Automation Tooling Systems Inc.
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First Quarter Report – Fiscal 2006

Dear Shareholder:

For the three months ended June 30, 2005, ATS Automation Tooling Systems Inc. ("ATS") reported substantial earnings growth on the strength of a record performance by its Solar Group and an increase in operating earnings by its Automation Systems Group.

First Quarter Highlights

- Earnings from operations grew 45% to $9.2 million from $6.3 million in the first quarter a year ago.
- Net earnings from continuing operations advanced 46% to $5.8 million (10 cents per share) from $3.9 million (7 cents per share) a year ago.
- Net earnings increased 95% to $5.4 million (9 cents per share) compared to $2.8 million (5 cents per share) a year ago.
- Revenue increased 5% to $190.5 million from $181.5 million in the first quarter a year ago, due to a 16% increase in Solar Group revenue and a 3% increase in Automation Systems Group revenue, which more than offset a 9% decline in Precision Components Group revenue.
- New order bookings in the first quarter were $111 million compared to $87 million in the fourth quarter and $117 million a year ago.
- Period end automation systems order backlog was $155 million compared to $169 million at March 31, 2005 and $231 million a year ago.
- Order Bookings to date in the second quarter are $43 million.

ATS generated higher earnings in the first quarter, despite only a small advance in consolidated revenue. These positive results primarily reflect record revenue and operating earnings within our rapidly growing Solar Group. Automation Systems Group also contributed positively with an 8% increase in operating earnings. These improved results were generated on a very modest increase in revenue and in spite of lower backlog at our largest facility. ASG also incurred one-time severance and other related costs of $0.8 million related to management changes following the death of Klaus Woerner in February. As expected, primarily due to costs associated with closing and transferring work from our plant in McAllen, Texas, Precision Components Group incurred an operating loss in the quarter. However, the McAllen facility closed on schedule and we look forward to the benefits of better utilization from PCG operations.

In assessing ASG's outlook, it's important to consider that order bookings and backlog do not include approximately $86 million of expected automation orders where ATS has already been awarded a firm advance order to initiate engineering and in some cases procure long lead-time items. For each of these programs, we're confident that the full assignments will proceed and, we're expecting purchase orders shortly for the full value of each of these programs. Based on new order bookings to date in the quarter, combined with the $86 million of expected follow-on orders and the strong pipeline of other potential new orders, we expect markedly improved performance in our Cambridge facilities in the second half of the fiscal year.

We also expect Photowatt's performance to remain relatively consistent, although the current industry wide silicon supply challenges remain an uncertainty and Photowatt will experience its seasonal decline in second quarter revenue and operating earnings due to its traditional one month summer plant shutdown in France. SSP completed its planned improvement modifications during the process optimization shutdown that began in June and is now beginning to ramp up its processes and equipment. The new President and CEO of the Solar Group is currently working through the Spheral Solar Power launch strategy and developing the overall Solar Group strategic direction.

August 12, 2005

Ron J. Jutras [SIGNED]	Lawrence G. Tapp [SIGNED]
President and Chief Executive Officer	Non-executive Chairman of the Board

About ATS

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. ATS is also an emerging leader in the rapidly growing market for solar energy cells and modules. The Company also makes precision components and subassemblies using its own custom-built manufacturing systems, process knowledge and automation technology. ATS employs approximately 4,200 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.

Management's Discussion and Analysis

This MD&A for the three months ended June 30, 2005 (first quarter of fiscal 2006) provides detailed information on the Company's operating activities of the first quarter and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended June 30, 2005. The Company assumes that the reader of this MD&A has access to, and has read, the Company's fiscal 2005 MD&A and audited financial statements and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2005 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 2005 MD&A and annual report and other risks detailed from time to time in ATS's periodic reports filed with Canadian regulatory authorities.

Consolidated Results of Operations

Consolidated revenue from continuing operations for the three months ended June 30, 2005 was $190.5 million, $9.0 million or 5% higher than a year earlier. This reflected 16% and 3% increases in Solar and ASG segment revenues respectively, which more than offset a 9% decline in PCG revenue. Changes in effective foreign exchange rates reduced consolidated revenue for the three months ended June 30, 2005 compared to the same period of fiscal 2005 by an estimated $11.9 million.

Consolidated earnings from operations for the three months ended June 30, 2005 were $9.2 million, $2.8 million higher than in the first quarter of fiscal 2005. Higher earnings from operations were largely the result of a record performance by Solar. Solar earnings from operations doubled to $6.6 million, from $3.3 million in the same period of fiscal 2005. ASG earnings from operations improved 8% compared to the first quarter of fiscal 2005. Growth in Solar and ASG earnings more than offset the $1.1 million decline in year-over-year PCG earnings from operations which reflected $1.0 million of costs related to ongoing PCG restructuring initiatives, the negative impact of foreign currency and volatile automotive market conditions. The negative impact of the change in foreign exchange rates on consolidated earnings from operations for the three months ended June 30, 2005 was an estimated $2.2 million compared to the same period of the prior year.

Consolidated selling, general and administrative (SG&A) costs increased 7% in the first quarter compared to the same quarter of fiscal 2005. Contributing to the increase in SG&A were: increased selling costs; the $1.0 million of expenditures incurred in the quarter to consolidate the McAllen, Texas operation into the Canadian PCG operations, and, higher profit sharing expenses largely related to the increased profitability of Solar. Also included in SG&A in the first quarter was $0.8 million of severance and other costs associated with management changes that were made following the death of Mr. Woerner, the Company's founder and former President and CEO, in February. These costs were funded by $2 million of insurance proceeds that were received and recorded in earnings in the fourth quarter of fiscal 2005. Partially offsetting these higher SG&A costs in ASG was a $0.4 million gain on the sale of equipment that was disposed of to reduce costs and streamline operations. The SG&A costs of the comparable first quarter of fiscal 2005 included a loss on disposal of an aging corporate aircraft that was not replaced.

Stock-based compensation cost increased $0.6 million over the first quarter of fiscal 2005. The increase reflected the issuance of employee stock options during the quarter, the increased use of deferred stock units under the directors' compensation plan, and the revaluation of the outstanding deferred stock units.

Interest expense in the first quarter reflected higher interest rates compared to a year ago.

Discontinued Operations

During the fourth quarter of fiscal 2005 the Company committed to a plan to sell PCG's precision metals division ("Precision Metals"). Accordingly, the results and financial position of Precision Metals have been segregated and presented separately as "discontinued operations" and "assets held for sale" in the accompanying interim financial statements. As further described in Note 2 to the interim consolidated financial statements, the loss from discontinued operations incurred during the quarter was $0.4 million compared with $0.6 million in the first quarter of fiscal 2005. The Company is in discussions with potential acquirers of these assets with the intention to conclude a sale during fiscal 2006. As the assets have not yet been sold, the actual net realizable value of the Precision Metals assets could differ materially from management's current estimate.

See Note 2 to the Consolidated Interim Financial Statements for further details on the net loss from discontinued operations.

Net Earnings

Net earnings from continuing operations for the first quarter of fiscal 2006 increased 46% to $5.8 million compared to $3.9 million in the first quarter of fiscal 2005. On a per share basis, net earnings from continuing operations for the quarter increased to $0.10 per share basic and diluted, from $0.07 per share basic and diluted in the same period a year ago. The negative impact of changes in foreign exchange rates for the three months ended June 30, 2005 reduced net earnings from continuing operations by an estimated $2.2 million ($0.03 per share) compared to the same period of last year.

Net earnings for the first quarter of fiscal 2006 were $5.4 million ($0.09 per share basic and diluted) compared to $2.8 million ($0.05 per share basic and diluted) a year ago.

Consolidated Revenue by Customer Site
($ millions)

	Three months ended 06/30/2005	Three months ended 06/30/2004
US & Mexico	**$ 104.3**	$ 108.4
Europe	**62.0**	54.9
Canada	**7.3**	7.7
Asia-Pacific and other	**16.9**	10.5
Total	**$ 190.5**	$ 181.5

Revenue by Industry
($ millions)

	Three months ended 06/30/2005	Three months ended 06/30/2004
Automation Systems Group:		
Automotive	**$ 50.4**	$ 37.5
Computer-electronics	**25.6**	42.9
Healthcare	**41.0**	29.6
Other	**10.5**	13.9
Subtotal	**127.5**	123.9
Solar Group	**42.9**	37.1
Precision Components Group:		
Automotive	**21.0**	22.9
Computer-electronics	**0.8**	1.4
Other	**2.0**	1.9
Subtotal	**23.8**	26.2
Inter-segment Elimination	**(3.7)**	(5.7)
Total Consolidated Revenue	**$ 190.5**	$ 181.5

Automation Systems Group

ASG revenue increased 3% in the first quarter compared to the first quarter a year ago primarily as a result of a 39% increase in healthcare revenue and a 34% increase in automotive revenue, partially offset by a 40% decline in computer-electronics revenue. Changes in revenue quarter to quarter in any given market reflect normal fluctuations, the level of work in progress and the backlog in that market entering the quarter. ATS's market diversification strategy and focus on healthcare, automotive and computer-electronics continued to provide benefits to ASG in the first quarter. The weakened financial condition of many North American based automotive companies has further increased the strategic importance of the Company's industry diversification strategy. For the three months ended June 30, 2005, the estimated negative foreign exchange impact on ASG revenue was $8.3 million compared to the same period of the prior year.

Compared to the first quarter of last year, the overall ASG increase in revenue was the result of revenue growth in European, Asian and Contract Equipment Manufacturing operations. The North American operations experienced a decline in revenue primarily in ASG's Cambridge, Ontario facilities due to reduced order backlog at the start of the quarter.

ASG first quarter operating earnings were $7.0 million, a $0.5 million or 8% improvement over the first quarter a year ago, reflecting higher revenues and improved operating margins at 5.5% in the first quarter compared to 5.2% in the same quarter a year ago.

Despite competitive market conditions, improved earnings performance was experienced by all regions compared to the first quarter of fiscal 2005, with the exception of Eastern North America. Lower operating earnings produced by ASG's Cambridge facilities were due to a number of factors including: lower revenues as a result of lower backlog levels, costs associated with maintaining capacity to support significant expected future orders and higher selling and product development costs in support of the strategic drive into healthcare and other important markets. ASG's earnings from operations and operating margins in the first quarter were also negatively impacted by severance costs for changes in management, and higher selling costs to support the higher levels of sales activities. Compared to the same period of fiscal 2005, the estimated negative impact of foreign currency on ASG operating earnings for the three months ended June 30, 2005 was $1.6 million.

ASG earnings from operations and operating margins declined sequentially over the fourth quarter of fiscal 2005, largely due to the effects of the 13% sequential decline in revenue that management believes resulted mainly from delays in placement of orders by customers in North America. The Company used this period of lower activity to further develop its standard technology platforms for customers and to provide additional technical support to secure orders and build prospects with existing and new customers.

The Contract Equipment Manufacturing business, which primarily serves the healthcare industry, generated record performance. Revenue from this activity in the first quarter was $11.4 million compared to $6.3 million in the first quarter last year and $7.1 million in the fourth quarter of last year – 80% and 60% respective increases in revenue. During the first quarter this business expanded its factory space within PCG facilities reflecting the current and anticipated further growth of this business. This expanding business leverages PCG's repetitive manufacturing capabilities, procurement expertise, infrastructure, attractive labour structure, and facilities to successfully supply standardized sophisticated equipment and work cells to customers on a repetitive basis.

Automation Systems Backlog

At June 30, 2005, ASG Order Backlog was $155 million, $76 million (33%) lower than a year ago and $14 million (8%) lower than at the end of the fourth quarter. New ASG Order Bookings totaled $111 million in the first quarter, compared to $117 million in the same period a year ago and $87 million in the immediately preceding quarter. Order Bookings to date in the second quarter are $43 million.

Automation Systems Backlog by Industry
($ millions)

		06/30/2005		06/30/2004
Automotive	**$**	**65**	$	73
Healthcare		**44**		92
Computer-Electronics		**32**		35
Other		**14**		31
Total	**$**	**155**	$	231

Automation Systems Outlook

Management believes that near term order prospects are strong and management is confident of ASG's potential. Order Bookings to date in the second quarter do not include approximately $86 million of expected automation follow-on orders where ATS has already been awarded a firm advance order to initiate engineering and in some cases procure materials for the programs. With respect to these expected orders, management is highly confident that the full programs will proceed given the commitment customers have demonstrated by providing ASG with advance orders as a means to preserve delivery times and production schedules. ATS is expecting purchase orders shortly for the balance of the programs and is basing factory planning and resource loading on receipt of these assignments. Based on Order Backlog entering the second quarter, management believes ASG's revenue and manufacturing efficiency improvements will be held back in the second quarter.

Management continues to believe the significant order delays entering the period reflect a variety of customer-related factors including the fact that customers in all markets may be cautious toward capital spending in the current environment. Management also believes delays may reflect the longer sales cycle in the healthcare industry. Based on ongoing and active communications with customers, management believes that potential orders have been only temporarily delayed and that it must retain its current productive resources to secure orders and drive revenue while it works aggressively with customers to rapidly translate quotations into firm orders.

Solar Group

Solar Group first quarter revenue, which is currently derived from Photowatt, was $42.9 million, 16% higher than the first quarter of last year. Solar surpassed expectations and its previous record for revenue set in the fourth quarter of fiscal 2005. Revenue in the first quarter reflected strong demand for solar products driven by attractive government incentive programs. Improvements in capacity utilization and production throughput gained in the fourth quarter of fiscal 2005 provided higher unit sales and revenues in the first quarter compared to the same period a year ago.

Photowatt operating earnings doubled to $6.6 million (15.5% operating margin), compared to $3.3 million (8.9% operating margin) a year ago. This strong performance reflects the benefits of significant improvements in production yields, throughput gains, cost reduction initiatives and the continued optimization of capital investments that began to be realized in fiscal 2005. Also contributing to increased earnings from operations were the economies of scale from increased revenues, the benefits of Photowatt's active silicon supply management activities, higher selling prices and increasing solar cell efficiencies.

Solar Outlook

Solar product demand is expected to remain strong well into fiscal 2006 based upon ongoing European subsidy programs, newly introduced US subsidy programs and growing demand for clean renewable energy products. However, Solar performance in the second quarter will be negatively affected by the customary month long summer plant shutdown at the Photowatt facility in France.

Availability of silicon supply, a primary raw material in most solar cell manufacturing, is an industry-wide concern and prices have continued to increase. Management continues to believe that it has secured sources of silicon for a significant amount of its capacity for fiscal 2006 and is continuing to devote resources to secure additional supply in order to ensure that its operations are able to grow without major disruption due to silicon availability. During fiscal 2005 and into fiscal 2006 Photowatt mitigated some of the potential impact of silicon supply shortages and increases in the market prices for silicon; however, Photowatt's silicon costs are expected to increase during fiscal 2006 as its inventory of lower-priced silicon is consumed and new silicon purchases are made at higher prices. Photowatt has secured price increases with some of its customers to help offset the increase in cost of silicon but there remains a risk that selling price increases and improvements in production efficiencies may not be able to fully offset higher silicon costs. Management is currently exploring longer term alternatives to secure further silicon supply and plans to reinvest the strong cash flow generation of Photowatt to fund Photowatt's near-term capacity expansion and silicon supply initiatives.

A six week shutdown period, that began in late June as part of an ongoing optimization program at the Company's Spheral Solar Power (SSP) facility, has now been completed. The SSP production processes are now being brought back on line and SSP is currently validating the improvements made to the SSP processes and equipment during the recent shutdown. Management is quite encouraged by the results of the validation testing work completed to date and expects that SSP will realize significant improvements in manufacturing capability as a result of the work completed during the shutdown. Furthermore, management expects to produce modest quantities of saleable SSP product during the second quarter. This methodical and deliberate approach to factory ramp up is intended to ensure the factory can achieve intended yields at full capacity. The new Solar President and CEO is currently developing a business strategy that will entail both technical and commercial aspects, including the SSP launch schedule and the funding strategy for the Solar Group.

Market demand for clean, renewable solar energy continues to create substantial interest in SSP's products among wholesalers, distributors and retailers. Management believes the strong market demand, combined with the flexible nature of the SSP product continues to provide SSP with significant competitive advantages. As discussed in the fiscal 2005 MD&A, the SSP initiative involves certain inherent risks which are significantly greater than those associated with the Company's more established businesses.

Precision Components Group

First quarter PCG revenue from continuing operations decreased 9% or $2.5 million to $23.8 million compared to the first quarter of fiscal 2005 as a result of lower US-Canadian exchange rates, the previously announced discontinuation of an unprofitable customer program as well as weakness in North American automotive markets for PCG. The estimated negative foreign exchange impact on revenue in the quarter was $1.2 million compared to the first quarter of fiscal 2005. Comparative figures for fiscal 2005 have been restated to reflect the PCG discontinued operations.

During the fourth quarter of fiscal 2005, as a result of requesting price increases on a program that had become unprofitable due to changes in foreign currency exchange rates, PCG received notice that this customer program would be terminated in the first quarter of fiscal 2006. This discontinuation reduced revenue by approximately $1.0 million in the first quarter compared to the first quarter a year ago.

PCG's loss from continuing operations was $1.0 million in the first quarter, compared to operating earnings of $0.1 million in the first quarter a year ago. Loss from operations for the first quarter included approximately $1.0 million of incremental cash expenditures associated with the consolidation of the McAllen, Texas operations into the Cambridge operations (see further description below). Excluding this cost, PCG operated at breakeven levels. PCG operating performance continues to be affected by: overhead costs related to the McAllen, Texas operation, fluctuating customer demand (often on short notice) which creates production inefficiencies; higher raw material costs; and the negative impact of a weak US dollar. The estimated negative impact of foreign currency on Group operating earnings was $0.3 million for the three months ended June 30, 2005 compared to the same quarter of fiscal 2005.

Sequentially, excluding the impact of the $0.5 million non-cash write-down taken in the fourth quarter of fiscal 2005 and the McAllen closure costs, PCG's operating earnings decreased by $0.6 million largely due to the $1.7 million decrease in revenues which occurred for the reasons outlined above. This lower revenue reduced PCG's economies of scale and overhead absorptions.

During the fourth quarter of fiscal 2005, the Company announced that as part of its continuing strategic initiative to drive an earnings recovery for PCG, it would close PCG's manufacturing facility in McAllen, Texas in June, 2005. This closure was completed on schedule and during the quarter PCG completed the transfer of McAllen's production into existing PCG facilities. This consolidation of McAllen's production is now largely complete, and all customer programs have been transferred. The benefits of this consolidation will begin to be realized in the second quarter in the form of reduced overall operating costs and improved PCG asset utilization. Further gains are expected in the third and fourth quarters. The total expenses in the first quarter associated with closing McAllen and transferring this business, including relocating equipment, employee severance and other related costs were approximately $1.0 million. The majority of the expenditures associated with the transfer of business have now been incurred. The remaining equipment and building are currently classified as assets held for sale in the balance sheet as there are ongoing active discussions with potential buyers.

Precision Components Outlook

PCG has streamlined its operations in pursuit of an earnings recovery and continues to work toward improving its performance. PCG continues to aggressively pursue new profitable business that will utilize existing capacity. As expected, the effect of some of these more significant initiatives will require time before the benefits will begin to be realized in the form of improved operating results. Gains are expected to accrue from its ongoing enhancement initiatives resulting from the application of Six Sigma, improved equipment utilization, and other cost savings measures. PCG continues to progress towards improved profitability; however, the potential for continued volatile North American automotive market conditions is a significant factor in achieving planned results. Although market conditions subsequent to the end of June appear to have at least temporarily improved due to 'employee discount' promotions offered to consumers by the 'Big Three' automakers, the second quarter will be affected by the expected negative impact of summer shutdowns.

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 first quarter compared to the first quarter of the prior year. The Company's estimated effective rate of exchange on US currency transactions declined 6% while average market rates were 8% lower in the first quarter compared to the first quarter of last year.

At June 30, 2005 the Company had, on hand, unrealized forward exchange contracts for the future sale of US dollars totaling US $65 million at an average exchange rate of Cdn $1.2531. The unrecognized gain on these forward contracts totaled approximately $2 million at June 30, 2005.

Period Average Market Exchange Rates in CDN$

	Three months ended		
	06/30/2005	06/30/2004	**% change**
US $	**1.2449**	1.3596	-8%
Euro	**1.5620**	1.6403	-5%
Singapore $	**0.7500**	0.7978	-6%

Liquidity, Cash Flow and Financial Resources

Cash balances, net of bank indebtedness, at June 30, 2005 decreased $56 million during the first quarter of fiscal 2006. The decrease in cash was largely as a result of the $25 million consumed to exercise an option to repurchase ATS shares (see Share Repurchase below), and higher investments in working capital and the Company's investment in property, plant and equipment. The increased investment in working capital was mainly the result of ASG working capital requirements which fluctuate significantly from quarter to quarter due to the project nature of the business. Cash consumed from operating activities was $13.6 million, an improvement of $25.5 million compared to the first quarter of fiscal 2005.

The Company invested $19 million in property, plant and equipment and other investments, including deferred development, in the first quarter of fiscal 2006. Investments made in SSP in the first quarter of fiscal 2006, net of government funding, were $4 million and $6 million for capital assets and deferred development, respectively. Total investment in the SSP initiative, net of government funding, was $112 million at June 30, 2005, 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 deferred development period will end for the SSP initiative on September 30, 2005 and SSP's revenue, expenses and operating results will be included in the consolidated statements of earnings commencing in the third quarter of fiscal 2006.

During the first quarter, 0.2 million stock options were exercised for total proceeds of $2.2 million. At June 30, 2005 the total number of shares outstanding was 59,061,870.

Management believes the Company's cash flow from operations, sound balance sheet and access to unutilized credit provide ATS with the financial resources to employ its business plans and pursue strategic opportunities. The Company's debt to equity ratio at June 30, 2005 was 0.1:1 unchanged from June 30, 2004 and March 31, 2005. At June 30, 2005 the Company had $63 million of unutilized credit available under existing operating and term credit facilities. The Company is in compliance with its loan covenants.

Share Repurchase

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

In April, 2005 the Company exercised its option to purchase for cancellation 1,974,723 ATS common shares at a price of $12.66 per share. The total purchase price of $25 million was funded by the life insurance proceeds of $25 million received by the Corporation under a life insurance policy that had been maintained in respect of Mr. Woerner and which was established in conjunction with the execution of the option agreement. The share repurchase reduced share capital by $11.2 million and retained earnings by $13.8 million as further described in Note 4 to the consolidated interim financial statements.

Consolidated Quarterly Results

($ in thousands, except per share amounts)	**Q1 2006**	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Revenue	**$ 190,500**	$ 208,695	$ 200,460	$ 180,294	$ 181,486	$ 182,940	$ 159,844	$ 137,291
Net earnings (loss) from continuing operations	**$ 5,751**	$ 14,558	$ 7,283	$ 4,684	$ 3,945	$ (835)	$ (1,045)	$ 1,382
Net earnings (loss)	**$ 5,426**	$ 459	$ 5,627	$ 432	$ 2,780	$ (3,069)	$ (1,701)	$ 372
Basic earnings per share from continuing operations	**$ 0.10**	$ 0.24	$ 0.12	$ 0.08	$ 0.07	$ (0.01)	$ (0.02)	$ 0.02
Basic earnings per share	**$ 0.09**	$ 0.01	$ 0.09	$ 0.01	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01
Diluted earnings per share from continuing operations	**$ 0.10**	$ 0.24	$ 0.12	$ 0.08	$ 0.07	$ (0.01)	$ (0.02)	$ 0.02
Diluted earnings per share	**$ 0.09**	$ 0.01	$ 0.09	$ 0.01	$ 0.05	$ (0.05)	$ (0.03)	$ 0.01

Lease and Contractual Obligations

No significant leases or contractual obligations were entered into during the quarter. 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, 2005.

August 12, 2005

Consolidated Statements of Earnings

(in thousands, except per share amounts – unaudited)

	Three months ended	
	June 30 2005	June 30 2004
		(as restated)
Revenue	**$ 190,500**	$ 181,486
Operating costs and expenses:		
Cost of revenue	**152,647**	149,073
Amortization	**7,332**	6,656
Selling, general and administrative	**20,572**	19,251
Stock-based compensation (note 3)	**779**	165
	181,330	175,145
Earnings from operations	**9,170**	6,341
Other expenses:		
Interest on long-term debt	**373**	191
Other interest	**51**	67
	424	258
Earnings from continuing operations before income taxes and non-controlling interest	**8,746**	6,083
Provision for income taxes	**2,822**	2,054
Non-controlling interest in earnings of subsidiaries	**173**	84
Net earnings from continuing operations	**5,751**	3,945
Loss from discontinued operations, net of tax (note 2)	**(325)**	(1,165)
Net earnings	**$ 5,426**	$ 2,780
Earnings (loss) per share (note 5)		
Basic – from continuing operations	**$ 0.10**	$ 0.07
Basic – from discontinued operations	**(0.01)**	(0.02)
	$ 0.09	$ 0.05
Diluted – from continuing operations	**$ 0.10**	$ 0.07
Diluted – from discontinued operations	**(0.01)**	(0.02)
	$ 0.09	$ 0.05

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars – unaudited)

	Three months ended	
	June 30 2005	June 30 2004
Retained earnings, beginning of period	**$ 208,120**	$ 198,822
Net earnings	**5,426**	2,780
Reduction from share repurchase (note 4)	**(13,764)**	-
Retained earnings, end of period	**$ 199,782**	$ 201,602

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars – unaudited)

	June 30 2005	March 31 2005
ASSETS		
Current assets:		
Cash and short-term investments	$ 26,052	$ 49,529
Accounts receivable	125,885	141,107
Income taxes recoverable	17,361	12,502
Costs and earnings in excess of billings on contracts in progress	137,952	108,956
Inventories	65,070	66,627
Assets held for sale (note 2)	8,161	6,820
Other	6,223	3,749
	386,704	389,290
Property, plant and equipment	248,409	245,875
Goodwill	34,771	34,750
Intangible assets	3,478	3,599
Future income tax assets	13,694	14,539
Deferred development costs	46,542	41,215
Assets held for sale (note 2)	6,378	6,057
Other assets	4,016	4,464
	$ 743,992	$ 739,789
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ 32,342	$ -
Accounts payable and accrued liabilities	88,068	102,984
Billings in excess of costs and earnings on contracts in progress	17,765	15,352
Future income taxes	29,912	27,838
	168,087	146,174
Long-term debt	41,419	41,070
Future income taxes	20,997	17,684
Non-controlling interest	856	677
Shareholders' equity:		
Share capital	325,884	334,966
Retained earnings	199,782	208,120
Contributed surplus	1,177	783
Cumulative translation adjustment	(14,210)	(9,685)
	512,633	534,184
	$ 743,992	$ 739,789

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars – unaudited)

	Three months ended	
	June 30 2005	June 30 2004
Cash flows from operating activities:		
Net earnings	**$ 5,426**	$ 2,780
Items not involving cash	**14,049**	10,294
Stock-based compensation	**779**	165
Cash flow from operations	**20,254**	13,239
Change in non-cash operating working capital	**(33,849)**	(52,304)
	(13,595)	(39,065)
Cash flow from investing activities:		
Acquisition of property, plant, and equipment	**(13,490)**	(11,203)
Investments and other	**(5,818)**	(2,440)
Proceeds from disposal of assets	**432**	-
	(18,876)	(13,643)
Cash flows from financing activities:		
Bank indebtedness	**32,342**	29,873
Purchase of common shares for cancellation (note 4)	**(25,000)**	-
Issuance of common shares	**2,154**	164
Other	**-**	5
	9,496	30,042
Effect of exchange rate changes on cash and short-term investments	**(502)**	796
Decrease in cash and short-term investments	**(23,477)**	(21,870)
Cash and short-term investments, beginning of period	**49,529**	38,551
Cash and short-term investments, end of period	**$ 26,052**	$ 16,681
Supplementary information:		
Cash income taxes paid	**$ 440**	$ 1,003
Cash interest paid	**$ 459**	$ 249

See accompanying notes to interim consolidated financial statements

Notes to Interim Consolidated Financial Statements

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

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, 2005. 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 Company's fiscal 2005 audited consolidated financial statements.

(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.

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

(iii) The preparation of these interim consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates and assumptions are used when accounting for items such as impairment of assets, fair value of reporting units, assets held for sale, warranties, income taxes, future tax assets, determination of estimated useful lives of intangible assets and property, plant and equipment, impairment of long-term investments, contracts in progress, inventory provisions, revenue recognition, and allowances for accounts receivable.

2. Discontinued operations and assets held for sale:

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

	Three months ended	
	June 30 2005	June 30 2004
Revenue	**$ 8,348**	$ 8,236
Loss from operations	**$ (594)**	$ (819)
Income tax recovery	**202**	266
Loss from discontinued operations	**$ (392)**	$ (553)

As the assets have not yet been sold, actual net realizable value of the Precision Metals assets could differ materially from management's current estimate.

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

(ii) During the three months ended December 31, 2004, the Company sold the key intellectual property, inventory and operating assets of its thermal management products business of the Precision Components segment ("Thermals Business") for net proceeds of $8,600,000 resulting in a loss of $3,173,000 ($1,738,000 after income taxes). Accordingly, the results of operations of the Thermals Business have been segregated as discontinued operations in the interim consolidated financial statements. The Company continues to incur some costs related to the discontinuation of these operations. The results of the discontinued Thermal Business were as follows:

	Three months ended	
	June 30 2005	June 30 2004
Revenue	**$ -**	$ 2,608
Income (loss) from operations	**$ 101**	$ (928)
Income tax expense (recovery)	**(34)**	316
Income (loss) from discontinued operations	**$ 67**	$ (612)

3. Stock-based compensation:

In the calculation of the stock-based compensation expense in the interim Consolidated Statements of Earnings, the fair values of the Company's non-performance based stock option grants were estimated using the Black-Scholes option pricing model and the fair value of the Company's performance based stock option grants were estimated using a binomial option pricing model with the following weighted average assumptions and data:

	Three months ended	
	June 30 2005	June 30 2004
Weighted average of risk-free interest rate	**3.35%**	3.60%
Dividend yield	**0.00%**	0.00%
Weighted average of expected life	**5.2 years**	5.5 years
Expected volatility	**31%**	38%
Number of stock options granted (thousands):		
Non-performance based	**432**	430
Performance based	**165**	-
Weighted average of exercise price per option (dollars)	**$ 14.40**	$ 11.50
Weighted average fair value per option (dollars):		
Non-performance based	**$ 5.04**	$ 4.67
Performance based	**$ 4.42**	$ -

During the quarter ended June 30, 2005, the Company issued certain performance based options. The performance based options vest based on the ATS stock trading at or above a threshold for a minimum of 20 trading days in a fiscal quarter. These performance options expire on the seventh anniversary of the date of the award. During the first quarter, 25% of the performance based options had vested.

4. Share repurchase option:

During the year ended March 31, 2005, the Company received proceeds of $25,000,000 related to a "key-man" life insurance policy in respect of the death of Mr. Klaus Woerner. The insurance policy was entered into to provide funding for the repurchase of certain of ATS's shares.

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

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

As a result of the share repurchase, share capital has been reduced by the value of $5.69 per share totaling $11.2 million. The excess of cost to repurchase the shares over the stated value was charged to retained earnings.

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	
	June 30 2005	June 30 2004
Basic	**59,283**	60,685
Diluted	**59,554**	60,925

6. Segmented disclosure:

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

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

	Three months ended	
	June 30 2005	June 30 2004
		(as restated)
Revenue		
Automation Systems	**$ 127,527**	$ 123,882
Solar	**42,883**	37,111
Precision Components	**23,780**	26,240
Elimination of inter-segment revenue	**(3,690)**	(5,747)
Consolidated	**$ 190,500**	$ 181,486
Earnings (loss) from operations		
Automation Systems	**$ 6,952**	$ 6,409
Solar	**6,626**	3,296
Precision Components	**(957)**	105
Inter-segment elimination and corporate expenses	**(3,451)**	(3,469)
Consolidated	**$ 9,170**	$ 6,341

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.