

August 14, 2000

Dear Shareholder:

Re: Fiscal 2001 – First Quarter Report

ATS Automation Tooling Systems Inc. reported substantial growth in first quarter revenue and net earnings – and record backlog – as the Company continued to fortify leadership in its global automation and precision components markets.

In the first quarter of its fiscal 2001 year (the three months ended June 30, 2000) ATS generated:

- A 52% increase in consolidated revenue, which stood at \$160.8 million versus \$105.5 million in the first quarter a year ago
- 52% growth in Automation Systems Group revenue and a 54% increase in Precision Components Group revenue over the same period a year ago
- Automation Systems order bookings of \$137.5 million, up 23% from bookings of \$112.0 million a year earlier
- Quarter end automation systems backlog of \$253 million, 45% higher than at the same time last year
- 10% of its record period end automation systems backlog from emerging fibre optics and semiconductor markets
- Operating earnings of \$17.2 million, an increase of 41% over the first quarter last year
- A 31% increase in net earnings, which stood at \$10.3 million (18 cents per share basic and fully diluted), up from \$7.8 million (14 cents per share basic and fully diluted) in the first quarter of fiscal 2000

This was an outstanding start to the new fiscal year that reflects ATS's growing market leadership position and well diversified revenue base. We achieved sizeable revenue gains in automotive and computer/electronics and our newest major market – healthcare.

Growth in the quarter was broadly based, both by industrial market and by geographic territory. By industry, the fastest rate of growth was achieved in the healthcare market, where revenue was up 348% over the first quarter a year ago, reflecting the Company's success in this new automation market. Automotive (revenue up 23%) and computer/electronics (revenue ahead 115%) continued to account for the majority of ATS revenue by industrial market.

Consolidated Revenue by Industry

(\$ millions)

	First quarter ended	
	6/30/2000	6/26/1999
Automotive	\$ 72.3	\$ 58.7
Computer/Electronics	62.4	29.1
Healthcare	17.6	3.9
Other	8.5	13.8
Total	\$ 160.8	\$ 105.5

The fastest growing geographic market for ATS in the quarter was Asia-Pacific where revenue was up 112%, reflecting increased sales of Photowatt products and better market conditions generally. The Company's largest geographic market, the United States/Mexico, generated a 65% increase in revenue in the quarter.

Consolidated Revenue by Region

(\$ millions)

	First quarter ended	
	6/30/2000	6/26/1999
Canada	\$ 11.1	\$ 9.3
U.S. & Mexico	118.9	71.9
Europe	17.1	17.9
Asia-Pacific	13.7	6.4
Total	\$ 160.8	\$ 105.5

Revenue by Group

Revenue contribution by Automation Systems Group advanced 52% to \$118.2 million compared to \$77.7 million in the first quarter last year, driven by order backlog and continued strong order bookings in recent quarters. European acquisitions - made in the second and third quarters last year - contributed \$8.5 million to Automation Systems revenue in the current quarter. Excluding these acquisitions, revenue contribution by Automation Systems Group increased 41%.

ATS Precision Components revenue increased 54% to \$43.0 million from \$28.0 million in first quarter fiscal 2000 due to better performance both by the Group's core businesses and Photowatt, a manufacturer of solar wafers, cells and modules.

Operating Earnings

Consolidated operating earnings for the first quarter of fiscal 2001 were \$17.2 million, 41% ahead of the \$12.2 million generated in the comparable period last year. With strong revenue growth in both Groups, Automation Systems posted a \$3.6 million increase in operating earnings while Precision Components increased \$2.6 million.

Operating margin in the quarter was 10.7% versus 11.6% a year ago. The change in margins reflects the higher costs associated with rapid growth in employment, increased subcontracting, other costs associated with expansion and higher third party equipment costs. To equip the Company for growth, ATS has increased employment over the last four quarters by 30% (710 employees), primarily within the Automation Systems Group. Acquisitions added a further 110 people. Increased use of subcontracting in the quarter was required to manage customer delivery schedules and contributed to revenue growth. Third party equipment costs often vary between quarters reflecting product mix and schedules for automation systems.

ATS made excellent progress on building the internal capacity needed to support the strong growth the Company is achieving. By September, we expect to occupy our new 157,000 square foot facility in Cambridge (Ontario). The ATS facility in South Carolina is expected to be available by the end of the third quarter and our new Munich facility is now under construction for late fiscal year completion. Once we have fully integrated this new capacity, we expect to see better efficiencies.

Backlog and Bookings

Automation systems order bookings in the first quarter were \$138 million, 23% higher than bookings of \$112 million in the first quarter of fiscal 2000.

Automation systems order backlog was \$253 million, 45% higher than a year ago and slightly higher than the previous record high backlog achieved at the end of the third quarter of last fiscal year. Computer/electronics represented 39% of period end backlog, automotive 30%, healthcare 25% and 6% came from other industries.

Financial Condition Strong

At June 30, 2000, ATS' balance sheet showed a healthy debt to equity ratio of 0.14:1. After quarter end, on July 31, 2000,ATS further strengthened its balance sheet by completing an offering of 3,450,000 common shares – on a bought deal basis – at a price of \$35.25 per share for net proceeds of \$116.5 million.

Management Commentary and Outlook

ATS also made strong progress in emerging markets that have been targeted for future growth. Fibre optics customers contributed 2.4% of Automation Systems revenue in the quarter and were 5% of the record high period end backlog. Semiconductor equipment customers accounted for 4.5% of Automation Systems revenue in the quarter and were also 5% of the quarter end backlog.

As we look forward to the second quarter it is important to recognize that this period is traditionally our weakest due to seasonal customer plant shutdowns and staff vacations. In addition, we expect to continue to see higher costs while we rapidly expand our production capacity and employment. Beyond this, our market outlook for the second half of the year is very bullish. We continue to see good opportunity in all our traditional markets, as well as in healthcare, semiconductor and fibre optics. Based on first quarter performance and record high automation systems backlog, ATS is strongly positioned for additional profitable growth in fiscal 2001.

ATS is continuing to execute its well established growth strategy. Our intention is to continue to build and extend our position as the industry leader in automation and as a strategic supplier to our growing multinational customer list. Our participation in multiple markets, both traditional and emerging, gives us a broad and robust platform for long term growth. With our leading technology, range of technical skills, financial strength and market leadership we are very positive about our future.

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. 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 other emerging markets. The Company also makes precision components and sub-assemblies using its own custom-built manufacturing systems, process knowledge and automation technology. ATS employs approximately 3,200 people at 24 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.

For additional information, contact Investor Relations at ATS Corporate Headquarters:

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Certain forward looking statements are made in this letter, 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. All financial information contained herein is unaudited.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

(unaudited)

in thousands of dollars, except per share amounts

	thirteen weeks ended	
	June 30 2000	June 26 1999
Revenue	\$ 160,771	\$ 105,540
Operating costs and expenses:		
Cost of revenue	123,048	77,331
Depreciation and amortization	5,568	4,701
Selling and administrative	14,932	11,276
	17,223	12,232
Other expenses (income):		
Interest on long-term debt	905	598
Other interest	(159)	(673)
	746	(75)
Earnings before income taxes and minority interest	16,477	12,307
Provision for income taxes	6,178	4,447
Minority interest in earnings of subsidiaries	37	32
Net earnings	\$ 10,262	\$ 7,828
Weighted average number of shares outstanding:		
Basic	56,400,102	55,495,949
Fully Diluted	58,485,489	57,972,221
Net earnings per share:		
Basic	\$ 0.18	\$ 0.14
Fully Diluted	\$ 0.18	\$ 0.14
Supplementary Segmented Information:		
Revenue:		
Automation Systems	\$ 118,167	\$ 77,724
Precision Components	43,043	28,039
Elimination of inter-segment revenue	(439)	(223)
Consolidated	\$ 160,771	\$ 105,540
Operating Income:		
Automation Systems	\$ 16,223	\$ 12,664
Precision Components	2,701	119
Inter-segment elimination and other corporate expenses	(1,701)	(551)
Consolidated	\$ 17,223	\$ 12,232

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows (unaudited) in thousands of dollars

	thirteen weeks ended	
	June 30 2000	June 26 1999
Cash Flows from Operating Activities:		
Net earnings	\$ 10,262	\$ 7,828
Items not involving cash	9,304	9,022
Cash flow from operations	19,566	16,850
Change in non-cash operating working capital	(43,652)	(4,341)
	(24,086)	12,509
Cash Flows from Investing Activities:		
Acquisition of fixed assets	(14,924)	(3,375)
Other	(273)	(476)
	(15,197)	(3,851)
Cash Flows from Financing Activities:		
Bank indebtedness	19,498	2,780
Issuance of common shares	78	73
Long-term debt	(382)	(1,597)
Other	3,160	904
	22,354	2,160
(Decrease) increase in cash	(16,929)	10,818
Cash and short-term investments, beginning of period	66,245	84,285
Cash and short-term investments, end of period	\$ 49,316	\$ 95,103

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(unaudited)

in thousands of dollars

	June 30 2000	March 31 2000
ASSETS		
Current assets:		
Cash and short-term investments	\$ 49,316	\$ 66,245
Accounts receivable	130,802	102,601
Costs and earnings in excess of billings on contracts in progress	171,419	138,838
Inventories	50,869	45,519
Prepaid expenses and other current assets	3,329	2,379
	405,735	355,582
Fixed assets, net	148,990	138,445
Goodwill and other intangibles, at amortized cost	45,734	45,683
Other assets	13,204	11,964
	\$ 613,663	\$ 551,674
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 48,270	\$ 28,772
Accounts payable and accrued liabilities	71,592	75,103
Billings in excess of costs and earnings on contracts in progress	46,254	16,083
Income taxes payable	4,416	7,645
Current portion of long-term debt	24	406
Future income taxes	17,675	17,793
	188,231	145,802
Long-term debt, less current portion	50,044	48,990
Future income taxes	10,461	6,644
Minority interest	2,159	2,102
Shareholders' equity:		
Share capital (1) (2)	200,238	200,160
Retained earnings	157,716	147,452
Cumulative translation adjustment	4,814	524
	362,768	348,136
	\$ 613,663	\$ 551,674

(1) Common Shares issued and outstanding at July 31, 2000 - 59,867,339; at July 31, 1999 - 55,583,680.

(2) Common Shares outstanding under stock option plan at July 31, 2000 - 2,195,509; at July 31, 1999 - 2,451,330.