



PRESS RELEASE

TESMA INTERNATIONAL INC. TESMA ANNOUNCES FIRST QUARTER FISCAL 2002 RESULTS

December 12, 2001, Concord, Ontario, Canada...**Tesma International Inc. (Tesma)** (TSE:TSM.A; NASDAQ:TSMA) a global supplier of highly-engineered engine, transmission and fueling systems and modules for the automotive industry, today reported, for the quarter ended October 31, 2001, the 25th consecutive quarter (on a comparative year-over-year basis) of record sales since going public in 1995.

	Three Months Ended	
	October 31	
	2001	2000
	<i>(CDN dollars in millions, except per share and share figures)</i>	
Sales	\$ 316.9	\$ 302.1
Income before income taxes	\$ 32.9	\$ 36.3
Net income	\$ 22.0	\$ 22.8
Operating cash flow	\$ 35.4	\$ 35.5
Basic earnings per share	\$ 0.75	\$ 0.78
Diluted earnings per share	\$ 0.75	\$ 0.77
Weighted average number of shares outstanding on a diluted basis (in millions)	29.6	29.6

Consolidated Results

For the quarter, sales increased 5% to \$316.9 million, despite a quarterly year-over-year decline in North American vehicle production volumes of 11% to 4.2 million units. Tesma's sales increase was the result of new product launches in North America, higher production, service and aftermarket part sales in Europe, a weakening of the Canadian dollar against both the Euro and US dollar and strong levels of tooling and engineering sales for new programs. Content per vehicle in North America increased 16% to \$51.32 and in Europe increased 9% to €15.31.

Income before income taxes for the quarter declined by 9% from \$36.3 million to \$32.9 million largely as a result of the 11% reduction in North American vehicle production volumes, increased depreciation, significant launch and development costs for new product programs and an increase in financing charges, offset by a decrease in S, G & A expenses.

Net income for the quarter decreased by only 4% to \$22.0 million from \$22.8 million a year ago as our lower overall effective income tax rate offset a portion of the decline in income before income taxes.

North American Operations

Tesma operates 15 manufacturing facilities in North America (13 in Canada and 2 in the U.S.) with 3,400 employees. For the three month period, the Company's North American operations reported sales of \$251.9 million, an increase of 3% over the same period in fiscal 2001. This improvement reflects the increased volumes on the new Vortec 4200 engine used in the recently introduced GM SUV family, the GM L850 engine program and additional content on Ford's Modular V8 engine program. In addition, the sales improvement also reflects the continued ramp up of the Allison LCT transmission program, the continued ramp up of various water management programs, the new GM 1/2 accumulator cover business and increased volumes on certain tensioner and alternator decoupler programs. Income before income taxes decreased by 5% to \$29.5 million, compared to \$31.1 million a year ago. This decrease is primarily attributable to the significant drop in North American and European vehicle production volumes, new program launch costs, wage increases and customer pricing concessions, partially offset by improved operating efficiencies at many facilities.

European Operations

Tesma's 5 European operations, located in Germany and Austria, employ 1,030 employees. For the quarter, sales from these operations increased by 19% to \$58.4 million compared to the same period last year despite a 4% year-over-year decline in vehicle production volumes. This increase was fueled by significant sales growth at two of our European manufacturing facilities, an increase in our European aftermarket business 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. Income before income taxes declined by 16% to \$3.5 million, primarily as a result of the impact of the 4% decline in European vehicle production volumes on certain divisions, continued launch costs at one facility and increased levels of development and engineering costs at one of our Austrian facilities.

Asian Operations

Tesma's 2 Asian manufacturing facilities in South Korea employ 180 employees. For the quarter, sales decreased by 16% to \$9.5 million due primarily to lower volumes on shipments of the FN oil pump to Ford in the U.S. and a weakening of the Korean Won relative to the Canadian dollar which were only partially offset by the launch of new products for GM and VW. As a result, income before income taxes for this segment (which includes our engineering and marketing offices in Brazil, Japan and Korea) decreased to a loss of \$0.2 million versus income of \$1.0 million last year.

Cash Flow

Cash provided from operations, excluding changes in non-cash working capital, decreased slightly to \$35.4 million. The amount of cash used for non-cash working capital decreased significantly from \$46.4 million in the first quarter of fiscal 2001 to \$17.8 million in the current year due mainly to a lower level of incremental sales in the current quarter which resulted in lower incremental investments in accounts receivable and inventory. This, combined with lower year end tax payments and higher accounts payable balances, increased cash provided by operating activities to \$17.5 million for the quarter versus \$10.9 million used for operating activities a year ago. Investment activities for the quarter included \$40.8 million for capital and other asset additions of which approximately \$19.0 million was for real estate including a new manufacturing facility in our Transmission Technologies Group, expansions of two manufacturing facilities in our Engine Technologies Group and the new corporate offices. As a result, cash balances net of bank indebtedness at the end of the first quarter were \$23.0 million, a decline of \$28.0 million since July 31, 2001.

Balance Sheet

Despite the net use of cash during the first quarter, Tesma maintains one of the strongest balance sheets in our industry during this period of declining automotive production in the industry, although net debt at

October 31, 2001 was up \$28.1 million in the quarter to \$58.6 million, this net debt level represents 13% of shareholders' equity, and our return on funds employed remained in excess of 25% for the first quarter.

Dividends

Yesterday, Tesma's Board of Directors declared a dividend in respect of the first quarter of fiscal 2002 of \$0.16 per share on the Class A Subordinate Voting and Class B shares payable on January 14, 2002 to shareholders of record on December 28, 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 agreements, the extent of OEM outsourcing, 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 experienced and currently being 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% during the second quarter. 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 employs over 4,600 employees in North America, Europe and Asia in 22 manufacturing facilities and two research centres.

Tesma will hold a conference call to discuss its first quarter fiscal 2002 results on Thursday, December 13, 2001 at 9:30 a.m. EST. The numbers for this call are 416-641-6670 (local/overseas) or 1-800-379-4140 (North America), with call-in required 10 minutes prior to the start of the conference call. The conference call will be chaired by Anthony Dobranowski, Tesma's Executive Vice President and CFO. A taped replay of the conference call will also be made available until 12:00 midnight on December 27, 2001. The numbers for the replay are 416-626-4100, reference number 17350755 (local/overseas) or 1-800-558-5253, reference number 17352488 (North America). The conference call can also be accessed by webcast at www.newswire.ca/webcast and will be available for a 30 day period.

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 cyclicity (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, 2000 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.

For further information please contact: Anthony E. Dobranowski at (905) 417-2155. Alternatively, forward e-mail requests to tony.dobranowski@tesma.com or visit Tesma's website @ www.tesma.com.

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
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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
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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
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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
	<hr/>	<hr/>
	35,358	35,468
Changes in non-cash working capital	(17,812)	(46,407)
	<hr/>	<hr/>
	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
	<hr/>	<hr/>
	(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
	<hr/>	<hr/>
	(29,295)	(4,479)
Effect of exchange rate changes on cash and cash equivalents	1,352	(55)
	<hr/>	<hr/>
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
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Cash and cash equivalents, end of period	\$ 44,717	\$109,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

- (a) 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

- (b) 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.

- (c) 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.

- (d) 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 fully 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	\$ 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 yesterday 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.