Automation Tooling Systems

First Quarter Report – Fiscal 2004

Dear Shareholder:

For the three months ended June 30, 2003, ATS Automation Tooling Systems Inc. ("ATS") reported net earnings of $2.2 million (4 cents per share basic and diluted), on revenues of $148.6 million and reported strong new automation systems order bookings of approximately $73 million in the opening six weeks of the second quarter.

We believe ATS made solid operating gains in the first quarter, headlined by improved earnings compared to the last two quarters. Specifically, we have now kept new automation systems bookings above $100 million for two straight quarters and we have captured an additional $73 million in new orders in the first six weeks of this new quarter. We believe this is a good showing in less-than-ideal market conditions and reflects the substantial enhancements we feel we have made to our sales force, industry-leading automation technologies and capabilities. ATS is now beginning to deliver returns from our established strategies and the investments we have made in our operating groups. We intend to build on this performance as the year progresses.

First Quarter Fiscal 2004 Financial Highlights

- Consolidated revenue was $148.6 million, up 4% from $143.4 million in the first quarter a year ago and remained diversified by industry and region.
- Cash flow from operating activities was $12.2 million, up 116%, compared to the first quarter of last year. Cash, net of bank indebtedness, was $75.4 million versus $82.3 million at the start of the quarter.
- Earnings from operations were $3.8 million, a significant sequential improvement over the $1.7 million earned in the fourth quarter of fiscal 2003 but lower than $6.6 million in the same period of fiscal 2003.
- New automation systems order bookings were $105 million compared to $128 million in the first quarter of fiscal 2003.
- Period end automation systems backlog stood at $158 million versus $161 million at year-end primarily reflecting a decline in the U.S. dollar.
- ATS Precision Components Group successfully launched a major power seat subassembly contract in May, which is forecast to generate $12 million to $15 million in revenue through the remainder of fiscal 2004.
- Thermal solutions revenue increased to $3.8 million compared to $0.7 million in the same quarter of last year.

Automation Systems Group revenue in the first quarter was $105.0 million, compared to $106.8 million in the first quarter a year ago, primarily reflecting the decline in the value of the U.S. dollar over the past year. Precision Components Group delivered 14% growth in revenue in the first quarter to $34.4 million from $30.2 million in the opening quarter of fiscal 2003. Solar Group generated revenue growth of 95% to $16.9 million, from $8.7 million a year ago.

Compared to the first quarter of the previous year, earnings from operations (operating earnings) were lower in each of the Company's operating segments reflecting difficult economic conditions, the transition to new precision components business and pricing pressure in the Company's solar business. However, sequentially operating earnings in the first quarter of this year were significantly improved, up 120% from the results in the fourth quarter and 254% higher than in the third quarter of last year.

Looking Forward

We entered the second quarter with a healthy and well-diversified automation systems backlog. We have now launched our major power seat subassembly contract and in thermal products, we are on track with our growth plans and have a growing number of assignments to keep us busy. The Spheral Solar™ Power initiative, the Company's revolutionary next generation solar technology, is also progressing on plan.

ATS's overriding objective is to build on the substantial new automation order booking success we're having so far in the second quarter and to take up the slack in our capacity utilization, especially in the U.S. west coast operations that have felt the impact of the substantial downturn in computer-electronics and semiconductor industries. To this end, we're aggressively and strategically marketing our solutions in all our markets and we continue to develop and introduce new automation technologies that will help to draw out new customer orders. For example, we plan to introduce two new lean automation technologies at our industry's most important annual tradeshows in late September. Operationally, we expect to benefit from this ongoing standard products initiative, which improves the efficiency of our operations while driving higher value for our customers from our custom turnkey automation solutions.

Overall, we have good reasons to remain cautiously optimistic about market conditions and bullish about our ability to continue outperforming our industry, gaining market share and delivering substantial value from our recent investments.

Klaus D. Woerner [SIGNED]
President and Chief Executive Officer

Lawrence G. Tapp [SIGNED]
Non-executive Chairman of the Board

Management's Discussion and Analysis

This MD&A for the three months ended June 30, 2003 should be read in conjunction with ATS Automation Tooling Systems Inc.'s ("ATS" or the "Company") fiscal 2003 annual report and the unaudited consolidated financial statements for the three months ended June 30, 2003.

During July, subsequent to the end of the first quarter, the Company divested assets comprising a precision cleaning technology business for approximately $8.7 million in cash. This business has been treated as a discontinued operation, as specified by the CICA, and its results have been removed from operating earnings for both the current quarter and the first quarter of last year and the assets held for sale segregated in the balance sheet.

Revenue

Consolidated revenue for the three months ended June 30, 2003 was $148.6 million, 4% higher than $143.4 million a year earlier reflecting growth in the Solar and Precision Components group revenue.

Revenue by Industry
($ millions -unaudited)

	13 weeks ended	
	6/30/2003	6/30/2002
Automation Systems:		
Automotive	**$ 44.9**	$ 43.9
Computer-Electronics	**39.2**	37.0
Healthcare	**14.2**	17.6
Other	**6.7**	8.3
Subtotal	**105.0**	106.8
Precision Components:		
Automotive	**28.0**	27.7
Computer-Electronics	**4.7**	0.7
Other	**1.7**	1.8
Subtotal	**34.4**	30.2
Solar:	**16.9**	8.7
Intersegment Elimination	**(7.7)**	(2.3)
Total Consolidated Revenue	**$ 148.6**	$ 143.4

Automation Systems Group ("ASG") revenue growth continued to be constrained by the weak economic conditions which have been in place for a number of quarters. ASG revenue was $105.0 million, compared to $106.8 million in the first quarter a year ago primarily as result of a decline in the U.S. dollar exchange rate over the past year.

In spite of lower North American automotive unit production and the weaker U.S. dollar, Precision Components Group ("PCG") achieved revenue of $34.4 million, $4.2 million or 14% higher than in the first quarter of fiscal 2003. The acquisition of Micro-

Precision Plastics, completed in February 2003, contributed $2.8 million to Group revenue while revenue from the Company's thermal products initiative increased $3.1 million to $3.8 million.

Solar Group revenue, which is currently derived from Photowatt International, increased 95% to $16.9 million versus the same period a year ago, reflecting significantly improved market demand and the strengthening value of the Euro versus the Canadian dollar, which increased year-over-year revenue by approximately $1.3 million. Also, revenue was reduced in the first quarter of last year, when Photowatt took back $3.1 million in inventory from a customer experiencing difficulty. Photowatt began shipments in April 2003 under a substantial new solar module supply order announced in March, 2003, with estimated total value of $31.1 million over a 12-month period.

Consolidated Revenue by Region

($ millions-unaudited)

	13 weeks ended	
	6/30/2003	6/30/2002
Canada	**$ 17.3**	$ 17.2
United States/Mexico	**84.2**	86.0
Europe	**36.4**	21.0
Asia-Pacific	**10.5**	13.8
Other	**0.2**	5.4
Total	**$ 148.6**	$ 143.4

First Quarter Earnings from Operations (Operating Earnings)

Consolidated Operating Earnings were $3.8 million (2.6% operating margin) compared to $6.6 million (4.6% operating margin) in the first quarter of fiscal 2003, primarily reflecting the factors discussed below.

ASG Operating Earnings were $5.7 million versus $6.1 million in the first quarter a year ago. This reflected lower revenue and a reduction in operating margin, which was 5.4% versus 5.7% a year ago. ASG Operating Earnings continued to be impacted by lower capacity utilization, particularly in its U.S. west coast operations, and the Company's strategic decision to retain its highly skilled workforce to further enhance the Company's competitive advantages, market share and capabilities. ASG Operating Earnings and operating margin were significantly higher than the third and fourth quarters of last year due to improved operating performance and capacity utilization primarily at the Company's Canadian facilities.

PCG Operating Earnings were $0.7 million versus $1.8 million in the first quarter of fiscal 2003. The transition to new customer programs in thermal products and automotive, which are expected to have a favourable future impact, continued to hold back improvements in Operating Earnings in the quarter. PCG Operating

Earnings in the first quarter were significantly improved over the operating loss of $0.5 million in the third quarter and Operating Earnings of $0.4 million in the fourth quarter of fiscal 2003.

Solar Group generated Operating Earnings of $0.1 million in the first quarter of fiscal 2004 compared to $0.5 million in the first quarter a year ago. Weaker operating performance was due to intense price competition primarily related to the stronger Euro and corresponding pricing advantages for Japanese and U.S. manufacturers.

Liquidity, Cash Flow and Financial Resources
ATS continued to invest during the first quarter to support strong future revenue and earnings growth. Long-term investments totaled $15.7 million and included $9.9 million invested in plant and equipment and deferred development at Spheral Solar™ Power ("SSP"), $5.1 million in other new plant and equipment, and $0.7 million for the purchase of the non-controlling interest of a subsidiary.

Cash flows from operating activities were $12.2 million compared to $5.6 million a year earlier. Investment in non-cash working capital decreased by $2.5 million during the quarter, in spite of the 8% increase in quarterly revenues compared to the preceding fourth quarter.

Cash on hand was a healthy $75.4 million, down from $82.3 million at March 31, 2003. $3.4 million of this $6.9 million reduction was the result of changes in exchange rates during the period. The Company's cash flow performance and conservative financial posture continued to provide ATS with the means to fully support its operating strategies without weakening its financial position. The debt to equity ratio of 0.1:1 remained very strong.

Automation Systems Backlog
At June 30, 2003, automation systems order backlog was $158 million versus $161 million at March 31, 2003. The reduction reflects the decline in the U.S. dollar exchange rate during the first quarter. Not included in backlog is $16.7 million of internal automation systems work being manufactured for the SSP initiative. Order cancellations and scope reductions totaled $5.4 million in the first quarter of this fiscal year compared with $2.5 million a year earlier.

Automation Systems Backlog by Industry
($ millions-unaudited)

		6/30/2003		6/30/2002
Computer/Electronics	**$**	**26.6**	$	49.2
Automotive		**84.7**		90.9
Healthcare		**29.1**		35.2
Other		**17.6**		13.7
Total	**$**	**158.0**	$	189.0

Outlook

Economic conditions are still less than ideal and the Company's current outlook remains one of cautious optimism. Revenue and earnings in the second or summer quarter ended September 30 are typically lower than in other quarters, reflecting plant shutdowns and summer vacations. In addition, the Company expects to continue to incur start-up costs for new customer programs in Precision Components in the second quarter and continue to face intense pricing pressure in solar markets. However management believes there are positive signs that conditions are improving, including recent new order booking activity.

New automation systems order bookings (Order Bookings) in the first quarter were $105 million and $123 million in the fourth quarter of last year. Order Bookings in the first six weeks of the second quarter were approximately $73 million. The strong Order Bookings activity to date during the second quarter combined with the solid level of new Order Bookings activity over the past two fiscal quarters provides evidence that demand in the Company's automation systems markets may be improving.

In May, PCG successfully launched, on schedule, a large power seat adjustment sub-system assignment won in May 2001. Based on the multinational customer's forecast data, the Company expects that this program will generate between $12 million and $15 million in revenue this fiscal year, with the potential to increase to between $40 million and $50 million next year. PCG also continued to prepare for the launch on other new automotive programs scheduled for the fall of this year and management expects that, at full volume, these will add an estimated $20 million in annual revenue.

PCG continued to increase revenue from its proprietary thermal management device business. Subsequent to quarter end, PCG began first shipments on one additional new thermal products program and received verbal approval on another two programs. Management expects volumes of its thermal products to grow as recently launched programs continue to ramp up volumes and as shipments grow on new programs.

While volatile over the past three quarters, demand for the Company's established Solar Group products remained strong into the second quarter. Revenue under the major solar module contract announced in March 2003 is also expected to increase in the second quarter as shipment volumes increase.

The Company progressed with its SSP initiative that is scheduled to commence initial production in the spring of 2004. During the first quarter, additional patent protection was filed for new optical design enhancements for SSP facilitating broader distribution of initial product samples to many potential customers. Development of the sophisticated automated workstations that will produce SSP solar cell products also progressed and installation of the final equipment is expected by year-end. The purpose-built manufacturing facility, currently being constructed in Cambridge, is also progressing and is expected to be available for occupancy near the end of September.

Overall, management believes that the Company is well positioned to compete in the current economic environment and to benefit significantly from improved market demand. Expanded strategic sales and marketing efforts, initiatives in new market areas such as contract equipment manufacturing, investments made in high-value new automation capabilities combined with the Company's strong financial position and established strong market presence are expected to enable the Company to generate solid growth in revenue and earnings as demand increases.

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 is also an emerging leader in the rapidly growing market for solar energy cells and modules. ATS employs approximately 3,500 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.

Certain forward looking statements are made in this MD&A and the letter to shareholders, reflecting the Company's expectations regarding possible future business, results 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 most recent 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 of dollars, except per share amounts - unaudited)

	Thirteen weeks ended	
	June 30 2003	June 30 2002
		(as restated, see note 3)
Revenue	**$ 148,583**	$ 143,420
Operating costs and expenses:		
Cost of revenue	**118,695**	113,591
Depreciation and amortization	**8,173**	7,060
Selling and administrative	**17,930**	16,163
	144,798	136,814
Earnings from operations	**3,785**	6,606
Other expenses (income):		
Interest on long-term debt	**209**	312
Other interest	**(199)**	(602)
	10	(290)
Earnings from continuing operations before income taxes and non-controlling interest	**3,775**	6,896
Provision for income taxes	**1,274**	2,297
Non-controlling interest in earnings of subsidiaries	**(5)**	28
Net earnings from continuing operations	**2,506**	4,571
Loss from discontinued operations net of tax (note 3)	**(286)**	(443)
Net earnings	**$ 2,220**	$ 4,128
Earnings (loss) per share (note 6):		
Basic – from continuing operations	**$ 0.04**	$ 0.08
Basic – from discontinued operations	**-**	(0.01)
	$ 0.04	$ 0.07
Diluted – from continuing operations	**$ 0.04**	$ 0.08
Diluted – from discontinued operations	**-**	(0.01)
	$ 0.04	$ 0.07

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Retained earnings, beginning of period	**$ 201,075**	$ 198,732
Net earnings	**2,220**	4,128
Retained earnings, end of period	**$ 203,295**	$ 202,860

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Balance Sheets

(in thousands of dollars - unaudited)

	June 30 2003	March 31 2003
ASSETS		
Current assets:		
Cash and short-term investments	**$ 75,417**	$ 82,333
Accounts receivable	**111,365**	117,756
Income taxes recoverable	**1,408**	1,868
Costs and earnings in excess of billings on contracts in progress	**90,812**	96,546
Inventories	**75,911**	83,099
Other	**5,162**	3,734
Assets held for sale (note 3)	**8,650**	-
	368,725	385,336
Fixed assets	**225,583**	226,555
Goodwill	**60,115**	63,721
Intangible assets	**6,463**	8,949
Other assets	**29,069**	29,307
	$ 689,955	$ 713,868
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 71,283**	$ 73,373
Billings in excess of costs and earnings on contracts in progress	**11,371**	14,585
Future income taxes	**20,406**	22,128
	103,060	110,086
Long-term debt	**45,505**	49,754
Future income taxes	**6,106**	5,817
Non-controlling interest	**313**	1,053
Shareholders' equity:		
Share capital	**331,499**	331,499
Retained earnings	**203,295**	201,075
Cumulative translation adjustment	**177**	14,584
	534,971	547,158
	$ 689,955	$ 713,868

See accompanying notes to interim consolidated financial statements

ATS AUTOMATION TOOLING SYSTEMS INC.

Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Cash flows from operating activities:		
Net earnings	**$ 2,220**	$ 4,128
Items not involving cash	**7,494**	5,077
Cash flow from operations	**9,714**	9,205
Change in non-cash operating working capital	**2,456**	(3,583)
	12,170	5,622
Cash flows from investing activities:		
Acquisition of interest in subsidiary (note 4)	**(650)**	-
Acquisition of fixed assets	**(12,333)**	(2,664)
Investments and other	**(2,764)**	(4,108)
	(15,747)	(6,772)
Cash flows from financing activities:		
Bank indebtedness	**-**	353
Issuance of common shares	**-**	806
Other	**13**	362
	13	1,521
Effect of exchange rate changes on cash and short-term investments	**(3,352)**	(903)
Decrease in cash and short-term investments	**(6,916)**	(532)
Cash and short-term investments, beginning of period	**82,333**	113,281
Cash and short-term investments, end of period	**$ 75,417**	$ 112,749
Supplementary information:		
Cash income taxes paid	**$ 1,907**	$ 2,360
Cash interest paid	**$ 196**	$ 376

See accompanying notes to interim consolidated financial statements

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, 2003 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 2003 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, 2003, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") recommendations related to the determination of long-lived asset impairment as well as recognition, measurement and disclosure of any impairment. The adoption of the new recommendations had no material impact on the Company's interim consolidated financial statements for the thirteen weeks ended June 30, 2003.

(b) Effective April 1, 2003, the Company adopted the new CICA recommendations that establish standards for the recognition, measurement, presentation and disclosure of the disposal of long-lived assets and for the presentation and disclosure of discontinued operations. The Company has followed the new recommendations in accounting for the assets held for sale and discontinued operations as described further in note 3. Other than the matter described in note 3, the adoption of the new recommendations had no material impact on the Company's interim consolidated financial statements for the thirteen weeks ended June 30, 2003.

3. Discontinued operations, assets held for sale and subsequent event:

During the thirteen weeks ended June 30, 2003, the Company committed to a plan to sell the intellectual property and key operating assets of its subsidiary, Eco-Snow Systems Inc ("Eco-Snow"). Accordingly, the results of operations and financial position of Eco-Snow have been segregated and presented separately as discontinued operations and assets held for sale in the accompanying interim consolidated financial statements. The results of the discontinued operations were as follows:

(tabular amounts in thousands, except per share amounts – unaudited)

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Revenue	**$ 963**	$ 241
Loss from operations	**$ (477)**	$ (739)
Income tax recovery	**191**	296
Loss from discontinued operations	**$ (286)**	$ (443)

Subsequent to June 30, 2003, the Company announced the completion of the sale of the Eco-Snow intellectual property and key operating assets for US$6.4 million. The transaction is not expected to have a material impact on earnings for the 13 weeks ended September 30, 2003.

4. Acquisition:

During the thirteen weeks ended June 30, 2003, the outstanding equity of an automation systems subsidiary was purchased for cash consideration of $650,000. The acquisition was accounted for using the purchase method. The fair value of the assets and liabilities acquired were approximately equal to the consideration paid.

5. Stock-based compensation:

In accordance with 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 the earnings per share based on the fair value at the grant date of the options awarded on or after April 1, 2002.

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Net earnings:		
as reported	**$ 2,220**	$ 4,128
pro forma	**$ 1,946**	$ 3,912
Earning per share:		
Basic - as reported	**$ 0.04**	$ 0.07
- pro forma	**$ 0.03**	$ 0.06
Diluted - as reported	**$ 0.04**	$ 0.07
- pro forma	**$ 0.03**	$ 0.06

(tabular amounts in thousands, except per share amounts – unaudited)

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:

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Risk-free interest rate	**4.4%**	5.4%
Dividend yield	**0.0%**	0.0%
Expected life	**5 years**	6 years
Expected volatility	**38%**	42%

The estimated compensation cost of the options granted is amortized over the five year vesting period of the options. During the thirteen weeks ended June 30, 2003, 430,000 options (2002 – 471,495) were granted at an average exercise price of $8.60 (2002 - $18.61). The weighted average value per option as calculated by the Black-Scholes model, using the above assumptions is $3.47 (2002-$9.11) each.

6. Weighted average number of shares:

Weighted average number of shares used in the computation of earnings per share is as follows:

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Basic	**60,571**	60,378
Diluted	**60,892**	61,114

7. Segmented disclosure:

The Company evaluates performance based on three reportable segments: Automation Systems, Precision Components and Solar. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Precision Components segment is a high volume manufacturer of plastic and metal components and sub-assemblies. The Solar segment is a high volume manufacturer of photovoltaic products and includes the Company's investment in Spheral Solar™ Technology.

(tabular amounts in thousands, except per share amounts – unaudited)

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

	Thirteen weeks ended	
	June 30 2003	June 30 2002
Revenue		
Automation Systems	**$ 104,966**	$ 106,788
Precision Components	**34,386**	30,238
Solar	**16,916**	8,673
Elimination of inter-segment revenue	**(7,685)**	(2,279)
Consolidated	**$ 148,583**	$ 143,420
Earnings from operations		
Automation Systems	**$ 5,710**	$ 6,070
Precision Components	**668**	1,791
Solar	**84**	504
Inter-segment elimination and other corporate expenses	**(2,677)**	(1,759)
Consolidated	**$ 3,785**	$ 6,606

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