Automation
Tooling
Systems

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Second Quarter Report – Fiscal 2005

Dear Shareholder:

For the three months ended September 30, 2004, ATS Automation Tooling Systems Inc. ("ATS") reported net earnings from continuing operations of $3.4 million (6 cents per share basic and diluted), up 358% or $2.7 million from $0.7 million (1 cent per share basic and diluted) a year ago, driven by stronger performances from the Company's Automation Systems and Solar businesses.

Second Quarter Financial Highlights

- Consolidated revenue increased 30% to $186.9 million from $144.0 million in the second quarter a year ago.
- Automation Systems Group operating earnings were up 75% to $10.2 million, from $5.8 million in the second quarter of fiscal 2004 on stronger operating margins and a 22% increase in revenue, which stood at $132.8 million.
- Solar Group operating earnings were $0.5 million, compared to a loss of $0.05 million a year ago, on 57% growth in revenue to $28.3 million.
- Precision Components Group operating loss was $2.3 million compared to a loss of $1.5 million in the same period a year ago, on an 8% increase in revenue to $30.3 million.
- New automation systems Order Bookings were $154 million, 6% higher than a year ago.
- Automation systems Order Backlog increased 26% to $252 million versus $200 million at September 30, 2003 and was 9% higher than the backlog at the start of the quarter.
- Cash flow from operating activities during the second quarter was $46.9 million, and the Company's cash position, net of bank indebtedness, increased $28.7 million from the first quarter of fiscal 2005 to $15.5 million.
- The Company plans to dispose of its thermal products business during the third quarter of fiscal 2005. Accordingly, its results have been accounted for as a discontinued operation. The loss from discontinued operations totaled $3.0 million (5 cents per share) in the quarter. This included a $2.0 million after tax, non-cash charge to write down the value of the thermal products business assets to their estimated net realizable value.
- Net earnings were $0.4 million (1 cent per share basic and diluted) compared to $0.4 million (1 cent per share basic and diluted) a year ago.

- The Company estimates changes in foreign currency exchange rates reduced second quarter net earnings by $2.4 million (4 cents per share) and revenue by $7.8 million compared to the second quarter of fiscal 2004.

The Automation Systems Group ("ASG") performed very well in the second quarter with strong year-over-year gains as did our Solar business. Even more positive is the fact that even though the summer is our weakest period because of lost production time and lower shipments, ASG achieved a 60% improvement in operating earnings compared to the first quarter of this year. Stronger operating results were registered in all geographic regions compared to the first quarter of this year and ASG also benefited from better utilization and improved performance in some of the facilities that have lagged the recovery experienced by our larger and more established facilities in Canada and the Eastern United States. We believe this momentum is still growing and we expect to see more performance gains going forward. Quotation activity remains strong and near record high order backlog provides a solid foundation for expected continued gains in the second half of fiscal 2005.

The performance of the Company's Precision Components Group ('PCG") weakened in the second quarter, reflecting summer shutdowns and industry wide challenges including pricing, rising material costs, fluctuating demand and, for us in Canada, a declining US dollar. We have fought back with cost cuts, labour reductions, productivity enhancements, raw material surcharges, and a global sourcing strategy. The benefits realized from these initiatives to date have been quite limited. However, we expect to see growing contributions from these steps during the second half of this year. We also expect to complete the sale of PCG's underperforming thermal products business shortly. This is an important step in our plans to return PCG to profitability.

In addition the Company's solar business remains on track to make a record contribution to ATS earnings this year. During the second quarter, despite losing a full month of production to traditional European vacations and incurring costs to bring on new capacity, our solar business remained profitable and made a solid contribution to consolidated earnings.

Demand for solar modules is strong and with the summer period behind it, we expect Photowatt to take full advantage of market potential through the second half of this year. Our Spheral Solar Power initiative is also progressing and we believe demand for SSP products is building. At quarter end we shipped our first product, a flexible module for marine, recreational and off-grid energy applications. Our production equipment commissioning is moving forward and while we expect volumes will be modest for now, we expect more meaningful shipments to occur as we get deeper into the fiscal year.

Overall we believe ATS will generate stronger earnings during our second half. While the Precision Components Group continues to face tough challenges, we also expect to see benefits from the various initiatives we have undertaken. As well, our Automation Systems and Solar businesses, which currently comprise over 80% of our consolidated revenue base, have made excellent progress this year in growing their earnings and we believe that both are very well positioned to generate stronger earnings through the second half of fiscal 2005.

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 and six months ended September 30, 2004 (second quarter of fiscal 2005) should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended September 30, 2004 and the Company's fiscal 2004 Annual Report. The Company assumes that the reader of this MD&A has access to, and has read the MD&A in the Company's 2004 Annual Report and the first quarter MD&A and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the MD&A section of the 2004 Annual Report. This MD&A provides detailed information on the Company's operating activities of the three months ended September 30, 2004. For a discussion of the three months ended June 30, 2004 refer to ATS's first quarter MD&A. These documents and other information relating to the Company, including the Annual Information Form, may be found on SEDAR at www.sedar.com.

Notice to Readers

The Company has three reportable segments: Automation Systems Group ("ASG"), Precision Components Group ("PCG") and Solar Group ("Solar"). The terms operating income, operating earnings, earnings from operations, operating loss, operating results, 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.

Certain forward-looking statements are made in this MD&A, including statements regarding possible future results and business. Investors are cautioned that such forward-looking statements involve risks and uncertainties. The Company's results could differ materially from those currently anticipated due to a number of factors including, but not limited to, the risks and uncertainties contained in the Company's fiscal 2004 Annual Report and other risks detailed from time to time in ATS's periodic reports filed with Canadian regulatory authorities. Readers should consult the Company's fiscal 2004 Annual Report and other regulatory documents as they become available.

Consolidated Results of Operations

Growth in all three of ATS's reportable segments contributed to the 30% increase in consolidated revenue for both the three and six month periods ended September 30, 2004 in spite of the continued strengthening of the Canadian dollar relative to the US dollar. Changes in effective foreign exchange rates reduced consolidated revenue for the three and six month periods ended September 30, 2004 compared to the same periods of fiscal 2004, by an estimated $7.8 million and $18.1 million, respectively.

Revenue by Industry
($ millions)

	Three months ended		Six months ended	
	9/30/2004	9/30/2003	**9/30/2004**	9/30/2003
Automation Systems Group:				
Automotive	**$ 41.2**	$ 51.6	**$ 78.7**	$ 96.5
Computer-electronics	**34.7**	33.6	**77.6**	72.8
Healthcare	**43.5**	13.6	**73.1**	27.8
Other	**13.4**	9.8	**27.3**	16.5
Subtotal	**132.8**	108.6	**256.7**	213.6
Precision Components Group:				
Automotive	**27.4**	24.7	**58.1**	52.7
Computer-electronics	**1.5**	2.2	**3.0**	3.0
Other	**1.4**	1.1	**3.3**	2.8
Subtotal	**30.3**	28.0	**64.4**	58.5
Solar Group	**28.3**	18.0	**65.4**	34.9
Inter-segment Elimination	**(4.5)**	(10.6)	**(10.3)**	(18.2)
Total Consolidated Revenue	**$ 186.9**	$ 144.0	**$ 376.2**	$ 288.8

Consolidated Revenue by Region
($ millions)

	Three months ended		Six months ended	
	9/30/2004	9/30/2003	**9/30/2004**	9/30/2003
U.S. & Mexico	**$ 107.0**	$ 88.5	**$ 219.5**	$ 171.0
Europe	**52.7**	39.1	**107.5**	74.3
Canada	**10.3**	10.5	**22.2**	27.8
Asia-Pacific and other	**16.9**	5.9	**27.0**	15.7
Total	**$ 186.9**	$ 144.0	**$ 376.2**	$ 288.8

Consolidated earnings from operations for the three months ended September 30, 2004 were $5.8 million, $4.6 million higher than in the second quarter of fiscal 2004. For the six months ended September 30, 2004, consolidated earnings from operations were $11.3 million, $6.3 million higher than in the same period of the prior year. These higher earnings were the result of stronger performance by ASG and Solar, which more than offset the negative impact of foreign exchange and increased losses in PCG. The estimated negative impact of the year-over-year change in foreign exchange rates on consolidated earnings from operations for the three and six months ended September 30, 2004 was approximately $3.6 million and $10.4 million, respectively.

Contributing to increased SG&A costs for the three and six months ended September 30, 2004 were higher marketing costs related to participation in three major automation trade shows in the second quarter and increased profit sharing expenses associated with increased profitability. As a percentage of revenue, however, SG&A declined for both the three and six months ended September 30, 2004. SG&A costs in the first quarter of fiscal 2005 included a $1.0 million pre-tax charge related to the costs of disposing of the Company's aging aircraft.

Subsequent to the end of the second quarter, the balance of the Company's corporate aircraft assets were sold for a gain of approximately $0.8 million, which will be reflected in the results for the third quarter of fiscal 2005. See Note 3(ii) to the interim Consolidated Financial Statements.

Higher interest expenses in the second quarter and first six months of fiscal 2005 reflected increased usage of the Company's credit facilities, reduced cash balances compared to a year ago and higher interest rates.

Net earnings from continuing operations for the second quarter of fiscal 2005 increased to $3.4 million from $0.7 million in the second quarter of fiscal 2004. On a per share basis, net earnings from continuing operations increased to 6 cents basic and diluted from 1 cent basic and diluted in the same period a year ago. Net earnings from continuing operations for the six months ended September 30, 2004 were $6.8 million (11 cents per share basic and diluted) compared to $3.3 million (5 cents per share basic and diluted a year ago). The estimated negative impact of changes in foreign exchange rates for the three and six months ended September 30, 2004 was a reduction of net earnings from continuing operations of $2.4 million (4 cents per share) and $6.9 million (11 cents per share), respectively.

Discontinued Operations: During the second quarter, the Company committed to a plan to sell the intellectual property, inventory and key operating assets of its thermal management products business ("Thermals Assets") and is currently negotiating a sale agreement. Accordingly, the results and financial position of the Thermals business unit and related assets have been segregated and presented as "discontinued operations" and "assets held for sale" in the accompanying interim financial statements (see Note 3 to the Consolidated Financial Statements). The loss from discontinued operations of $3.0 million for the second quarter included an after-tax non-cash charge of $2.0 million (pre-tax $3.0 million) to reduce the carrying value of the Thermals Assets held for sale to management's estimate of their net realizable value.

Restated quarterly financial results for fiscal 2004 and the first quarter of fiscal 2005 is available on the ATS website (www.atsautomation.com).

Net earnings for the second quarter of fiscal 2005 were $0.4 million (1 cent per share basic and diluted) compared to $0.4 million (1 cent basic and diluted) a year ago. Net earnings for the first six months of fiscal 2005 were $3.2 million (5 cents per share basic and diluted) compared to $2.5 million (4 cents per share basic and diluted).

Impact of Foreign Exchange: The sustained strength of the Canadian dollar against the US dollar continued to have a significant negative impact on the Company's revenue and earnings in the second quarter and on a year-to-date basis. The effective rate of exchange on US currency declined 7.0% while average market rates were 5.4% lower in the second quarter compared to the second quarter of last year.

At September 30, 2004 the Company had, on hand, unrealized forward exchange contracts for the future sale of US dollars totaling US $100.2 million at an average exchange rate of Cdn $1.32. The unrecognized gain on these forward contracts totaled approximately $5.4 million at September 30, 2004.

The estimated impact of changes in foreign exchange rates, net of the offsetting impact of forward exchange contracts, on both revenue and operating earnings, for each of the Company's reportable segments and on a consolidated basis has been summarized in the table below for the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004. The impact on consolidated operating earnings from translation was not material in the second quarter of fiscal 2005.

Estimated Foreign Exchange Impact
For the three months ended September 30, 2004 (in millions of dollars)

		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	$	132.8	+22%	$	6.5	+28%
Precision Components		30.3	+8%		1.9	+15%
Solar		28.3	+57%		(0.6)	+54%
Elimination of Inter-segment revenue		(4.5)			-	
Consolidated	$	186.9	+30%	$	7.8	+35%
Earnings from Operations						
Automation Systems	$	10.2	+75%	$	2.8	+123%
Precision Components		(2.3)	-51%		0.8	+2%
Solar		0.5	+1094%		-	+1094%
Inter-segment elimination and other corporate expenses		(2.6)			-	
Consolidated	$	5.8	+399%	$	3.6	+715%

Period Average Exchange Rates in CDN$

	Three months ended			Six months ended		
	09/30/2004	09/30/2003	**% change**	**09/30/2004**	09/30/2003	**% change**
US $	**1.3048**	1.3797	-5%	**1.3322**	1.3875	-4%
Euro	**1.5962**	1.5521	+3%	**1.6183**	1.5706	+3%
Singapore $	**0.7650**	0.7880	-3%	**0.7814**	0.7934	-2%

Automation Systems Group

ASG revenue increased 22% in the second quarter compared to the second quarter of last year as a result of a more than three-fold increase in healthcare revenue, a 37% increase in "other", which is primarily consumer products, and a 3% increase in computer-electronics revenue. Growth in these areas more than offset a decline in Automotive revenue of $10.4 million and the negative impact of foreign exchange. For the three and six months ended

September 30, 2004, the estimated negative foreign exchange impact on revenue was $6.5 million and $15.1 million, respectively. The substantial increase in healthcare revenues in recent quarters reflects the Company's successful strategy and initiatives to expand its activities in this market and growing acceptance of ASG's innovative technology offerings. ATS's strategy is to secure well-diversified sources of revenue across its markets to help mitigate cyclical risk and reliance on any one industrial segment.

ASG second quarter operating earnings were $10.2 million, a $4.4 million or 75% improvement over the second quarter a year ago reflecting higher revenues and improved operating margins. ASG operating earnings for the first six months of fiscal 2005 were $16.7 million (operating margin of 6.5%) compared to $11.6 million (5.4% operating margin) in the same period of fiscal 2004. The estimated negative impact of foreign currency on ASG operating earnings for the three and six months ended September 30, 2004 was $2.8 million and $8.8 million, respectively.

At 7.7%, ASG operating margin improved significantly over the margin of 5.4% in the same quarter a year ago and over the margin of 5.2% of the first quarter. Improved operating margin performance by North American and Asian ASG operations contributed to the improvement in second quarter performance compared to the second quarter of fiscal 2004. Despite traditionally being ASG's weakest quarter, all of ASG's geographic regions (Asia, US West Coast, Canada/Eastern US and Europe) reported improved operating results in the second quarter of fiscal 2005 compared to the first quarter of fiscal 2005. Improved margins were primarily the result of improved order backlog, improving resource utilization in a number of sites and better project execution. ASG's European operations incurred a $1 million pre-tax expense during the first quarter of fiscal 2005 as a result of an estimated cost overrun on a project.

Automation Systems Backlog: At September 30, 2004, ASG Order Backlog was $252 million, $21 million (9%) higher than at June 30, 2004 and $52 million (26%) higher than a year ago. New ASG Order Bookings totaled $154 million in the second quarter, 6% higher than in the same period a year ago. Order Bookings for the first six months of fiscal 2005 were $271 million, 8% higher than a year earlier. Order Bookings in the first four weeks of the third quarter were $38 million.

Automation Systems Backlog by Industry
($ millions)

	09/30/2004	09/30/2003
Healthcare	**$ 88**	$ 42
Automotive	**66**	81
Computer-Electronics	**65**	44
Other	**33**	33
Total	**$ 252**	$ 200

Automation Systems Outlook: Management believes that customers remain cautious toward capital spending. Management continues to respond to these market conditions by broadening the Company's customer base into healthcare (including pharmaceutical, biomedical and medical device customers), intensifying the marketing of ATS standard technologies, and launching new initiatives to further reduce operating costs and improve efficiency. Management believes that these initiatives have resulted in significant additional competitive advantages for ASG and allowed it to capture increased market share as evidenced by the high order backlog at September 30, 2004.

Reflecting these initiatives, management believes that the Company's quotation activity in North America, the Company's largest market, is very strong. Due to continuing soft economic conditions, Europe is currently ASG's weakest geographic market and this will likely keep pricing competitive in this region. Asian quotation activity has improved as a result of the continuing migration of manufacturing companies to Asian countries, however Asia remains a price-sensitive market.

Order backlog is close to the previous record high level achieved by the Company in the third quarter of fiscal 2001, and this provides a strong volume of business for ASG entering the second half of this fiscal year. Over the past three quarters ASG has become more selective in its bidding process and management believes that period end backlog is of improved quality and includes a higher proportion of repeat systems work. The backlog is also better distributed between ASG operating divisions than it has been for a number of quarters. These factors are expected to facilitate further overall improvements in resource utilization across many of the Company's ASG facilities and contribute to higher operating margins and earnings.

Margins in ASG's US West Coast operations and some of its smaller North American facilities have lagged those already generated by its larger operations in Canada and the Eastern US which are now running at longer term targeted levels. While significant improvements were produced in these lagging facilities in the second quarter, operating margins were still well below targeted levels. With the improved size and quality of backlog on hand, management expects continued margin improvement to be generated during the second half of the fiscal year from these divisions. Similarly, the backlog is expected to support further near-term growth in operating earnings in Canadian and Eastern US facilities while more modest improvement is expected in Asia and Europe.

Precision Components Group

Second quarter PCG revenue increased 8% or $2.3 million to $30.3 million compared to the second quarter of fiscal 2004 as a result of new programs. The estimated negative foreign exchange impact on revenue in the quarter and for the first six months was $1.9 million and $4.5 million, respectively. The PCG revenue increase was also achieved despite continuing market challenges in the automotive sector and unusually long customer plant shutdowns during the summer period. PCG revenue was $3.8 million lower than in the first quarter of fiscal 2005 reflecting the slower summer period and the weaker automotive market.

PCG incurred an operating loss of $2.3 million compared to an operating loss of $1.5 million in the second quarter a year ago. PCG's operating loss for the first six months of fiscal 2005 was $3.0 million compared to an operating loss of $0.7 million in the same period of fiscal 2004. The estimated negative impact of foreign currency was $0.8 million and $1.8 million, for the three and six months ended September 30, 2004. Increased operating losses also reflected high costs from fluctuating customer shipment releases, unexpectedly long customer plant shutdowns, and higher prices for raw materials, transportation and packaging.

Management has made progress on implementation of a number of initiatives which are intended to bring PCG back to profitability. The benefits realized from implementing these initiatives were small during the second quarter, however they are expected to become more evident in subsequent quarters as the benefits realized gain momentum. More specifically, PCG:

- Successfully negotiated surcharges to cover 80% of the steel cost increases which have negatively impacted PCG results.
- Reduced its total employment by over 100 people in the second quarter, which is expected to provide annualized savings of over $3 million dollars.
- Made progress in reducing costs through a new global procurement strategy. Just under $0.7 million worth of annualized cost savings have now been secured from this initiative. These savings started to be realized late in September. In addition, another potential $1.3 million in annualized savings have now been identified under this initiative and, subject to gaining required ATS customer acceptance of the new sources, will be realized over the next three quarters.
- Achieved price increases on certain underperforming programs, and expects to continue to negotiate to improve the economics of other programs throughout the balance of the fiscal year.

Precision Components Outlook: As described above, PCG is making substantial progress in its initiatives to improve its future financial performance. However, the rising value of the Canadian dollar to date and weak automotive market conditions have negatively impacted PCG's performance and are delaying PCG's return to profitability. These challenges are expected to persist during the second half of fiscal 2005. Customer shipment release volumes have remained unusually volatile to date in the third quarter, however based on current customer forecasts, shipment volumes are expected to improve marginally in the second half of fiscal 2005. PCG also continues to actively quote and secure incremental new business that makes greater use of existing production equipment and facilities as a means to further enhance operating performance.

Solar Group

Solar Group revenue, which is derived from Photowatt, was $28.3 million (or 57%) higher in the second quarter compared to the same period last year. Over the first six months of fiscal 2005, Photowatt's revenue was $65.4 million, or 87% higher than in fiscal 2004. The increase in revenues in the second quarter and on a year-to-date basis over fiscal 2004 reflected continuing strong demand, primarily as a result of attractive government incentive programs in Germany. Photowatt came close to achieving its highest quarterly revenue in history surpassed only by the first quarter of fiscal 2005, even though the Photowatt facility in France closed for its customary month long summer plant shutdown. Changes in exchange rates did not have a material impact on Solar Group revenue or operating earnings for the three or six months ended September 30, 2004.

Solar Group operating earnings for the second quarter were $0.5 million, compared to a loss of $0.05 million a year ago. For the six months ended September 30, 2004, Solar Group operating earnings were $3.7 million higher than the $0.04 million earned in the first half of fiscal 2004. Growth in Solar Group earnings was due to increased revenues, better factory utilization and efficiencies gained from recent capital investments which more than offset incremental costs to install new production capacity.

Solar Outlook: Current demand for Solar products is expected to remain very strong as a result of subsidy programs introduced in Germany at the beginning of calendar 2004. Many other countries are considering adopting subsidy programs to encourage the adoption of clean renewable solar energy, which, if enacted, would further drive demand.

Strong market demand for solar products continues to increase the demand for silicon feedstock (a primary raw material in producing the Company's solar products) which has resulted in higher silicon prices and has increased the risk of shortages of silicon. Photowatt continues to secure sources of silicon and inventories have been increased. In spite of the continuing risk of silicon material shortages, the Company believes market conditions provide a favorable outlook for its Solar Group for the balance of fiscal 2005.

The Company's Spheral Solar Power ("SSP") development initiative is also progressing. As planned, small quantities of its first product – a flex module for marine, recreational and off-grid power applications – was shipped late in the second quarter. Management expects modest additional shipments in the third quarter followed by a ramp up period that should begin to accelerate into calendar 2005.

Liquidity, Cash Flow and Financial Resources

Cash balances, net of bank indebtedness, at September 30, 2004 increased by $28.7 million during the second quarter of fiscal 2005. Cash provided from operating activities was $46.9 million as compared to cash outflows from operating activities of $4.9 million for the second quarter of fiscal 2004. Cash flows from operating activities increased for the second quarter of fiscal 2005 largely as a result of a reduced working capital within ASG. ASG working capital requirements often fluctuate significantly from quarter to quarter.

The Company invested $17 million in property, plant and equipment and other investments, including deferred development, in the second quarter of fiscal 2005. Investments made in SSP in the second quarter of fiscal 2005, net of government funding, were $8 million for capital assets and deferred development. Total investment in the SSP initiative, net of government funding, was $87 million at September 30, 2004, including the costs of the development program announced by ATS in July 2002 and the acquisition costs for the initial technology and related assets. To date, all significant costs of the development program, including the costs of acquiring the initial technology, have been capitalized on the Company's balance sheet. During the second quarter of fiscal 2005 the Company also invested in plant and equipment at Photowatt to increase operational capacity.

During the second quarter, 25,474 stock options were exercised for total proceeds of $0.2 million. At September 30, 2004 the total number of shares outstanding was 60,735,465.

Management believes the Company's cash flow from operations, sound balance sheet and access to unutilized credit provide ATS with the financial resources to execute its business plans and pursue strategic opportunities. The Company's debt to equity ratio at September 30, 2004 was 0.1:1 unchanged from June 30, 2004 and March 31, 2004. At September 30, 2004, the Company had $79 million of unutilized credit available under existing operating and term credit facilities. These credit facilities are subject to annual review and are expected to be renewed during the third quarter. The Company is in compliance with its loan covenants.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q2 2005**	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Revenue	**$ 186,870**	$ 189,305	$ 191,644	$ 167,397	$ 144,038	$ 144,752	$ 136,092	$ 151,491
Net earnings (loss) from continuing operations	**$ 3,405**	$ 3,392	$ (2,733)	$ (1,270)	$ 743	$ 2,511	$ (3,877)	$ 1,110
Net earnings (loss)	**$ 432**	$ 2,780	$ (3,069)	$ (1,701)	$ 372	$ 2,145	$ (4,624)	$ 409
Basic earnings per share from continuing operations	**$ 0.06**	$ 0.06	$ (0.05)	$ (0.02)	$ 0.01	$ 0.04	$ (0.06)	$ 0.02
Basic earnings per share	**$ 0.01**	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01	$ 0.04	$ (0.08)	$ 0.01
Diluted earnings per share from continuing operations	**$ 0.06**	$ 0.06	$ (0.05)	$ (0.02)	$ 0.01	$ 0.04	$ (0.06)	$ 0.02
Diluted earnings per share	**$ 0.01**	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01	$ 0.04	$ (0.08)	$ 0.01

Note: The above information has been restated for the thermals discontinued operations.

Lease and Contractual Obligations

Information on the Company's lease and contractual obligations is detailed in the annual financial statements and MD&A for the year ended March 31, 2004. For the period ended September 30, 2004, the Company did not enter into any material leases or any material contractual obligations which would be considered outside the normal course of operations.

November 4, 2004

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

(in thousands, except per share amounts - unaudited)

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
		(as restated)		(as restated)
Revenue	**$ 376,175**	$ 288,790	**$ 186,870**	$ 144,038
Operating costs and expenses:				
Cost of revenue	**309,011**	233,467	**153,132**	117,841
Depreciation and amortization	**16,164**	15,255	**8,258**	7,670
Selling and administrative	**39,386**	34,935	**19,553**	17,299
Stock-based compensation (note 4)	**333**	150	**168**	75
	364,894	283,807	**181,111**	142,885
Earnings from operations	**11,281**	4,983	**5,759**	1,153
Other expenses (income):				
Interest on long-term debt	**416**	396	**225**	187
Other interest	**396**	(362)	**328**	(163)
	812	34	**553**	24
Earnings from continuing operations before income taxes and non-controlling interest	**10,469**	4,949	**5,206**	1,129
Provision for income taxes	**3,581**	1,706	**1,793**	392
Non-controlling interest in earnings of subsidiaries	**91**	(11)	**8**	(6)
Net earnings from continuing operations	**6,797**	3,254	**3,405**	743
Loss from discontinued operations, net of tax	**(3,585)**	(737)	**(2,973)**	(371)
Net earnings	**$ 3,212**	$ 2,517	**$ 432**	$ 372
Earnings per share (note 5):				
Basic – from continuing operations	**$ 0.11**	$ 0.05	**$ 0.06**	$ 0.01
Basic – from discontinued operations	**(0.06)**	(0.01)	**(0.05)**	-
	$ 0.05	$ 0.04	**$ 0.01**	$ 0.01
Diluted – from continuing operations	**$ 0.11**	$ 0.05	**$ 0.06**	$ 0.01
Diluted – from discontinued operations	**(0.06)**	(0.01)	**(0.05)**	-
	$ 0.05	$ 0.04	**$ 0.01**	$ 0.01

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
Retained earnings, beginning of period	**$ 198,822**	$ 201,075	**$ 201,602**	$ 203,220
Net earnings	**3,212**	2,517	**432**	372
Retained earnings, end of period	**$ 202,034**	$ 203,592	**$ 202,034**	$ 203,592

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars - unaudited)

	September 30 2004	March 31 2004
ASSETS		
Current assets:		
Cash and short-term investments	$ **30,636**	$ 38,551
Accounts receivable	**149,254**	130,406
Income taxes recoverable	**3,770**	3,780
Costs and earnings in excess of billings on contracts in progress	**105,806**	102,404
Inventories	**73,909**	74,161
Other	**5,454**	3,873
	368,829	353,175
Property, plant, and equipment	**268,285**	267,069
Goodwill	**58,136**	59,533
Intangible assets	**4,070**	6,001
Future income tax assets	**10,145**	10,759
Assets held for sale (note 3)	**9,325**	-
Other assets	**36,997**	30,742
	$ **755,787**	$ 727,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ **15,176**	$ -
Accounts payable and accrued liabilities	**90,216**	95,074
Billings in excess of costs and earnings on contracts in progress	**34,694**	19,026
Future income taxes	**25,926**	21,497
	166,012	135,597
Long-term debt	**42,669**	44,447
Future income taxes	**16,695**	16,061
Non-controlling interest	**464**	405
Shareholders' equity:		
Share capital	**332,107**	331,765
Retained earnings	**202,034**	198,822
Contributed surplus	**613**	280
Cumulative translation adjustment	**(4,807)**	(98)
	529,947	530,769
	$ **755,787**	$ 727,279

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars – unaudited)

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
Cash flows from operating activities:				
Net earnings	**$ 3,212**	$ 2,517	**$ 432**	$ 372
Items not involving cash	**26,580**	17,332	**16,286**	9,838
Stock-based compensation	**333**	150	**168**	75
Cash flow from operations	**30,125**	19,999	**16,886**	10,285
Change in non-cash operating working capital	**(22,322)**	(12,709)	**29,982**	(15,165)
	7,803	7,290	**46,868**	(4,880)
Cash flows from investing activities:				
Acquisition of interest in subsidiaries	**-**	(650)	**-**	-
Acquisition of property, plant, and equipment	**(24,106)**	(32,069)	**(12,903)**	(19,736)
Investments and other	**(6,531)**	(4,293)	**(4,091)**	(1,529)
Proceeds from disposal of assets held for sale	**-**	8,877	**-**	8,877
	(30,637)	(28,135)	**(16,994)**	(12,388)
Cash flows from financing activities:				
Bank indebtedness	**15,176**	-	**(14,697)**	-
Issuance of common shares	**342**	47	**178**	47
Other	**(98)**	8	**(103)**	(5)
	15,420	55	**(14,622)**	42
Effect of exchange rate changes on cash and short-term investments	**(501)**	(3,195)	**(1,297)**	157
Increase (decrease) in cash and short-term investments	**(7,915)**	(23,985)	**13,955**	(17,069)
Cash and short-term investments, beginning of period	**38,551**	82,333	**16,681**	75,417
Cash and short-term investments, end of period	**$ 30,636**	$ 58,348	**$ 30,636**	$ 58,348
Supplementary information:				
Cash income taxes paid	**$ 1,552**	$ 3,319	**$ 549**	$ 1,412
Cash interest paid	**$ 644**	$ 441	**$ 395**	$ 245

See accompanying notes to interim consolidated financial statements

These statements have not been reviewed or audited by the Company's auditor.

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, 2004, 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 2004 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. New accounting standards:

Effective April 1, 2004, the Company implemented, on a prospective basis, the Canadian Institute of Chartered Accountants' Accounting for Hedging Relationships guideline ("AG-13") and 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 all existing derivative financial instruments and formally designated certain qualifying financial instruments as hedges. Any gains or losses on these designated 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. For these undesignated financial instuments the related gains or losses are 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 interim consolidated financial statements for the three or six months ended September 30, 2004.

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

(i) During the three months ended September 30, 2004, the Company committed to a plan to sell the intellectual property, inventory and key operating assets of its thermal management products business ("Thermals Assets"). Accordingly, the results of operations and financial position of the Thermals Assets have been segregated and presented separately as discontinued operations and assets held for sale 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)

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
Revenue	**$ 4,553**	$ 8,274	**$ 1,945**	$ 4,443
Loss from operations	**$ (5,433)**	$ (682)	**$ (4,505)**	$ (562)
Income tax recovery	**1,848**	231	**1,532**	191
Loss from discontinued operations	**$ (3,585)**	$ (451)	**$ (2,973)**	$ (371)

The discontinued operations for the three months ended September 30, 2004 include an after-tax expense of $1,980,000 (pre-tax $3,000,000) to reduce the Thermals Assets to their estimated net realizable value. As the assets have not yet been sold, actual net realizable value of the Thermals Assets could differ materially from management's current estimate.

(ii) During the three months ended September 30, 2004, the Company also committed to a plan to sell its remaining corporate aircraft assets. These assets have been presented separately as assets held for sale in the balance sheet of the accompanying interim consolidated financial statements. Subsequent to September 30, 2004, proceeds of approximately $1.8 million were generated on the sale of these assets. The sale of these assets generated a gain of approximately $0.8 million, which will be recognized in the consolidated statement of earnings for the three months ended December 31, 2004.

(iii) During the three months ended June 30, 2003, the Company committed to a plan to sell, and subsequently sold, 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:

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
Revenue	**$ -**	963	**$ -**	-
Loss from operations	**$ -**	(477)	**$ -**	-
Income tax recovery	**-**	191	**$ -**	-
Loss from discontinued operations	**$ -**	(286)	**$ -**	-

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

4. Stock-based compensation:

In the calculation of the stock-based compensation expense in the Consolidated Statements of Earnings, 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 and data:

	Six-months ended	
	September 30 2004	September 30 2003
Risk-free interest rate	**3.6%**	4.4%
Dividend yield	**0.0%**	0.0%
Expected life	**5.5 yrs**	5 yrs
Expected volatility	**38%**	38%
Number of stock options granted (thousands)	**430**	430
Weighted average of exercise price per option	**11.5**	8.6
Weighted average Black-Scholes value per option	**4.67**	3.47

No stock options were issued in the three months ended September 30, 2004 or the comparable period of the prior year. The Company began expensing employee stock-based compensation for all awards on or after April 1, 2003 using the fair value based method in the three months ended March 31, 2004, previously disclosed quarterly periods of fiscal 2004 have been restated for the change in accounting policy.

5. Weighted average number of shares:

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

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
Basic	**60,705**	60,572	**60,725**	60,574
Diluted	**60,920**	60,964	**60,915**	61,036

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

6. 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 the Spheral Solar™ Power initiative.

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

	Six months ended		Three months ended	
	September 30 2004	September 30 2003	**September 30 2004**	September 30 2003
		(as restated)		(as restated)
Revenue				
Automation Systems	**$ 256,702**	$ 213,603	**$ 132,820**	$ 108,637
Precision Components	**64,358**	58,535	**30,299**	27,980
Solar	**65,364**	34,929	**28,253**	18,013
Elimination of inter-segment revenue	**(10,249)**	(18,277)	**(4,502)**	(10,592)
Consolidated	**$ 376,175**	$ 288,790	**$ 186,870**	$ 144,038
Earnings (loss) from operations				
Automation Systems	**$ 16,657**	$ 11,551	**$ 10,248**	$ 5,841
Precision Components	**(3,004)**	(732)	**(2,289)**	(1,520)
Solar	**3,773**	36	**477**	(48)
Inter-segment elimination and other corporate expenses	**(6,145)**	(5,872)	**(2,677)**	(3,120)
Consolidated	**$ 11,281**	$ 4,983	**$ 5,759**	$ 1,153

7. 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.