Automation
Tooling
Systems

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Third Quarter Report – Fiscal 2005

Dear Shareholder:

For the three months ended December 31, 2004, ATS Automation Tooling Systems Inc. reported net earnings from continuing operations of $6.1 million (10 cents per share basic and diluted), up 580% or $7.4 million, from a net loss of $1.3 million (loss of 2 cents per share basic and diluted) a year ago, driven by strong gains made by the Company's Automation Systems Group and record performance by its Solar business.

Third Quarter Financial Highlights

- Consolidated revenue increased 24% to $206.9 million from $167.4 million in the third quarter a year ago.
- Automation Systems Group ("ASG") operating earnings were up 178% to $9.8 million from $3.5 million in the third quarter of fiscal 2004 on stronger operating margins and a 22% increase in revenue, which stood at $144.7 million.
- Solar Group ("Solar") operating earnings were a record $3.4 million, compared to $2.1 million a year ago on 36% growth in revenue to $37.4 million.
- Precision Components Group ("PCG") operating loss was $1.9 million compared to a loss of $1.0 million in the same period a year ago due to a 16% reduction in revenue, which stood at $29.1 million. PCG cut its loss by 17% compared to the second quarter through rationalization, cost, and efficiency gains.
- New automation systems Order Bookings were $124 million, 32% higher than a year ago.
- Automation systems Order Backlog increased 28% to $232 million versus $181 million at December 31, 2003.
- Net earnings were $5.6 million (9 cents per share basic and diluted) compared to a loss of $1.7 million (loss of 3 cents per share basic and diluted) a year ago.
- The Company estimates changes in foreign currency exchange rates reduced third quarter net earnings by $2.7 million (4 cents per share) and revenue by $9.7 million compared to the third quarter of fiscal 2004.
- Cash flow from operating activities during the third quarter was $24 million, and the Company's cash position, net of bank indebtedness, increased $25 million from the second quarter of fiscal 2005 to $41 million.

We believe our focused business strategy is having a clear and very positive impact on the financial performance of the ASG with operating earnings up more than two fold from a year ago. We saw meaningful improvements in performance in our North American and Asian ASG operations in the third quarter. Notably, our US West Coast operations returned to profitability in the quarter, showing the growing benefits from the steps we have taken to turnaround performance. Of equal importance, we believe we still have significant opportunities for further earnings enhancements because of the strength of our Order Backlog, robust quotation activity, and substantial prospects in healthcare. Most fundamentally, because we have retained our strong and skilled workforce, we can capitalize on these opportunities today. We experienced the best balance ever between our three largest target markets and healthcare has clearly become a revenue leader for us.

As a result of substantial revenue growth, the Company's Solar Group is now ATS's second largest operating group. Solar accounted for 18% of consolidated revenue in both the third quarter and for the first three quarters of fiscal 2005. Solar's operating revenue, margins and operating earnings surpassed the previous all-time record high set in the first quarter of this fiscal year, putting it on track for a record year. Solar generated its highest ever operating margins as it capitalized on substantial market demand and exploited its competitive automated manufacturing advantages.

Precision Components Group's ("PCG") loss widened in the quarter compared to the prior year due to very weak automotive markets, which necessitated an extended Christmas plant shutdown, and the ongoing impact of unfavourable foreign exchange and high raw material costs. However, through rationalization and internal efficiency gains, PCG reduced its loss 17% from the second quarter of this year in spite of a 4% sequential decline in revenue. While we have started to see incremental benefits from our cost reduction initiatives, which are collectively improving PCG's ongoing economics, more is needed to bring about a turnaround. Consequently, we have streamlined operations through the third quarter sale of our thermal products business and the just announced closing of our McAllen manufacturing plant in Texas. The divestiture of the thermal products business has already provided bottom line benefits, while the elimination of McAllen will have a positive impact when we complete the transfer of customer programs from McAllen to our facilities in Cambridge. In the medium term, this initiative is expected to add significantly to our bottom line through reduced overhead costs and better utilization of the remaining factories, production equipment, and infrastructure within PCG.

Looking Forward

We believe momentum is still growing for ASG, with healthy backlog, strong quotation activity, and good prospects for new and repeat customer assignments providing the basis for ongoing plant utilization and margin gains. Our goal is to continue to drive near-term earnings while also making the technology and resource investments we need to sustain corporate progress globally. Our technology development activities are continuing with particular emphasis on the healthcare sector which we believe offers us excellent long-term growth potential. These development initiatives include the enhancement of our existing standard product technologies for healthcare applications and the development of industry-specific standard platforms to address exciting application areas. These platforms will broaden our healthcare portfolio and based on initial customer response, should provide the catalyst for more growth in sectors such as pharmaceuticals. We also took an important step to diversify the revenues of our European operations into the healthcare market during the quarter by winning our first significant healthcare order to be produced in one of our European plants. This system will be installed at a customer's European facility and will provide hands-on experience and credibility to support future healthcare sales by our European operations.

PCG is unlikely to achieve breakeven in the fourth quarter, but we do anticipate progress in reducing its operating loss as a result of initiatives to streamline operations, improve asset utilization, source less expensive raw materials from China, and where appropriate, seek price adjustments from customers. While the process of qualifying Chinese suppliers is taking longer than we expected, it is clearly an important part of our performance improvement initiatives and we will sustain this effort. Looking forward, the auto parts industry and foreign exchange remain volatile, which provide reasons for caution with regard to PCG's short-term prospects. We have factored this market reality into our improvement plans.

In Solar, the fourth quarter is traditionally weaker than the third because of winter seasonality. The entire solar industry is also coping with growing shortages of silicon feedstock as a result of strong industry-wide demand for solar products. This will be a challenge in fiscal 2006 and may restrict our near-term growth at Photowatt, but the good news is that Photowatt has already secured most of its silicon supply needs for the next six months and we believe it will finish the year on a strong and very profitable footing. Demand for solar products remains strong and Photowatt has good order prospects for fiscal 2006.

Solar's new initiative, Spheral Solar Power ("SSP") is also progressing steadily toward its commercialization goals. All of the factory's workstations have now been activated and SSP plans to begin shipments to customers this month of its first products produced entirely in the new factory, with shipments expected to grow through fiscal 2006.

In the fourth quarter, we plan to ship SSP modules to more than a dozen customers. The delivery of commercial grade SSP product from our high-volume factory should build further credibility and additional momentum in the marketplace for SSP. To ensure our customers get outstanding durability and reliability, we are finishing up very rigorous lifecycle testing on our first product, our flex module, and results to date have been excellent, significantly exceeding market requirements. We have also developed a promising prototype of our integrated solar roofing technology in concert with our partners at Elk Corporation. The outlook for SSP is very exciting, not only because demand for solar is strong and growing, but because we believe that SSP opens entirely new solar market applications. A major competitive advantage is that SSP uses less silicon per watt than conventional solar. We also can utilize a broader range of silicon feedstock material including less pure and less expensive silicon than conventional solar. In future, this may be an important competitive advantage. We believe the future of this business is outstanding and our timing is excellent.

Ron J. Jutras [SIGNED]
President and Chief Executive Officer

Lawrence G. Tapp [SIGNED]
Non-executive Chairman of the Board

Management's Discussion and Analysis

This MD&A for the three and nine months ended December 31, 2004 (third quarter of fiscal 2005) should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended December 31, 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 and second quarter MD&A and, accordingly, the purpose of this document is to provide a third 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 December 31, 2004. For a discussion of the three months ended June 30, 2004 and September 30, 2004 refer to ATS's first and second 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"), Solar Group ("Solar") and Precision Components Group ("PCG"). The terms operating income, operating earnings, earnings from operations, operating loss, operating results, operating margin, 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

Consolidated revenue for the three months ended December 31, 2004 was $206.9 million, $39.5 million or 24% higher than a year earlier. This reflected 22% and 36% increases in ASG and Solar segment revenues respectively, which more than offset a 16% decline in PCG revenue. Changes in effective foreign exchange rates reduced consolidated revenue for the three and nine month periods ended December 31, 2004 compared to the same periods of fiscal 2004, by an estimated $9.7 million and $27.7 million, respectively.

Revenue by Industry
($ millions)

	Three months ended		Nine months ended	
	12/31/2004	12/31/2003	**12/31/2004**	12/31/2003
Automation Systems Group:				
Automotive	**$ 41.7**	$ 51.5	**$ 120.3**	$ 148.0
Computer-electronics	**44.4**	38.7	**122.0**	111.5
Healthcare	**44.4**	19.8	**117.5**	47.6
Other	**14.2**	8.5	**41.5**	25.0
Subtotal	**144.7**	118.5	**401.3**	332.1
Solar Group	**37.4**	27.5	**102.8**	62.4
Precision Components Group:				
Automotive	**26.8**	29.7	**84.9**	82.4
Computer-electronics	**0.9**	3.2	**3.9**	6.2
Other	**1.4**	1.6	**4.7**	4.4
Subtotal	**29.1**	34.5	**93.5**	93.0
Inter-segment Elimination	**(4.3)**	(13.1)	**(14.6)**	(31.3)
Total Consolidated Revenue	**$ 206.9**	$ 167.4	**$ 583.0**	$ 456.2

Consolidated Revenue by Customer Site
($ millions)

	Three months ended		Nine months ended	
	12/31/2004	12/31/2003	**12/31/2004**	12/31/2003
U.S. & Mexico	**$ 99.5**	$ 90.4	**$ 319.0**	$ 261.4
Europe	**66.7**	50.1	**174.2**	124.4
Canada	**9.3**	15.0	**31.5**	42.8
Asia-Pacific and other	**31.4**	11.9	**58.3**	27.6
Total	**$ 206.9**	$ 167.4	**$ 583.0**	$ 456.2

Consolidated earnings from operations for the three months ended December 31, 2004 were $9.4 million, $8.0 million higher than in the third quarter of fiscal 2004. For the nine months ended December 31, 2004, consolidated earnings from operations were $20.7 million, $14.3 million higher than in the same period of the prior year. These higher earnings were the result of stronger performances by ASG and Solar, which more than offset the negative impact of foreign exchange and higher year-over-year losses in PCG. The negative impact of the year-over-year change in foreign exchange rates on consolidated earnings from operations for the three and nine months ended December 31, 2004 was an estimated $4.1 million and $14.5 million, respectively.

Selling, general and administrative ("SG&A") costs increased 20% in the third quarter and 15% in the first nine months of fiscal 2005 over the prior year. Contributing to increased SG&A costs for both the three and nine months of fiscal 2005 were higher profit sharing expenses associated with increased profitability, foreign exchange losses, and higher selling costs to support revenue growth. However, as a percentage of revenue, SG&A was 9% in both the third quarter of fiscal 2005 and third quarter fiscal 2004. For the nine months ended December 31, 2004, SG&A was 10% of revenue compared to 11% for the same period of fiscal 2004. In the current fiscal year, SG&A costs include a $1.0 million loss in the first quarter and a $0.8 million gain in the third quarter related to disposals of the Company's aircraft assets. See Note 3 to the Interim Consolidated Financial Statements.

Higher interest expenses in the third quarter and first nine 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 third quarter of fiscal 2005 increased to $6.1 million compared to a loss of $1.3 million in the third quarter of fiscal 2004. On a per share basis, net earnings from continuing operations increased to 10 cents, basic and diluted, from a loss of 2 cents, basic and diluted, in the same period a year ago. Net earnings from continuing operations for the nine months ended December 31, 2004 were $12.9 million (21 cents per share basic and diluted) compared to $2.0 million (3 cents per share basic and diluted) a year ago. The negative impact of changes in foreign exchange rates for the three and nine months ended December 31, 2004 reduced net earnings from continuing operations by an estimated $2.7 million (4 cents per share) and $9.6 million (16 cents per share), respectively.

Discontinued Operations

During the third quarter the Company completed the sale of the key inventory, intellectual property, and operating assets of its thermal management products business ("Thermals Assets") for net cash proceeds of $8.6 million. The after-tax gain on the sale of the Thermals Assets of $0.2 million was offset against the thermals net operating losses for the quarter of $0.3 million, for a net loss from discontinued thermals operations of $0.1 million. Included in the year to date results from discontinued operations is an after-tax non-cash charge of $2.0 million which was taken in the second quarter to reduce the carrying value of the Thermals Assets. The loss from discontinued operations for the third quarter also includes a $0.4 million charge to settle outstanding matters related to the Company's discontinued Eco-Snow Systems Inc operations. See Note 3 to the Consolidated Financial Statements.

Net Earnings

Net earnings for the third quarter of fiscal 2005 were $5.6 million (9 cent per share basic and diluted) compared to a loss of $1.7 million (loss of 3 cents basic and diluted) a year ago. Net earnings for the first nine months of fiscal 2005 were $8.8 million (15 cents per share basic and diluted) compared to $0.8 million (1 cent 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 and negative impact on the Company's revenue and earnings in the third quarter and on a year to date basis. The Company's effective rate of exchange on US currency declined 7% while average market rates were 8% lower in the third quarter compared to the third quarter of last year.

At December 31, 2004 the Company had, on hand, unrealized forward exchange contracts for the future sale of US dollars totaling US $130.4 million at an average exchange rate of Cdn $1.2766. The unrecognized gain on these forward contracts totaled approximately $8.3 million at December 31, 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. The impact on consolidated operating earnings from translation was not material in the third quarter of fiscal 2005.

Estimated Foreign Exchange Impact
For the three months ended December 31, 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	$	144.7	22%	$	7.2	28%
Solar		37.4	36%		(0.2)	35%
Precision Components		29.1	-16%		2.7	-8%
Elimination of Inter-segment revenue		(4.3)				
Consolidated	$	206.9	24%	$	9.7	29%
Earnings from Operations						
Automation Systems	$	9.8	180%	$	2.4	249%
Solar		3.4	62%		0.0	62%
Precision Components		(1.9)	111%		1.7	78%
Inter-segment elimination and other corporate expenses		(1.9)				
Consolidated	$	9.4	527%	$	4.1	800%

Period Average Market Exchange Rates in CDN$

	Three months ended			**Nine months ended**		
	12/31/2004	12/31/2003	**% change**	**12/31/2004**	12/31/2003	**% change**
US $	**1.2173**	1.3173	-8%	**1.2939**	1.3641	-5%
Euro	**1.5856**	1.5665	+1%	**1.6074**	1.5692	+2%
Singapore $	**0.7364**	0.7637	-4%	**0.7664**	0.7835	-2%

Automation Systems Group

ASG revenue increased 22% in the third quarter compared to the third quarter of last year as a result of a more than 100% increase in healthcare revenue, a 67% increase in "other", which is primarily consumer products, and a 15% increase in computer-electronics revenue. Growth in these areas more than offset a decline in automotive revenue of $9.8 million and the negative impact of foreign exchange. For the three and nine months ended December 31, 2004, the estimated negative foreign exchange impact on ASG revenue was $7.2 million and $22.3 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 solutions.

The increase in computer-electronics revenue resulted primarily from successful sales initiatives by ASG's US West Coast operations, which led to sizeable orders secured during the past few quarters. ATS continues to pursue a balanced growth strategy that is intended to secure new revenue opportunities in each of its target markets, sustain a healthy mix of new and repeat orders, and mitigate cyclical risk through strategic marketing and customer diversification.

ASG third quarter operating earnings were $9.8 million, a $6.3 million or 178% improvement over the third quarter a year ago reflecting higher revenues and improved operating margins. At 6.8%, ASG operating margin improved significantly over the margin of 3.0% in the same quarter a year ago due to higher revenues and backlog and better resource utilization. Improved performance was obtained from all ASG regions with the exception of Europe where difficult market conditions continue to exist. The performance of ASG's US West Coast operations continued to improve as a result of the substantial order bookings in the past few quarters and better project execution achieved under strengthened management.

Sequentially, ASG operating margin declined 0.9% from the second quarter due largely to costs related to continuing expansion into healthcare and continued currency fluctuations. The effect of foreign currency fluctuations in the third quarter compared to the second quarter was an estimated reduction in operating earnings of $1.2 million. During the quarter, ASG also incurred costs to enhance its standard technologies, including SuperTrak™, ATS MACS and ATS SmartVision, to meet both the current and future needs of the healthcare market. As part of the Company's strategic initiative to diversify revenue, the Company secured its first significant healthcare order for ATS Europe. This project is expected to provide further skill development and establish credibility for ATS Europe to attract additional healthcare business in Europe. The Company expects to incur a loss on this project reflecting first-time healthcare skills development at its European facilities. In accordance with its accounting policies, the Company provided for this loss in the third quarter. While this decision negatively impacted results in the third quarter, management believes this strategic decision is an important initiative to gain access to the significant healthcare markets in Europe.

Other factors that negatively impacted third quarter operating results were further advancement of standard pharmaceutical inspection platforms, personnel-related costs, non-recurring engineering costs, and increased profit sharing expense tied to improved results in ASG. Compared to the same periods of fiscal 2004, the estimated negative impact of foreign currency on ASG operating earnings for the three and nine months ended December 31, 2004 was $2.4 million and $11.2 million, respectively.

The ASG contract equipment manufacturing initiative to serve the healthcare industry also continued to perform well, with substantial revenue growth producing positive contributions to ASG operating income. Revenue from this initiative in the third quarter was $8.9 million compared to $5.1 million of the third quarter last year, a 75% increase. As part of this initiative, the Company makes strategic use of PCG's infrastructure, lower wage rates and repetitive manufacturing skill sets to successfully supply sophisticated equipment and work cells.

ASG operating earnings for the first nine months of fiscal 2005 were $26.5 million (operating margin of 6.6%) compared to $15.1 million (4.5% operating margin) in the same period of fiscal 2004. The improvement in operating results and margin reflects the factors previously discussed.

Subsequent to the third quarter, to accommodate growth of its ASG Ohio operations, the Company entered into a contractual agreement, subject to certain conditions, to purchase a 37,000 square foot facility adjacent its existing facility for US$1.6 million.

Automation Systems Backlog

At December 31, 2004, ASG Order Backlog was $232 million, $51 million (28%) higher than a year ago and $20 million (8%) lower than at the end of the second quarter. New ASG Order Bookings totaled $124 million in the third quarter, 32% higher than in the same period a year ago. Order Bookings for the first nine months of fiscal 2005 were $395 million, 15% higher than a year earlier. Order Bookings in the first five weeks of the fourth quarter were $26 million.

Automation Systems Backlog by Industry
($ millions)

	12/31/2004	12/31/2003
Automotive	**$ 84**	$ 64
Healthcare	**83**	38
Computer-Electronics	**48**	47
Other	**17**	32
Total	**$ 232**	$ 181

Automation Systems Outlook: While order backlog has improved significantly year-over-year, management believes that customers continue to remain cautious toward capital spending. By market, the Company continues to believe that healthcare offers excellent short and long-term growth opportunities and significant resources have been allocated to capture these opportunities. Certain areas of computer-electronics are also providing growth opportunities, and as witnessed in the second quarter, some computer-electronics customers appear more willing to commit to significant projects than in the recent past. The automotive market continues to be challenging; however, there continues to be a reasonably steady order flow from this market, as evidenced by the $17 million automotive order that was won and announced during the third quarter.

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 developing new standard platform technologies for launch at trade shows in fiscal 2006. In early fiscal 2006, ASG intends to introduce three such platforms. These will be launched at the healthcare industry's Interphex trade show in New York in April and are intended to provide additional sales catalysts in high growth application areas including automated vision inspection. ASG's Compliant Solutions™ group, which was started at the beginning of this fiscal year, is progressing well. The group has had success in winning a number of consulting service contracts and from a strategic perspective, the group has also provided opportunities for much larger automation systems orders.

Management believes that the Company's quotation activity in North America, ASG's largest market, remains reasonably strong. Due to continuing soft economic conditions for capital equipment manufacturers, Europe is currently ASG's weakest geographic market and this will likely keep pricing pressure intense in this region. Asian quoting activity has recently improved as a result of increases in economic activity and the continuing migration of manufacturing companies to Asian countries. However, Asia remains a price sensitive market. The recent tragedy in southeast Asia caused by the tsunami had no direct impact on ATS operations in this region.

Management believes that period-end order backlog continues to provide a healthy foundation for growth and enhanced performance and the backlog is more evenly distributed among ASG operating divisions than it was a year ago. 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.

Solar Group

Solar Group revenue, which is currently derived from Photowatt, was $37.4 million (or 36%) higher in the third quarter compared to the third quarter last year. As a result, the Group surpassed its previous record for revenue set in the first quarter of fiscal 2005 and entrenched itself as ATS's second largest operating Group. Over the first nine months of fiscal 2005, Photowatt's revenue was $102.8 million, or 65% higher than in the comparable period of fiscal 2004. The increase in revenues in the third quarter and on a year to date basis over fiscal 2004 reflect continuing strong demand, primarily as a result of attractive government incentive programs, and higher market selling prices. Changes in exchange rates did not have a material impact on Solar Group revenue or operating earnings for the three or nine months ended December 31, 2004.

Solar Group operating earnings for the third quarter were $3.4 million, compared to $2.1 million a year ago – also a new record. At 9.1% Solar operating margin in the third quarter improved solidly over the 7.7% operating margin in the same quarter a year ago. For the nine months ended December 31, 2004 Solar Group operating earnings of $7.2 million were $5.0 million higher than the $2.2 million earned in the first three quarters of fiscal 2004 and year-over-year operating margin has more than doubled from 3.4% to 7.0%. Despite a more than 75% increase in the spot market prices of silicon feedstock this year (a primary raw material in producing solar products), growth in Solar Group operating earnings and operating margins in both periods was achieved due to increased revenues, economies of scale, silicon supply management, and continued efficiency gains from capital investments made over the last two fiscal years.

Solar Outlook

Demand for Solar products is expected to remain strong as a result of subsidy programs introduced in Germany at the beginning of calendar 2004 and growing demand for clean renewable energy. Higher demand has resulted in concerns about industry-wide shortages for silicon feedstock and has increased silicon prices. Photowatt has secured sources of silicon for the majority of its capacity for the next six months and is continuing to devote significant efforts to secure silicon supply for the balance of 2006. Management believes Photowatt will end fiscal 2005 with strong revenues and operating earnings, although silicon shortages and traditional winter seasonality may moderate volumes during the fourth quarter compared to the third quarter.

The Company's Spheral Solar Power ("SSP") development initiative continues to progress. All factory workstations have now been activated, enabling SSP to begin working on factory ramp up which is expected to continue well into fiscal 2006 with target capacity expected to be achieved likely late in fiscal 2006. In the fourth quarter SSP expects to ship very modest volumes of SSP's flex module to catalogue retailers and distributors. These shipments are intended to build credibility and further stimulate market demand. Lifecycle testing completed to date on the durability and reliability of the flex module has been positive. SSP also developed an initial prototype of its integrated solar roofing technology in concert with its partners at Elk Corporation. Elk is now developing marketing strategies for this product and SSP is conducting accelerated life testing to verify this product can withstand harsh environmental conditions. Management believes the outlook for SSP is excellent because demand for solar is growing, SSP opens entirely new solar market applications and is expected to use less silicon per watt than conventional solar products.

During the quarter, as a result of the significant progress made in the quarter with the commissioning of the commercial-scale SSP factory equipment, the prototype pilot line and other related development tools were de-commissioned. As such, approximately $7 million of capital assets were re-classified in the quarter from capital assets to deferred development costs on the balance sheet.

Precision Components Group

Third quarter PCG revenue decreased 16% or $5.4 million to $29.1 million compared to the third quarter of fiscal 2004 as a result of weakness in the automotive market and lower US exchange rates. Customer plant shutdowns in the final month of the third quarter necessitated a two week shutdown of PCG operations, which negatively affected revenues. The estimated negative foreign exchange impact on revenue in the quarter and for the first nine months was $2.7 million and $7.2 million, respectively.

PCG incurred an operating loss of $1.9 million compared to operating loss of $1.0 million in the third quarter a year ago due to the aforementioned customer plant shutdowns and low demand– which reduced overhead absorption – as well as higher raw material costs, and the negative impact of foreign currency. PCG's operating loss for the first nine months of fiscal 2005 was $4.9 million compared to an operating loss of $1.7 million in the same period of fiscal 2004, for the reasons previously mentioned. The estimated negative impact of foreign currency on Group operating earnings was $1.7 million and $3.4 million, for the three and nine months ended December 31, 2004.

Sequentially, PCG reduced its operating loss by $0.4 million or 17% from the second quarter of fiscal 2005 due to the implementation of a number of initiatives which are intended to restore profitability. As part of these initiatives, employment was reduced year-over-year by 21% and at December 31, 2004 PCG total employment was 7% lower than at the end of the second quarter. Management estimates that as a result of its pricing negotiation strategies, approximately $0.6 million (69%) of the increase in PCG's steel purchase prices were recovered from customers in the quarter. In the fourth quarter, as new pricing negotiated with customers takes effect, the recovery of higher steel prices from customers is estimated to increase to 85%. Also included in these initiatives is a global raw material procurement strategy, which did not reduce costs as much as expected in the third quarter because it is taking longer than expected to qualify Asian sources. However, savings from this program are being realized and are expected to accelerate in the fourth quarter and into fiscal 2006. On a year-over-year basis, PCG's cost saving measures were offset by the decline in revenue and effects of foreign exchange.

On February 4, 2005, the Company announced, that as part of the continuing strategic initiative to drive an earnings recovery for PCG, it will close its manufacturing facility in McAllen, Texas. The closure of this facility and the assimilation of McAllen's production into existing PCG facilities are expected to reduce overall operating costs and improve asset utilization. In accordance with GAAP, beginning in the fourth quarter of this fiscal year, the Company expects to expense cash expenditures associated with transferring production, relocating equipment and inventory and employment severance. Management currently estimates that the cash costs associated with moving the business will be approximately $1 million. Management believes it is possible non-cash charges may also be incurred by the Group depending on the amount of value realized on disposition of assets that will not be transferred to other PCG facilities, including sale of the land and building, which is owned by ATS. As of December 31, 2004, the book value of the land, building and production equipment of ATS Texas was approximately US$5.0 million and the operations had approximately 70 employees.

Precision Components Outlook

PCG continues to aggressively pursue an earnings recovery and as noted, has streamlined its operations to create a stronger, more focused platform for the future. More gains are expected to accrue from its global sourcing strategy, and ongoing enhancement initiatives resulting from the application of Six Sigma. It is unlikely that the Group will achieve profitability in the fourth quarter given the challenge presented by the strong Canadian dollar and volatile automotive market conditions. The effect of some of the more significant initiatives will require time before expected benefits begin to be realized. PCG also continues to actively quote, and has recently secured, incremental new business that makes greater use of existing production equipment and facilities as a means to further enhance operating income.

Liquidity, Cash Flow and Financial Resources

Cash balances, net of bank indebtedness, at December 31, 2004 increased $25 million during the third quarter of fiscal 2005. Cash provided from operating activities was $24 million, an improvement of $8 million compared to the third quarter of fiscal 2004. Cash flows from operating activities increased for the third 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 $9 million in property, plant and equipment and other investments, including deferred development, in the third quarter of fiscal 2005. Investments made in SSP in the third quarter of fiscal 2005, net of government funding, were $4 million for capital assets and deferred development. Total investment in the SSP initiative, net of government funding, was $91 million at December 31, 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. The Company expects the deferred development period for SSP will end no later than September 30, 2005. During the quarter the Company began construction of a 57,000 square foot building addition in Oregon. This investment will allow the Company to consolidate its Oregon ASG operations, reduce costs, and increase efficiencies.

During the third quarter, 25,760 stock options were exercised for total proceeds of $0.1 million. At December 31, 2004 the total number of shares outstanding was 60,761,225.

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 December 31, 2004 was 0.1:1 unchanged from September 30, 2004 and March 31, 2004. At December 31, 2004 the Company had $90 million of unutilized credit available under existing operating and term credit facilities. The Company is in compliance with its loan covenants.

Subsequent Event

Following the tragic passing of Mr. Klaus Woerner, ATS's President and Chief Executive Officer, on February 7, 2005, the Company announced the appointment of Ron Jutras as President and Chief Executive Officer of the Company and Gerry Beard as Vice President and Chief Financial Officer of the Company.

Under an agreement entered into in 1998, the Company was granted the option by 566226 Ontario Ltd., a corporation controlled by Mr. Woerner, to repurchase all or a portion of the shares held by 566226 Ontario Ltd., 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. This option expires on the 75th business day following his death. To provide partial funding for the potential purchase of these shares the Company has maintained a "key-man" life insurance policy in respect of Mr. Woerner in the amount of $25,000,000. At this time, no decision has been made with respect to the exercise of this option.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q3 2005**	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Revenue	**$ 206,873**	$ 186,870	$ 189,305	$ 191,644	$ 167,397	$ 144,038	$ 144,752	$ 136,092
Net earnings (loss) from continuing operations	**$ 6,098**	$ 3,405	$ 3,392	$ (2,733)	$ (1,270)	$ 743	$ 2,511	$ (3,877)
Net earnings (loss)	**$ 5,627**	$ 432	$ 2,780	$ (3,069)	$ (1,701)	$ 372	$ 2,145	$ (4,624)
Basic earnings per share from continuing operations	**$ 0.10**	$ 0.06	$ 0.06	$ (0.05)	$ (0.02)	$ 0.01	$ 0.04	$ (0.06)
Basic earnings per share	**$ 0.09**	$ 0.01	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01	$ 0.04	$ (0.08)
Diluted earnings per share from continuing operations	**$ 0.10**	$ 0.06	$ 0.06	$ (0.05)	$ (0.02)	$ 0.01	$ 0.04	$ (0.06)
Diluted earnings per share	**$ 0.09**	$ 0.01	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01	$ 0.04	$ (0.08)

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 December 31, 2004, the Company did not enter into any material leases or any other material contractual obligations which would be considered outside the normal course of operations.

February 9, 2005

Corporate Description

ATS Automation Tooling Systems Inc. (www.atsautomation.com) is the industry's leading designer and producer of turn-key automated manufacturing and test systems, which are used primarily by multinational corporations operating in a variety of industries including: automotive, computer/electronics, healthcare, and consumer products. The Company also makes precision components and subassemblies using its own custom-built manufacturing systems, process knowledge and automation technology. ATS is also an emerging leader in the rapidly growing market for solar energy cells and modules. ATS employs approximately 4,000 people at 26 manufacturing facilities in Canada, the United States, Europe and Asia-Pacific. The Company's shares are traded on The Toronto Stock Exchange under the symbol ATA.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

(in thousands, except per share amounts – unaudited)

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
		(as restated)		(as restated)
Revenue	**$ 206,873**	$ 167,397	**$ 583,048**	$ 456,187
Operating costs and expenses:				
Cost of revenue	**170,737**	143,147	**479,748**	376,614
Depreciation and amortization	**7,884**	7,089	**24,048**	22,344
Selling and administrative	**18,679**	15,628	**58,065**	50,563
Stock-based compensation (note 4)	**154**	69	**487**	219
	197,454	165,933	**562,348**	449,740
Earnings from operations	**9,419**	1,464	**20,700**	6,447
Other expenses (income):				
Interest on long-term debt	**251**	181	**667**	577
Other interest	**48**	(88)	**444**	(450)
	299	93	**1,111**	127
Earnings from continuing operations before income taxes and non-controlling interest	**9,120**	1,371	**19,589**	6,320
Provision for income taxes – current period	**2,934**	484	**6,515**	2,190
Adjustment of future income taxes due to increase in corporate tax rates	**-**	2,117	**-**	2,117
Non-controlling interest in earnings of Subsidiaries	**88**	40	**179**	29
Net earnings from continuing operations	**6,098**	(1,270)	**12,895**	1,984
Loss from discontinued operations, net of tax	**(471)**	(431)	**(4,056)**	(1,168)
Net earnings	**$ 5,627**	$ (1,701)	**$ 8,839**	$ 816
Earnings per share (note 5)				
Basic – from continuing operations	**$ 0.10**	$ (0.02)	**$ 0.21**	$ 0.03
Basic – from discontinued operations	**(0.01)**	(0.01)	**(0.06)**	(0.02)
	$ 0.09	$ (0.03)	**$ 0.15**	$ 0.01
Diluted – from continuing operations	**$ 0.10**	$ (0.02)	**$ 0.21**	$ 0.03
Diluted – from discontinued operations	**(0.01)**	(0.01)	**(0.06)**	(0.02)
	$ 0.09	$ (0.03)	**$ 0.15**	$ 0.01

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars – unaudited)

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Retained earnings, beginning of period	**$ 202,034**	$ 203,592	**$ 198,822**	$ 201,075
Net earnings	**5,627**	(1,701)	**8,839**	816
Retained earnings, end of period	**$ 207,661**	$ 201,891	**$ 207,661**	$ 201,891

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars – unaudited)

	December 31 2004	March 31 2004
ASSETS		
Current assets:		
Cash and short-term investments	**$ 47,621**	$ 38,551
Accounts receivable	**149,459**	130,406
Income taxes recoverable	**9,937**	3,780
Costs and earnings in excess of billings on contracts in progress	**93,368**	102,404
Inventories	**72,387**	74,161
Other	**3,734**	3,873
	376,506	353,175
Property, plant, and equipment	**261,146**	267,069
Goodwill	**56,753**	59,533
Intangible assets	**3,922**	6,001
Future income tax assets	**13,042**	10,759
Deferred developments costs	**36,973**	25,076
Other assets	**5,144**	5,666
	$ 753,486	$ 727,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	**$ 7,085**	$ -
Accounts payable and accrued liabilities	**93,541**	95,074
Billings in excess of costs and earnings on contracts in progress	**30,062**	19,026
Future income taxes	**29,225**	21,497
	159,913	135,597
Long-term debt	**40,628**	44,447
Future income taxes	**19,485**	16,061
Non-controlling interest	**515**	405
Shareholders' equity:		
Share capital	**332,180**	331,765
Retained earnings	**207,661**	198,822
Contributed surplus	**767**	280
Cumulative translation adjustment	**(7,663)**	(98)
	532,945	530,769
	$ 753,486	$ 727,279

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Cash Flows

(in thousands of dollars – unaudited)

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Cash flows from operating activities:				
Net earnings	**$ 5,627**	$ (1,701)	**$ 8,839**	$ 816
Items not involving cash	**10,928**	9,991	**37,508**	27,323
Stock-based compensation	**154**	69	**487**	219
Cash flow from operations	**16,709**	8,359	**46,834**	28,358
Change in non-cash operating working capital	**7,771**	8,530	**(14,551)**	(4,179)
	24,480	16,889	**32,283**	24,179
Cash flow from investing activities:				
Acquisition of interest in subsidiaries	**-**	-	**-**	(650)
Acquisition of property, plant, and equipment	**(6,154)**	(23,885)	**(30,260)**	(55,954)
Investments and other	**(2,359)**	(2,658)	**(8,890)**	(6,951)
Proceeds from disposal of assets held for sale	**10,261**	-	**10,261**	8,877
	1,748	(26,543)	**(28,889)**	(54,678)
Cash flows from financing activities:				
Bank indebtedness	**(8,091)**	-	**7,085**	-
Issuance of common shares	**73**	157	**415**	204
Other	**10**	(2)	**(88)**	6
	(8,008)	155	**7,412**	210
Effect of exchange rate changes on cash and short-term investments	**(1,235)**	(1,212)	**(1,736)**	(4,407)
Increase (decrease) in cash and short-term investments	**16,985**	(10,711)	**9,070**	(34,696)
Cash and short-term investments, beginning of period	**30,636**	58,348	**38,551**	82,333
Cash and short-term investments, end of period	**$ 47,621**	$ 47,637	**$ 47,621**	$ 47,637
Supplementary information:				
Cash income taxes paid	**$ 388**	$ 1,319	**$ 1,940**	$ 4,638
Cash interest paid	**$ 337**	$ 142	**$ 981**	$ 583

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:

(i) 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.

(ii) 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 nine months ended December 31, 2004.

3. Discontinued operations and assets held for sale:

(i) During the three months ended September 30, 2004, the Company committed to a plan to sell the key intellectual property, inventory and operating assets of its thermal management products business ("Thermals Assets"). Accordingly, the results of operations of the Thermals Assets have been segregated and presented separately as discontinued operations in the accompanying interim consolidated financial statements. During the three months ended December 31, 2004, the Company completed the sale of the Thermals Assets for net cash proceeds of $8.6 million. The after-tax gain on the sale of the Thermals Assets in the three months ended December 31, 2004 was $0.2 million, which was offset against the thermals net operating losses for the three months ended December 31, 2004 of $0.3 million. The results of the discontinued thermal business operations were as follows:

Notes to Interim Consolidated Financial Statements
(tabular amounts in thousands, except per share amounts – unaudited)

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Revenue	**$ 476**	$ 6,957	**$ 5,029**	$ 15,231
Loss from operations	**$ (721)**	$ (653)	**$ (6,154)**	$ (1,335)
Income tax recovery	**602**	222	**2,450**	453
Loss from discontinued operations	**$ (119)**	$ (431)	**$ (3,704)**	$ (882)

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.

(ii) During the three months ended September 30, 2004, the Company also committed to a plan to sell its remaining corporate aircraft assets. During the three months ended December 31, 2004, these assets sold for proceeds of $1.8 million. The sale of these assets generated a before tax gain of approximately $0.8 million, which was 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. During the three months ended December 31, 2004, the Company settled outstanding matters related to Eco-Snow resulting in a loss from discontinued operations in the three and nine months ended December 31, 2004. The results of the discontinued operations were as follows:

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Revenue	**$ -**	-	**$ -**	963
Loss from operations	**$ (587)**	-	**$ (587)**	(477)
Income tax recovery	**235**	-	**235**	191
Loss from discontinued operations	**$ (352)**	-	**$ (352)**	(286)

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:

Notes to Interim Consolidated Financial Statements

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

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Risk-free interest rate	**-**	4.1 %	**3.6 %**	4.4 %
Dividend yield	**-**	0.0 %	**0.0 %**	0.0 %
Expected life (years)	**-**	5.0	**5.5**	5.0
Expected volatility	**-**	38.0 %	**38.0 %**	38.0 %
Number of stock options granted (thousands)	**-**	75.0	**430.0**	505.0
Weighted average of exercise price per option (dollars)	**-**	13.0	**11.5**	9.3
Weighted average Black-Scholes value per option (dollars)	**-**	5.22	**4.67**	3.73

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:

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
Basic	**60,748**	60,601	**60,719**	60,582
Diluted	**60,870**	61,104	**60,903**	61,011

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 through Photowatt International S.A. and also 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.

Notes to Interim Consolidated Financial Statements

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

	Three months ended		Nine months ended	
	December 31 2004	December 31 2003	**December 31 2004**	December 31 2003
		(as restated)		(as restated)
Revenue				
Automation Systems	**$ 144,642**	$ 118,534	**$ 401,344**	$ 332,137
Solar	**37,419**	27,506	**102,783**	62,435
Precision Components	**29,115**	34,479	**93,473**	93,014
Elimination of inter-segment revenue	**(4,303)**	(13,122)	**(14,552)**	(31,399)
Consolidated	**$ 206,873**	$ 167,397	**$ 583,048**	$ 456,187
Earnings (loss) from operations				
Automation Systems	**$ 9,843**	$ 3,544	**$ 26,500**	$ 15,095
Solar	**3,387**	2,116	**7,160**	2,152
Precision Components	**(1,891)**	(982)	**(4,895)**	(1,714)
Inter-segment elimination and corporate expenses	**(1,920)**	(3,214)	**(8,065)**	(9,086)
Consolidated	**$ 9,419**	$ 1,464	**$ 20,700**	$ 6,447

7. Subsequent event:

On February 4, 2005, the Company publicly announced its decision to close its McAllen, Texas Precision Components manufacturing facility. Management anticipates transferring all significant programs and equipment from the McAllen facilities to its Canadian manufacturing facilities. Cash expenditures associated with the transfer of this business and closure of the facility is currently estimated to be approximately $1.0 million. Non-cash charges may also be incurred by the Company depending on the amount of value realized on disposition of assets that will not be transferred to other facilities, including the sale of the land and building, which is owned by the Company.

8. 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.