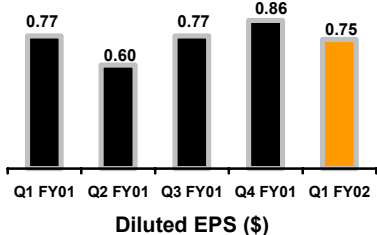
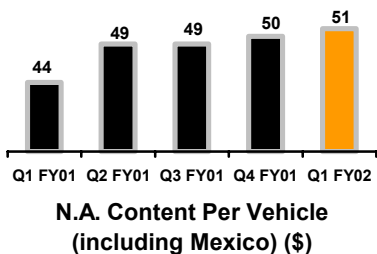
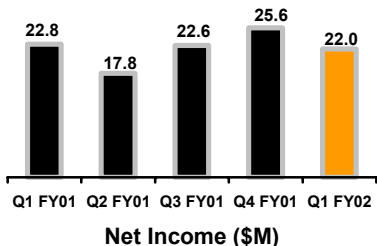
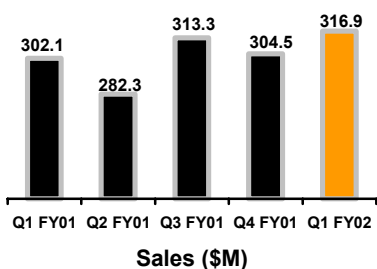


Dear Shareholders:

We are pleased to present our results for the first quarter of fiscal 2002 ended October 31, 2001.

Financial Highlights



- Consolidated results represent the 25th consecutive quarter (on a comparative year-over-year basis) of record sales since going public in 1995.
- Sales rose 5% to \$316.9 million compared with \$302.1 million for the first quarter of the previous year.
- North American vehicle production volumes declined 11% to 4.2 million units.
- Income before income taxes decreased 9% to \$32.9 million from \$36.3 million in the first quarter of fiscal 2001.
- Net income for the quarter was \$22.0 million versus \$22.8 million a year ago.
- Diluted earnings per share for the quarter declined to \$0.75 from \$0.77 in fiscal 2001.
- Content per vehicle increased 16% and 9% in North America and Europe to \$51.32 and €15.31, respectively, compared to the same three month period a year ago.
- Return on funds employed exceeded 25% for the quarter.
- Equity of \$457 million and net debt of \$59 million at October 31, 2001 represents a debt to capitalization ratio of 11%.

After the end of the quarter, we announced that the planned merger of Tesma with the Magna Steyr group would not proceed in its present form. We intend to re-evaluate some form of transaction in the future, as parts of Magna Steyr continue to represent a strategic opportunity for us to expand our global powertrain business. Irrespective of any future Magna Steyr transaction, Tesma will explore other opportunities for growth and continue to execute the business strategies which have been the key drivers behind our 25 consecutive quarters of growth and our record of creating value for our shareholders.

Additional financial and operating highlights are outlined in the attached Management's Discussion and Analysis of Results of Operations and Financial Condition for the three months ended October 31, 2001.

On behalf of our entire management team, we wish all of you the best for a happy holiday season!

Manfred Gingl
President and CEO

Anthony E. Dobranowski
Executive Vice President and
Chief Financial Officer

This press release may contain "forward-looking statements" within the meaning of applicable securities legislation. Such statements involve certain risks, assumptions, uncertainties and other factors which may cause actual results or anticipated events to differ materially from those expressed or implied herein. These factors include, but are not limited to: Tesma's operating and/or financial performance; changes in the various economies in which Tesma operates; Tesma's relationship with Magna; fluctuations in interest rates; environmental emission and safety regulations; fuel prices; the extent of OEM outsourcing; industry cyclicality (including reductions or increases in production volumes); trade and labour disruptions; customer pricing pressures, price concessions and cost absorptions; warranty, recall and product liability claims; delays in program launches; Tesma's dependence on certain engine and transmission programs; Tesma's relationships with and dependence on certain customers; currency exposure; technological developments by Tesma's competitors; governmental, environmental and regulatory policies; changes in the competitive environment in which Tesma operates; and other factors as set out in Tesma's Form 40-F for its fiscal year ended July 31, 2001 and subsequent SEC filings. Tesma disclaims any intention and undertakes no obligation to update or revise any forward-looking statements to reflect subsequent information, events, results, circumstances or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE FIRST QUARTER ENDED OCTOBER 31, 2001

Tesma International Inc. (Tesma or the Company) designs, engineers, tests and manufactures technologically-advanced powertrain (engine, transmission and fuel) components and modules for the global automotive industry. Employing over 4,600 skilled and motivated people in 22 manufacturing and 2 research facilities located in North America, Europe and Asia, Tesma is leveraging its leading-edge technology, high-quality products and strong customer relationships to generate industry-leading sales growth and superior financial performance.

The following interim management's discussion and analysis of the consolidated operating results and financial position of Tesma for the three months ending October 31, 2001 and 2000 should be read in conjunction with the accompanying consolidated financial statements and notes thereto and with the consolidated financial statements and notes for the year ended July 31, 2001 and management's discussion and analysis in Tesma's 2001 Annual Report.

Overview

In the first three months of fiscal 2002, Tesma continued to capitalize on a number of trends impacting the global automotive industry including globalization, production outsourcing, increased vehicle modularization, and major industry consolidation resulting in modest revenue growth and consistent profitability despite declines in both North American and European vehicle production. Also, during this period we added \$85 million in new business to our order backlog including our fourth front cover module program, our first North American fuel tank assembly contract and new contracts with Honda, Nissan, Fiat and our other major customers.

To maintain its track record of strong growth and financial performance, Tesma will: expand its production of modules and systems by focusing on value added, highly engineered and proprietary products, continue to innovate through advanced R&D programs, build on its strong customer relationships and pursue international growth opportunities through strategic acquisitions, internal growth and production efficiencies.

Vehicle Volumes

During the first quarter of fiscal 2002, North American vehicle production of 4.2 million units was down 11% from the prior year. This represents the lowest first quarter production level since the first quarter of Tesma's fiscal 1997 year. In addition, first quarter European vehicle production of 3.6 million units was 4% lower than production levels in the comparable period in the prior year.

Results of Operations

Sales

Tesma's consolidated sales for the three month period totalled \$316.9 million, an increase of 5% over the \$302.1 million of consolidated sales for the comparable period in fiscal 2001.

Tesma operates 15 manufacturing facilities in North America (13 in Canada and 2 in the U.S.) employing 3,400 employees. For the first three months of fiscal 2002, the Company's North American operations reported sales of \$251.9 million, an increase of 3% over the same period in fiscal 2001, despite an 11% drop in North American vehicle production volumes. This improvement reflects the increased volumes or content on the new Vortec 4200 engine used in the recently introduced GM SUV family, the GM L850 engine programs and Ford's Modular V8 engine program. In addition, it reflects the continuing ramp up of the Allison LCT transmission program, the GM 1/2 accumulator cover business, increased volumes on certain tensioner and alternator decoupler programs, increased exports to Europe and a stronger U.S. dollar, offset by the significant decrease in North American vehicle production volumes and givebacks to various OEM customers.

Tesma's 5 European operations, located in Germany and Austria, employ 1,030 employees. During the first quarter, the Company's European operations generated sales of \$58.4 million, an increase of 19% versus \$49.2 million in the first quarter of fiscal 2001. There was sales growth in most of our European manufacturing facilities despite a 4% decrease in European vehicle production volumes for the quarter. This growth was achieved due to new program launches, very strong demand for service and aftermarket parts, increased tooling sales and a strengthening of the Euro relative to the Canadian dollar which caused translated sales to increase by approximately \$4.1 million versus the comparable period a year ago.

Tesma's 2 Asian manufacturing facilities in South Korea employ 180 people. For the first three months of fiscal 2002, sales decreased 16% to \$9.5 million versus \$11.3 million a year earlier. The decline for the quarter is due primarily to significantly reduced North American production volumes, in particular on the volumes of the Ford FN oil pump used in the Focus and CW170 programs and a significant weakening of the Korean Won relative to the Canadian dollar which were only partially offset by the launch of new products for GM and Volkswagen.

Tooling and other sales for the first three months increased by 18% or \$2.1 million to \$13.6 million as Tesma continues to launch new business.

During the first three months, the net impact of fluctuations in foreign currencies in which Tesma transacts a significant portion of its business was an increase in sales of approximately 1% (3% decrease in the first quarter of fiscal 2001), primarily as a result of the increase in the values of the Euro and U.S. dollar relative to the Canadian dollar. This increase, which also affects all other items on the statement of income (but not to the same extent as sales), occurs primarily on the translation of self-sustaining foreign subsidiaries at higher average exchange rates in the fiscal 2002 period versus the same period in fiscal 2001.

As we continue our global expansion in fiscal 2002, total sales in all major automotive markets continue to grow, reflecting our product diversity and vehicle platform independence. Sales to North American customers, our most significant market, increased by 3% to \$219.8 million versus \$214.4 million in the comparable three month period in fiscal 2001, which represents 69% of our consolidated sales (71% in fiscal 2001). This sales increase resulted in Tesma's North American content per vehicle for the quarter increasing to \$51 from \$44 a year ago.

Fueled in part by the strength of the Euro, sales to European-based customers for the first three months of fiscal 2002 grew to \$85 million versus \$74 million in the comparable period for fiscal 2001, representing 27% of Tesma's consolidated sales (25% in fiscal 2001). Our European content per vehicle (presented in Euro to exclude the impact of foreign exchange fluctuations) increased in the quarter by approximately 9% to €15.31 versus €14.03 for the same period a year ago.

For the three month period, sales to Asia-Pacific customers increased 9% to \$7.3 million in fiscal 2002 versus \$6.7 million for the same period in fiscal 2001 and continue to represent approximately 2% of Tesma's consolidated sales. The market in South America continues to face a difficult economic climate in fiscal 2002 and our sales to this region declined by 18% to \$3.7 million for the three months and accounted for approximately 1% of Tesma's consolidated sales.

Sales to our four largest worldwide customers: GM, Ford, DaimlerChrysler and the Volkswagen Group were 76% of total sales, down from 77% for the comparable three month period in fiscal 2001. Our sales to GM's global operations, our largest customer group, increased to 42% of our consolidated sales versus 40% in the same period a year ago. While no single product sold to any customer accounted for more than 10% of Tesma's consolidated sales in fiscal 2002 or 2001, our largest platform dependence continues to be on the GM Gen III engine program.

Gross Margin

Gross margin as a percentage of sales declined by 9% in the first three months of 2002 to 22.0% versus 24.1% a year earlier.

During the first quarter, the positive impact of our improved operating efficiencies at certain facilities and growth in content per vehicle in both North America and Europe was more than offset by the significant decline in North American and European vehicle production volumes, high operating costs at facilities which are launching several new programs for GM, Volkswagen, DaimlerChrysler, Porsche and SFT, increased R & D activity at one of our Austrian facilities and customer pricing concessions.

Operating Income

Operating income decreased 9% to \$32.9 million in the three month period versus \$36.3 million in the prior year.

The effect of the \$2.8 million decline in the first quarter gross margin, higher depreciation charges, financing costs and affiliation fees were only partially offset by reductions in selling, general and administrative (S, G & A) costs.

Operating income for the three month period at Tesma's North American operations decreased 5% to \$29.5 million or 90% of consolidated operating income, versus \$31.1 million or 86% for the same period in fiscal 2001. Tesma's European operations fell 16% in fiscal 2002 and contributed \$3.5 million or 11% of consolidated operating income versus \$4.2 million or 12% a year ago. The Asia-Pacific and South American operations which include our engineering and marketing offices in Brazil, Japan and Korea, incurred an operating loss of \$0.2 million versus \$1.0 million in operating income for the same period a year ago.

Depreciation and amortization expense for the first three months of fiscal 2002 increased by 12% to \$13.7 million from \$12.2 million a year ago. The Company did not record any amortization of existing goodwill during the quarter versus \$0.4 million recorded in the same period a year ago, as the new non-amortization rules for goodwill under both Canadian and U.S. GAAP were adopted prospectively by the Company on August 1, 2001. The absolute increase in the first quarter depreciation charges was the result of our continuing investment in capital assets - primarily new facilities and equipment. Thus far, capital expenditures for fiscal 2002 total \$40.6 million, net of disposals, representing a significant increase over the same quarter a year ago. These significant capital expenditures will result in higher depreciation charges for the future.

S, G & A costs for the quarter decreased to \$18.7 million versus \$20.7 million for the first quarter of fiscal 2001 and declined to 5.9% of consolidated sales in fiscal 2002 from 6.8% a year ago. The significant decrease in the quarter versus a year ago was due primarily to the recognition of foreign exchange gains versus a loss in the same period in the prior year and a net recovery booked in the quarter for amounts received from a customer that had previously been written off. Other costs remained at similar levels to the prior year.

Interest expense, net increased during the first three months of the year to \$0.7 million versus \$0.2 million of interest income, net for the comparable period in fiscal 2001. The increase in net interest expense for the quarter resulted primarily from lower levels of cash available for investment in short-term interest-earning investments.

Income Taxes

Tesma's effective income tax rate decreased to 32.9% for the first three months of fiscal 2002 versus 37.3% a year ago. The main reasons for this decrease were the reduction in the Canadian Statutory income tax rate from that used in the first quarter of last year by 0.7%, the reduction in the German income tax rate upon the elimination of the tiered tax system in Germany effective for years commencing after December 31, 2000, the absence of non-deductible goodwill in the current year and tax rate changes in both Germany and South Korea which resulted in reductions to future tax liabilities.

Net Income

The decrease in income before taxes is partially offset by the drop in the Company's overall effective income tax rate. The result is Tesma's net income attributable to Class A Subordinate Voting Shares and Class B Shares decreased by only 4% to \$22.0 million for the quarter compared to \$22.8 million for the same period in fiscal 2001.

Earnings Per Share

On a diluted basis, earnings per Class A Subordinate Voting Share or Class B Share for the first quarter decreased 3% to \$0.75 from \$0.77 in the same period in fiscal 2001. The decline was primarily related to the decrease in net income attributable to these shares.

Basic earnings per Class A Subordinate Voting Share or Class B Share decreased 4% to \$0.75 for the quarter from \$0.78 a year ago. This reduction is primarily the result of the decrease in net income attributable to these shares. The weighted average number of basic shares outstanding increased slightly due to the exercise of stock options in the last 9 months of fiscal 2001. The average number of diluted shares outstanding remained consistent with the prior year.

Financial Condition, Liquidity and Capital Resources

Cash balances at October 31, 2001, net of bank indebtedness, were \$23.0 million versus \$58.8 million at October 31, 2000 and \$51.0 million at July 31, 2001. The decrease in the cash balance by \$28.0 million since July 31, 2001 was a result of investing cash in non-cash working capital, capital expenditures, the repayment of debt and the payment of dividends, offset by cash generated by operations.

Operating Activities

Cash provided from operations, before the effect of changes in non-cash working capital, decreased by \$0.1 million to \$35.4 million for the first three months of fiscal 2002. The amount of cash used for non-cash working capital decreased significantly due to a lower level of incremental sales in the current quarter versus the immediately preceding quarter which resulted in lower incremental investments in accounts receivable and inventory. This, combined with lower final income tax payments in respect of fiscal 2001 versus the significant payments made in the prior year and higher trade accounts payable increased cash provided by operating activities to \$17.5 million for the three month period versus \$10.9 million used for operating activities in the same period a year ago.

Investing Activities

Investment spending for the first quarter of 2002 increased to \$40.6 million, net of proceeds from dispositions, versus \$17.7 million for the same period a year ago. For the quarter, cash spent on capital assets increased to \$40.8 million versus \$17.0 million last year. This capital spending included the payment of approximately \$19 million for construction of a new manufacturing facility in our Transmission Technologies Group, expansions of two manufacturing facilities in our Engine Technologies Group and new corporate offices, with the balance used mainly for the purchase of equipment to support new production programs.

Assets purchased for North American operations accounted for 82% of the total capital spending versus 83% in fiscal 2001; 16% was for Tesma's European operations versus 15% a year ago and 2% was for Asia-Pacific (consistent with fiscal 2001).

Financing Activities

Funds used to repay advances on operating lines of credit during the first quarter were \$23.8 million. In the prior year the Company borrowed an additional \$1.3 million.

Scheduled debt repayments of \$0.9 million were made during the quarter versus \$1.9 million in the same period a year ago. Additional long-term debt of \$0.1 million was obtained during the quarter by one of our Austrian subsidiaries.

Dividends paid during the first quarter of fiscal 2002, were \$0.16 per Class A Subordinate Voting Share and Class B Share, totalling \$4.7 million.

Tesma's financial position remained strong at the end of the first quarter of fiscal 2002. Our asset base increased by 6% in the quarter to \$771.4 million versus \$727.1 million a year ago and our ratio of long-term debt to total capitalization declined to 0.14:1, an improvement from the 0.15:1 as at July 31, 2001.

Outlook

Tesma's results are expected to continue to be impacted by the negative conditions that are affecting the automotive industry generally, including production cut-backs, OEM price concessions under long-term arrangements, declining consumer confidence and general economic uncertainty. The Company estimates that North American OEM production cutbacks will continue into the second quarter with projected volumes of approximately 3.5 million units representing a 6% decrease over the same period a year ago. Across the board production declines of the magnitude continuing to be experienced and implemented by the North American OEMs have and will continue to affect all auto parts suppliers, including Tesma. European production declines are expected to be in the range of 3% to 5%. As a result of these production forecasts and some customer launch delays, Tesma is projecting modest growth in overall sales of approximately 4% to 6% for fiscal 2002.

Tesma's results continue to be affected by issues arising out of certain of the risks and uncertainties identified in the annual management's discussion and analysis included in Tesma's 2001 Annual Report. In addition, OEM production volumes in the geographic regions that Tesma operates may be impacted by changes in the various economies, fluctuations in interest rates, environmental emission and safety regulations, fuel prices and the extent of OEM outsourcing.

Contingencies

From time to time, the Company may be contingently liable for litigation and other claims. Refer to note 18 of the Company's fiscal 2001 consolidated financial statements.

Other Developments

On May 17, 2001, Tesma and its controlling shareholder, Magna International Inc. (Magna), jointly announced that they had entered into a non-binding letter of intent concerning the proposed combination of Tesma with the Magna Steyr Group.

On November 2, 2001, Tesma and Magna jointly announced the execution of definitive agreements providing for the merger of Tesma with the Magna Steyr Group effective January 1, 2002 to form Magna Steyr Inc. The merger was approved by the Tesma Board of Directors following the report and recommendation of its Special Committee of independent directors and was subject to approval by holders of Tesma's Class A Subordinate Voting Shares and Class B Shares, voting separately at Tesma's Annual and Special Meeting of Shareholders.

On December 11, 2001, Tesma and Magna jointly announced the decision not to proceed with the proposed merger of Tesma and the Magna Steyr Group at the present time. The decision was based on Magna's announcement that the Magna Steyr Group is negotiating with DaimlerChrysler for the acquisition of its Eurostar assembly facility. If successfully completed, the Eurostar acquisition could have a substantial impact on Magna Steyr's future business plans. As a result, both Tesma and Magna Steyr intend to evaluate the opportunities for a merger or other strategic alternatives as further details concerning the potential Eurostar acquisition evolve and are more thoroughly considered.

TESMA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Canadian dollars in thousands)

	AS AT October 31, 2001 (unaudited)	AS AT July 31, 2001 (audited)
ASSETS		
Cash and cash equivalents	\$ 44,717	\$ 95,703
Accounts receivable	196,142	172,803
Inventories	96,400	93,735
Future tax assets	9,907	9,570
Prepaid expenses and other	17,120	11,091
	<hr/> 364,286	<hr/> 382,902
Capital assets	380,664	349,008
Goodwill (Note 2(a))	19,683	19,231
Other assets	6,768	7,199
	<hr/> \$771,401	<hr/> \$758,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank indebtedness	\$ 21,720	\$ 44,706
Accounts payable	101,068	86,581
Accrued salaries and wages	34,513	35,868
Other accrued liabilities	33,630	30,178
Income taxes payable	7,736	11,019
Long-term debt due within one year	5,233	4,342
	<hr/> 203,900	<hr/> 212,694
Long-term debt	76,390	77,221
Future tax liabilities	33,993	34,200
SHAREHOLDERS' EQUITY		
Class A Subordinate Voting Shares (Note 4) (authorized: unlimited, issued: 15,042,379)	187,643	187,643
Class B Shares (Note 4) (authorized: unlimited, issued: 14,223,900)	2,583	2,583
Retained earnings	269,790	252,435
Currency translation adjustment	(2,898)	(8,436)
	<hr/> 457,118	<hr/> 434,225
	<hr/> \$771,401	<hr/> \$758,340

TESMA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Canadian dollars in thousands, except share and per share figures)

	THREE MONTHS ENDED	
	October 31	
	(unaudited)	
	2001	2000
Sales	\$316,907	\$302,107
Cost of goods sold	247,045	229,371
Depreciation and amortization (Note 2 (a))	13,706	12,195
Selling, general and administrative	18,694	20,673
Interest, net	675	(166)
Affiliation fees and other charges	3,937	3,718
Income before income taxes	32,850	36,316
Income taxes	10,812	13,555
Net income for the period attributable to Class A Subordinate Voting Shares and Class B Shares	22,038	22,761
Retained earnings, beginning of period	252,435	186,554
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,683)	(4,672)
Cumulative adjustment for change in accounting policy (Note 2 (b))	-	(3,945)
Retained earnings, end of period	\$269,790	\$200,698
Earnings per Class A Subordinate Voting Share or Class B Share (Note 2 (c))		
Basic	\$ 0.75	\$ 0.78
Diluted	\$ 0.75	\$ 0.77
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding (in millions) (Note 2 (c))		
Basic	29.3	29.2
Diluted	29.6	29.6

TESMA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Canadian dollars in thousands)

THREE MONTHS ENDED
October 31
(unaudited)
2001 **2000**

CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES		
Net income	\$ 22,038	\$ 22,761
Items not involving current cash flows	13,320	12,707
	35,358	35,468
Changes in non-cash working capital	(17,812)	(46,407)
	17,546	(10,939)
INVESTING ACTIVITIES		
Capital asset additions	(40,796)	(16,958)
Purchase of subsidiaries	-	(800)
Increase in other assets	(48)	(72)
Proceeds from disposal of capital and other assets	255	82
	(40,589)	(17,748)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(23,797)	1,303
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,683)	(4,672)
Issues of long-term debt	124	-
Repayments of long-term debt	(939)	(1,935)
Issuance of Class A Subordinate Voting Shares	-	825
	(29,295)	(4,479)
Effect of exchange rate changes on cash and cash equivalents	1,352	(55)
Net decrease in cash and cash equivalents during the period	(50,986)	(33,221)
Cash and cash equivalents, beginning of period	95,703	143,104
Cash and cash equivalents, end of period	\$ 44,717	\$109,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared following the accounting policies as set out in the Company's 2001 Annual Report, except as described in Note 2 (a).

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the 2001 annual consolidated financial statements as contained in the Company's 2001 Annual Report.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments which consist only of normal and recurring adjustments necessary to present fairly the financial position of the Company at October 31, 2001 and the results of operations and cash flows for the three month periods ended October 31, 2001 and 2000.

2. Accounting Changes

- (a) Effective August 1, 2001, the Company adopted the Canadian Institute of Chartered Accountants new recommendations under Handbook Section 3062, "Goodwill and Other Intangible Assets" (CICA 3062). CICA 3062 requires the application of the non-amortization and impairment rules for existing goodwill and intangible assets, which meet the criteria for indefinite life. In accordance with CICA 3062, the Company has applied the recommendations prospectively, without restatement of any comparative periods.

Upon adoption of the new recommendations, the Company has ceased recording amortization of existing goodwill and has evaluated the specific goodwill attributable to reporting segments for impairment, determining that no impairment charge is currently required. The impact of applying the new recommendations for the three months ended October 31, 2001 was to increase net income attributable to Class A Subordinate Voting Shares and Class B Shares by approximately \$0.5 million, representing the amount that would have been recorded as goodwill amortization for the period under the old rules.

- (b) In fiscal 2001, the Company adopted the Canadian Institute of Chartered Accountants new recommendations under Handbook Section 3465, "Income Taxes", for the accounting and disclosure of income taxes.

These recommendations were adopted without restating the financial statements of any prior periods and the cumulative adjustment as a result of adopting the recommendations was recorded as a decrease in retained earnings of \$3.9 million and an increase in future tax liabilities of \$3.9 million.

- (c) In fiscal 2001, the Company adopted the Canadian Institute of Chartered Accountants new recommendations under Handbook Section 3500, "Earnings Per Share", for the presentation and disclosure of basic and diluted earnings per share. The Company adopted the new recommendations retroactively, and accordingly, the presentation in the consolidated financial statements of the Company for the comparative periods presented were restated.

3. Segmented Information

The Company currently operates in one industry segment, the automotive powertrain business, designing and manufacturing parts and assemblies primarily for the automotive OEMs or their Tier 1 powertrain component manufacturers.

The Company operates internationally and its manufacturing facilities are arranged geographically to match the requirements of the Company's customers in each market. Each manufacturing facility has the capability to offer many different powertrain parts and assemblies as the technological processes employed can be used to make many different parts and assemblies. Additionally, specific marketing and distribution strategies are required in

each geographic region. The Company currently operates in four geographic segments of which only two are reportable segments. The accounting policies for the segments are the same as those described in Note 1 to the July 31, 2001 consolidated financial statements and intersegment sales are accounted for at prices which approximate fair value.

Executive management assesses the performance of each segment based on income before income taxes as the management of income tax expense is centralized.

Three months ended October 31st, 2001	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total sales	\$ 251,936	\$ 58,395	\$ 9,476	\$ 319,807
Intersegment sales	2,303	597	-	2,900
Sales to external customers	\$ 249,633	\$ 57,798	\$ 9,476	\$ 316,907
Depreciation	\$ 10,108	\$ 2,494	\$ 1,104	\$ 13,706
Interest, net	\$ 121	\$ 159	\$ 395	\$ 675
Income before income taxes	\$ 29,501	\$ 3,529	\$ (180)	\$ 32,850
Capital assets, net	\$ 274,582	\$ 70,483	\$ 35,599	\$ 380,664
Capital asset additions	\$ 33,469	\$ 6,318	\$ 1,009	\$ 40,796
Goodwill (Note 2 (a))	\$ 18,322	\$ 1,361	\$ -	\$ 19,683

Three months ended October 31st, 2000	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total sales	\$ 244,074	\$ 49,248	\$ 11,264	\$ 304,586
Intersegment sales	1,926	553	-	2,479
Sales to external customers	\$ 242,148	\$ 48,695	\$ 11,264	\$ 302,107
Depreciation and amortization	\$ 8,893	\$ 2,062	\$ 1,240	\$ 12,195
Interest, net	\$ (541)	\$ (192)	\$ 567	\$ (166)
Income before income taxes	\$ 31,105	\$ 4,180	\$ 1,031	\$ 36,316
Capital assets, net	\$ 212,671	\$ 54,523	\$ 41,413	\$ 308,607
Capital asset additions	\$ 14,137	\$ 2,577	\$ 244	\$ 16,958
Goodwill, net	\$ 18,835	\$ 1,618	\$ -	\$ 20,453

4. Capital Stock

Class and Series of Outstanding Securities

The Company's share structure has remained consistent with that in place as at July 31, 2001. For details concerning the nature of the Company's securities, please refer to Note 10 "Capital Stock" of the Company's 2001 Annual Report.

Options

The following table presents the maximum number of shares that would be outstanding if all of the outstanding options as at October 31, 2001 were exercised:

	Number of Shares
Class A Subordinate Voting Shares outstanding as at October 31, 2001	15,042,379
Class B Shares outstanding as at October 31, 2001	14,223,900
Options to purchase Class A Subordinate Voting Shares	1,433,400
	30,699,679

The maximum number of shares reserved to be issued for stock options is 3,000,000 Class A Subordinate Voting Shares. The number of reserved but unoptioned shares as at October 31, 2001 is 44,500.

5. Proposed Merger with Magna Steyr

On May 17, 2001, Tesma and its controlling shareholder, Magna International Inc. (Magna), jointly announced that they had entered into a non-binding letter of intent concerning the proposed combination of Tesma with the Magna Steyr Group.

On November 2, 2001, Tesma and Magna jointly announced the execution of definitive agreements providing for the merger of Tesma with the Magna Steyr Group (the Merger Transaction) effective January 1, 2002 to form Magna Steyr Inc. The merger was approved by the Tesma Board of Directors following the report and recommendation of its Special Committee of independent directors and was subject to the approval by holders of Tesma's Class A Subordinate Voting Shares and Class B Shares, voting separately, at Tesma's Annual and Special Meeting of Shareholders.

As previously announced on December 11, 2001, Tesma and Magna have agreed not to proceed with the proposed merger of Tesma and the Magna Steyr Group. The decision was based on Magna's announcement that the Magna Steyr Group has commenced negotiations with DaimlerChrysler concerning the acquisition of its Eurostar assembly facility. As a result, Tesma and the Magna Steyr Group intend to evaluate the opportunities for a merger or other strategic alternatives as further details concerning the potential Eurostar acquisition evolve and are more thoroughly reviewed.

OFFICERS

Manfred Gingl

President & Chief Executive Officer

Anthony E. Dobranowski

Executive Vice President & Chief Financial Officer

Pasquale Cerullo

Vice President, Sales & Marketing

James L. Moulds

Vice President, Finance and Controller

Stefan T. Proniuk

Vice President, Secretary & General Counsel

STOCK LISTINGS

Class A Subordinate Voting Shares
The Toronto Stock Exchange - **TSM.A**
NASDAQ - **T SMA**

TRANSFER AGENTS AND REGISTRARS

Class A Subordinate Voting Shares
Canada: Computershare Trust Company of Canada, Toronto
United States: Computershare Trust Company, New York

INVESTOR INFORMATION

Registered shareholders of the Company and non-registered shareholders on our supplementary mailing list automatically receive Tesma's Annual and Quarterly Reports. If you wish to be placed on our supplementary mailing list, please contact:

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