, at the Company's option. This credit facility revolves until September 18, 2005 annually at which time it is expected that the term will be extended for a further one-year period. In the event the revolving period of the credit facility is not extended, the loan is repayable over a seven-year period in 60 equal instalments over the last five years of the period. The amounts are repayable in US funds of US$33,800,000 (2004 – US$33,800,000)	**$ 41,070**	$ 44,447
Current portion	**–**	–
	$ 41,070	$ 44,447

Interest paid in cash during the year totalled $1,339,000 (2004 – $820,000).

11. SHARE CAPITAL:

At March 31		2005		2004
Common shares:				
Authorized:				
Unlimited shares				
Issued:				
60,819,665 shares (2004 – 60,653,391 shares)	$	**334,966**	$	334,365

12. STOCK-BASED COMPENSATION PLANS:

Employee Share Purchase Plan: Under the terms of the Company's Employee Share Purchase Plan, qualifying employees of the Company may set aside funds through payroll deductions for an amount up to a maximum of 10% of their salary. Subject to the member not making withdrawals from the plan, the Company makes contributions to the plan equal to 20% of a member's contribution to the plan during the year, up to a maximum of 1% of the member's salary or $2,000. Shares for the plan may be issued from treasury or purchased in the market as determined by the Company's Board of Directors. During the years ended March 31, 2005 and March 31, 2004, no shares were issued from treasury related to the plan.

Deferred Stock Unit Plan: The Company offers a Deferred Stock Unit Plan ("DSU Plan") for members of the Board of Directors. Under the DSU Plan each non-employee director may elect to receive his or her annual compensation and/or meeting fees in the form of notional common shares of the Company called deferred stock units ("DSUs"). The issue and redemption prices of each DSU is based on an average trading price of the Company's common shares for the five trading days prior to issuance or redemption. Under the terms of the DSU Plan, directors are not entitled to convert DSUs into cash until retirement from the Board. The value of each DSU, when converted to cash, will be equal to the market value of a common share of the Company at the time the conversion takes place. At March 31, 2005, the value of the outstanding liability related to the DSUs was $437,334 (2004 – $253,437).

Stock Option Plan: The Company uses a stock option plan to attract and retain key employees, officers and directors. The shareholders have approved a maximum of 5,550,569 common shares for issuance under the Stock Option Plan, with the maximum reserved for issuance to any one person at 5% of the common shares outstanding at the time of the grant. Stock options vest over four or five year periods. The stock option exercise price is the price of the Company's common shares on the Toronto Stock Exchange at closing for the day prior to the date of the grant. Options granted under the plan may be exercised during a period not exceeding ten years from the date of grant, subject to earlier termination upon the optionee ceasing to be a director, officer or employee of the Company. Options issued under the plan are non-transferable. Any option granted which is cancelled or terminated for any reason prior to exercise is returned to the pool and becomes available for future stock option grants.

As at March 31, 2005, there are 1,271,260 (2004 – 1,341,203) common shares remaining for future option grants.

Years ended March 31	2005			2004		
	Shares		Weighted average exercise price	Shares		Weighted average exercise price
Stock options outstanding, beginning of year	**2,593,563**	$	**15.17**	2,421,101	$	16.03
Granted	**430,000**		**11.50**	520,000		9.37
Exercised	**(166,274)**		**3.61**	(82,706)		3.22
Forfeited/Cancelled	**(360,057)**		**15.17**	(264,832)		15.37
Stock options outstanding, end of year	**2,497,232**	$	**15.31**	2,593,563	$	15.17
Stock options exercisable, end of year	**1,521,793**	$	**16.04**	1,520,289	$	14.51

(Tabular amounts in thousands of dollars, except per share amounts)

At March 31, 2005	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 6.00 to 10.00	**520,678**	**5.27 years**	**$ 7.87**	**264,582**	**$ 7.17**
$ 11.00 to 20.00	**1,205,426**	**5.92 years**	**13.32**	**654,130**	**12.67**
$ 21.00 to 28.75	**771,128**	**4.80 years**	**23.43**	**603,081**	**23.60**
$ 6.00 to 28.75	**2,497,232**	**5.44 years**	**$ 15.31**	**1,521,793**	**$ 16.04**

The fair value of each option granted during the years ended March 31, 2005 and March 31, 2004 were determined using the Black-Scholes option pricing model and the following weighted average assumptions:

At March 31	**2005**	2004
Estimated weighted average grant date fair value	**$ 4.67**	$ 3.77
Risk-free interest rate	**3.55%**	4.37%
Expected life	**5.5 years**	5.0 years
Expected volatility in the market price of the shares	**38%**	38%
Expected dividend yield	**0%**	0%

The following pro forma disclosures present the compensation cost for the Company's stock option plan had compensation cost been determined and recorded in the statement of earnings and the earnings per share based on the fair value of options awarded for the year ended March 31, 2003:

Year ended March 31, 2005	**Net earnings (loss)**	**Basic earnings per share**	**Diluted earnings per share**
As reported	**$ 9,298**	**$ 0.15**	**$ 0.15**
Pro forma	**$ 9,025**	**$ 0.15**	**$ 0.15**

Year ended March 31, 2004	Net earnings (loss)	Basic loss per share	Diluted loss per share
As reported	$ (2,253)	$ (0.04)	$ (0.04)
Pro forma	$ (3,001)	$ (0.05)	$ (0.05)

13. CUMULATIVE TRANSLATION ADJUSTMENT:

The cumulative translation adjustment balance reflects unrealized translation adjustments arising on the translation of foreign currency denominated assets and liabilities of self-sustaining foreign operations. These translation adjustments are realized in earnings when there is a reduction in the Company's investment in the respective foreign operation. The decrease in the cumulative translation adjustment during the year resulted primarily from the strengthening of the Canadian dollar against the US dollar.

14. INCOME TAXES:

(i) Reconciliation of income taxes: Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes and non-controlling interest. These differences result from the following items:

Years ended March 31	2005	2004
Earnings from continuing operations before income taxes and non-controlling interest	**$ 41,828**	$ 7,478
Combined Canadian basic federal and provincial income tax rate	**36.10%**	36.48%
Income taxes based on combined Canadian basic federal and provincial income tax rate	**15,100**	2,728
Increase (decrease) in income taxes resulting from:		
Manufacturing and processing allowance	**(824)**	(431)
(Income) losses of foreign subsidiaries	**(127)**	413
(Income) losses for which an income tax benefit has not been recognized	**(3,327)**	990
Adjustment in future income taxes for substantively enacted changes in Canadian income tax rates	**–**	2,117
Other items	**203**	(194)
	$ 11,025	$ 5,623
Provision for income taxes:		
Current	**$ (1,444)**	$ 4,207
Future	**12,469**	1,416
	$ 11,025	$ 5,623

(ii) Components of future income tax assets and liabilities: Future income taxes are provided for temporary differences. Future income tax assets and liabilities are comprised of the following:

At March 31	2005	2004
Future income tax assets:		
Loss carryforwards	**$ 12,645**	$ 13,363
Asset impairments not yet tax deductible	**–**	1,247
Deductible pool of scientific research and development expenditures not yet deducted for tax	**7,024**	–
Other	**2,749**	1,310
	22,418	15,920
Less valuation allowance	**7,879**	5,161
Future income tax assets, net	**$ 14,539**	$ 10,759
Future income tax liabilities:		
Property, plant and equipment	**$ 4,499**	$ 7,683
Accounting income not currently taxable	**25,438**	21,345
Other	**15,585**	8,530
Total future income tax liabilities	**45,522**	37,558
Less current portion of future income tax liabilities	**27,838**	21,497
Long-term future income tax liabilities	**$ 17,684**	$ 16,061

(iii) Loss carryforwards:

(a) Canada and provincial jurisdictions: At March 31, 2005, the Company had Canadian and provincial net operating loss carryforwards of $7,879,000 (2004 – $2,495,000) and $7,901,000 (2004 – $4,558,000) respectively, which expire in 2011 and 2012. In addition, the Company has $14,406,000 (2004 – $8,379,000) of capital losses available that do not expire.

(b) Other tax jurisdictions: At March 31, 2005, the Company had net operating loss carryforwards in other tax jurisdictions totalling $20,638,000 (2004 – $30,423,000). As at March 31, 2005, $4,465,000 of these loss carryforwards expire at various dates between 2006 and 2010, while the remainder do not expire.

(Tabular amounts in thousands of dollars, except per share amounts)

(iv) Other: Income taxes paid in cash during the year totalled $2,467,000 (2004 – $5,051,000).

During the year ended March 31, 2004, the province of Ontario announced that it was increasing provincial corporate income tax rates and cancelling a previously legislated provincial income tax decrease. As these changes to the tax rates were considered substantively enacted for the purposes of Canadian generally accepted accounting principles, the Company reflected the estimated effect of these in its future income taxes, totalling $2,117,000 in the year ended March 31, 2004.

15. GOODWILL IMPAIRMENT:

At March 31, 2005, the annual testing for goodwill impairment resulted in a charge related to the Precision Components Group's goodwill of $22,183,000 before incomes taxes and $20,738,000 after income taxes (2004 – nil). The impairment resulted primarily from continued sector-wide difficulties in the North American automotive industry, combined with the significant declines in the value of the US dollar over the past two years.

16. COMMITMENTS:

The minimum operating lease payments related primarily to facilities and equipment in each of the next five years are as follows:

Year	Amount
2006	$ 3,891
2007	2,477
2008	1,307
2009	731
2010	410

In accordance with industry practice, the Company is liable to the customer for obligations relating to contract completion and timely delivery. In the normal conduct of its operations, the Company may provide bank guarantees as security for advances received from customers pending delivery and contract performance. At March 31, 2005, the total value of outstanding bank guarantees to customers was approximately $3,800,000 (2004 – $8,900,000).

17. GOVERNMENT ASSISTANCE:

During the year ended March 31, 2003, the Company entered into an agreement with Technology Partnerships Canada ("TPC") which provides funding of up to $29,500,000 as a contribution towards the Company's development of a new photovoltaic energy technology, Spheral Solar™ Power. As at March 31, 2005, total TPC funding of $29,454,000 (2004 – $15,335,000) has been applied to reduce the deferred development expenses and capital expenditures incurred related to Spheral Solar™ Power.

As consideration for the TPC funding, the Company is required to pay royalties on certain future Spheral Solar™ Power revenues.

18. OTHER:

In the year ended March 31, 2005, in conjunction with the closure of its PCG McAllen, Texas facility, a non-cash charge of $963,000 ($636,000 after income taxes) was incurred to reduce the value of the assets that will not be transferred to other facilities, including the land and building, to their net realizable value. As the assets are currently being held for sale, actual net realizable value could differ materially from management's current estimate.

Certain of the Company's portfolio and technology investments were written down in the year ended March 31, 2005 by $1,179,000 (2004 – $2,713,000) before taxes and $772,000 (2004 – $2,713,000) after taxes to reflect their estimated net realizable value.

The Company also regularly reviews the net recoverable amount of its property, plant and equipment. As a result of this review, in the year ended March 31, 2004, certain of the Company's equipment in the continuing Precision Components segment was written down by $187,000 ($123,000 after income taxes) to its estimated net recoverable amount.

During the year ended March 31, 2004, the Company received notification of non-income tax related re-assessments from the Province of Ontario related to the years 1998 to 2003. The Company disagrees with the re-assessments and is objecting to the positions taken by the Province of Ontario. However, due to the uncertain nature of the outcome of the objections being made by the Company, the Company has provided for the increase in estimated liabilities. The amount of the provision made in the year ending March 31, 2004 related to the re-assessments for the continuing operations was $2,375,000 before income taxes and $1,568,000 after income taxes.

19. INSURANCE PROCEEDS AND SHARE REPURCHASE OPTION:

During the year ended March 31, 2005, the Company received proceeds of $25,000,000 and $2,000,000 related to "key-man" life insurance policies in respect of the passing of Mr. Klaus Woerner. The insurance policies were entered into to provide funding for the repurchase of certain of ATS's shares and to mitigate costs related to the loss of a key executive.

Under an agreement entered into in 1998, the Company was granted the option by 566226 Ontario Ltd., a corporation then controlled by Mr. Woerner, to repurchase all or a portion of the shares held by 566226 Ontario Ltd. upon the death of Mr. Woerner, subject to certain restrictions. This agreement was entered into to provide the Company the ability to ensure an orderly disposition of shares controlled by Mr. Woerner's estate. On April 18, 2005, the Company exercised its option to purchase for cancellation 1,974,723 shares at a price of $12.66 per share. The purchase price of these shares was funded by the $25,000,000 of life insurance proceeds.

20. EARNINGS (LOSS) PER SHARE:

Weighted average common shares used in the computation of basic earnings (loss) per share were 60,738,319 and 60,599,359 in 2005 and 2004, respectively. The shares used in the computation of diluted earnings per share were 60,920,342 and 60,599,359 in 2005 and 2004, respectively. For the year ended March 31, 2004, diluted loss per share is equal to basic loss per share as the effect of stock options is anti-dilutive. For the year ended March 31, 2005, all of the dilution is caused by the effect of stock options outstanding.

In the year ended March 31, 2005, the impact of discontinued operations on net earnings resulted in a reduction to both basic and diluted net earnings (loss) per share of $0.35 (2004 – $0.07).

21. SEGMENTED DISCLOSURE:

The Company evaluates performance based on three reportable segments: Automation Systems, Solar, and Precision Components. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Solar segment is a high volume manufacturer of photovoltaic products and includes the Company's investment in the Spheral Solar™ Power initiative. The Precision Components segment is a high volume manufacturer of plastic and metal components and sub-assemblies.

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

				2005
	Automation Systems	Solar	Precision Components	Consolidated
Revenue	$ 547,402	$ 143,790	$ 98,145	$ 789,337
Inter-segment revenue	(18,057)	–	(345)	(18,402)
Total Company revenue	$ 529,345	$ 143,790	$ 97,800	$ 770,935
Earnings (loss) from operations	$ 38,813	$ 13,129	$ (418)	$ 51,524
Inter-segment operating earnings				(1,789)
Other expenses				(9,198)
Total Company earnings from operations				$ 40,537
Assets	$ 408,725	$ 194,371	$ 90,700	$ 693,796
Corporate assets				45,993
Total Company assets				$ 739,789
Total Company goodwill	$ 32,678	$ 2,072	$ –	$ 34,750
Acquisition of property, plant and equipment	$ 17,618	$ 26,540	$ 5,708	$ 49,866
Corporate acquisitions and other				28
Total Company acquisition of property, plant and equipment				$ 49,894
Amortization from continuing operations	$ 13,308	$ 6,908	$ 8,343	$ 28,559
Inter-segment amortization				(519)
Corporate amortization				358
Total Company amortization from continuing operations				$ 28,398

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars, except per share amounts)

				2004
	Automation Systems	Solar	Precision Components	Consolidated
Revenue	$ 466,711	$ 88,490	$ 101,306	$ 656,507
Inter-segment revenue	(38,913)	–	(685)	(39,598)
Total Company revenue	$ 427,798	$ 88,490	$ 100,621	$ 616,909
Earnings (loss) from operations	$ 22,466	$ 4,230	$ (1,714)	$ 24,982
Inter-segment operating earnings				(4,913)
Other expenses				(7,101)
Total Company earnings from operations				$ 12,968
Assets	$ 422,496	$ 168,926	$ 110,590	$ 702,012
Corporate assets				27,867
Total Company assets				$ 729,879
Total Company goodwill	$ 34,436	$ 2,242	$ 22,855	$ 59,533
Acquisition of property, plant and equipment	$ 12,761	$ 50,727	$ 12,492	$ 75,980
Corporate acquisitions and other				17
Total Company acquisition of property, plant and equipment				$ 75,997
Amortization from continuing operations	$ 11,607	$ 6,141	$ 7,083	$ 24,831
Inter-segment amortization				(285)
Corporate amortization				361
Total Company amortization from continuing operations				$ 24,907

	2005		2004	
	Revenue	**Total long-lived assets**	Revenue	Total long-lived assets
Canada	**$ 41,278**	**$ 142,297**	$ 50,548	$ 187,735
United States	**399,818**	**53,915**	351,637	64,034
Europe	**247,345**	**82,270**	173,357	77,030
Asia-Pacific and other	**82,494**	**5,742**	41,367	3,804
Total Company	**$ 770,935**	**$ 284,224**	$ 616,909	$ 332,603

Geographic segmentation of revenue is determined based on the customer's installation site. Long-lived assets represent capital assets, goodwill and intangible assets that are attributable to individual geographic segments, based on location of the respective operations. Revenue and long-lived assets classified as discontinued have been removed from the above table.

During the year ended March 31, 2005 and the year ended March 31, 2004, no segment had revenue from one customer which amounted to 10% or more of Company revenue.

Six-Year Financial Summary

(Tabular dollar amounts in thousands of dollars, except per share data and ratios)

Years ended March 31	2005	2004	2003	2002	2001	2000
Operating Results						
Revenue:						
Automation Systems	**$ 547,402**	$ 466,711	$ 422,824	$ 390,999	$ 512,507	$ 381,173
Solar	**143,790**	88,490	48,183	50,925	42,714	–
Precision Components	**98,145**	101,306	86,947	81,342	76,035	98,768
Elimination of inter-group revenue	**(18,402)**	(39,598)	(14,620)	(8,950)	(3,123)	(1,358)
Revenue from ongoing operations	**770,935**	616,909	543,334	514,316	628,133	478,583
Microelectronics contract	**–**	–	–	–	–	3,500
Total revenue	**$ 770,935**	$ 616,909	$ 543,334	$ 514,316	$ 628,133	$ 482,083
Earnings from operations	**$ 40,537**	$ 12,968	$ 13,248	$ 23,307	$ 68,428	$ 53,442
Operating margin	**5.3%**	2.1%	2.4%	4.5%	10.9%	11.1%
Net earnings from continuing operations before unusual items	**$ 25,616**	$ 6,152	$ 8,876	$ 14,739	$ 39,503	$ 33,759
Net earnings (loss)	**$ 9,298**	$ (2,253)	$ 2,343	$ 12,593	$ 42,957	$ 38,264
Financial Position						
Working capital	**$ 243,116**	$ 220,178	$ 275,250	$ 297,793	$ 305,614	$ 209,780
Property, plant and equipment	**$ 245,875**	$ 267,069	$ 226,555	$ 212,009	$ 205,733	$ 138,445
Total assets	**$ 739,789**	$ 729,879	$ 723,858	$ 722,329	$ 716,643	$ 556,188
Long-term debt	**$ 41,070**	$ 44,447	$ 49,754	$ 53,860	$ 53,279	$ 49,396
Shareholders' equity	**$ 534,184**	$ 533,369	$ 547,158	$ 545,701	$ 522,624	$ 347,193
Cash Flow						
Cash from operations	**$ 92,693**	$ 36,236	$ 39,242	$ 44,068	$ 74,643	$ 60,802
Net share capital issued	**$ 601**	$ 266	$ 839	$ 786	$ 118,086	$ 5,005
Property, plant and equipment purchased	**$ 49,894**	$ 75,997	$ 37,627	$ 29,695	$ 82,435	$ 25,392
Acquisitions	**$ –**	$ 650	$ 14,704	$ 5,317	$ 14,711	$ 2,421
Per Share Data						
Basic earnings per share from continuing operations before unusual items	**$ 0.42**	$ 0.10	$ 0.15	$ 0.24	$ 0.67	$ 0.61
Basic earnings (loss) per share	**$ 0.15**	$ (0.04)	$ 0.04	$ 0.21	$ 0.73	$ 0.69
Book value per share	**$ 8.78**	$ 8.79	$ 9.03	$ 9.05	$ 8.71	$ 6.16
Price range – common shares	**$ 13.35–$9.87**	$ 15.80–$ 8.42	$22.48–$8.30	$29.05–$12.61	$40.10–$19.25	$33.00–$10.50
Basic weighted average shares outstanding (millions)	**60.7**	60.6	60.5	60.3	58.8	55.7
Statistics and Ratios						
Current ratio	**2.66:1**	2.62:1	3.50:1	3.75:1	3.43:1	2.44:1
Debt to equity ratio	**0.1:1**	0.1:1	0.1:1	0.1:1	0.1:1	0.2:1
Return on average assets	**5.5%**	1.8%	1.8%	3.2%	10.8%	10.1%
Return on average equity	**1.7%**	(0.4)%	0.4%	2.4%	9.9%	11.6%
Number of employees, at March 31	**4,172**	3,854	3,488	3,187	3,302	2,932

Effect of unusual items on continuing operations – increase (decrease)	2005	2004	2003	2000
Net earnings – $ millions	$ 4.9	$ (4.4)	$ (5.6)	$ (1.0)
Basic earnings (loss) per share	$ 0.08	$ (0.07)	$ (0.09)	$ (0.02)

Certain amounts for fiscal years 2000 through 2004 have been restated to reflect the adoption of new CICA Recommendations, the restatement of prior years for discontinued operations and reclassifications.

Prior to fiscal 2001 Solar revenue is included in the Precision Components segment.

Shareholder Information

Corporate Headquarters
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Stock Exchange Listing
Toronto Stock Exchange "ATA"

Registrar and Transfer Agent
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100 University Avenue, 9th Floor
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Website: www.computershare.com
Shareholders email communications: service@computershare.com
Tel: 1-800-564-6253
Fax: 1-866-249-7775

Auditors
KPMG LLP

Principal Bank
The Bank of Nova Scotia

Annual Shareholders' Meeting
4:00 p.m. Eastern Time
September 12, 2005
K.E. Hunter Recreation Centre
Conestoga College
299 Doon Valley Drive
Kitchener, Ontario, Canada

Investor Relations
Contact Dawn Tehkummah
Investor Relations Co-ordinator
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Corporate Documents
Quarterly news releases and annual reports as well as other informative corporate documents can be found on our website, www.atsautomation.com

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Board of Directors

From left to right:

Robert C. Tivy, age 81
Corporate Director
Sapphire Lakes, North Carolina

Mr. Tivy is an honours graduate of Queen's University and the American Management Institute in New York City. His over 40 years of business experience include holding senior executive positions with General Telephone and Black and Decker and as corporate director and consultant. He was first elected Director to ATS in 1992 and serves on the Human Resources Committee and the Corporate Governance and Nominating Committee. Mr. Tivy does not serve on any other Boards.

Richard H. Campbell, age 69
President, Seacoast Consulting
York Village, Maine

A graduate of Colby College and the Executive Management Program at The Wharton School, Mr. Campbell is President of Seacoast Consulting, a private U.S. business consulting firm. First elected a Director of ATS in 1995, Mr. Campbell is a member of the Audit and Finance Committee of the Board. During his four decades of business experience, he has held senior executive positions at The Textron Corporation, Black & Decker Corporation and Emhart Corporation. He now serves as a Director of two companies.

Robert W. Luba, F.C.A., age 63
President, Luba Financial
Toronto, Ontario

A graduate of the University of Western Ontario, Mr. Luba is President and founder of Luba Financial and acts as a merchant banker. Previously, he was President and Chief Executive Officer of Royal Bank Investment Management Inc., President of Crown Life Insurance Company, and held executive positions at John Labatt Limited. Mr. Luba was first elected a Director of ATS in 1995. He serves on the Audit and Finance Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee of the Board. Mr. Luba is Director of six companies.

Ron J. Jutras, C.A., age 49
President and Chief Executive Officer
ATS Automation Tooling Systems Inc.
Waterloo, Ontario

A graduate of Wilfrid Laurier University and a Chartered Accountant, Mr. Jutras joined ATS in 1985 as Secretary-Treasurer and Chief Financial Officer. He was appointed President and CEO of the Company in February 2005. Over the past 20 years, Mr. Jutras worked alongside the Company's founder in building ATS into a world leader. He led both the successful management buyout of the firm in 1992 and its initial public offering in 1993. Prior to joining ATS, he served for seven years at KPMG Peat Marwick Thorne as an accountant and business advisor. He was first elected a Director of ATS in 1993. Mr. Jutras does not serve on any other Boards.

Lawrence G. Tapp, age 67
Corporate Director
Langley, British Columbia

Mr. Tapp is a graduate of McMaster University and the University of Kansas. From 1995 through 2003, he served as Dean of the Richard Ivey School of Business at the University of Western Ontario. Previously, he held senior executive positions at Lawson Mardon Group and Hallmark Cards. He has served as Non-Executive Chairman of the Board of ATS since 1992 and sits on the Company's Audit and Finance Committee, and Corporate Governance and Nominating Committee. He is a Director of five companies.

Robert A. Ferchat, F.C.A., age 70
Corporate Director
Mississauga, Ontario

Mr. Ferchat's 30 years of business experience include serving as Chairman and Chief Executive Officer of BCE Mobile Communications Inc., Chairman, President and CEO of TMI Communications, and President of Northern Telecom Canada. He was first elected a Director of ATS in 1997. He serves on the Audit and Finance Committee, and the Human Resources Committee of the Board. Mr. Ferchat is a Director of three companies.

Peter S. Janson, age 58
Corporate Director
Toronto, Ontario

Mr. Janson became President of Agra Industries in 1999 and, upon its acquisition, became Chairman and CEO of the North American operations of AMEC Inc. an international engineering services company (2000–2002). Previously, Mr. Janson had held a number of positions with ABB Inc. (and its predecessor Asea Inc.) a leading engineering and manufacturing company, ultimately holding the role of President and CEO. Mr. Janson holds a Bachelor of Science from Queen's University. He was first elected a Director of ATS in 2004 and serves on the Human Resources Committee of the Board. Mr. Janson is a Director of three companies.

Automation
Tooling
Systems

ATS was founded 27 years ago and since then has grown to become the automation industry's leading company. In focusing on the future, we will remain true to our core principles and market strategies:

- Identify attractive, high-growth market segments, target expanding global manufacturers in these segments, and anticipate and meet their needs for automated manufacturing solutions.
- Continuously advance our industry-leading automation technology, capabilities and knowledge so as to become an ever larger value-adding extension of our customers' engineering and manufacturing resources.
- Respond to customers' global business needs with full-service capabilities, training and support.
- Lever internal automation and manufacturing knowledge to secure high growth rates in repetitive manufacturing.

By intensely focusing on the future and building on these proven strategies, ATS intends to maximize the substantial and growing advantages of its industry leadership for the benefit of all stakeholders.

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