



PRESS RELEASE

TESMA INTERNATIONAL INC. TESMA ANNOUNCES FOURTH QUARTER AND 2001 YEAR-END RESULTS

September 13, 2001, Concord, Ontario, Canada...**Tesma International Inc.** (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 and year ended July 31, 2001, the 24th consecutive quarter (on a comparative year-over-year basis) of record sales since going public in 1995.

	<u>Twelve Months Ended</u>		<u>Three Months Ended</u>	
	July 31		July 31	
	<i>(Canadian dollars in millions, except per share figures)</i>			
	2001	2000	2001	2000
Sales	\$1,202.1	\$1,127.8	\$304.5	\$277.9
Income before income taxes	\$ 124.2	\$ 133.6	\$ 25.7	\$ 31.0
Net income	\$ 88.8	\$ 84.9	\$ 25.6	\$ 19.5
Operating cash flow	\$ 133.9	\$ 136.6	\$ 32.8	\$ 32.1
Basic earnings per share	\$ 3.04	\$ 2.95	\$ 0.88	\$ 0.67
Fully diluted earnings per share	\$ 3.00	\$ 2.90	\$ 0.86	\$ 0.66
Weighted average number of shares outstanding on a fully diluted basis (in millions)	29.6	29.3	29.7	29.5

Consolidated Results

Sales for the twelve month period increased by 7% to \$1,202.1 million, despite a 12% decline in North American vehicle production volumes and only modest growth of less than 1% in Europe. This sales increase reflects sales generated from new production launches, a 19% and 12% increase in our North American and European content per vehicle to \$52.66 and €12.85 respectively, a 40% increase in tooling sales and strong service and aftermarket part sales. The significant strengthening of the Canadian dollar versus the Euro slowed Tesma's reported sales by approximately 1.6%.

For the quarter, sales were up by 10% to a record \$304.5 million, despite a quarterly year-over-year drop in North American vehicle production volumes of 11% to 3.39 million units, the lowest fourth quarter level of production since 1998 which included a seven week strike at General Motors. Tesma's sales increase in the quarter was the result of new product launches in North America, higher service and aftermarket part sales in Europe and high levels of tooling sales for new programs.

Income before income taxes for the twelve month period decreased to \$124.2 million. The additional margin generated by newly-launched production programs, improved operating efficiencies, higher content per vehicle and reduced interest expense, was more than offset by the year-to-date 12% reduction in North American vehicle production volumes, customer pricing concessions, continued higher operating costs at certain facilities as we launch new programs and invest in engineering, research and development resources and capital assets for the future and a non-recurring \$3.4 million translation loss as a result of tax planning initiatives undertaken (during the fourth quarter) at certain foreign operations. For the year, net income increased by 5% to \$88.8 million versus \$84.9 million a year ago.

For the quarter, income before income taxes declined by 17% from \$31.0 million to \$25.7 million largely as a result of the translation loss, the fourth quarter 11% reduction in North American vehicle production volumes and significant launch costs for new product programs at two facilities.

Net income for the quarter increased to by 31% \$25.6 million from \$19.5 million a year ago primarily due to the recognition of the recovery of \$9.4 million of income taxes paid in prior years by certain foreign operations.

In the fourth quarter, Tesma retroactively adopted the CICA's new recommendations which requires the treasury stock method be used for the calculation of fully diluted earnings per share. Under this method, the Tesma's fully diluted earnings per share for the twelve month period was \$3.00 and for the fourth quarter was \$0.86, versus \$2.90 and \$0.66 a year ago. The impact of the tax recoveries and the related translation loss on fully diluted earnings per share was \$0.20 in both the quarter and for the full year.

North American Operations

Tesma operates 15 manufacturing facilities in North America (13 in Canada and 2 in the U.S.) with 3,280 employees. For the twelve month period, the Company's North American operations reported sales of \$948.3 million, an increase of 7% over the same period in 2000. This improvement reflects the increased volumes on the new Vortec 4200 engine used in the recently introduced GM SUV family, the L850 engine program and Ford's Modular V8 engine program on which Tesma has significant content. In addition, the sales improvement also reflects the continued ramp up of the Allison LCT transmission program, the launch and ramp up of various water management programs at our Blau Autotec facility, the new GM 1/2 accumulator cover business at our Cape Breton facility and increased volumes on certain tensioner and alternator decoupler programs. Income before income taxes decreased by 11% to \$103.6 million, compared to \$116.1 million a year ago. This decrease is primarily attributable to the significant drop in North American vehicle production volumes, new program launch costs and customer pricing concessions, partially offset by improved operating efficiencies at many facilities and a decrease in interest expense due to lower levels of net indebtedness.

European Operations

Tesma's 5 European operations, located in Germany and Austria, employ 1,020 employees. For the twelve month period, sales from these operations increased by 5% to \$219.7 million compared to the same period last year. Although there was sales growth in all of our European manufacturing facilities the weakening of the Euro relative to the Canadian dollar caused translated sales to decline by approximately \$17.7 million versus the comparable period a year ago. Despite high launch costs at one facility and the non-recurring \$3.4 million translation loss for implemented tax structures, income before income taxes rose by 15% to \$17.2 million, primarily as a result of increased efficiencies in our engine technologies facilities and strong aftermarket sales.

Asian Operations

Tesma's 2 Asian manufacturing facilities in South Korea employ 200 people. For the year, sales increased by 7% to \$45.6 million and income before income taxes for this segment (which includes our engineering and marketing offices in Brazil, Japan and Korea) increased by 36% to \$3.4 million versus \$2.5 million last year.

Cash Flow

Cash provided from operations decreased by \$2.7 million to \$133.9 million for the year and for the quarter increased by \$0.7 million to \$32.8 million. An increased investment in non-cash working capital resulting from a record level of sales, the final payment of fiscal 2000 income taxes and a return to more manageable inventory levels reduced cash provided by operating activities to \$73.5 million for the year. Investment activities for the year included \$99.5 million for fixed and other asset additions, net of disposals. As a result, net cash balances at the end of the fourth quarter were \$51.0 million, a decline of \$41.9 million since July 31, 2000, but down only \$2.3 million from April 30, 2001.

Balance Sheet

Despite the net use of cash during the twelve month period, Tesma maintains one of the strongest balance sheets in our industry. Our net debt of \$30.6 million at July 31, 2001 was only 7% of shareholders' equity and our return on funds employed exceeded 26% for the year.

Dividends

Tesma Board of Directors today declared a dividend in respect of the fourth quarter of fiscal 2001 of \$0.16 per share on the Class A Subordinate Voting and Class B shares payable on October 15, 2001 to shareholders of record on September 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 continued weakness of the Euro, declining consumer confidence and general economic uncertainty. North American OEMs have announced cutbacks in calendar second half 2001 production schedules by approximately 4%. Across the board production declines of the magnitude experienced and announced by the North American OEMs have and will continue to affect all auto parts suppliers, including Tesma. Tesma has and is continuing to respond to these issues and expects sales growth in fiscal 2002. Based on information currently available, Tesma's expected 2002 OEM production in North America (including Mexico) of 16.1 million units (a decline of 2%) and in Europe of 16.2 million units (a 4% decline) should result in an overall growth rate in Tesma's sales of approximately 10 to 12% for fiscal 2002.

Magna Steyr

As previously announced, Tesma and its controlling shareholder, Magna International Inc., are continuing to review the proposed combination of Tesma with Magna Steyr, a wholly-owned operating group of Magna. This transaction, if successfully concluded, would combine the recognized individual strengths and capabilities of Tesma and Magna Steyr to create a leading full-service powertrain supplier of advanced transmission, engine and drivetrain products for the global automotive industry. A special committee of the independent directors of Tesma is currently reviewing the proposed transaction, and it is anticipated that a further announcement will be forthcoming within the next number of weeks.

Tesma employs 4,500 employees in North America, Europe and Asia in 22 manufacturing facilities and two research centres.

Tesma will hold a conference call to discuss its fourth quarter fiscal 2001 results on Friday, September 14, 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 September 28, 2001. The numbers for the replay are 416-626-4100, reference number 17350609 (local/overseas) or 1-800-558-5253, reference number 17354082 (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 and uncertainties which may cause actual results or anticipated events to be materially different from those expressed or implied herein. These factors include, but are not limited to: industry cyclicality (including reductions or increases in production volumes), the Company's financial performance, changes in the economic and competitive markets in which Tesma competes, relationships with and dependence on certain customers, customer pricing pressures, the Company's dependence on certain engine and transmission programs, currency exposure, fluctuations in interest rates, environmental emission and safety regulations, fuel prices, the extent of OEM outsourcing 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, circumstances or otherwise.

For further information please contact: Anthony E. Dobranowski at (905) 669-7355. 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)
(Audited)

	AS AT July 31, 2001	AS AT July 31, 2000
ASSETS		
Cash and cash equivalents	\$ 95,703	\$143,104
Accounts receivable	172,803	142,657
Inventories	93,735	83,632
Future tax assets	9,570	-
Prepaid expenses and other	11,091	9,937
	<hr/> 382,902	<hr/> 379,330
Capital assets	349,008	306,057
Other assets	26,430	27,284
	<hr/> \$758,340	<hr/> \$712,671
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank indebtedness	\$ 44,706	\$ 50,207
Accounts payable	86,581	85,624
Accrued salaries and wages	35,868	36,019
Other accrued liabilities	30,178	44,014
Income taxes payable	11,019	13,346
Long-term debt due within one year	4,342	8,243
	<hr/> 212,694	<hr/> 237,453
Long-term debt	77,221	74,990
Future tax liabilities	34,200	33,023
SHAREHOLDERS' EQUITY		
Class A Subordinate Voting Shares (authorized: unlimited, issued: 15,042,379)	187,643	185,851
Class B Shares (authorized: unlimited, issued: 14,223,900)	2,583	2,583
Retained earnings	252,435	186,554
Currency translation adjustment	(8,436)	(7,783)
	<hr/> 434,225	<hr/> 367,205
	<hr/> \$758,340	<hr/> \$712,671

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

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	July 31 (unaudited)		July 31 (audited)	
	2001	2000	2001	2000
Sales	\$304,480	\$277,855	\$1,202,144	\$1,127,785
Cost of goods sold	240,187	214,092	931,896	857,757
Depreciation and amortization	13,387	10,118	51,646	43,513
Selling, general and administrative	20,077	20,275	77,414	76,314
Interest, net	823	(81)	1,697	3,271
Affiliation fees and other charges	4,347	2,466	15,271	13,343
Income before income taxes	25,659	30,985	124,220	133,587
Income taxes	41	11,530	35,425	48,693
Net income for the period	25,618	19,455	88,795	84,894
Retained earnings, beginning of period	231,345	174,980	186,554	120,595
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,528)	(4,658)	(18,552)	(15,712)
Cumulative adjustment for change in accounting policy (Note 1 <a>)	-	-	(3,945)	-
Surrender of stock options	-	(3,223)	(417)	(3,223)
Retained earnings, end of period	\$252,435	\$186,554	\$ 252,435	\$186,554
Earnings per Class A Subordinate Voting Share or Class B Share (Note 1)				
Basic	\$0.88	\$0.67	\$3.04	\$2.95
Fully diluted	\$0.86	\$0.66	\$3.00	\$2.90
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding (in millions) (Note 1)				
Basic	29.3	29.0	29.2	28.8
Fully diluted	29.7	29.5	29.6	29.3

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

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	July 31		July 31	
	(unaudited)		(audited)	
	2001	2000	2001	2000
CASH PROVIDED FROM (USED FOR):				
OPERATING ACTIVITIES				
Net income	\$ 25,618	\$ 19,455	\$ 88,795	\$ 84,894
Items not involving current cash flows	7,265	12,643	45,143	51,747
	32,883	32,098	133,938	136,641
Changes in non-cash working capital	(10,057)	7,205	(60,412)	10,568
	22,826	39,303	73,526	147,209
INVESTING ACTIVITIES				
Capital asset additions	(26,909)	(24,619)	(97,625)	(81,947)
Purchase of subsidiaries	-	-	(800)	(800)
Increase in other assets	(1,258)	28	(1,452)	(1,288)
Proceeds from disposal of capital and other assets	82	851	425	3,065
	(28,085)	(23,740)	(99,452)	(80,970)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(11,113)	5,738	(3,407)	19,353
Issues of long-term debt	8,753	-	8,753	1,377
Repayments of long-term debt	(1,525)	(2,990)	(9,750)	(7,617)
Issuance of Class A Subordinate Voting Shares	464	1,948	1,792	5,586
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,528)	(4,658)	(18,552)	(15,712)
Surrender of stock options	-	(3,223)	(417)	(3,223)
	(7,949)	(3,185)	(21,581)	(236)
Effect of exchange rate changes on cash and cash equivalents	(391)	198	106	(1,481)
Net increase (decrease) in cash and cash equivalents during the period	(13,599)	12,576	(47,401)	64,522
Cash and cash equivalents, beginning of period	109,302	130,528	143,104	78,582
Cash and cash equivalents end of period	\$ 95,703	\$143,104	\$ 95,703	\$143,104

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Change

<a> Effective August 1, 2000, the Company adopted the Canadian Institute of Chartered Accountants new recommendations for the accounting and disclosure of income taxes.

The Company has adopted the new recommendations without restating the financial statements of any prior periods. Accordingly, the Company has recorded the cumulative adjustment as a result of adopting the liability method of tax allocation as a decrease in retained earnings of \$3.9 million and an increase in future tax liabilities of \$3.9 million.

 In 2001, the Company adopted the Canadian Institute of Chartered Accountants new recommendations 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 have been restated.

Basic Earnings per Class A Subordinate Voting Share or Class B Share are calculated using the weighted average number of Class A Subordinate Voting Shares outstanding during the year, plus the weighted average number of Class B Shares outstanding during the year.

Under the new recommendations, the computation of fully diluted earnings per Class A Subordinate Voting or Class B Share requires the treasury stock method to be used in the determination of the dilutive effect of warrants and options. Under this method:

- The exercise of options is assumed at the beginning of the period (or at time of issuance, if later) and Class A Subordinate Voting Shares are assumed to be issued.
- The proceeds from exercise are assumed to be used to purchase Class A Subordinate Voting Shares at the average market price during the period.
- The incremental number of Class A Subordinate Voting Shares (the difference between the number of Class A Subordinate Voting Shares assumed issued and assumed purchased) is included in the denominator of the fully diluted earnings per share computation.

The impact of adopting the new recommendations was to increase fully diluted earnings per Class A Subordinate Voting Share or Class B Share by \$0.06 [2000-\$0.07] and reduce the average number of fully diluted Class A Subordinate Voting or Class B Shares outstanding by 1.0 million [2000 – 0.9 million].

2. 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, 2000 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.

Twelve months ended July 31st, 2001	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total sales	\$ 948,336	\$ 219,744	\$ 45,564	\$ 1,213,644
Intersegment sales	(8,725)	(2,775)	-	(11,500)
Sales to external customers	\$ 939,611	\$ 216,969	\$ 45,564	\$ 1,202,144
Depreciation and amortization	\$ 39,024	\$ 8,368	\$ 4,254	\$ 51,646
Interest, net	\$ 454	\$ (510)	\$ 1,753	\$ 1,697
Income before income taxes	\$ 103,615	\$ 17,174	\$ 3,431	\$ 124,220
Capital assets, net	\$ 250,250	\$ 63,921	\$ 34,837	\$ 349,008
Capital asset additions	\$ 80,211	\$ 15,764	\$ 1,650	\$ 97,625
Goodwill, net	\$ 17,870	\$ 1,361	\$ -	\$ 19,231

Twelve months ended July 31st, 2000	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total sales	\$ 883,295	\$ 208,830	\$ 42,748	\$ 1,134,873
Intersegment sales	(4,241)	(2,847)	-	(7,088)
Sales to external customers	\$ 879,054	\$ 205,983	\$ 42,748	\$ 1,127,785
Depreciation and amortization	\$ 31,265	\$ 7,760	\$ 4,488	\$ 43,513
Interest, net	\$ 1,042	\$ (808)	\$ 3,037	\$ 3,271
Income before income taxes	\$ 116,111	\$ 14,949	\$ 2,527	\$ 133,587
Capital assets, net	\$ 208,393	\$ 55,977	\$ 41,687	\$ 306,057
Capital asset additions	\$ 54,292	\$ 21,018	\$ 6,637	\$ 81,947
Goodwill, net	\$ 17,788	\$ 1,704	\$ -	\$ 19,492

3. Capital Stock

Class and Series of Outstanding Securities

The Company's share structure has remained consistent with that in place as at July 31, 2000. For details concerning the nature of the Company's securities, please refer to Note 9 "Convertible Series Preferred Shares" and Note 10 "Capital Stock" of the Company's 2000 Annual Report.

Options

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

	Number of Shares
Class A Subordinate Voting Shares outstanding as at July 31, 2001	15,042,379
Class B Shares outstanding as at July 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 July 31, 2001 is 44,500.

4. Subsequent Event

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 Magna Steyr, a wholly-owned subsidiary of Magna. The combination would more than double Tesma's annual sales creating a leading global full-service powertrain supplier.

If a transaction is viable and ultimately negotiated, it would be subject to a number of conditions including review and recommendation by Tesma's Special Committee of independent directors, approval by the Boards of Directors of both Tesma and Magna, regulatory approval and the approval of Tesma's Class A Subordinate Voting Shareholders.