Automation Tooling Systems

Third Quarter Report – Fiscal 2004

Dear Shareholder :

For the three months ended December 31, 2003, ATS Automation Tooling Systems Inc. ("ATS") reported a net loss of $1.6 million (0.03 per share) despite being profitable on an operating basis and achieving 14% growth in consolidated third quarter revenue.

Third quarter consolidated earnings were reduced by approximately $6.0 million and revenue by $19.3 million compared to the third quarter of last year as a result of a 16% decline in the average value of the US dollar versus the Canadian dollar. In spite of this large negative foreign exchange impact, all three of the Company's operating segments produced higher revenues and two of the three produced higher operating earnings.

Third quarter results this year also included an unusual charge of $2.1 million to adjust the Company's accumulated future income tax liability for recently increased Ontario corporate income tax rates. Without this non-cash charge, earnings per share would have been 1 cent during the third quarter essentially the same as in last year's third quarter.

Financial results were disappointing in the third quarter. Revenue growth was reasonably strong across the board in Automation Systems, Solar and Precision Components but our operating margins were not acceptable. Currency movements are likely to present an ongoing challenge for ATS as a multinational business, however we believe our strategy is sound and we are confident in our ability to compete successfully and profitably in our global markets.

Third Quarter Fiscal 2004 Financial Highlights

- Consolidated revenue was $174.4 million, up 14% from $153.1 million in the third quarter a year ago.
- Earnings from operations were $0.9 million compared to $1.1 million in the third quarter a year ago, reflecting a slight reduction in operating margin.
- Period end automation systems backlog was ahead 19% to $181 million, from $152 million a year ago, but lower than the $200 million at the end of the second quarter of fiscal 2004.
- New automation systems order bookings were $94 million compared to $93 million in the third quarter of fiscal 2003.
- Cash flow from operations was $8.4 million, compared to $10.6 million in the third quarter of last year. Cash on hand was $47.6 million versus $58.3 million at the start of the quarter.
- Debt to equity ratio at December 31, 2003 remained a healthy 0.1:1.

Automation Systems Group revenue in the third quarter was $118.5 million, up 12% from $105.8 million in the third quarter a year ago. Strong revenue growth was achieved by the Group in its core markets. Automotive revenue was up 14%, healthcare up 13%, and the contribution from computer-electronics was 5% higher than the same quarter a year ago.

Precision Components Group revenue was 31% higher at $41.4 million compared to $31.7 million a year ago. At $29.7 million, revenue from automotive was 7% higher than a year ago as thermal products revenue increased 425% to $8.4 million compared to $1.6 million last year. The Group also benefited from a $3.0 million revenue contribution in the quarter from Micro-Precision Plastics, which was acquired in February 2003.

Solar Group achieved revenue growth of 46% to $27.5 million compared to $18.8 million a year ago, as the Company's Photowatt International operations benefited from strong demand in Europe.

The Company also announced a four month delay in the start up of its first Spheral Solar™ Power manufacturing facility due to construction and development challenges, and a $10 million to $15 million increase in the total estimated start-up investment due to strategic decisions to internalize production of certain critical processes, reduce launch risks and make investments that are expected to facilitate future capacity expansion of the factory.

Spheral Solar™ Power is an ambitious project with tremendous value creation potential. In spite of the delay and additional investments, we are making good progress on many fronts in the commercialization plan and we continue to expect attractive returns from this major growth initiative.

Looking Forward

ATS continues to take a cautiously optimistic stance regarding short-term order flow. The Company continues to see solid opportunities for new customer assignments, both follow-on and new. In addition, quotation activity remains robust. New Automation Systems Order booking activity since the end of December totaled approximately $54 million. New assignments in precision components are continuing to ramp up and production processes are stabilizing providing the basis for better efficiencies, economies of scale and margins.

Looking forward, there are good reasons for optimism. On a fiscal year basis, order bookings activity and backlog levels have improved, however we continue to see some delays in customers placing orders. What we can say with certainty is that our goals are to continue to build profitable new business in our targeted sectors and to be very efficient in completing these assignments. We believe ATS is better positioned to meet these goals in upcoming quarters than it has been over the last few, primarily because we are now beginning to see better capacity utilization, and the North American economy is instilling greater confidence in our customers. Our job is making sure that revenue growth is once again complemented by earnings growth and we are committed to this task.

Klaus D. Woerner [SIGNED]	**Lawrence G. Tapp [SIGNED]**
President and Chief Executive Officer	**Non-executive Chairman of the Board**

Management's Discussion and Analysis

This MD&A for the three months ended December 31, 2003 should be read in conjunction with the ATS Automation Tooling Systems Inc's ("ATS" or the "Company") fiscal 2003 annual report and the unaudited interim consolidated financial statements for the three and nine months ended December 31, 2003. The Company's interim financial statements and MD&A for the first and second quarters of fiscal 2004 should also be read in comparing year-to-date results.

Early in the second quarter of fiscal 2004, the Company divested assets comprising a precision cleaning technology business, Eco-Snow Systems Inc., for approximately $8.9 million. This business has been treated as a discontinued operation, as specified by the CICA, and its results have been removed from operating earnings for the current quarter and first nine months of fiscal 2004 and the comparable periods of fiscal 2003.

The terms Operating Earnings, Operating Loss, Operating Results, Operating Margins, Order Backlog and Order Bookings used in this MD&A have no standardized meanings prescribed within GAAP and therefore may not be comparable to similar measures presented by other companies.

The Company has three reportable segments: Automation Systems Group (ASG), Precision Components Group (PCG) and Solar.

Impact of Foreign Exchange

Changes in foreign exchange rates over the past year, primarily the weakening of the US dollar, had a significantly negative impact on the Company's revenue and Operating Earnings. The estimated impact of foreign exchange movements on both revenue and operating earnings, net of the offsetting impact of forward exchange contracts, for each of the Company's reportable segments have been summarized in the table below for the third quarter and in a separate table for the 39 week period under the heading "Nine Month Performance".

Third Quarter Foreign Exchange Impact
For the thirteen weeks ended December 31, 2003 (in millions of dollars)

	Reported	% Change vs last year	Estimated negative impact of Foreign Exchange included in reported results	% Change vs last year excluding Foreign Exchange impact
Revenue				
Automation Systems	$ 118.5	+12%	$ 13.8	+25%
Precision Components	41.4	+31%	5.0	+46%
Solar	27.5	+46%	0.5	+49%
Elimination of Inter-segment revenue	(13.0)			
Consolidated	$ 174.4	+14%	$ 19.3	+27%
Earnings from Operations				
Automation Systems	$ 3.5	+21%	$ 3.4	+138%
Precision Components	(1.6)	-245%	2.6	+300%
Solar	2.1	+678%	0.0	+678%
Inter-segment elimination and other corporate expenses	(3.1)			
Consolidated	$ 0.9	-18%	$ 6.0	+527%

The Company does not hedge translation exposure on its foreign subsidiaries because it is uneconomical, however the impact on Consolidated Operating Earnings from translation was not significant in the third quarter. ATS continues to follow a hedging program to help mitigate the impact of short-term foreign currency movements on foreign currency transactions, primarily in its Canadian operations that often transact business in US dollars. This hedging activity consists primarily of forward exchange contracts for the sale of US dollars and by purchasing third-party goods and services in US dollars. Management estimates that the transaction hedging is primarily effective for movements in currency rates within a six month period. At December 31, 2003 the Company had, on hand, unrealized forward exchange contracts for the future sale of US dollars totaling US $121.9 million at an average exchange rate of 1.36. The unrecognized gain on these forward contracts totaled approximately $1.7 million at December 31, 2003.

Period Average Exchange Rates in CDN$

	13 weeks ended			39 weeks ended		
	12/31/2003	12/31/2002	% change	**12/31/2003**	12/31/2002	% change
US $	**1.3173**	1.5687	-16%	**1.3641**	1.5615	-13%
Euro	**1.5665**	1.5678	0%	**1.5692**	1.5116	+4%
Singapore $	**0.7637**	0.8874	-14%	**0.7835**	0.8793	-11%

Revenue
Consolidated revenue for the three months ended December 31, 2003 was $174.4 million, 14% or $21.3 million higher than a year earlier reflecting strong growth in each reportable segment. Higher revenues were generated in spite of the 16% decline in the average US to Canadian exchange rate compared to the third quarter of last year which reduced consolidated revenue by approximately $19.3 million compared to the third quarter a year ago (see Third Quarter Foreign Exchange Impact table).

Revenue by Industry

($ millions)

	13 weeks ended		39 weeks ended	
	12/31/2003	12/31/2002	**12/31/2003**	12/31/2002
Automation Systems Group:				
Automotive	**$ 51.5**	$ 45.1	**$ 148.0**	$ 132.6
Computer-electronics	**38.7**	36.9	**111.5**	118.5
Healthcare	**19.8**	17.6	**47.6**	51.5
Other	**8.5**	6.2	**25.0**	20.0
Subtotal	**118.5**	105.8	**332.1**	322.6
Precision Components Group:				
Automotive	**29.7**	27.8	**82.4**	83.0
Computer-electronics	**10.1**	1.6	**21.4**	2.9
Other	**1.6**	2.3	**4.4**	5.8
Subtotal	**41.4**	31.7	**108.2**	91.7
Solar Group	**27.5**	18.8	**62.4**	38.6
Inter-segment Elimination	**(13.0)**	(3.2)	**(31.3)**	(9.5)
Total Consolidated Revenue	**$ 174.4**	$ 153.1	**$ 471.4**	$ 443.4

ASG revenue increased 12% or $12.7 million in the third quarter, in spite of the negative foreign exchange impact of approximately $13.8 million. Higher revenue reflected strong growth in automotive, healthcare and other markets, and more modest growth of 5% in computer-electronics over the third quarter a year ago.

PCG revenue increased 31% in the third quarter, or $9.7 million, more than offsetting the negative foreign exchange impact of approximately $5.0 million. Growth was driven by a $6.8 million increase in Thermal Solutions and a $3 million revenue contribution from Micro-Precision Plastics (MPP), which was acquired in February 2003.

Solar Group revenue increased 46% or $8.7 million in the third quarter compared to last year reflecting increased shipments and strong market demand in Europe.

Consolidated Revenue by Region
($ millions)

	13 weeks ended		39 weeks ended	
	12/31/2003	12/31/2002	**12/31/2003**	12/31/2002
US & Mexico	**$ 94.4**	$ 82.5	**$ 268.9**	$ 253.8
Europe	**52.3**	41.5	**129.7**	90.8
Canada	**15.0**	18.4	**42.8**	56.5
Asia-Pacific and other	**12.7**	10.7	**30.0**	42.3
Total	**$ 174.4**	$ 153.1	**$ 471.4**	$ 443.4

Earnings from Operations (Operating Earnings)
For the three months ended December 31, 2003, Consolidated Operating Earnings were $0.9 million compared to $1.1 million in the third quarter of fiscal 2003. The estimated impact of the change in foreign exchange rates is a reduction in Consolidated Operating Earnings of approximately $6 million (see Third Quarter Foreign Exchange table).

ASG third quarter Operating Earnings of $3.5 million, were 21% higher than $2.9 million in the third quarter a year ago in spite of the negative impact of foreign currency estimated at $3.4 million. Last year's third quarter results included a $1.1 million charge to write off projects for two fiberoptics customers that went out of business.

ASG third quarter Operating Earnings were also negatively impacted this year by other factors. Higher than expected costs were incurred on a number of first-time systems that were either completed, or near completion during the third quarter. As well, factory utilization remained suboptimal as the benefits of higher booking activity leading into the third quarter were not yet fully realized. Management expects improved factory utilization in the fourth quarter as an increasing number of projects move from design into higher revenue-generating manufacturing activities.

PCG incurred an Operating Loss of $1.6 million versus an Operating Loss of $0.5 million in the third quarter of fiscal 2003 reflecting the estimated $2.6 million negative impact from the substantial drop in the US currency exchange rates.
In addition to its efforts to reduce operating costs to counter the weaker US dollar, PCG has been focused on the launch of a number of new programs during fiscal 2004 to generate higher revenues and improved operating results. However new programs often incur higher than normal operating costs during their launch period in terms of higher labour rates, scrap and poorer yields than more mature programs where production processes have stabilized and volumes have achieved higher than breakeven levels. PCG is making progress in ramping new programs and improving its manufacturing efficiencies and was therefore able, subsequent

to quarter end, to reduce its temporary contract workforce by 54 people even while production volumes increase. Planned additional improvements in production efficiencies on higher volume, further reductions in temporary contract labour and cost savings from continuous improvement initiatives are intended to return PCG to profitability over the next two quarters.

Solar Group generated record Operating Earnings of $2.1 million in the third quarter, compared to Operating Earnings of $0.3 million a year ago. This excellent performance was achieved in spite of higher R&D expenses and was driven by strong revenue growth, improved economies of scale, the benefits of automation, cell size increases and power efficiency. Changes in exchange rates did not have a material impact on third quarter Solar Group revenue or Operating Earnings (see Third Quarter Foreign Exchange table).

Nine Month Performance

Consolidated revenue for the 39 weeks ended December 31, 2003 was 6% or $28.0 million higher than the same period last year. Consolidated Operating Earnings were $5.3 million compared to $11.7 million in the same nine month period a year ago. The Company estimates the impact of changes in foreign exchange rates reduced fiscal 2004 nine month consolidated revenue by $34.6 million and consolidated Operating Earnings by $10.4 million compared to the same period a year ago (see table below).

Nine Month Foreign Exchange Impact
For the thirty-nine weeks ended December 31, 2003 (in millions of dollars)

	Reported	% Change vs last year	Estimated negative impact of Foreign Exchange included in reported results	% Change vs last year excluding Foreign Exchange impact
Revenue				
Automation Systems	$ 332.1	+3%	$ 25.7	+11%
Precision Components	108.2	+18%	9.6	+28%
Solar	62.4	+62%	(0.7)	+60%
Elimination of Inter-segment revenue	(31.3)			
Consolidated	$ 471.4	+6%	$ 34.6	+14%
Earnings from Operations				
Automation Systems	$ 15.1	-2%	$ 6.0	+37%
Precision Components	(3.0)	-218%	4.4	-46%
Solar	2.1	+874%	0.0	+874%
Inter-segment elimination and other corporate expenses	(8.9)			
Consolidated	$ 5.3	-55%	$ 10.4	+34%

ASG reported Operating Earnings of $15.1 million, versus $15.4 million a year earlier on revenue growth of 3% or $9.5 million. PCG reported an Operating Loss of $3.0 million versus Operating Earnings of $2.6 million a year earlier, despite achieving 18% or $16.5 million growth in revenue year-over-year. Solar Group Operating Earnings were $2.2 million versus an Operating Loss of $0.3 million in the same period a year ago on a 62% or $23.9 million increase in revenue. In addition, Photowatt took back $3.1 million in inventory from a customer experiencing difficulty in the first quarter a year ago, which dampened last year's nine month revenue performance.

Spheral Solar™ Power
ATS continues to make good progress with its SSP initiative and the assembly of sophisticated automation workstations for the first SSP solar factory. SSP's commercial launch has been pushed back approximately four months to the summer of calendar 2004 because of delays which have arisen in its launch schedule. However, construction of the new factory is now complete and solid progress is being made in the commercialization plan. The estimated start up investment for the SSP initiative has increased by an estimated $10 million to $15 million over the previously estimated $85 million budget. Government assistance of up to $29.5 million will reduce ATS's estimated investment in the initiative to between $65 to $70 million. The higher estimated investment is primarily for additional equipment and to enlarge the facility and reflects deliberate decisions to internalize production of some critical processes to reduce risks and SSP's operating costs of outsourcing.

Liquidity, Cash Flow and Financial Resources
ATS continued to invest during the third quarter to support strategic initiatives and to support future revenue and earnings growth.

Cash on hand at the end of December 2003, was $47.6 million, compared to $58.3 million at September 30th, 2003, and $82.3 million at March 31st, 2003.

The decline in cash on hand of $34.7 million since the end of the last fiscal year primarily reflected investments of $40.3 million, net of government funding, made in the SSP initiative, 88% of which is for fixed assets and the balance for deferred development.

The Company's cash flow performance and conservative financial posture continued to provide ATS with the means to fully support its operating strategies while maintaining its healthy financial position. Its debt to equity ratio at December 31st, 2003 of less than 0.1:1 remained very strong.

Automation Systems Backlog

At December 31st, 2003, Automation Systems Order Backlog (Order Backlog) was $181 million, 19% higher than $152 million a year ago. The decline in the period end exchange rate for the US dollar over the past year reduced period end Order Backlog by approximately $26 million compared to the same time last year. Not included in Order Backlog is $11 million of internal automation systems work primarily for SSP.

Automation Systems Backlog by Industry

($ millions)

	12/31/2003	12/31/2002
Computer-electronics	**$ 47**	$ 41
Automotive	**64**	67
Healthcare	**38**	31
Other	**32**	13
Total	**$ 181**	$ 152

Outlook

Short term, the Company remains cautiously optimistic about the pace of demand. New automation systems order bookings (Order Bookings) in the third quarter of fiscal 2004 of $94 million were slightly ahead of $93 million a year ago. New Automation Systems Order Bookings since the end of December were approximately $54 million compared to $50 million during the similar period last year. Management believes that quotation activity for its Automation Systems remains robust however some customers continue to delay placing purchase orders.

The lower value of the US dollar has created additional challenges for the Company and further declines in US dollar exchange rates would have additional negative impacts on performance. This is especially true for PCG because it sells most of its products in US dollars under long-term contracts, typically with fixed prices. PCG has focused its efforts over the past three years to secure higher margin business and continues to set cost reduction goals as part of its continuous improvement plans and initiatives. New programs, which are currently being ramped up, are expected to improve operating performance as operating costs are reduced and volumes increase. The Company continued to successfully ramp up production on its previously announced power seat sub-system contract during the third quarter. Primarily as a result of the US dollar exchange rate, and to a lesser degree, changes in product mix, the Company believes revenues under this contract will be approximately $30 million in fiscal 2005 compared to initial estimates of $40 million. The Company continues to expect attractive returns from the contract based on this revised estimate and expects further revenue increases beyond fiscal 2005.

In Solar, management expects fourth quarter revenues to be solid, and ahead of last year's fourth quarter. However, fourth quarter revenue is expected to be lower than the very strong third quarter because of a traditional decline in installations during the winter. Going forward, Photowatt expects prices per watt to continue to decline, however it also expects demand to benefit from attractive new subsidy programs in Germany, introduced at the beginning of calendar 2004. These new government subsidies provide increased purchase incentives and broaden the type of projects that qualify for subsidies to include larger commercial installations.

Overall, in spite of the current challenging economic conditions, management believes that market conditions are improving and that ATS is well positioned to compete successfully and profitably in this environment. Management is committed to improving operating margins and taking advantage of expected improving market conditions to increase the Company's earnings and return on investment in all areas of its operations.

Certain forward looking statements are made in this MD&A and the letter to shareholders, reflecting the Company's expectations regarding possible future business, results and performance. These forward looking statements reflect the current views of the Company's management and are subject to various risks and uncertainties which could cause the Company's future growth, results and performance to differ materially from those expressed in or implied by these statements. Certain of these risks are described in our annual report for the most recent fiscal year and/or are described in ATS's periodic reports filed with Canadian regulatory authorities. ATS disclaims any intention or obligation to update or revise these forward-looking statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

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

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
		(as restated, see note 3)		(as restated, see note 3)
Revenue	**$ 471,418**	$ 443,434	**$ 174,354**	$ 153,098
Operating costs and expenses:				
Cost of revenue	**389,858**	361,169	**149,422**	127,554
Depreciation and amortization	**24,700**	22,046	**8,049**	7,769
Selling and administrative	**51,529**	48,503	**16,003**	16,706
	466,087	431,718	**173,474**	152,029
Earnings from operations	**5,331**	11,716	**880**	1,069
Other expenses (income):				
Interest on long-term debt	**591**	924	**181**	295
Other interest	**(464)**	(1,634)	**(88)**	(411)
	127	(710)	**93**	(116)
Earnings from continuing operations before income taxes and non-controlling interest	**5,204**	12,426	**787**	1,185
Provision for income taxes – current period	**1,737**	4,152	**262**	420
Adjustment of future income taxes due to increase in corporate tax rates (note 7)	**2,117**	-	**2,117**	-
Non-controlling interest in earnings of subsidiaries	**29**	337	**40**	72
Net earnings from continuing operations	**1,321**	7,937	**(1,632)**	693
Loss from discontinued operations net of tax (note 3)	**(286)**	(970)	**-**	(284)
Net earnings	**$ 1,035**	$ 6,967	**$ (1,632)**	$ 409
Earnings (loss) per share (note 6):				
Basic – from continuing operations	**$ 0.02**	$ 0.13	**$ (0.03)**	$ 0.01
Basic – from discontinued operations	**-**	(0.01)	**-**	-
	$ 0.02	$ 0.12	**$ (0.03)**	$ 0.01
Diluted – from continuing operations	**$ 0.02**	$ 0.13	**$ (0.03)**	$ 0.01
Diluted – from discontinued operations	**-**	(0.02)	**-**	-
	$ 0.02	$ 0.11	**$ (0.03)**	$ 0.01

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Retained earnings, beginning of period	**$ 201,075**	$ 198,732	**$ 203,742**	$ 205,290
Net earnings	**1,035**	6,967	**(1,632)**	409
Retained earnings, end of period	**$ 202,110**	$ 205,699	**$ 202,110**	$ 205,699

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars - unaudited)

	December 31 2003	March 31 2003
ASSETS		
Current assets:		
Cash and short-term investments	**$ 47,637**	$ 82,333
Accounts receivable	**145,816**	117,756
Income taxes recoverable	**6,904**	1,868
Costs and earnings in excess of billings on contracts in progress	**95,824**	96,546
Inventories	**73,159**	83,099
Other	**2,992**	3,734
	372,332	385,336
Fixed assets	**258,523**	226,555
Goodwill	**59,354**	63,721
Intangible assets	**6,257**	8,949
Other assets	**30,815**	29,307
	$ 727,281	$ 713,868
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 92,301**	$ 73,373
Billings in excess of costs and earnings on contracts in progress	**25,818**	14,585
Future income taxes	**20,955**	22,128
	139,074	110,086
Long-term debt	**44,190**	49,754
Future income taxes	**8,435**	5,817
Non-controlling interest	**324**	1,053
Shareholders' equity:		
Share capital	**331,702**	331,499
Retained earnings	**202,110**	201,075
Cumulative translation adjustment	**1,446**	14,584
	535,258	547,158
	$ 727,281	$ 713,868

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Cash flows from operating activities:				
Net earnings	**$ 1,035**	$ 6,967	**$ (1,632)**	$ 409
Items not involving cash	**27,323**	28,036	**9,991**	10,197
Cash flow from operations	**28,358**	35,003	**8,359**	10,606
Change in non-cash operating working capital	**(4,179)**	(35,251)	**8,530**	(6,670)
	24,179	(248)	**16,889**	3,936
Cash flows from investing activities:				
Acquisition of interest in subsidiary (note 4)	**(650)**	(6,123)	**-**	(6,123)
Acquisition of fixed assets	**(55,954)**	(22,097)	**(23,885)**	(12,737)
Investments and other	**(6,951)**	(7,146)	**(2,658)**	(2,149)
Proceeds from disposal of assets held for sale (note 3)	**8,877**	-	**-**	-
	(54,678)	(35,366)	**(26,543)**	(21,009)
Cash flows from financing activities:				
Bank indebtedness	**-**	(3,108)	**-**	(3,047)
Issuance of common shares	**204**	823	**157**	-
Other	**6**	378	**(2)**	2[illegible]
	210	(1,907)	**155**	(3,021)
Effect of exchange rate changes on cash and short-term investments	**(4,407)**	997	**(1,212)**	458
Decrease in cash and short-term investments	**(34,696)**	(36,524)	**(10,711)**	(19,636)
Cash and short-term investments, beginning of period	**82,333**	113,281	**58,348**	96,393
Cash and short-term investments, end of period	**$ 47,637**	$ 76,757	**$ 47,637**	$ 76,757
Supplementary information:				
Cash income taxes paid	**$ 4,638**	$ 7,496	**$ 1,319**	$ 2,081
Cash interest paid	**$ 583**	$ 932	**$ 142**	$ 284

See accompanying notes to interim consolidated financial statements

1. Significant accounting policies:

(a) The accompanying unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and the accounting policies are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2003, except as described in note 2. The unaudited interim consolidated financial statements presented in this interim report do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited consolidated financial statements in the Company's fiscal 2003 Annual Report.

(b) 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.

2. Accounting policy changes:

(a) Effective April 1, 2003, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") recommendations related to the determination of long-lived asset impairment as well as recognition, measurement and disclosure of any impairment. The adoption of the new recommendations had no material impact on the Company's interim consolidated financial statements for the thirteen or thirty-nine weeks ended December 31, 2003.

(b) Effective April 1, 2003, the Company adopted the new CICA recommendations that establish standards for the recognition, measurement, presentation and disclosure of the disposal of long-lived assets and for the presentation and disclosure of 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 3. Other than the matter described in note 3, the adoption of the new recommendations had no material impact on the Company's interim consolidated financial statements for the thirteen or thirty-nine weeks ended December 31, 2003.

3. Discontinued operations, assets held for sale and subsequent event:

During the thirteen weeks ended June 30, 2003, the Company committed to a plan to sell the intellectual property and key operating assets of its subsidiary, Eco-Snow Systems Inc ("Eco-Snow"). Accordingly, the results of operations of Eco-Snow have been segregated and presented separately as discontinued operations in the accompanying interim consolidated financial statements. The results of the discontinued operations were as follows:

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

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Revenue	**$ 963**	$ 1,654	**$ -**	$ 726
Loss from operations	**$ (477)**	$ (1,619)	**$ -**	$ (475)
Income tax recovery	**191**	649	**-**	191
Loss from discontinued operations	**$ (286)**	$ (970)	**$ -**	$ (284)

During the thirteen weeks ended September 30, 2003, the Company completed the sale of the Eco-Snow intellectual property and key operating assets for $8.9 million. The disposal of the Eco-Snow assets did not have a material impact on earnings for the thirteen weeks ended December 31, 2003.

4. Acquisition:

During the thirteen weeks ended June 30, 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 were approximately equal to the consideration paid.

5. Stock-based compensation:

In accordance with the CICA recommendations, 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 at the grant date of the options awarded on or after April 1, 2002.

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Net earnings:				
as reported	**$ 1,035**	$ 6,967	**$ (1,632)**	$ 409
pro forma	**$ 255**	$ 6,331	**$ (1,884)**	$ 203
Earning per share:				
Basic - as reported	**$ .02**	$ 0.12	**$ (.03)**	$ 0.01
- pro forma	**$ .00**	$ 0.10	**$ (.03)**	$ 0.00
Diluted - as reported	**$ .02**	$ 0.11	**$ (.03)**	$ 0.01
- pro forma	**$ .00**	$ 0.10	**$ (.03)**	$ 0.00

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

In the pro forma results above, the fair values of the Company's stock option grants were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Thirty-nine weeks ended		**Thirteen weeks ended**	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Risk-free interest rate	**4.4%**	5.4%	**4.14%**	-
Dividend yield	**0%**	0%	**0%**	-
Expected life	**5 years**	6 years	**5 years**	-
Expected volatility	**38%**	42%	**38%**	-
Number of stock options granted (thousands)	**505**	471	**75**	-
Weighted average of exercise price per option	**$ 9.25**	$ 18.61	**$ 13.00**	-
Weighted average Black-Scholes value per option	**$ 3.73**	$ 9.11	**$ 5.22**	-

6. Weighted average number of shares:

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

	Thirty-nine weeks ended		**Thirteen weeks ended**	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Basic	**60,582**	60,466	**60,601**	60,538
Diluted	**61,011**	60,981	**61,104**	60,866

7. Adjustment of future income taxes:

The Province of Ontario recently announced that it is increasing provincial corporate income tax rates and cancelling a previously legislated provincial income tax decrease. As these changes to the tax rates are considered substantively enacted for the purposes of Canadian Generally Accepted Accounting Principles the Company has reflected the estimated effect of these changes in its future income taxes in the current period.

8. Segmented disclosure:

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

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

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

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2003	December 31 2002	**December 31 2003**	December 31 2002
Revenue				
Automation Systems	**$ 332,137**	$ 322,679	**$ 118,534**	$ 105,763
Precision Components	**108,245**	91,748	**41,436**	31,717
Solar	**62,435**	38,550	**27,506**	18,809
Elimination of inter-segment revenue	**(31,399)**	(9,543)	**(13,122)**	(3,191)
Consolidated	**$ 471,418**	$ 443,434	**$ 174,354**	$ 153,098
Earnings from operations				
Automation Systems	**$ 15,095**	$ 15,389	**$ 3,544**	$ 2,920
Precision Components	**(3,049)**	2,576	**(1,635)**	(474)
Solar	**2,152**	(278)	**2,116**	272
Inter-segment elimination and other corporate expenses	**(8,867)**	(5,971)	**(3,145)**	(1,649)
Consolidated	**$ 5,331**	$ 11,716	**$ 880**	$ 1,069

9. Cyclical nature of the business:

Interim financial results are not necessarily indicative of annual or longer term results, because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact Automation Systems bookings, Precision Components and Solar volumes, and the Company's earnings in any of its markets.