

February 13, 2001

Dear Shareholder:

Re: Fiscal 2001 – Third Quarter Report

ATS Automation Tooling Systems Inc. achieved new quarterly records for revenue, earnings and automation systems backlog for the 13 weeks ended December 31, 2000, even while we continued to build capacity to meet demand from new strategic markets.

This outstanding performance, achieved in a period of economic uncertainty, underscores the benefits of our strong market diversification. The fact that in this environment, ATS achieved record performance and successfully increased our penetration in new markets, while at the same time building a record backlog and adding the people and facilities we need for the future, points to the strength of our Company.

Quarter Highlights

In the third quarter of fiscal 2001, ended December 31, 2000, ATS achieved:

- Consolidated revenue of \$172.7 million - a new quarterly record - \$34.0 million or 25% higher than the same quarter a year ago
- Net earnings of \$12.1 million – a new quarterly record – and 31% ahead of the third quarter a year ago
- Net earnings of \$0.20 per share basic (\$0.20 per share fully diluted), 18% ahead of \$0.17 per share (\$0.16 per share fully diluted) in the same quarter of fiscal 2000
- Quarter end automation systems backlog of \$256 million – a new quarterly record and 13% higher than at the end of the second quarter of fiscal 2001
- New automation systems order bookings of \$163 million – which included new orders in a variety of traditional and new industry sectors including biochips, flat panel displays, medical devices and fibre optics
- A 2% increase in its automation systems' employment base in the quarter (a 40% increase over the past five quarters), and a 19% increase in automation systems facilities space in the quarter (by fiscal year-end, total space will have increased by approximately 28%) – adding significantly to forward capacity.

These achievements added to the strong results generated in the first part of fiscal 2001. Consolidated revenue for the first three quarters of fiscal 2001 was \$486.9 million, up 36% over the \$358.1 million in revenue generated in the same period of fiscal 2000. Net earnings for the first nine months of fiscal 2001 of \$32.4 million (\$0.56 per share basic, \$0.54 per share fully diluted) represented a 35% increase over net earnings of \$24.1 million (\$0.43 per share basic, \$0.41 per share fully diluted) in the same nine months a year ago.

Revenue

Fiscal 2001 third quarter revenue growth was driven by ATS's ongoing industry and geographic diversification program. Consolidated revenue growth was most pronounced in Computer/Electronics (which includes emerging ATS markets such as fibre optics and semiconductor as well as more traditional sectors such as computer peripherals) and Healthcare – another new market for ATS.

Consolidated Revenue by Industry (\$ millions)

	39 weeks ended		13 weeks ended	
	12/31/2000	12/25/1999	12/31/2000	12/25/1999
Computer/Electronics	\$ 206.6	\$ 128.5	\$ 77.7	\$ 60.5
Automotive	205.5	190.2	69.7	68.5
Healthcare	49.4	16.5	18.2	8.4
Other	25.4	22.9	7.1	1.3
Total	\$ 486.9	\$ 358.1	\$ 172.7	\$ 138.7

The Company generated revenue growth in all its geographic territories in the quarter demonstrating the continuing benefits from its strategy of supporting its multinational customers where they do business.

Consolidated Revenue by Region (\$ millions)

	39 weeks ended		13 weeks ended	
	12/31/2000	12/25/1999	12/31/2000	12/25/1999
U.S. & Mexico	\$ 342.0	\$ 241.5	\$ 121.4	\$ 96.7
Europe	64.8	54.2	23.3	17.7
Asia-Pacific	44.5	26.6	14.2	12.7
Canada	35.6	35.8	13.8	11.6
Total	\$ 486.9	\$ 358.1	\$ 172.7	\$ 138.7

Revenue by Group

ATS Automation Systems Group generated revenue growth of 34% to \$134.8 million (from \$101.0 million in the same period of fiscal 2000) reflecting robust backlog and bookings from previous quarters. At \$38.3 million, ATS Precision Components Group achieved a 1% increase in revenue over the same period last year. This increase resulted from the contribution of C.W. Tool, a Michigan based plastics injection molding company, acquired during the quarter which more than offset a steep decline in automotive shipments due to reduced demand. Photowatt recorded a 12% increase in revenue over the immediately preceding quarter, however shipments were lower than those recorded in the third quarter last year when Photowatt experienced a significant spike in solar shipments.

ATS acquired the assets and contracts of C.W. Tool primarily to add critical mass in ATS's McAllen Texas facility and improve access to new customers. C.W. Tool generates annual sales of approximately \$12 million. The assets and contracts will be moved into existing ATS precision components operations in Texas and Cambridge over the first half of this calendar year. The acquisition cost \$12.3 million and contributed revenue of \$1.3 million in the quarter.

Operating Results

Operating earnings of \$18.2 million were 22% higher than in the same period of fiscal 2000, as revenue growth more than offset the costs associated with the Company's continuing expansion and diversification programs. Consolidated operating margin of 10.6% was slightly lower than operating margin of 10.8% in the third quarter a year ago.

Automation Systems operating earnings of \$18.1 million were 23% higher than in the same quarter a year ago because of strong revenue growth while operating margin of 13.5% was lower compared to 14.6% a year earlier. The expected decline reflected the costs of continued rapid workforce expansion, increased development expenses and increased revenue from third party equipment and subcontracting. Increased development expenses were the result of increased first time systems activity and a write down of deferred development costs on a discontinued project for a large and ongoing customer. The higher amount of first time systems is attributable to the Company's successful ongoing expansion into new markets.

Precision Components operating earnings of \$1.6 million were 10% higher than in the same quarter a year ago while operating margin was 4.2% versus 3.8% in the third quarter a year ago. The change was primarily the result of cost recoveries arising from settling an outstanding contract dispute by Photowatt International. These cost recoveries more than offset lower earnings on precision components operations, which were attributable to the slowdown in automotive component markets.

Photowatt core operating results in the third quarter were significantly better than those achieved in the second quarter of this fiscal year. Further improvements at Photowatt are expected in future reflecting the operational changes that have been made over the past few months and continued strong market demand for solar energy wafers, cells and modules.

The charge for expensing previously deferred development costs and the cost recovery from the Photowatt contract settlement offset each other resulting in a neutral impact on earnings during the quarter.

Outlook

Automation Systems Backlog by Industry (\$ millions)

	12/31/2000	12/25/1999
Computer/Electronics	\$ 119.8	\$ 61.9
Healthcare	66.1	85.7
Automotive	55.9	85.9
Other	14.6	18.9
Total	\$ 256.4	\$ 252.4

The strong automation systems order bookings in the quarter and the record period end automation systems backlog both continued to reflect a well diversified mix of customers and industries. New order bookings at \$163 million nearly matched the record of \$164 million established a year earlier and were 54% higher than in the second quarter of 2001. The largest single order was \$17 million.

Automation systems backlog at \$256.4 million represents 13% growth over the second quarter of fiscal 2001. The 94% increase in the Computer/Electronics backlog compared to last year reflects strong activity in traditional products and continuing progress in fibre optics and semiconductor. Backlog from fibre optics customers at \$20.7 million and from semiconductor customers at \$20.5 million accounted for approximately one third of overall Computer/Electronics backlog. Revenue in the quarter from fibre optics and semiconductor was \$6.5 million and \$10.9 million, respectively, and combined represented 13% of automation systems revenue in the quarter. The \$19.6 million decline in Healthcare backlog from a year earlier reflects a record-breaking \$57 million medical project won by ATS in the third quarter of last year. Healthcare backlog at December 2000 includes a much wider mix of projects and customers – most of whom are now repeat customers. As a result, the Healthcare backlog is 37% higher than at the end of the second quarter this year.

ATS enters the final quarter of our fiscal year in very good position. We are well aware that the risk of a recession has been heightened, but based on our strong performance in the last quarter and what we are seeing in our markets, we expect to close out the fiscal year on a very positive note. We have record automation systems backlog that is diverse by industry and customer. Automotive now represents 22% of total automation systems backlog, versus 45% to 50% as recently as two years ago. Quotation activity remains strong and we are seeing excellent potential in our targeted markets within Computer/Electronics and Healthcare. In spite of the slow down, we continue to see good order prospects in automotive. In precision components, automotive demand may currently be down, but we continue to win new components orders. As a result of new orders secured by our plastics division and our confidence in the future, we have commenced a 53,000 square foot expansion to our plastics facility in Cambridge. We also expect solar markets to remain strong and the performance of Photowatt to continue to improve.

We recognize economic uncertainty increases the risk to our near-term orders and earnings should customers delay their projects. Longer term, the outlook is clear: all of the trends in our markets point to ever-increasing demand for our industry-leading technology and knowledge. By focusing on reducing customer's production costs, increasing their productivity and product quality and enhancing their ability to rapidly implement complex new product designs, we fully expect ATS to remain a profitable, growing company in the years ahead.

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 consumer products. The Company also makes precision components and sub-assemblies using its own custom-built manufacturing systems, process knowledge and automation technology. ATS employs approximately 3,300 people at 25 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 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's products, technologies, customer requirements and other risks detailed from time to time in ATS's 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

	thirty-nine weeks ended		thirteen weeks ended	
	December 31 2000	December 25 1999	December 31 2000	December 25 1999
Revenue	\$ 486,923	\$ 358,097	\$ 172,711	\$ 138,740
Operating costs and expenses:				
Cost of revenue	372,023	266,750	131,177	104,634
Depreciation and amortization	18,049	15,373	6,457	5,604
Selling and administrative	46,567	36,335	16,833	13,520
	436,639	318,458	154,467	123,758
	50,284	39,639	18,244	14,982
Other expenses (income):				
Interest on long-term debt	2,806	2,493	960	977
Other interest	(2,157)	(1,841)	(1,143)	(743)
	649	652	(183)	234
Earnings before income taxes and minority interest	49,635	38,987	18,427	14,748
Provision for income taxes	17,048	14,753	6,247	5,425
Minority interest in earnings of subsidiaries	145	175	66	95
Net earnings	\$ 32,442	\$ 24,059	\$ 12,114	\$ 9,228
Weighted average number of shares outstanding:				
Basic	58,382,485	55,573,527	59,942,740	55,638,849
Fully Diluted	60,508,676	58,085,582	62,073,763	58,181,328
Net earnings per share:				
Basic	\$ 0.56	\$ 0.43	\$ 0.20	\$ 0.17
Fully Diluted	\$ 0.54	\$ 0.41	\$ 0.20	\$ 0.16
Supplementary Segmented Information:				
Revenue:				
Automation Systems	\$ 372,878	\$ 262,322	\$ 134,756	\$ 100,978
Precision Components	115,300	96,809	38,262	37,923
Elimination of inter-segment revenue	(1,255)	(1,034)	(307)	(161)
Consolidated	\$ 486,923	\$ 358,097	\$ 172,711	\$ 138,740
Operating Income:				
Automation Systems	\$ 50,896	\$ 39,851	\$ 18,126	\$ 14,731
Precision Components	3,770	2,316	1,591	1,450
Inter-segment elimination and other corporate expenses	(4,382)	(2,528)	(1,473)	(1,199)
Consolidated	\$ 50,284	\$ 39,639	\$ 18,244	\$ 14,982

ATS AUTOMATION TOOLING SYSTEMS INC.

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

	thirty-nine weeks ended	
	December 31 2000	December 25 1999
Cash Flows from Operating Activities:		
Net earnings	\$ 32,442	\$ 24,059
Items not involving cash	22,061	25,985
Cash flow from operations	54,503	50,044
Change in non-cash operating working capital	(63,939)	(49,581)
	(9,436)	463
Cash Flows from Investing Activities:		
Acquisition of interest in subsidiaries, net of cash	(12,321)	(4,110)
Acquisition of fixed assets	(50,274)	(13,107)
Other	(6,966)	(786)
	(69,561)	(18,003)
Cash Flows from Financing Activities:		
Bank indebtedness	(25,618)	12,132
Issuance of common shares	117,772	3,310
Long-term debt	(405)	(2,015)
Other	2,771	3,421
	94,520	16,848
Increase (decrease) in cash	15,523	(692)
Cash and short-term investments, beginning of period	66,245	84,285
Cash and short-term investments, end of period	\$ 81,768	\$ 83,593

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(unaudited)

in thousands of dollars

	December 31 2000	March 31 2000
ASSETS		
Current assets:		
Cash and short-term investments	\$ 81,768	\$ 66,245
Accounts receivable	150,951	102,601
Income taxes recoverable	2,899	-
Costs and earnings in excess of billings on contracts in progress	128,366	138,838
Inventories	50,424	45,519
Prepaid expenses and other current assets	2,422	2,379
	416,830	355,582
Fixed assets, net	178,337	138,445
Goodwill and other intangibles, at amortized cost	55,122	45,683
Other assets	21,004	11,964
	\$ 671,293	\$ 551,674
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 3,154	\$ 28,772
Accounts payable and accrued liabilities	70,503	75,103
Billings in excess of costs and earnings on contracts in progress	11,156	16,083
Income taxes payable	-	7,645
Current portion of long-term debt	-	406
Future income taxes	20,332	17,793
	105,145	145,802
Long-term debt, less current portion	50,683	48,990
Future income taxes	7,908	6,644
Minority interest	2,278	2,102
Shareholders' equity:		
Share capital (1) (2)	322,979	200,160
Retained earnings	174,848	147,452
Cumulative translation adjustment	7,452	524
	505,279	348,136
	\$ 671,293	\$ 551,674

(1) Common Shares issued and outstanding at January 31, 2001 - 60,014,663.

(2) Common Shares outstanding under stock option plan at January 31, 2001 - 2,063,483.