



THE WESCAST STRATEGY FOR GLOBAL EXPANSION

Wescast is the world's leading supplier of cast iron exhaust manifolds for passenger cars and light trucks. As the automotive manufacturing environment changes, the Company faces a tremendous opportunity to broaden its base of strength and take the Wescast culture of innovation and service around the world. 2005 was a year of execution of our multi-year plan to become a true global supplier, move with existing customers, and build new partnerships, from business units based in the world's largest automotive markets.

North America

Wescast has made critical choices to optimize our production capacity in North America and protect our dominant market share. We have executed a challenging plan; now it is time to move forward with confidence to win new business and strive to exceed our customers' expectations.

Wescast is building a new look in North America: lean, flexible and globally competitive.

Europe

We are moving into a strong position in Europe. Wescast Hungary is functioning as a full-service business unit built on the strength of our innovative manifold designs for gasoline and diesel engines. As our capacity utilization in Europe increases, we anticipate strong growth and the ability to offer a steady flow of innovative new solutions to the world diesel market.

Asia

We are in the final stages of planning for our entry into Asia. This entry symbolizes Wescast's commitment to becoming the global supplier our customers are expecting us to be, and opens up new avenues of opportunity with new and existing partners.

Wescast is positioning itself as a world technology and service leader in cast exhaust manifolds, turbine housings and integrated turbo-manifolds.

Forward-Looking Information

The contents of this Annual Report contain statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking statements based on certain assumptions and reflect Wescast's current expectations. Such forward-looking statements may include financial and other projections as well as statements regarding Wescast's future plans, objectives or performance for the current fiscal year and subsequent periods. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "estimate", "intend", "plan", "forecast", "project", "forward" and "believe" or other similar words and phrases are intended to identify forward-looking statements. Persons reading this Annual Report are cautioned that such statements are only predictions, and that Wescast's actual future results or performance may be materially different.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties principally relate to the risks associated with the automotive industry and include, but

are not limited to: our operating and/or financial performance, including the effect of new accounting standards on our reported financial results, fluctuations in interest rates, changes in consumer and business confidence levels, consumers' personal debt levels, vehicle prices, the extent and nature of purchasing or leasing incentive campaigns offered by automotive manufacturers, environmental emission regulations, fuel prices and availability, the continuation and extent of outsourcing by automotive manufacturers, changes in raw material and other input costs, our ability to continue to meet customer specifications relating to product performance, cost, quality, delivery and service, industry cyclicality or seasonality, trade and/or labour issues or disruptions, customer pricing pressures, pricing concessions and cost absorptions, actual levels of program production volumes by our customers compared to original expectations, including program cancellations or delays, price reduction pressures, dependence on certain engine programs and the market success and consumer acceptance of the vehicles into which such powertrain products are installed, our relationship with and dependence on certain customers, currency exposure, failures in implementing Wescast's strategy, technological developments by Wescast's competitors, government and regulatory policies and changes in the competitive environment in which Wescast operates.

Wescast does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, except as required by law.



FINANCIAL HIGHLIGHTS

FIVE-YEAR SUMMARY

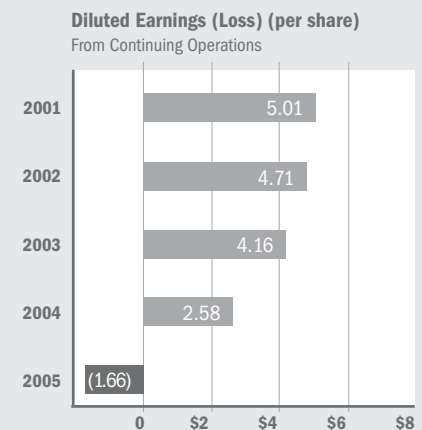
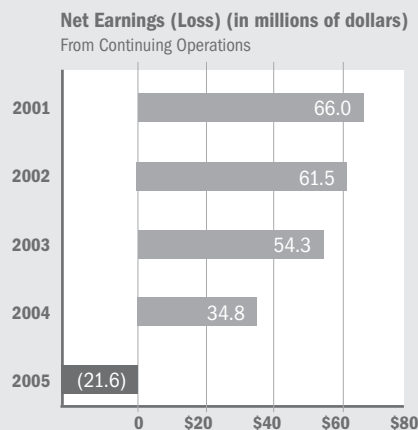
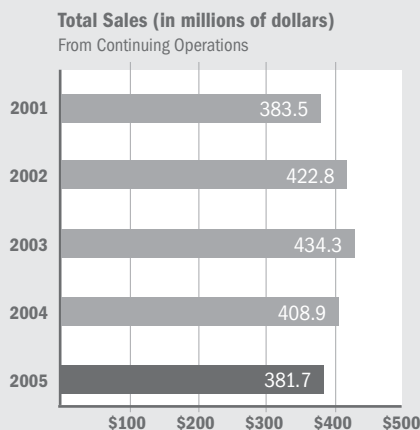
(in thousands of Canadian dollars, except per share amounts and where otherwise noted)

For the fiscal year ended	2005 *	2004	2003	2002	2001
Sales ¹	\$381,683	\$408,908	\$434,324	\$422,784	\$383,502
Net earnings (loss) ¹	(\$21,650)	\$34,848	\$54,320	\$61,503	\$66,038
Diluted earnings (loss) from continuing operations per share	(\$1.66)	\$2.58	\$4.16	\$4.71	\$5.01
Shares outstanding (000's)	13,117	13,107	13,098	13,084	13,003
Total assets	\$457,068	\$556,511	\$551,309	\$583,318	\$452,762
Working capital	\$68,853	\$43,843	\$88,003	\$57,258	\$115,292
Current ratio	2.6:1	1.5:1	2.7 : 1	1.7 : 1	3.4 : 1
Cash, cash equivalents, short and long-term investments ¹	\$1,944	\$3,745	\$28,358	\$21,652	\$87,950
Property and equipment - net ¹	\$288,458	\$364,690	\$317,461	\$310,530	\$251,548
Long-term debt ¹	\$29,836	\$28,472	\$2,751	\$4,232	\$4,614
Shareholders' equity	\$354,871	\$405,597	\$427,949	\$423,859	\$379,447
Return on capital employed (%) ²	-6%	13%	23%	29%	35%
Return on equity (%) ¹	-6%	8%	13%	15%	18%
Capital expenditures ¹	\$22,159	\$32,872	\$36,428	\$80,788	\$54,610
Depreciation and amortization ¹	\$38,777	\$36,267	\$34,024	\$27,979	\$27,883
Market performance : High	\$32.24	\$41.50	\$41.00	\$57.19	\$55.20
: Low	\$16.50	\$31.60	\$31.00	\$39.40	\$38.00
Number of employees	1,887	2,515	2,077	2,451	2,128

* Includes after-tax restructuring charge of \$25.2 million.

¹ Continuing operations only.

² Return on capital employed is equal to earnings (loss) from continuing operations before stock-based compensation expense, interest and income taxes divided by average capital employed during the year.





REPORT TO SHAREHOLDERS

A VISION OF WORLD LEADERSHIP

Edward G. Frackowiak, Chairman & CEO



Adjusting quickly to changing markets

In 2004, we saw the need for a multi-year plan to restructure the Company. China's increasing influence on the world auto industry, and our customers' needs for global supply capability, sent a clear signal that we needed to establish a global footprint. Through the rest of that year, we took steps to refocus the Company on our core competencies in cast powertrain components and to accelerate our globalization strategy. One of our initial steps in this process was the 2004 purchase of the remaining share of Weslin, our Hungarian casting and machining facility, renamed Wescast Hungary Zrt.

Strong execution of a multi-year plan

2005 was a year of execution, as we turned to some of the more challenging and expenditure-intensive elements of our plan. The goal was to restructure our processes and infrastructure to create increased flexibility and to lower costs. In North America, this meant aligning capacity with production needs, finding efficiencies and investing in enhanced capabilities. By the end of 2005, we had made significant progress in all these areas.

European operations were a source of strength for the Company in 2005, as Wescast Hungary announced several new business wins. Because of these wins, and our transfer of some North American production to Wescast Hungary, our European business unit passed our goal of 60% capacity utilization. Continuous performance improvement and growth will enable us to reach full capacity in the future.

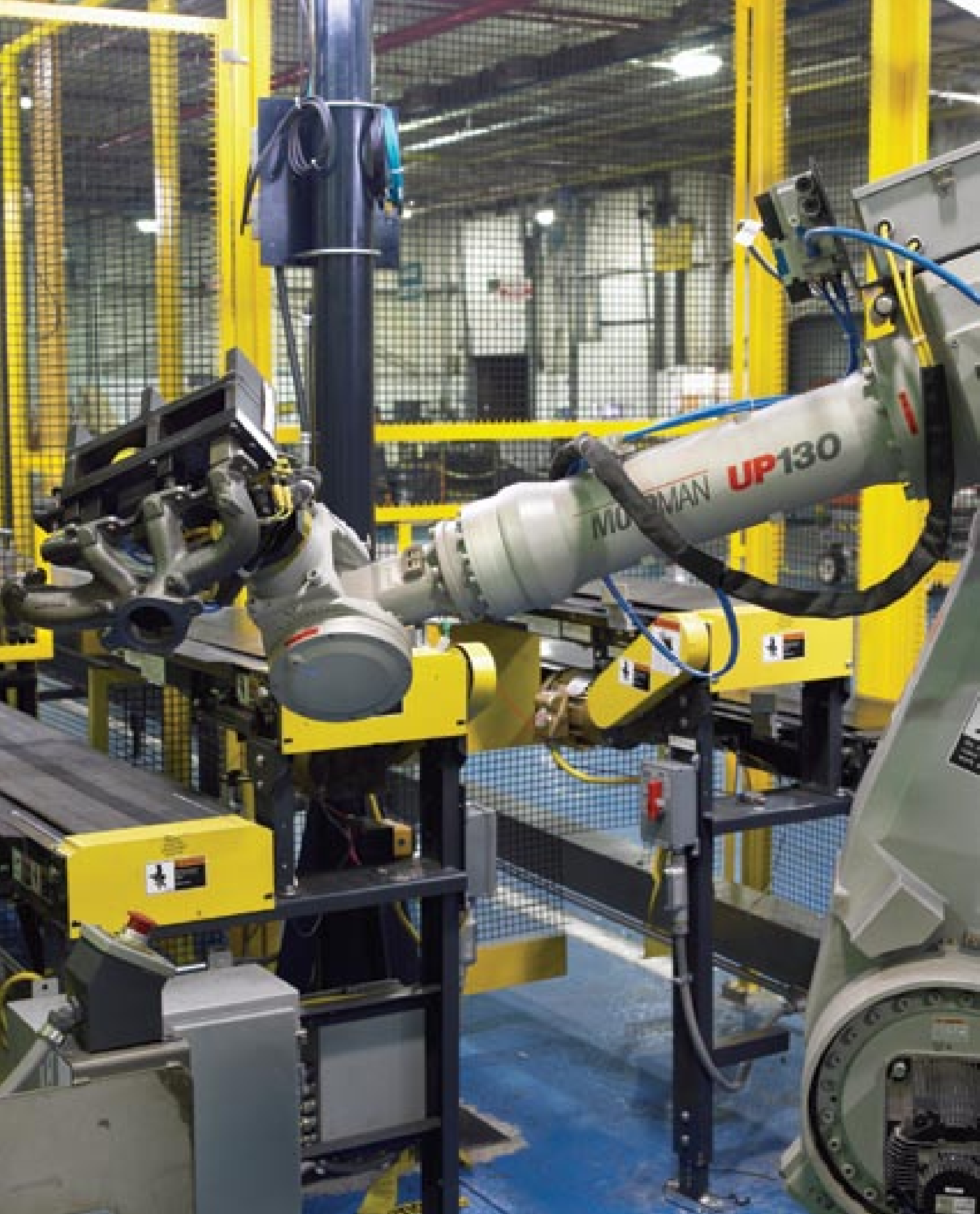
We continue to execute our Asian strategy. We expect to be announcing the hiring of an Asian managing director in 2006, and the selection of a site in China for a new production facility. China was selected primarily because of the access it affords to every other Asian automotive manufacturer, and because of the potential for growth in its domestic market.

When we begin operations in China, we believe we will be in a class by ourselves as the only full-service supplier of cast exhaust manifold products on three continents. From this position, we will work toward our long-term goal of replicating our North American successes in markets around the world.

Our Board made the decision in 2005 to deregister Wescast's stock with the Securities and Exchange Commission (SEC) in the U.S., thereby delisting from trading on The NASDAQ Stock Market, Inc. Our shares were experiencing limited trading volume and liquidity in the U.S., and there were significant direct and indirect costs associated with the SEC reporting requirements.

Through all the changes, Wescast's culture of participation and cooperation, exemplified by our HEART program, has enabled us to work well together through challenging times. We credit our talented and dedicated workforce with the strength of purpose that will take our Company forward.

Edward G. Frackowiak, Chairman & CEO





NORTH AMERICA

LEADING A CHANGING MARKET



Today's challenges

With 50% market share in the North American market and 62% among the domestic Big 3 (Ford Motor Company, General Motors, and DaimlerChrysler), Wescast has felt the impact of the difficulties that North American automakers experienced in 2005. Price pressures on Wescast continued to escalate as offshore producers gained credibility and our customers were forced to seek low-cost alternatives.

Wescast is meeting these challenges, not just with short-term cost cutting, but with a restructuring strategy designed to position the Company for long-term strength. As we executed this strategy through 2005, costs associated with foundry optimization, investment in automation, and a lean manufacturing review have combined to impact our net earnings. The bulk of these charges have now been absorbed, and we believe we are positioned to generate increased returns in 2006.

Executing our plan for success

Wescast's strong market share and financial position through the last decade has given the Company the depth of resources to weather the challenging conditions we face today, and to invest strategically to exploit better conditions tomorrow. Our plan is well advanced and proactive, making the difficult changes on our terms.

Exiting operations in Brantford will leave us with optimized foundry capacity in North America, a critical component of our plan for long-term success. This has been a difficult move for Wescast, but one that we are confident will significantly strengthen our foundry operations for the future.

Wescast's strong balance sheet has allowed us to invest with a view to generating future savings. We have made recent upgrades to our machining facilities with state-of-the-art automated flexible machines, capable of producing higher quality parts with an improved capital utilization.

Our lean manufacturing review of our North American machining operations is nearing completion, and we began implementation of the resulting plan late in 2005. Having absorbed these costs, Wescast expects to see benefits in 2006 as our new processes improve operational excellence across the board.

Wescast remains the market leader in North American cast exhaust manifolds. In May 2005, we announced significant new business supplying manifolds for both Ford's 2.0L and 2.3L engines and GM's V6 engine. Our balance sheet and financial position remain strong, and we look forward with confidence to growth and improvement in 2006.



EUROPE

ACCELERATING GROWTH



New business wins prove our value proposition in Europe is strong

Wescast Hungary secured significant new business contracts from PSA Peugeot Citroen, Volkswagen AG and Ford of Europe in 2005. These contracts represent major inroads into the European automotive manufacturing market.

Our new business win with Volkswagen AG, in particular, highlights the power of our European value proposition. Volkswagen chose to replace the fabricated manifolds on their 2.5L I5 engine with our cast product, despite the fact that the engine was not scheduled for redesign. Effective teamwork between Wescast Hungary, our European sales offices and the Brantford technical development centre, along with competitive production costs, were cited by Volkswagen in its decision to choose Wescast.

Wescast's local presence in Europe gives us the focus and flexibility to react to the demands of customers there, including the European branches of our Big 3 partners. Modern manufacturing capabilities in Hungary are complemented by R&D support from Canada and Germany, as well as sales and technical support in France and the U.K.

Wescast has now captured 6% of the European automotive market with a customer list that includes Renault, Honeywell, BorgWarner and Audi in addition to those mentioned above. The investment made to develop manufacturing capability in Europe is set to generate returns as we bring Wescast Hungary closer to full capacity through 2006.

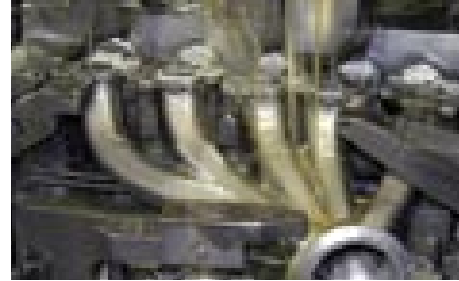
Wescast's innovative cast powertrain solutions are the right fit

The European market leads the world in its use of smaller, turbocharged engines. Our years of expertise and R&D investment have enabled us to offer cast exhaust manifolds with integrated turbochargers, which we believe improve efficiency and package much better into small engine compartments. We expect Wescast Hungary's capabilities to cast and machine temperature-resistant materials will open opportunities for further innovation and new business. Oil price instability and pending legislative changes may soon open the North American market for greater penetration by diesel engines. Wescast is well positioned to take advantage of our ability to offer these products.



ASIA

EXPANDING THE GLOBAL FOOTPRINT



Multiple ways to grow with new and existing customers

China has become a powerful global manufacturing and market force, which has challenged North American-based automotive suppliers to respond. The nature of that response will depend on whether suppliers view China's strength as a competitive threat, or an unprecedented opportunity.

Wescast has embraced a proactive strategy aimed at firmly grasping this new opportunity and joining our customers in participating in the rapidly growing Chinese auto industry. We are in the process of establishing a wholly-owned business unit in China that will, when finished, make us a full-service Asian supplier, complete with local sales and technical support, engineering and design services, and casting and machining capabilities.

Our development plans for Asia align with our customers' demands for global supply capability. Not only will we move with our customers as they do more business in Asia, we will also position ourselves to form relationships with new and existing Asian manufacturers, including emerging Chinese automakers. We expect that our Asian business unit will strengthen our worldwide organization, in the short term with lower-cost production capacity, and in the long term with enhanced access to the expanding Chinese domestic market.

Experience, performance, innovation and technology

Wescast's experience in entering Europe allows us to move into Asia with confidence, building on our acquired expertise in adapting to foreign markets and production environments. Our relationships with Asian manufacturers will support our development in Asia. In addition, our strong relationships with the North American Big 3 will allow us to work from an advanced stage when bidding on their Asian projects. Our continued excellence in the fundamentals - quality, cost and delivery - should serve us well as Asian automakers search for partners in growth.

A core of independent strength for Asia

Wescast will manage the challenges of geography and culture by hiring an experienced, independent local team for the Asian business unit that will be supported by the technical and R&D resources of our world headquarters. We believe our casting and machining facility in China will be flexible and capable of meeting rapidly changing production requirements.

Asia is expected to be a driver for change in the world automotive industry for years to come. By establishing Wescast in this dynamic part of the world now, we position ourselves to manage the changes, and benefit from them.



WESCAST TECHNOLOGY

HIGH TECHNOLOGY IN CAST POWERTRAIN COMPONENTS

From concept to assembly... around the globe

One of Wescast's strengths is the ability to offer full service to our customers, from component concept and design, through prototype and testing, to production and delivery. We are partners with our customers throughout the process, working together to ensure that cost, quality, technical and timing elements are optimized to meet the end-user's requirements. Thirty years of experience and R&D investment has produced the expertise that we draw from to create innovative new solutions as engine technology evolves. Establishing a global presence enables Wescast to meet our customers' expectations to bring this same level of service to new markets.

Technology that creates opportunity

Wescast is focused on three main categories of cast powertrain products: exhaust manifolds, turbine housings for turbochargers, and exhaust manifolds integrated with turbochargers, or "turbo-manifolds". Single-piece cast components have high structural integrity, are resistant to vibration and offer packaging advantages relative to fabricated designs. Recent advances in cast technology have allowed for reductions in part weight, while retaining strength and durability. Because of our investment in incorporating these advances into product design, Wescast is winning design competitions against fabricated solutions, such as our recent contract to supply cast manifolds for Volkswagen's 2.5L I5 diesel engine.

High temperature alloys are increasingly in demand as manufacturers design hotter running engines in an effort to improve fuel efficiency and reduce emissions. We believe our R&D investments into casting and machining various high temperature alloys will allow us to respond to these challenges with innovative solutions.

INNOVATION IN PROCESSES FOR A BETTER BOTTOM LINE

New ideas in manufacturing

Wescast has leveraged our culture of innovation into our processes, investing in new equipment and new methods aimed at maximizing our productivity. Upgrades to our machining facilities have added flexibility to our process; automated part loading and state-of-the-art CNC (Computerized Numerical Control) machine tools allow continuous operation and rapid changeover. Procedures and processes at our foundries have been optimized as well, maximizing the utility of scarce resources by avoiding waste, and intelligently structuring our work efforts to produce the highest quality products in the least time.

Turning better process into better results

Our process upgrades are about improving competitiveness and the need to deliver the best possible service to customers. Today's automotive manufacturing market demands flexibility; plants must be able to transition quickly between constantly changing product designs, production levels and material inputs. At the same time, competitive costs and high-quality must be maintained. Through investment in automation, new capital equipment and innovative process design, we feel Wescast is positioned ahead of manufacturers that have focused on cost cutting alone. We believe our process innovation aligns us with our customers' requirements as they implement their global strategies.



Exhaust tech

With the help of the latest CAE tools, Wiscast developed an exhaust solution with a black box design for Ford of Europe

■ Based on many design successes demonstrating the capabilities of cast-iron exhaust manifolds, Wiscast Industries was asked by Ford Europe to develop a black box design for the C170 program.

The goal was threefold: to create a cast-iron exhaust manifold that could replace the current fabricated manifold; generate a cost saving; and meet or exceed all program targets. It was critical to maintain the system performance levels of the existing design, even through the addition of a second catalyst substrate in the close-coupled converter which would increase the exhaust backpressure.

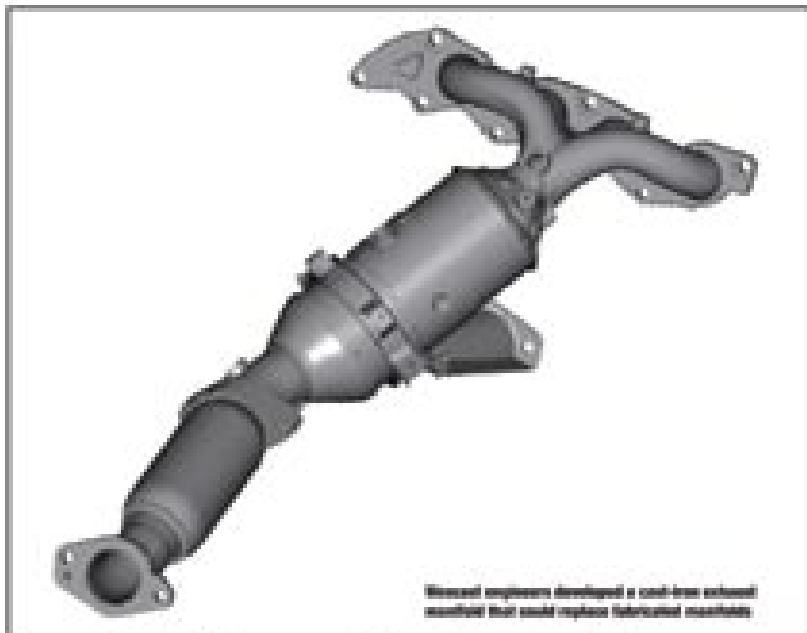
Design development began with an investigation into the constraints on vehicle packaging. It was identified early in the program that including the collector pipe and catalyst inlet cone in the manifold geometry would help reduce cost, improve packaging and assist durability. Welding the stainless-steel catalyst container directly onto the 5046 iron exhaust manifold has proved durable and cost-effective on previous programs.

The next step was to develop the core shape, or internal passage of the manifold. The manifold flow path is important because it can affect engine performance, including emissions. While designing the manifold it was also necessary to take into consideration the various assembly requirements, the clearance required to fit engine and vehicle components, and manufacturability.

A CFD simulation was used to estimate the catalytic converter utilization. A series of steady-state analysis conducted under cycle averaged hot conditions were used to obtain the flow distribution in the converter. This analysis gave an indication of how uniformly the catalyst would be used, and could help to identify catalyst erosion. The goal was an even distribution across the catalyst face. The manifold runner geometry was modified within vehicle package constraints, and the analysis re-ran. Such a process continues until the acceptance criteria are met or until it is determined that uniformity is as high as package constraints will allow.

The C170 system required an exhaust gas oxygen sensor in the manifold. The CFD results were used to find the optimal location for the sensor by determining the most uniform flow region in the manifold. This information was combined with vehicle package constraints and sensor limitations.

With the inner shape of the manifold determined, the rest of the manifold geometry



Wiscast engineers developed a cast-iron exhaust manifold that could replace fabricated manifolds

was created. The model had to account for all manufacturing requirements for both casting and machining. At this point the CAD model was referred to as "fully defined".

Durability predictions were the next major step. Finite element analysis (FEA) was used to investigate structural response of the exhaust manifold as it is thermally cycled through a simulated dynamometer test program. Heat transfer data from CFD was used as an input to the FEA thermal model. The temperature field was used to predict strain state and hence durability of the manifold. The manifold geometry was modified to improve service life based on the durability assessment. Flange displacements were also reviewed for their effect on sealing. It was important the CAD model matched casting precisely, as the addition of material for manufacturing reasons can change component stiffness and durability.

Wiscast's previous experience with welded systems was valuable to this program. Due to two dissimilar materials having to be joined, a specific nickel filler metal was needed. FN44HT filler rod was used to handle extreme service temperatures typical of exhaust manifolds. This material is 64 per cent nickel with additions of niobium to help stabilize the carbon in the weld interface, and

chromium to improve high-temperature oxidation resistance. The weld joint geometry and the thickness of the weld flange were chosen to make the joining process robust.

After completing several design iterations, the boundary cooling was cast directly from the CAD model. Prototype castings were run through the production boundary process to make validation testing as representative as possible of the final product.

The vehicle performance and emissions test data indicated the cast-iron manifold performed as well as the single-wall fabricated manifold, offered a substantial cost save, and provided improved NVH and durability. With the addition of a secondary air system, the cast manifold design met the stringent emissions regulations and performed as well as an expensive dual-wall air gap fabricated design for the F23V-rated powertrain. **ETI**

CONTACT THE AUTHOR

Name:
Scott Nelson
Position:
Wiscast Industries Inc.
Telephone:
+1 207 738 6300
or E-mail:
scott@wiscast.com



EXECUTIVE COMMENTS

INTELLIGENT LEADERSHIP IN A GLOBAL MARKET



Moving with our customers

“Global automakers expect their suppliers to join them as they establish a greater presence in Asia. We believe suppliers that have an Asian development plan will be at an advantage when bidding for contracts and, ultimately, when bidding on the planned global vehicle platforms. Due to Wescast’s strong position with our North American, European and Japanese customers, we are aligned with this strategy and stand to benefit long-term with our entry into China.”

Jay McNaughton, VP Strategic Development



Growth through innovation

“Wescast will achieve global growth through innovation in three categories: product, process, and materials. We continue to grow our European relationships and develop further manifold expertise in order to capitalize on our momentum in this market. Our R&D team is looking at new materials, and new ways to manufacture with current materials, that we anticipate will keep us ahead of our competition with the new, higher temperature, engine designs.”

Paul Lawrence, VP Sales and Marketing





Full-service casting and machining around the world

“Our goal is to become the world’s only full-service supplier of cast manifolds and turbocharger products, and we are well on our way. Europe offers casting, machining, technical and sales support, with assistance from our Brantford technical development centre. We have taken steps to embrace innovative manufacturing processes that will make us more flexible and better able to react to changing production requirements. Our new Asian business unit is expected to be a full-service facility, giving us a powerful network of productivity and expertise on which to draw.”

Larry Cerson, VP Manufacturing



Financial strength, a foundation for strategic choices

“Innovation and a willingness to change are traits necessary to ensure long-term growth and success in the automotive industry. The changes required to optimize our foundry capacity in North America were necessary to enhance our competitive position in the future. These changes required Wescast to make some difficult decisions and accept the costs associated with implementing those decisions. Our strong balance sheet has enabled us to proactively address our capacity needs, while continuing to focus significant resources on innovation and technology and the expansion of our global manufacturing capability, actions that position us for growth and success in the future.”

Dave Dean, VP Finance

