

February 11, 2002

Dear Shareholder:

Re: Fiscal 2002 - Third Quarter Report

ATS Automation Tooling Systems Inc. remained profitable in the third quarter, despite the impact of the global economic downturn on its markets and customers. While revenue and earnings remained well below last year, cash flow improved significantly and new order booking activity improved 75% over the second quarter.

In the third quarter, ATS continued to face the aftermath of the severe downturn in economic activity that hurt business confidence and slowed the pace of customer investments in new products. However, by capitalizing on our industry leadership, using our human resources productively and maintaining our strategic focus on continuous cost reduction, ATS not only remained profitable, we believe we advanced our core capabilities and strengthened our strategic customer relationships. This is evidenced from the level of new order bookings and quotation activity in the quarter, which we also interpret as signs that the worst is probably behind us and customer demand is beginning to recover.

Quarter Highlights

For the third quarter of fiscal 2002, ended December 31, 2001, ATS generated:

- Net earnings of \$1.1 million or 2 cents per share basic and diluted, compared to \$12.1 million or 20 cents per share basic and diluted in the same period a year earlier.
- Consolidated revenue of \$123.9 million, 28% lower than revenue of \$172.7 million in the same period of fiscal 2001.
- New automation systems order bookings of \$110 million, down 32% from \$163 million in the third quarter a year ago, but 75% higher than the \$63 million in new bookings in the second quarter of fiscal 2002.
- Cash flow from operating activities of \$41.8 million and a \$32.1 million increase in cash and short-term investments.
- Quarter end automation systems backlog of \$168 million, versus a record high \$256 million a year earlier.

Management's Discussion and Analysis

The following Management's Discussion and Analysis of the financial position of ATS Automation Tooling Systems Inc. at December 31, 2001 and the results of its operations and its cash flows for the three months and nine 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 quarters ended June 30, 2001 and September 30, 2001.

Revenue

In the third quarter of fiscal 2002:

- ATS Automation Systems Group revenue was \$85.4 million, off 37% from \$134.7 million a year ago, as a result of the broad decline in economic activity during the period. The decline was most pronounced in the computer-electronics sector, where revenues were 68% lower than in the third quarter last year. Healthcare revenue contribution was 24% lower, reflecting the economic downturn which ATS believes has only temporarily slowed the Company's expansion in this market. Automation Systems continued to derive benefits from its broadly diversified business model, as revenue from automotive and other sectors held relatively steady.
- Revenue from ATS Precision Components Group increased 8% to \$41.5 million from \$38.3 million, as 38% growth in Photowatt's solar revenue more than offset the impact of delayed new automotive program launches and lower shipments. Photowatt solar revenue represented 34% of total Precision Components Group revenue.

Consolidated Revenue by Region (\$ millions)

	13 weeks ended		39 weeks ended	
	12/31/2001	12/31/2000	12/31/2001	12/31/2000
U.S. & Mexico	\$ 72.8	\$ 121.4	\$ 263.0	\$ 342.0
Europe	29.6	23.3	84.6	64.8
Asia-Pacific and other	8.5	14.2	35.3	44.5
Canada	13.0	13.8	36.2	35.6
Total	\$ 123.9	\$ 172.7	\$ 419.1	\$ 486.9

Revenue by Industry
(\$ millions)

	13 weeks ended		39 weeks ended	
	12/31/2001	12/31/2000	12/31/2001	12/31/2000
Automation Systems:				
Computer/Electronics	\$ 20.1	\$ 63.9	\$ 115.8	\$ 162.7
Automotive	45.3	45.7	118.0	135.9
Healthcare	13.8	18.2	54.8	49.4
Other	6.2	6.9	18.4	24.9
Subtotal	85.4	134.7	307.0	372.9
Precision Components:				
Automotive	23.6	24.3	74.5	70.6
Solar	14.1	10.2	35.6	29.3
Computer-electronics	1.1	3.7	2.7	14.9
Other	2.7	0.1	5.4	0.5
Subtotal	41.5	38.3	118.2	115.3
Intersegment Elimination	(3.0)	(0.3)	(6.1)	(1.3)
Total Consolidated Revenue	\$ 123.9	\$ 172.7	\$ 419.1	\$ 486.9

Operating Results

Automation Systems Group operating earnings were \$4.0 million compared to \$18.4 million in the third quarter a year ago. This reflected lower revenues and margins. Group operating margins were 4.6% compared to 13.6% a year ago. Operating margin reduction was caused by significant inefficiencies and under-utilization caused by the drop in revenue, order push outs and cancellations related to the economic downturn that began over a year earlier – and the Company’s decision to retain its skilled workforce. ATS deliberately avoided reducing its skilled workforce during this downturn because it would weaken the Company’s ability to effectively respond to an economic recovery, reduce its technical capabilities and likely result in long-term costs in the form of recruiting and training. By controlling spending, the Group remained profitable, despite investing in more aggressive sales and marketing and accelerating development of next generation automation tools.

Precision Components operated at slightly below breakeven in the third quarter. Operating loss of \$0.5 million represented an improvement from a loss in the second quarter of fiscal 2002 of \$1.1 million, but was significantly below operating earnings of \$1.7 million in the third quarter of fiscal 2001. Operating earnings in the comparable period a year ago included a one-time benefit from a successfully settled contract dispute at Photowatt. The Group’s operating margin in the third quarter of fiscal 2002 was -1.2% compared to 4.4% a year earlier. Photowatt, the

Company's solar cell and module unit, continued to generate solid, positive performance as a result of continuing favourable conditions in the renewable energy sector and better internal efficiencies.

Net Earnings

Net earnings of \$1.1 million for the quarter decreased \$11.0 million over the third quarter last year. This decrease reflects lower operating earnings in the current period and lower interest income on cash balances. The decrease in earnings for the quarter was partially offset by lower interest expense on the long-term debt and the adoption of the new CICA recommendation discontinuing goodwill amortization.

Cash Flow and Financial Resources

Cash flow from operating activities of \$41.8 million was generated in the third quarter, a \$43.1 million increase compared to the same period in fiscal 2001, mainly as a result of lower working capital requirements in the third quarter of fiscal 2002.

At December 31, 2001, ATS had \$83.0 million in cash and marketable securities and a debt to equity ratio of 0.10 to 1, compared with cash and marketable securities of \$72.9 million and a debt to equity ratio of 0.10 to 1 at March 31, 2001. Management believes the Company's strong balance sheet and substantial financial strength is another significant competitive advantage in the current environment.

Year-to-Date Revenue, Net Earnings and Cash Flow

For the nine months ended December 31, 2001, compared to the same period of the prior year, revenues declined 14%, net earnings declined 62% and cash flow generated from operating activities was \$57.6 million higher. These changes are primarily the result of the impact on ATS of the broad based economic downturn that has persisted over the past year.

Outlook

ATS booked \$110 million in new automation systems orders in the quarter, up 75% over bookings in the second quarter of fiscal 2002, but off from the \$163 million in the comparable period a year earlier. The Company's Automation Systems backlog was \$168 million - 6% higher than at the start of the third quarter of this year, but lower than the record backlog of \$256 million a year ago. Order cancellations and scope reductions totaled \$15.6 million in the third quarter - of this, approximately \$13 million was work that was put on hold in the second quarter of this year. There were no significant orders put on hold in the third quarter of fiscal 2002.

Automation Systems Backlog by Industry
(\$ millions)

	12/31/2001	12/31/2000
Computer/Electronics	\$ 31.2	\$ 119.8
Automotive	91.1	55.9
Healthcare	34.0	66.1
Other	11.9	14.6
Total	\$ 168.2	\$ 256.4

Based on the improved order flow, we are expecting our fourth quarter results to be better than the results for the third quarter of fiscal 2002. It is difficult to tell whether the economic recovery will be mild or more bullish, but we are doing our utmost to give demand a hard shove. We have recently launched two new standard automation tools that have already resulted in several customer orders and we are planning to launch more next generation technologies over the course of this calendar year. These are efficiency and productivity products that we believe present customers with many enabling features that improve production flexibility and most important, reduce their costs. The mutual benefit for ATS and our customers is that our standard products can be delivered and deployed very rapidly without technical or deployment risk. We believe the development of these products further distances our Company from the competition and makes us that much more cost efficient in serving customers' needs.

In addition to new automation tools, ATS Precision Components has been actively promoting its thermal products solutions to the computer-electronics sector with the belief of solid market penetration this next year. We also anticipate that Photowatt will continue its growth trend to help offset lingering weakness in core Precision Components markets.

The initiatives we are taking, including aggressive marketing and the formation of strategic alliances with leading companies in our markets, should act together as a powerful catalyst for ATS's future growth. We believe ATS is better positioned than any company in our industry for renewed market growth. By maintaining our workforce through the downturn, we have avoided the cost and disruption of hiring and training new skilled workers. We believe that this means ATS will be ready when demand escalates. There are many hopeful signs of recovery emerging

and it is our view that ATS has the financial and human resources strength, diversified customer base and leading technology foundation to exploit the long-term opportunities before us.

Klaus D. Woerner
President and Chief Executive Officer

Lawrence G. Tapp
Non-executive Chairman of the Board

Corporate Description

ATS Automation Tooling Systems Inc. (www.atsautomation.com) 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 3,200 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/or are 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 Statements of Earnings

(in thousands, except per share amounts - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2001	December 31 2000	December 31 2001	December 31 2000
Revenue	\$ 419,121	\$ 486,923	\$ 123,900	\$ 172,711
Operating costs and expenses:				
Cost of revenue	330,565	372,023	99,159	131,177
Depreciation and amortization	19,834	16,319	6,779	5,869
Selling and administrative	49,652	46,567	16,307	16,833
	400,051	434,909	122,245	153,879
Earnings from operations	19,070	52,014	1,655	18,832
Other expenses (income):				
Interest on long-term debt	1,836	2,806	392	960
Interest Income	(1,689)	(2,157)	(429)	(1,143)
	147	649	(37)	(183)
Earnings before income taxes, non-controlling interest and goodwill amortization	18,923	51,365	1,692	19,015
Provision for income taxes	6,329	17,619	548	6,441
Non-controlling interest in earnings of subsidiaries	193	145	62	66
Earnings before goodwill amortization	12,401	33,601	1,082	12,508
Goodwill amortization, net of tax	-	1,159	-	394
Net earnings	\$ 12,401	\$ 32,442	\$ 1,082	\$ 12,114
Net earnings per share: (note 2)				
Basic	\$ 0.21	\$ 0.56	\$ 0.02	\$ 0.20
Diluted	\$ 0.20	\$ 0.54	\$ 0.02	\$ 0.20
Weighted average number of shares:				
Basic	60,245	58,382	60,307	59,943
Diluted	61,033	59,570	60,918	60,976

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2001	December 31 2000	December 31 2001	December 31 2000
Retained earnings, beginning of period	\$ 190,316	\$ 147,452	\$ 201,635	\$ 164,453
Net earnings	12,401	32,442	1,082	12,114
Cost of issuance of common shares, net of future income taxes	-	(3,327)	-	-
Retained earnings, end of period	\$ 202,717	\$ 176,567	\$ 202,717	\$ 176,567

See accompanying notes to the consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2001	December 31 2000	December 31 2001	December 31 2000
Cash Flows from Operating Activities:				
Net Earnings	\$ 12,401	\$ 32,442	\$ 1,082	\$ 12,114
Items not involving cash	24,633	22,061	8,560	4,798
Cash flow from operations	37,034	54,503	9,642	16,912
Change in non-cash operating working capital	11,141	(63,939)	32,152	(18,209)
	48,175	(9,436)	41,794	(1,297)
Cash Flows from Investing Activities:				
Acquisition of interest in subsidiaries (note 3)	(5,317)	(12,321)	-	(12,321)
Acquisition of fixed assets	(20,964)	(50,274)	(4,027)	(18,826)
Investments and other	(9,510)	(6,966)	(3,890)	987
	(35,791)	(69,561)	(7,917)	(30,160)
Cash Flows from Financing Activities:				
Bank Indebtedness	(5,572)	(25,618)	(3,525)	(4,144)
Long-term debt	-	(405)	-	(11)
Issuance of common shares	689	117,772	15	636
Other	2,483	2,771	1,759	(512)
	(2,400)	94,520	(1,751)	(4,031)
Increase (decrease) in cash and short-term investments	9,984	15,523	32,126	(35,488)
Cash and short-term investments, beginning of period	72,949	66,245	50,807	117,256
Cash and short-term investments, end of period	\$ 82,933	\$ 81,768	\$ 82,933	\$ 81,768
Supplementary information:				
Cash income taxes paid	\$ 5,645	\$ 23,201	\$ 1,192	\$ 12,896
Cash interest paid	\$ 2,131	\$ 1,810	\$ 515	\$ 1,164

See accompanying notes to the consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.
Consolidated Balance Sheets
(in thousands of dollars - unaudited)

	December 31 2001	March 31 2001
ASSETS		
Current assets:		
Cash and short-term investments	\$ 82,933	\$ 72,949
Accounts receivable	115,765	152,266
Income taxes recoverable	7,074	1,051
Costs and earnings in excess of billings on contracts in progress	118,821	150,363
Inventories	67,285	52,230
Other	3,131	2,329
	395,009	431,188
Fixed assets	210,798	205,733
Goodwill and other intangibles	67,399	57,306
Other assets	26,540	18,580
	\$ 699,746	\$ 712,807
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities:		
Bank indebtedness	\$ 1,036	\$ 4,079
Accounts payable and accrued liabilities	53,972	79,222
Billings in excess of costs and earnings on contracts in progress	7,016	20,992
Future income taxes	23,027	21,281
	85,051	125,574
Long-term debt	53,930	53,279
Future income taxes	7,526	4,568
Non-controlling interest	2,790	2,585
Shareholders' equity:		
Share capital	329,566	323,324
Retained earnings	202,717	190,316
Cumulative translation adjustment	18,166	13,161
	550,449	526,801
	\$ 699,746	\$ 712,807

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 nine months ended December 31, 2000 and for the three months ended December 31, 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 December 31, 2000 would have been 21 cents per share for both basic and diluted and for the nine months ended December 31, 2000 the adjusted earnings per share would have been 58 cents per share basic and 56 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
	\$	<u>10,870</u>
Consideration:		
Cash	\$	5,317
Common shares		5,553
	\$	<u>10,870</u>

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.

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2001	December 31 2000	December 31 2001	December 31 2000
Revenue				
Automation Systems	\$ 306,954	\$ 372,878	\$ 85,353	\$ 134,756
Precision Components	118,248	115,300	41,478	38,262
Elimination of inter-segment revenue	(6,081)	(1,255)	(2,931)	(307)
Consolidated	\$ 419,121	\$ 486,923	\$ 123,900	\$ 172,711
Operating Income				
Automation Systems	\$ 25,157	\$ 51,663	\$ 3,953	\$ 18,392
Precision Components	(230)	4,012	(518)	1,673
Inter-segment elimination and other corporate expenses	(5,857)	(3,661)	(1,780)	(1,233)
Consolidated	\$ 19,070	\$ 52,014	\$ 1,655	\$ 18,832

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.