



**Automation
Tooling
Systems Inc.**

Tel: (519) 653-6500

Fax: (519) 653-6533

250 Royal Oak Road, P.O. Box 32100 Preston Centre, Cambridge, Ontario N3H 5M2

August 14, 2002

Dear Shareholder:

Re: Fiscal 2003 - First Quarter Report

For the three months ended June 30, 2002, ATS Automation Tooling Systems Inc. reported net earnings of \$4.1 million (7 cents per share basic and diluted), a solid improvement over the muted but profitable performance of the last three quarters, and also reported gains in automation systems backlog and bookings since year-end.

We believe this more positive performance is the product of an aggressive pursuit of new business by all ATS divisions worldwide and our ability to turn the first hint of economic renewal into a strong volume of new automation systems orders. We are particularly satisfied with the growth of our automation systems backlog since year-end, which we believe sets the stage for better performance this fiscal year, as well as with the results of our Photowatt solar operations, which achieved its fourth consecutive quarter of profitability. In this fragile economic environment, ATS is winning important assignments and gathering momentum in targeted new markets that we believe will enhance our prospects once the recovery in customer capital spending takes firm hold.

First Quarter Fiscal 2003 Highlights

- Net earnings were \$4.1 million (7 cents per share basic and diluted) versus \$10.9 million (18 cents per share basic and diluted) in the first quarter a year ago. Per share earnings are well ahead of fiscal 2002 diluted EPS of 0 cents per share in the fourth quarter, 2 cents per share in the third quarter and 1 cent per share in the second quarter.
- Consolidated revenue was \$143.7 million, down 12% from \$162.7 million in the first quarter a year ago, but 10% higher sequentially versus the fourth quarter of fiscal 2002.
- New automation systems bookings of \$128.0 million, up 16% from \$110.4 million in the first quarter a year ago and 36% ahead of \$94.2 million in the preceding quarter.

First Quarter Fiscal 2003 Highlights (cont'd)

- Quarter end automation systems backlog was \$189.0 million, 12.3% ahead of backlog of \$168.3 million at March 31, 2002, but off 5.1% from the level of \$199.2 million at June 30, 2001.
- ATS's cash on hand remained very strong at \$113 million versus \$76 million at June 30, 2001.

Management's Discussion and Analysis

The following Management's Discussion and Analysis of the financial position of ATS Automation Tooling Systems Inc. at June 30, 2002 and the results of its operations and its cash flows for the three 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, 2002.

Revenue

ATS revenue remained diversified by region, industrial market and customer in the first quarter, reflecting one of the Company's key strengths. This diversification has enabled ATS to remain profitable over the past 18 months by mitigating the effects of the broad-based downturn in capital spending. Segmented revenue shows:

- Automation Systems Group revenue was \$107.0 million, 14% lower than in the first quarter a year ago, despite a 23% increase in revenue derived from the automotive market. This solid growth was offset by weak but improving conditions in the computer-electronics segment, where revenue was off 36% and healthcare, where revenue was down 23%.
- First quarter automation systems revenue was sequentially 23% higher than in the fourth quarter of fiscal 2002 with increases recorded in all of the Company's industry sectors.
- Precision Components operations, excluding solar, reported revenue growth of 5% to \$30.2 million, reflecting the benefits of acquiring Omex Inc. during the latter part of the first quarter a year ago.
- Photowatt International solar revenue was 20% lower at \$8.7 million. This decline is the direct result of the Company's decision to remove \$3.1 million of product from a customer experiencing cash flow difficulties. Excluding this product, which is being resold, solar revenue increased 9% in spite of softer market conditions.
- Consolidated revenue in the Company's largest market of the US/Mexico was 20% lower in the first quarter compared to the first quarter a year ago reflecting challenging economic conditions. A 29% decline in European revenue year-over-year, primarily as a result of lower solar sales in the region, was more than offset by revenue growth in the combined markets of Canada, Asia-Pacific and other regions.

Consolidated Revenue by Region
(\$ millions)

	6/30/2002	13 weeks ended	
		6/30/2001	3/31/2002
Canada	\$ 17.2	\$ 13.1	\$ 16.5
U.S. & Mexico	86.2	107.1	70.4
Europe	21.0	29.6	25.5
Asia-Pacific	13.8	12.9	12.6
Other	5.5	-	5.4
Total	\$ 143.7	\$ 162.7	\$ 130.4

Revenue by Industry
(\$ millions)

	6/30/2002	13 weeks ended	
		6/30/2001	3/31/2002
Automation Systems:			
Automotive	\$ 43.9	\$ 35.6	\$ 40.5
Computer-Electronics	37.2	58.0	25.6
Healthcare	17.6	22.7	15.3
Other	8.3	7.6	5.4
Subtotal	107.0	123.9	86.8
Precision Components:			
Automotive	27.7	27.1	27.7
Computer-Electronics	0.7	0.8	1.2
Solar	8.7	10.8	15.3
Other	1.8	0.8	2.3
Subtotal	38.9	39.5	46.5
Intersegment Elimination	(2.2)	(0.7)	(2.9)
Total Consolidated Revenue	\$ 143.7	\$ 162.7	\$ 130.4

First Quarter Operating Results

Consolidated operating earnings were \$5.9 million, compared to \$16.4 million in the first quarter a year ago, reflecting the performance of the Automation Systems Group.

Automation Systems Group reported operating earnings of \$5.3 million (5.0% margin) versus \$16.9 million (13.6% margin) in the first quarter a year ago. The Group's operating results continued to be impacted by lower revenue levels and the resulting excess capacity versus the first quarter last year, as well as higher expenses to support important growth initiatives. Operating margins have

improved substantially on a sequential basis compared to the fourth quarter of last year, reflecting higher revenues, more favourable overhead absorption and the absence of inventory writedowns.

Precision Components operating earnings increased 68% to \$2.3 million (5.9% margin), from \$1.4 million (3.5% margin) in the same period of fiscal 2002. This year-over-year improvement reflected continued progress at Photowatt, which achieved higher operating margin despite temporarily lower sales and continuing softer solar market conditions. Photowatt has now been profitable for four consecutive quarters.

Cash Flow and Financial Resources

Cash flow from operating activities of \$10.4 million was generated in the first quarter, a \$15.8 million decrease compared to the same period in fiscal 2001. The decrease was mainly as a result of lower revenue and net earnings in the quarter ended June 30, 2002 compared the same quarter a year ago.

ATS finished the quarter with a very strong balance sheet. Cash on hand totaled \$113 million at June 30, 2002 versus \$76 million a year earlier and unchanged from March 31, 2002. Period end debt to equity ratio remained a healthy 0.1 to 1, unchanged from the ratio at March 31, 2002 and June 30, 2001.

Outlook

At June 30, 2002, automation systems order backlog was \$189.0 million compared to \$168.3 million at March 31, 2002 and \$199.2 million a year ago.

Automation Systems Backlog by Industry (\$ millions)

		6/30/2002		6/30/2001		3/31/2002
Computer/Electronics	\$	49.2	\$	71.3	\$	35.2
Automotive		90.9		60.9		79.3
Healthcare		35.2		57.8		38.2
Other		13.7		9.2		15.6
Total	\$	189.0	\$	199.2	\$	168.3

New automation systems order bookings in the first quarter were \$128.0 million, 16% higher than in the first quarter a year ago, and 36% higher than in the preceding (fourth) quarter of fiscal 2002. Scope reductions in the first quarter were \$2.4 million. There were no order cancellations. Order activity remained broadly based in the quarter.

We believe we've entered the second quarter with a robust backlog, which we view as giving us a good cushion of work on hand to offset the normal seasonality of our business which occurs in this summer period. What's more, the assignments in hand are diverse, which contributes to more even distribution of work across our facilities. We're seeing particularly strong activity in our Cambridge Automation Systems Division, in the southeast United States and at ATS Munich facilities. The challenge is to re-build momentum in our U.S. westcoast operations, which were impacted by the pronounced downturn in computer-electronics. Our Precision Plastics and Metals facilities, along with Omex are also moving forward nicely.

Despite this obvious uptick in automation systems bookings and backlog, ATS continues to be cautiously optimistic about the remainder of fiscal 2003.

Our outlook for improving revenue and earnings this fiscal year remains intact. However, we believe it's prudent to keep our expectations in check at this point. It's simply too early to tell if recent momentum will translate into a broad and sustained advance. Certainly, first quarter automation bookings add fuel to our optimism, but at the same time, we are concerned about the state of the U.S. economy and its obvious influence over customer capital spending and new product launches. As well, the summer quarter tends to temporarily cloud the outlook because of summer plant shutdowns and vacations.

At the same time we believe our longer-term prospects look even brighter and our recent performance-enhancing initiatives are gaining traction. A major manufacturer just qualified us to sell our advanced thermal technologies for another one of their new computer products. Our next generation Spherical Solar Power venture is rolling out according to plan. And we have good prospects for new long-term assignments in our Precision Components operations. These opportunities will complement the long-term potential of our industry-leading Automation Systems business, which continues to broaden its client base and launch new and improved products that we believe are capturing customer attention in strategically targeted areas.

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. (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.

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

Tel: (519) 653-6500

Fax: (519) 650-6520

Email: investor@atsautomation.com

Website: www.atsautomation.com

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)

	Thirteen weeks ended	
	June 30, 2002	June 30, 2001
Revenue	\$ 143,661	\$ 162,727
Operating costs and expenses:		
Cost of revenue	114,138	122,404
Depreciation and amortization	7,221	6,461
Selling and administrative	16,435	17,438
	137,794	146,303
Earnings from operations	5,867	16,424
Other expenses (income):		
Interest expense on long-term debt	312	760
Interest income	(602)	(741)
	(290)	19
Earnings before income taxes and non-controlling interest	6,157	16,405
Provision for income taxes	2,001	5,510
Non-controlling interest in earnings of subsidiaries	28	26
Net earnings	\$ 4,128	\$ 10,869
Net earnings per share:		
Basic	\$ 0.07	\$ 0.18
Diluted	\$ 0.07	\$ 0.18
Weighted average number of shares:		
Basic	60,378	60,128
Diluted	61,114	61,038

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings (in thousands of dollars - unaudited)

	Thirteen weeks ended	
	June 30, 2002	June 30, 2001
Retained earnings, beginning of period	\$ 202,909	\$ 190,316
Cumulative adjustment for change in accounting policy (note 2)	(4,177)	(4,177)
Net earnings	4,128	10,869
Retained earnings, end of period	\$ 202,860	\$ 197,008

See accompanying notes to consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets (in thousands of dollars – unaudited)

	June 30, 2002	March 31, 2002
		[as restated, see note 2]
Assets		
Current assets:		
Cash and short-term investments	\$ 112,749	\$ 113,281
Accounts receivable	112,543	113,704
Income taxes recoverable	3,812	11,140
Costs and earnings in excess of billings on contracts in progress	103,992	104,320
Inventories	70,441	60,712
Other	3,870	3,114
	407,407	406,271
Fixed assets	209,946	212,009
Goodwill	56,137	57,974
Other intangibles	9,204	9,491
Other assets	30,680	27,447
	\$ 713,374	\$ 713,192
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 3,461	\$ 3,108
Accounts payable and accrued liabilities	68,708	65,434
Billings in excess of costs and earnings on contracts in progress	11,539	12,481
Future income taxes	25,969	27,455
	109,677	108,478
Long-term debt	51,248	53,860
Future income taxes	646	2,196
Non-controlling interest	2,937	2,957
Shareholders' equity:		
Share capital	330,466	329,660
Retained earnings	202,860	198,732
Cumulative translation adjustment	15,540	17,309
	548,866	545,701
	\$ 713,374	\$ 713,192

See accompanying notes to consolidated financial statements.

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Thirteen weeks ended	
	June 30, 2002	June 30, 2001
Cash flows from operating activities:		
Net earnings	\$ 4,128	\$ 10,869
Items not involving cash	5,077	10,059
Cash flow from operations	9,205	20,928
Change in non-cash operating working capital	1,186	5,301
	10,391	26,229
Cash flows from investing activities:		
Acquisition of interest in subsidiaries	-	(5,317)
Acquisition of fixed assets	(2,664)	(7,557)
Investments and other	(3,974)	(1,653)
	(6,638)	(14,527)
Cash flows from financing activities:		
Bank indebtedness	353	(4,175)
Issuance of common shares	806	558
Other	(5,444)	(5,028)
	(4,285)	(8,645)
Increase (decrease) in cash	(532)	3,057
Cash and short-term investments, beginning of period	113,281	72,949
Cash and short-term investments, end of period	\$ 112,749	\$ 76,006
Supplementary information:		
Cash income taxes paid	\$ 2,360	\$ 258
Cash interest paid	\$ 376	\$ 431

See accompanying notes to 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 the accounting policies are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2002, except as described in note 2. The unaudited interim consolidated financial statements presented in this interim report do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited consolidated financial statements in the Company's fiscal 2002 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, 2002, the Company retroactively adopted the new Recommendations of the Canadian Institute of Chartered Accountants ("CICA") related to foreign currency translation. The new Recommendations require gains and losses on the translation of long-term monetary assets and liabilities to be included in income. Previously, such gains and losses were deferred and amortized over the life of the respective asset or liability. Retroactive adoption of this policy had no material impact on net earnings for the quarter ended June 30, 2001 or the year ended March 31, 2002 and as such have remained as previously reported. The retroactive changes to the consolidated balance sheet at March 31, 2002 and March 31, 2001 are as follows:

Decrease in other assets	\$ 4,177
Decrease in retained earnings	\$ 4,177

(b) Effective April 1, 2002, the Company prospectively adopted the new Recommendations of the CICA for Stock-based Compensation and Other Stock-based Payments. The new Recommendations establish standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. The new standards only apply to awards granted after the adoption date. The Company has elected to continue accounting for the stock options by calculating compensation cost based on the intrinsic value of the award at the date of grant, and to disclose pro forma net earnings and earnings per share information using the fair value based method. As a result, the adoption of the Recommendations had no effect on the Company's reported earnings for the three months ended June 30, 2002 - see note 3.

ATS AUTOMATION TOOLING SYSTEMS INC.

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

3. Stock-Based Compensation:

In accordance with the CICA recommendations, the following pro forma disclosures present the compensation cost for the Company's stock option plan had compensation cost been determined and recorded in the statement of earnings and earnings per share based on the fair value at the grant date of the options awarded on or after April 1, 2002:

	Net earnings	Basic earnings per share	Diluted earnings per share
As reported	\$ 4,127	\$ 0.07	\$ 0.07
Pro forma	3,912	0.06	0.06

In the pro forma results above, the fair values of the Company's stock option grants were estimated using the Black Scholes option pricing model with the following assumptions: risk free interest rate 5.4%; dividend yield of 0%; expected lives of 6.0 years; and volatility of 42%, and the total estimated compensation cost related to the 471,495 options granted during the quarter ended June 30, 2002 was amortized over the five year vesting period of the options.

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.

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

	Thirteen weeks ended	
	June 30, 2002	June 30, 2001
Revenue		
Automation Systems	\$ 107,029	\$ 123,934
Precision Components	38,911	39,470
Elimination of inter-segment revenue	(2,279)	(677)
Consolidated	\$ 143,661	\$ 162,727
Operating Income		
Automation Systems	\$ 5,331	\$ 16,887
Precision Components	2,295	1,363
Inter-segment elimination and other corporate expenses	(1,759)	(1,826)
Consolidated	\$ 5,867	\$ 16,424

ATS AUTOMATION TOOLING SYSTEMS INC.

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

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.