

November 12, 2001

Dear Shareholder:

Re: Fiscal 2002 – Second Quarter Report

ATS Automation Tooling Systems Inc. reported sharply lower earnings for the second quarter ended September 30, 2001 due to the impact of the economic recession on customers. However, the Company remained profitable and continues to position itself to take advantage of good opportunities in its markets.

ATS entered the second quarter facing two significant impediments to growth. The first was the normal effect of seasonal plant shutdowns on revenue and efficiency. The second was rapidly diminishing business confidence that revealed itself in lower customer spending and delayed product launches. As the quarter progressed, the effects of the downturn further intensified. For ATS, this manifested itself in lower orders and unprecedented order push outs, cancellations and scope reductions. Against this background, ATS managed to achieve profitability, despite lower consolidated revenue, by controlling expenses and overtime. This generated good cost savings. Most important, we believe the Company has preserved its key capabilities and maintained its balance sheet and human resource strength, positioning ATS to be ready for the coming market upturn.

Quarter Highlights

For the second quarter of fiscal 2002, ended September 30, ATS generated:

- Net earnings of \$0.5 million or 1 cent per share basic and diluted, versus \$10.1 million or 17 cents per share basic and diluted last year
- Consolidated revenue of \$132.5 million compared to \$153.4 million in the same period of fiscal 2001
- New automation systems order bookings of \$63 million, down from \$106 million in the second quarter a year ago
- Quarter end automation systems backlog of \$159 million versus \$227 million in the same quarter of fiscal 2001

Management's Discussion and Analysis

The following Management's Discussion and Analysis of the financial position of ATS Automation Tooling Systems Inc. at September 30, 2001 and the results of its operations and its cash flows for the three months and six months ended on that date and the notes there to, should be read in conjunction with the detailed Management's Discussion and Analysis, and the Consolidated Financial Statements included in the Annual Report for the year ended March 31, 2001 and with the Consolidated Financial Statements and Management's Discussion and Analysis for the quarter ended June 30, 2001.

Revenue

In the second quarter of fiscal 2002:

- Revenue from ATS Automation Systems Group was \$97.7 million, off 19% from \$120.0 million in the same period of fiscal 2001. Automation Systems revenue remained well diversified, reflecting the Company's strategic marketing efforts, but showed the cumulative effects of a slowing global economy over the last nine months and summer plant shutdowns and summer vacations.
- ATS healthcare revenue increased 35% reflecting ATS's strategic efforts to broaden its leadership in this sector.
- Revenue from ATS Precision Components Group of \$37.3 million was 10% higher than \$34.0 million generated in the comparable period of fiscal 2001.
- Photowatt's revenues increased 21% over the second quarter a year ago, reflecting strong demand for alternative energy solutions.
- The Company's recently acquired Omex operations also contributed to higher Group revenue as did core automotive markets for precision components.

Consolidated revenues for the six months ended September 30, 2001 was \$295 million, \$19 million lower than the six months ended September 30, 2000 primarily as a result of the decline in the ATS Automation Systems Group revenue in the second quarter.

Consolidated Revenue by Industry

(\$ millions)

	13 weeks ended		26 weeks ended	
	9/30/2001	9/30/2000	9/30/2001	9/30/2000
Automation Systems:				
Computer/Electronics	\$ 33.4	\$ 49.0	\$ 82.0	\$ 90.8
Automotive	37.2	42.6	72.8	90.3
Healthcare	18.4	13.6	41.1	31.2
Fibre optics	4.1	5.1	13.5	8.0
Other	4.6	9.7	12.2	17.8
Subtotal	97.7	120.0	221.6	238.1
Precision Components:				
Computer/Electronics	11.5	12.6	23.1	30.3
Automotive	23.9	21.1	51.0	46.1
Other	1.9	0.3	2.6	0.6
Subtotal	37.3	34.0	76.7	77.0
Intersegment Elimination	2.5	0.6	3.1	0.9
Total Consolidated Revenue	\$ 132.5	\$ 153.4	\$ 295.2	\$ 314.2

Consolidated Revenue by Region

(\$ millions)

	13 weeks ended		26 weeks ended	
	9/30/2001	9/30/2000	9/30/2001	9/30/2000
U.S. & Mexico	\$ 83.1	\$ 101.6	\$ 190.3	\$ 220.6
Europe	25.4	24.4	55.0	41.5
Asia-Pacific and other	13.9	16.7	26.7	30.3
Canada	10.1	10.7	23.2	21.8
Total	\$ 132.5	\$ 153.4	\$ 295.2	\$ 314.2

Operating Results

Automation Systems Group operating earnings in the second quarter were \$4.3 million, compared to \$16.8 million in the second quarter a year ago, reflecting lower revenues as well as reduced margins. Group operating margins were 4.4% compared to 14.0% a year ago. Operating margins were reduced as a result of an unprecedented number of scope reductions, order cancellations and push outs primarily from customers in the fiber optics and semiconductor markets. This created an immediate disruption in production as well as significant inefficiencies and under-utilization. The fixed costs of overheads and depreciation also contributed to margin dilution. As well, the Company strategically increased selling expenses to support the launch of new technology and drive quotation activity that we believe will lead to higher future sales.

Precision Components operating loss in the quarter was \$1.1 million, compared to a loss of \$0.4 million in the second quarter last year. The loss was primarily the result of expenses related to the launch of new programs such as the Company's new thermal management products as well as the impact of summer vacations and shutdowns that reduced revenue and created under absorption of overheads. These factors more than offset improved results for Photowatt. Importantly, Photowatt surpassed its performance targets for the quarter despite the month-long shutdown of its plant for mandated summer vacations – and it made a small, positive contribution to operating earnings.

Consistent with our customer-focused strategy, ATS has invested in capacity over the past two years to meet the growth expectations of its customers, especially those in fiber optics, semiconductor and telecom. Although customer demand has been dramatically reduced in these industries, we believe these sectors offer substantial opportunities for ATS, longer term. Consequently, rather than reducing staff, we have re-deployed employees with specialized training from these areas of the Company to others where they can add value. Our skilled team is of critical importance to ATS, so we take pride in reporting there have been no major layoffs at our Company. Even though this approach results in temporary inefficiencies at times like these, we believe that it means we will be able to fully capitalize on customer demand in all our strategic markets when it is unleashed. We also believe that it means ATS retains the ability to quickly ramp up revenue and avoid the significant costs and time involved in re-hiring and retraining. Our approach to staffing gives ATS greater stability, preserves our knowledge base and avoids costly disruptions that could damage customer relationships.

Net Earnings

Net earnings of \$0.5 million for the quarter decreased \$9.6 million over the second quarter last year. This decrease reflects lower operating earnings in the current period and lower interest income on cash balances, offset by the adoption of the new CICA recommendation discontinuing goodwill amortization. Net earnings for the first six months of fiscal 2002 of \$11.3 million decreased \$9.0 million from the same period last year mainly as a result of the lower in earnings the second quarter.

Cash Flow and Financial Resources

Cash flow from operations of \$6.5 million were generated in the second quarter, an \$11.6 million decrease from the same period of fiscal 2001 mainly as a result of the lower earnings in the second quarter. For the first six months, cash flow from operations was \$27.4 million, compared with \$37.6 million for the same period last year.

At September 30, 2001, ATS had \$50.8 million in cash and marketable securities and a debt to equity ratio of 0.1 to 1, compared with cash and marketable securities of \$72.9 million and a debt to equity ratio of 0.1 to 1 at March 30, 2001.

Management believes the Company has a very strong balance sheet to win new business and add to its industry-leading competitive advantages in this more difficult economic climate.

Outlook

ATS booked \$63 million in new Automation Systems orders in the second quarter of fiscal 2002 compared to \$106 million in the same quarter a year ago. Scope reductions and order cancellations were approximately \$8 million in the quarter. The Company's Automation Systems backlog was \$159 million, versus \$227 million a year ago.

Automation Systems Backlog by Industry

(\$ millions)

	09/30/2001	09/30/2000
Computer/Electronics	\$ 44.4	\$ 99.9
Automotive	63.8	69.5
Healthcare	42.0	48.2
Other	8.6	9.8
Total	\$ 158.8	\$ 227.4

We anticipate improved financial results in the third quarter but it is difficult to gauge exactly when recent economic stimulus will unlock customer demand. We may see the positive impact of recent interest rate reductions on customer order volumes as early as our fourth quarter. However, ATS is not waiting for markets to improve. We are using our financial strength and broad global presence as the industry leader to employ new sales strategies to give customers additional reasons to commit to ATS now. We are also sharpening our competitive advantages and using innovation to help stimulate demand and broaden our customer base across our markets. In short, the Company is aggressively targeting improved short-term financial performance while developing capabilities that we believe will further distance ATS from competitors.

We are bullish about the medium to long term prospects of ATS. This belief is based on our ability to deliver a greater number of solutions to a broader universe of customers.

We believe the need for automation and precision components solutions has not disappeared, it's been deferred. This is evidenced by the fact that quotation activity has noticeably increased over the past month. We believe this points to sizeable new and diverse growth opportunities down the road. By maintaining our workforce and continuing to employ our growth strategy, we believe ATS will be able to meet resurgent demand in the months ahead, identify and fulfill new customer opportunities and accelerate our industry leadership. By holding our course, it is our view ATS will be well positioned to emerge from this downturn with better business prospects than it's ever had.

Yours sincerely,

Klaus D. Woerner
President and Chief Executive Officer

Lawrence G. Tapp
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 26 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 reflecting the company's expectations regarding its future growth, results, business prospects and performance. These forward-looking statements reflect the current views of the company's management and are subject to various risks and uncertainties which could cause the company's future growth, results and performance to differ materially from those expressed in or implied by these statements. Certain of these risks are described in our annual report for the last fiscal year and as may be described in ATS's periodic reports filed with Canadian regulatory authorities. ATS disclaims any intention or obligation to update or revise these forward-looking statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars - unaudited)

	September 30 2001	March 31 2001
ASSETS		
Current assets:		
Cash and short-term investments	\$ 50,807	\$ 72,949
Accounts receivable	142,327	152,266
Income taxes recoverable	7,409	1,051
Costs and earnings in excess of billings on contracts in progress	129,763	150,363
Inventories	69,062	52,230
Other	4,948	2,329
	404,316	431,188
Fixed assets	213,860	205,733
Goodwill and other intangibles	66,906	57,306
Other assets	22,812	18,580
	\$ 707,894	\$ 712,807
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 4,561	\$ 4,079
Accounts payable and accrued liabilities	62,667	79,222
Billings in excess of costs and earnings on contracts in progress	6,603	20,992
Future income taxes	21,392	21,281
	95,223	125,574
Long-term debt	53,370	53,279
Future income taxes	7,211	4,568
Non-controlling interest	2,717	2,585
Shareholders' equity:		
Share capital	329,551	323,324
Retained earnings	201,635	190,316
Cumulative translation adjustment	18,187	13,161
	549,373	526,801
	\$ 707,894	\$ 712,807

See accompanying notes to the consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts - unaudited)

	Twenty-six weeks ended		Thirteen weeks ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
Revenue	\$ 295,221	\$ 314,212	\$ 132,494	\$ 153,441
Operating costs and expenses:				
Cost of revenue	231,406	240,846	109,002	117,798
Depreciation and amortization	13,055	10,450	6,594	5,457
Selling and administrative	33,345	29,734	15,907	14,802
	277,806	281,030	131,503	138,057
Earnings from operations	17,415	33,182	991	15,384
Other expenses (income):				
Interest on long-term debt	1,444	1,846	684	941
Interest income	(1,260)	(1,014)	(519)	(855)
	184	832	165	86
Earnings before income taxes, non-controlling interest and goodwill amortization	17,231	32,350	826	15,298
Provision for income taxes	5,781	11,178	271	4,811
Non-controlling interest in earnings of subsidiaries	131	79	105	42
Earnings before goodwill amortization	11,319	21,093	450	10,445
Goodwill amortization, net of tax	-	765	-	379
Net earnings	\$ 11,319	\$ 20,328	\$ 450	\$ 10,066
Net earnings per share: (note 2)				
Basic	\$ 0.19	\$ 0.35	\$ 0.01	\$ 0.17
Diluted	\$ 0.19	\$ 0.35	\$ 0.01	\$ 0.17
Weighted average number of shares:				
Basic	60,214	57,602	60,300	58,805
Diluted	61,091	58,867	61,074	60,203

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Twenty-six weeks ended		Thirteen weeks ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
Retained earnings, beginning of period	\$ 190,316	\$ 147,452	\$ 201,185	\$ 157,714
Net earnings	11,319	20,328	450	10,066
Cost of issuance of common shares, net of future income taxes	-	(3,327)	-	(3,327)
Retained earnings, end of period	\$ 201,635	\$ 164,453	\$ 201,635	\$ 164,453

See accompanying notes to the consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Twenty-six weeks ended		Thirteen weeks ended	
	September 30 2001	September 30 2000	September 30 2001	September 30 2000
Cash Flows from Operating Activities:				
Net earnings	\$ 11,319	\$ 20,328	\$ 450	\$ 10,066
Items not involving cash	16,073	17,263	6,014	7,959
Cash flow from operations	27,392	37,591	6,464	18,025
Change in non-cash operating working capital	(21,011)	(45,730)	(26,312)	(2,078)
	6,381	(8,139)	(19,848)	15,947
Cash Flows from Investing Activities:				
Acquisition of interest in subsidiaries (note 3)	(5,317)	-	-	-
Acquisition of fixed assets	(16,937)	(31,448)	(9,380)	(16,524)
Investments and other	(5,620)	(7,953)	(3,967)	(7,680)
	(27,874)	(39,401)	(13,347)	(24,204)
Cash Flows from Financing Activities:				
Bank indebtedness	(2,047)	(21,474)	2,128	(40,972)
Issuance of common shares	674	117,136	116	117,058
Long-term debt	-	(394)	-	(12)
Other	724	3,283	5,752	123
	(649)	98,551	7,996	76,197
Increase (decrease) in cash and short-term investments	(22,142)	51,011	(25,199)	67,940
Cash and short-term investments, beginning of period	72,949	66,245	76,006	49,316
Cash and short-term investments, end of period	\$ 50,807	\$ 117,256	\$ 50,807	\$ 117,256
Supplementary information:				
Cash income taxes paid	\$ 4,453	\$ 10,305	\$ 4,195	\$ 3,921
Cash interest paid	\$ 1,616	\$ 1,810	\$ 1,185	\$ 1,164

See accompanying notes to the consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Consolidated Financial Statements (tabular amounts in thousands of dollars – unaudited)

1. Significant accounting policies:

(a) The accompanying unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2001. The unaudited financial statements and notes presented in this interim report should be read in conjunction with the audited consolidated financial statements in the Company's fiscal 2001 Annual Report.

(b) 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.

2. Accounting policy changes:

(a) Effective April 1, 2001, the Company adopted the new accounting Recommendations of the Canadian Institute of Chartered Accountants ("CICA") for earnings per share. The new Recommendations substantially harmonize Canadian standards with existing U.S. and International standards. For fiscal 2001, the diluted earnings per share figures in the Consolidated Statement of Earnings have been recalculated using the new standard. For the six months ended September 30, 2000, diluted earnings per share increased from the previously reported 34 cents, to 35 cents under the new standard. For the three months ended September 30, 2000, the diluted earnings per share did not change when recalculated using the new standard.

(b) Effective April 1, 2001, the Company adopted the new accounting Recommendations of the CICA for goodwill and other intangible assets. The new Recommendations require the Company to discontinue the amortization of goodwill and instead, apply an impairment test at least on an annual basis. An impairment loss is to be provided when the carrying amount of the goodwill of a reporting unit exceeds its fair value. While Management believes that no goodwill impairment loss is required to be provided for any reporting unit, the new standard provides a transition period of one year from the effective date of adoption of this recommendation, to make an assessment in this regard. Had this new standard been retroactively applied and had the previously expensed goodwill been reversed, the adjusted earnings per share in the quarter ended September 30, 2000 would have been 18 cents per share basic and 17 cents per share diluted and for the six months ended September 30, 2000 the adjusted earnings per share would have been 37 cents per share basic and 36 cents per share diluted. These new CICA Recommendations can only be applied prospectively.

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Consolidated Financial Statements (tabular amounts in thousands of dollars - unaudited)

3. Acquisitions:

During the first quarter ended June 30, 2001, the Company acquired Omex Inc., a metal forming company located in Stratford, Ontario.

The acquisition has been accounted for using the purchase method as follows:

Assets, at assigned value	\$	5,155
Liabilities assumed		(3,679)
Goodwill		9,394
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\$		10,870

Consideration:

Cash	\$	5,317
Common shares		5,553
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\$		10,870

The consolidated interim statements of earnings include the results of the acquired business from the date of acquisition.

4. Segmented disclosure:

The Company evaluates performance based on two reportable segments: Automation Systems and Precision Components. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Precision Components segment is a high volume manufacturer of photovoltaic products, plastic and metal components and sub-assemblies.

ATS AUTOMATION TOOLING SYSTEMS INC.

Notes to Interim Consolidated Financial Statements (tabular amounts in thousands of dollars - unaudited)

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

	Twenty-six weeks ended		Thirteen weeks ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Revenue				
Automation Systems	\$ 221,601	\$ 238,122	\$ 97,667	\$ 119,955
Precision Components	76,769	77,038	37,299	33,995
Elimination of inter-segment revenue	(3,149)	(948)	(2,472)	(509)
Consolidated	\$ 295,221	\$ 314,212	\$ 132,494	\$ 153,441
Operating Income				
Automation Systems	\$ 21,204	\$ 33,274	\$ 4,317	\$ 16,797
Precision Components	288	2,338	(1,075)	(443)
Inter-segment elimination and other corporate expenses	(4,077)	(2,430)	(2,251)	(970)
Consolidated	\$ 17,415	\$ 33,182	\$ 991	\$ 15,384

5. 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 volumes, and the Company's earnings in any of its markets.