

Fiscal 2000 – First Quarter Report

August 16, 1999

Dear Shareholder:

ATS generated record automation systems order bookings and backlog and delivered strong performances from core Automation Systems and Precision Components groups during the first quarter of fiscal 2000 ended June 26, 1999.

However, due to the impact of the previously announced discontinuation of the Company's Advanced Manufacturing Division's (AMD) microelectronics contract and weak markets for the Company's Photowatt International solar cell business, revenue and net earnings were slightly lower than the first quarter a year ago.

Consolidated revenue for the most recently completed quarter was \$105.5 million compared to \$109.1 million in the first quarter of fiscal 1999. Automation Systems Group revenue was slightly higher than the comparable period as a result of an 81% increase in revenue from consumer products and healthcare customers, a 30% increase from automotive, offset by a 40% decline from computer electronics. Precision Components revenue was 31% lower over the comparable period as a result of the anticipated decline in AMD shipments and a significant reduction in revenue from Photowatt. The remaining precision components operations produced solid growth and increased their first quarter fiscal 2000 revenues by 16% based on strong revenue expansion in the automotive market and the launch of new orders.

- **Operating earnings** for the first quarter of fiscal 2000 were \$12.2 million (11.6% margin) compared to \$13.2 million (12.1% margin) for the comparable quarter of fiscal 1999. Operating margin for the quarter, while well within the Company's target range, was lower versus the comparable period a year ago. This was primarily the result of the decline in AMD revenue and solar markets, as well as the change in both revenue mix between the Company's two operating Groups and product mix.
- **Automation Systems Group operating margin** was 16.3% compared to 19.2% in the first quarter a year ago. This reflected a significant increase in the amount of third party content and subcontracting involved in automation systems revenue generated this quarter versus the comparable period a year ago. However, the proportion of revenue from these activities remained significantly below expected average levels, reflecting project schedules. Less favourable conditions in the computer electronics market also impacted Automation Systems margins.

- **Precision Components Group operating margin** was 0.4% compared to 4.3% in the corresponding three months of fiscal 1999. This reflected the negative impact of the declines in revenue from AMD and operating losses in Photowatt division. To a lesser extent, investments made in establishing a precision components facility in McAllen, Texas also affected margin and earnings.
- **Net earnings** for the first quarter were \$7.8 million (\$0.14 per share basic and fully diluted) compared to net earnings of 8.3 million (\$0.15 per share basic and fully diluted) in the first quarter a year ago.
- Automation Systems **order bookings** in the first quarter of \$112 million were 25% higher than a year ago and surpassed the previous quarterly record – set in fiscal 1998 – by 13%. Automation systems **order backlog** at June 26, 1999 was a record \$174 million, 25% higher than backlog at fiscal year end March 31, 1999 and 52% above backlog of \$114 million at the end of the first quarter of fiscal 1999. Bookings and backlog remained well diversified.
- Consolidated revenue showed considerable diversity during the quarter.

Consolidated Revenue By Region
(\$ thousands, except percentages)

	13 weeks ended 6/26/99	% of Total	13 weeks ended 6/27/98	% of Total
Canada	\$9,264	9%	\$13,359	12%
U.S. & Mexico	71,885	68	56,344	52
Europe	17,955	17	24,337	22
Asia-Pacific	6,436	6	15,085	14
Total	\$ 105,540	100%	\$ 109,125	100%

Consolidated Revenue By Industry
(\$ thousands, except percentages)

	13 weeks ended 6/26/99	% of Total	13 weeks ended 6/27/98	% of Total
Automotive	\$ 58,716	56%	\$ 46,698	43%
Computer/Electronics	27,997	26	51,973	48
Other	18,827	18	10,454	9
Total	\$ 105,540	100%	\$ 109,125	100%

- **Financial condition** remained very strong at June 27, 1999. ATS had \$74 million of cash and short-term investments and a healthy debt to equity ratio of 0.16 to 1.

Other Recent Highlights

- On June 14, 1999, ATS announced it won a US\$13.6 million (CDN\$20 million) order to design and build an automated manufacturing system for a leading U.S.-based designer, developer, manufacturer and marketer of advanced medical devices. The automated product assembly system, to be installed by mid year calendar 2000, will feature a broad range of ATS capabilities, including applications in high demand in medical manufacturing such as clean room, data collection, product tracing and identification systems. ATS facilities in Cambridge, Ontario and Corvallis, Oregon will share systems development.
- Subsequent to quarter end, on July 28, 1999, ATS announced the \$4.6 million acquisition of Johann Rettinger Präzisions-Anlagenbau GmbH of Munich, Germany, a designer and manufacturer of automated manufacturing systems with annual revenues of approximately \$10 million. This purchase will complement ATS operations in Europe and will begin contributing to revenue in the second quarter.

Year 2000

The Company has in place a comprehensive Year 2000 Plan, which is fully described in the recently released March 31, 1999 Annual Report. Progress in this quarter has been in accordance with the Plan outlined in the Annual Report, with no material changes to report at this time. Year 2000 costs in the quarter were immaterial internal staff costs, and were expensed as incurred.

While the Company's Plan includes all reasonable efforts to be prepared for the Year 2000, the Year 2000 readiness of third parties with which the Company has a material relationship is largely outside the Company's control. Consequently, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company and its products, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Commentary and Outlook

The solid financial performance and sharp increase in automation systems order bookings and order backlog in the quarter are clear reflections of the Company's increasing industry leadership position, strategic development of new sources of revenue from first-time customers and ATS' breadth of capabilities, knowledge and technologies. ATS has created a very substantial foundation of automation work on hand.

Precision Components' core business has also performed well, particularly in the automotive sector. A recently opened McAllen, Texas precision components facility is making steady progress with strong order quotation activity and revenue generation from two new customers in this burgeoning local market. Photowatt

International is now seeing signs of improving demand and has recently won orders from new customers in new markets, including Japan. We expect an improvement in performance in the second half of this fiscal year.

Going forward, ATS is better positioned than ever to manage the substantial increase in volume because of past investments in people, equipment and facilities, more streamlined processes and a broader standard product toolkit.

Overall, this has been a solid first quarter, with good momentum in automation systems and our core precision components business. We look forward to building on this momentum and continuing to capitalize on the Company's strong and growing industry leadership position.

Yours sincerely,

Klaus D. Woerner (signed)
President and Chief Executive Officer

Lawrence G. Tapp (signed)
Non-Executive Chairman of the Board.

Corporate Description

ATS Automation Tooling Systems Inc. (Internet website address: www.atsautomation.com) is one of North America's leading designers and producers of turn-key automated manufacturing and test systems, which are used primarily by multinational corporations operating in a variety of industries: automotive, computer/electronics, consumer products and healthcare. The Company also makes precision components and sub-assemblies using its own custom-built manufacturing systems, process knowledge and automation technology. ATS employs approximately 2,400 people at 21 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.

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Certain forward looking statements are made in this news release, including statements regarding possible future business. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, without limitation, continued acceptance of ATS' products, technologies, customer requirements and other risks detailed from time to time in ATS' periodic reports filed with Canadian regulatory authorities.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

(unaudited)

in thousands of dollars, except per share amounts

	thirteen weeks ended	
	June 26	June 27
	1999	1998
Revenue	\$ 105,540	\$ 109,125
Operating costs and expenses:		
Cost of revenue	77,331	79,957
Depreciation and amortization	4,701	4,758
Selling and administrative	11,276	11,231
	12,232	13,179
Other expenses (income):		
Interest on long-term debt	598	725
Other interest	(673)	(177)
	(75)	548
Earnings before income taxes and minority interest	12,307	12,631
Provision for income taxes	4,447	4,269
Minority interest in earnings of subsidiary	32	24
Net earnings	\$ 7,828	\$ 8,338
Weighted average number of shares outstanding:		
Basic	55,495,949	55,320,706
Fully Diluted	57,972,221	57,392,358
Net earnings per share:		
Basic	\$ 0.14	\$ 0.15
Fully Diluted	\$ 0.14	\$ 0.15
Supplementary Segmented Information		
Revenue		
Automation Systems	\$ 77,724	\$ 76,285
Precision Components	28,039	40,612
Elimination of inter-segment revenue	(223)	(7,772)
Consolidated	\$ 105,540	\$ 109,125
Operating Income		
Automation Systems	\$ 12,664	\$ 14,666
Precision Components	119	1,728
Inter-segment elimination and other corporate expenses	(551)	(3,215)
Consolidated	\$ 12,232	\$ 13,179

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets (unaudited) in thousands of dollars

	June 26 1999	March 31 1999
ASSETS		
Current assets:		
Cash and short-term investments	\$ 73,975	\$ 65,937
Accounts receivable	61,153	85,183
Income taxes recoverable	182	-
Costs and earnings in excess of billings on contracts in progress	96,357	85,013
Inventories	43,246	41,914
Prepaid expenses and other current assets	1,892	977
	276,805	279,024
Fixed assets, net of depreciation	133,088	136,162
Goodwill and other intangibles, at amortized cost	43,653	45,120
Other assets	20,015	20,768
	\$ 473,561	\$ 481,074
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 54,600	\$ 60,924
Billings in excess of costs and earnings on contracts in progress	23,796	30,257
Current portion of long-term debt	556	759
Future income taxes	20,148	15,757
Income taxes payable	-	1,822
	99,100	109,519
Long-term debt, less current portion	49,661	51,055
Future income taxes	4,130	4,178
Minority interest	1,989	1,983
Shareholders' equity:		
Share capital	194,392	194,319
Retained earnings	119,535	111,707
Cumulative translation adjustment	4,754	8,313
	318,681	314,339
	\$ 473,561	\$ 481,074

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Changes in Financial Position (unaudited) in thousands of dollars

	thirteen weeks ended	
	June 26 1999	June 27 1998
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 7,828	\$ 8,338
Items not involving cash:		
Depreciation	3,709	3,863
Amortization of goodwill and other intangibles	992	895
Deferred income taxes	4,289	1,292
Minority interest	32	24
Cash flow from operations	16,850	14,412
Change in non-cash operating working capital	(4,341)	(4,251)
	12,509	10,161
Investing activities:		
Acquisition of fixed assets	(3,375)	(15,106)
Other	(476)	(5,886)
	(3,851)	(20,992)
Financing activities:		
Issuance of common shares	73	156
(Repayment) proceeds of long-term debt, net	(1,597)	1,350
Investment tax credits	(313)	(250)
Notes receivable	1,102	28
Other	115	134
	(620)	1,418
Increase (decrease) in cash	8,038	(9,413)
Cash and short-term investments, beginning of period	65,937	25,402
Cash and short-term investments, end of period	\$ 73,975	\$ 15,989