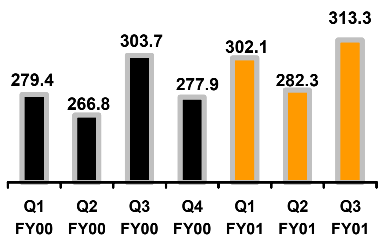
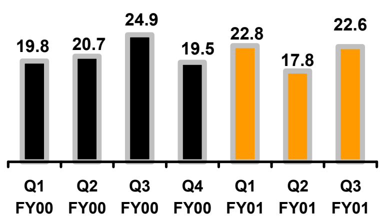
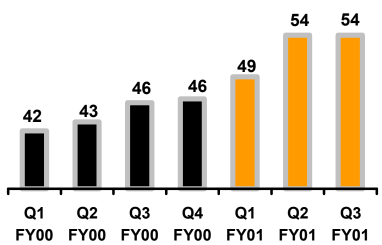


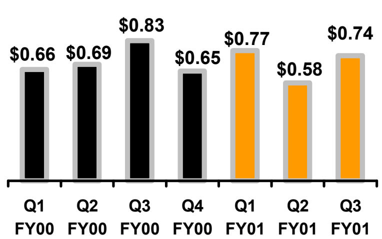
Sales ($M)



Net Income ($M)



N.A. Content Per Vehicle ($)



Fully Diluted EPS

Dear Shareholders:

We are pleased to present our results for the third quarter of fiscal 2001 ended April 30, 2001.

Financial Highlights

- Consolidated results represent the 23rd consecutive quarter (on a comparative year-over-year basis) of record sales since going public in 1995.
- Sales increased 6% to $897.7 million for the nine month period versus $849.9 million in the prior year and for the quarter rose 3% to $313.3 million compared with $303.7 million for the third quarter of fiscal 2000.
- North American vehicle production volumes declined 12% for the nine months to 11.1 million units and for the quarter declined 17% to 3.6 million units, the lowest third quarter level since Tesma became a public company in 1995.
- Income before income taxes for the nine month period was $98.6 million, a decrease of 4% over the prior year's $102.6 million and for the quarter decreased 10% to $34.5 million from $38.5 million in fiscal 2000.
- Net income for the year decreased 3% to $63.2 million from $65.4 million a year ago and decreased 9% to $22.6 million in the third quarter from $24.9 million in the prior year.
- Fully diluted earnings per share for the nine month period were $2.09 versus $2.18 over the same period in fiscal 2000, a decrease of 4% and for the quarter declined by 11% to $0.74 from $0.83 a year ago.
- Content per vehicle increased 19% and 7% in North America and Europe to $52 and €13, respectively, versus the comparable nine month period a year ago.
- Return on funds employed has exceeded 28% for the year.
- Net debt of $21.1 million at April 30, 2001 was only 5% of shareholders' equity.

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 Quarters Ended April 30, 2001. We specifically direct your attention to the "Other Developments" section dealing with the proposed combination of Tesma and the Magna Steyr group. We believe this is an exciting opportunity for Tesma and we will keep you updated as developments occur.

Manfred Gingl
President and CEO

Anthony E. Dobranowski
Executive Vice President and
Chief Financial Officer

This report may contain "forward looking statements" within the meaning of applicable securities legislation. Such statements involve certain risks, assumptions and uncertainties which may cause Tesma's actual future results or performance 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE QUARTERS ENDED APRIL 30, 2001

The following interim management's discussion and analysis should be read in conjunction with the consolidated financial statements and notes for the year ended July 31, 2000, the management's discussion and analysis in Tesma's 2000 Annual Report and the attached financial statements and notes thereto for the nine months ended April 30, 2001.

Overview

Tesma operates in the automotive industry designing, engineering and manufacturing powertrain (engine, transmission and fuel) components and assemblies for the OEMs, their Tier 1 and Tier 2 component manufacturers and certain targeted areas of the automotive aftermarket. The Company employs 4,400 people in 22 manufacturing facilities and two R&D centres and has sales offices in each of the four major automotive markets: North America, Europe, Asia-Pacific and South America.

The industry trends and strategy outlined in our annual management's discussion and analysis continues to evolve and provide significant opportunities for the Company.

Vehicle Volumes

During the first three quarters of fiscal 2001, North American vehicle production of 11.1 million units was down 12% from the prior year. Third quarter production was 3.6 million units, a decline of 17% from the third quarter of fiscal 2000. This represents the lowest third quarter production level since Tesma became a public company in 1995. In contrast, year-to-date European vehicle production of 12.4 million units was 1% higher than production levels in the comparable period in the prior year. Production for the quarter was 4.5 million units, a decline of less than 1% compared to the third quarter of fiscal 2000.

Results of Operations

Sales

Tesma's consolidated sales for the nine month period totaled $897.7 million, an increase of 6% over the $849.9 million of consolidated sales for the comparable period in fiscal 2000. For the quarter, sales were a record $313.3 million, representing an increase of 3% over the $303.7 million for the same period a year ago.

Tesma operates 15 manufacturing facilities in North America (13 in Canada and 2 in the U.S.) employing 3,220 employees. For the first nine months of fiscal 2001, the Company's North American operations reported sales of $710.3 million, an increase of 7% over the same period in 2000, despite a 12% 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 L850 engine programs and Ford's Modular V8 engine program, on which Tesma has significant content. In addition, it reflects the continuing ramp up of the Allison LCT transmission program, the GM 1/2 accumulator cover business at our new Cape Breton facility, 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. During the third quarter, the Company's North American operations generated sales of $248.0 million versus $242.0 million for the comparable quarter in fiscal 2000, representing an increase of 2%, despite a 17% decline in North American vehicle production volumes during this period.

Tesma's 5 European operations, located in Germany and Austria, employ 1,000 employees. For the first nine months of fiscal 2001, sales from these operations increased by 5% to $162.9 million compared to the same period last year. There was sales growth in all of our European manufacturing facilities fueled by a 1% increase in European vehicle production volumes and very strong demand for service and aftermarket parts. However, reported growth was constrained by the weakening of the Euro relative to the Canadian dollar which caused translated sales to decline by approximately $16 million versus the comparable period a year ago. During the third quarter, the Company's European operations generated sales of $60.0 million, an increase of 13% versus $52.7 million in the third quarter of fiscal 2000. This growth was achieved through stronger sales at our aftermarket and Austrian facilities, despite an approximate 1% decline in production volumes for the quarter and a slightly weaker Euro (accounting for a negative impact of less than $1 million in the quarter).

Tesma's 2 Asian manufacturing facilities in South Korea employ 180 people. For the first nine months of fiscal 2001, sales decreased by 8% to $32.3 million versus $35.3 million a year ago. The majority of the decrease is a result of declining North American production volumes, in particular on the Ford FN transmission used in the Focus and CW170 programs, and decreasing exports to Europe. For the third quarter, sales decreased 25% to $8.3 million versus $11.1 million a year earlier. The decline for the quarter is due primarily to significantly reduced volumes on the Ford FN transmission oil pump that is shipped to the United States and a weakening of the Korean Won relative to the Canadian dollar.

Tooling and other sales for the first nine months increased by 26% or $10.4 million to $50.4 million. For the quarter, tooling and other sales have increased 66% to $19.8 million versus $11.9 million a year ago, as Tesma continues to launch new business.

During the first nine months, the net impact of fluctuations in foreign currencies in which Tesma transacts a significant portion of its business was a decrease in sales of approximately 2% (4% decrease in fiscal 2000), primarily as a result of the decrease in the value of the Euro relative to the Canadian dollar. This decrease, 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 lower average exchange rates over the fiscal 2001 period versus the same period in fiscal 2000. For the quarter, the impact was not significant as the decline in the Euro and Won was offset by the strengthening of the U.S. dollar which increased 6% over the compararable quarter in the prior year. Based on the relative strengths of the Euro and other European legacy currencies and the U.S. dollar versus the Canadian dollar thus far in the fourth quarter, it is expected that the trend will continue to negatively impact sales and income, but to a lesser degree than that experienced in the first nine months of fiscal 2001.

As we continue our global expansion in 2001, total sales in all markets continue to grow, reflecting our product diversity and vehicle platform independence. Sales to North American customers, our most significant market, increased by 6% to $621.8 million versus $586.5 million in the comparable nine month period in fiscal 2000 and continues to represent 69% of our consolidated sales (69% in fiscal 2000). On a quarterly basis these ratios do not differ materially from the year-to-date figures. This sales increase resulted in Tesma's North American content per vehicle increasing to $52 from $44 a year ago ($54 versus $46 for the quarter).

Despite the weakness of the Euro, sales to European-based customers for the first nine months of 2001 grew to $239.2 million versus $226.4 million in the comparable period for fiscal 2000, representing 27% of Tesma's consolidated sales (27% in fiscal 2000). Our European content per vehicle (presented in Euro to exclude the impact of foreign exchange fluctuations) increased by approximately 8% to €13 versus €12 for the quarter and for the nine month period.

For the nine month period, sales to Asia-Pacific customers declined 12% to $22.9 million in fiscal 2001 versus $25.9 million in fiscal 2000 and continue to represent approximately 2% of Tesma's consolidated sales for both the quarter and the nine month period. The market in South America continues to face a difficult economic climate in 2001. While our sales to this region have not returned to their previous highs, they did recover by 23% to $13.8 million for the nine months and accounted for approximately 2% of Tesma's consolidated sales.

Sales to our four largest worldwide customers: GM, Ford, DaimlerChrysler and the Volkswagen Group remained consistent with the comparable nine month period in fiscal 2000 at 76% of total sales. Our sales to GM's global operations, our largest customer group, increased to 39% of our consolidated sales versus 38% a year ago. While no single product sold to any customer accounted for more than 10% of Tesma's consolidated sales in fiscal 2001 or 2000, our largest platform dependence continues to be on the GM Gen III engine program.

On a product basis, Engine Technologies, which includes the operations of the Litens Automotive Group (Litens), increased to $628.8 million for the nine month period versus $604.7 million for the same period a year ago and accounted for 70% of consolidated sales versus 71% a year ago. The growth was a result of increased sales for our water pump and die-casting businesses in North America, the continued launch of plastic water management products into the North American market and an increase in service and aftermarket sales in Europe. The Transmission Technologies group was the most improved product group with sales up 11% for the nine month period to $209.7 million in fiscal 2001 versus $189.2 million a year ago. This increase is primarily as a result of the ramp up of our first flow-formed rotating clutch housing for the Allison LCT transmission and the launch of our first one-piece damper assembly for Ford. This group represents 23% of consolidated sales for the nine month period versus 22 % a year earlier. Sales for Fuel Technologies increased to $57.8 million for the nine month period versus $55.2 million a year earlier, representing 6% of consolidated sales in each period. The growth in this group occurred despite a significant weakening of the Euro relative to the Canadian dollar, as most of this group's operations are outside of Canada.

Gross Margin

Gross margin as a percentage of sales declined by 5% in the first nine months of 2001 to 23.0% versus 24.3% a year earlier and for the quarter fell approximately 9% to 22.4% versus 24.6% in the third quarter of fiscal 2000.

During the third 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 vehicle production volumes, high operating costs at two facilities which are launching several new programs for GM, DaimlerChrysler, Porsche and SFT and customer pricing concessions. These same factors have affected the year-to-date decline in the Company's gross margins, but to a lesser extent than in the third quarter. In addition, we continue to invest in research and development activities both in Canada and Austria.

Operating Income

Operating income decreased 4% to $98.6 million in the nine month period versus $102.6 million in the prior year. For the quarter, operating income declined 10% to $34.5 million versus $38.5 million in the third quarter of fiscal 2000.

The effect of the $4.3 million decline in the third quarter gross margin and higher depreciation and amortization charges were only partially offset by reductions in selling, general and administrative (S, G & A) costs and lower financing costs. These same factors affected the year-to-date results, except S, G & A costs increased by $1.3 million for the nine month period versus a year ago.

Operating income for the nine month period at Tesma's North American operations decreased 5% to $82.5 million or 84% of consolidated operating income, versus $86.9 million or 85% for the same period in fiscal 2000. Tesma's European operations grew 13% in 2001 and contributed $14.5 million or 15% of consolidated operating income versus $12.9 million or 13% of consolidated operating income a year ago. The Asia-Pacific and South American operations which include our engineering and marketing offices in Brazil, Japan and Korea, contributed $1.6 million for the first nine months of fiscal 2001 versus $2.8 million a year ago.

Depreciation and amortization expense for the first nine months increased by 15% to $38.3 million in fiscal 2001 from $33.4 million a year ago and for the quarter increased 13% to $13.1 million versus $11.6 million. The absolute increase in both the year-to-date and third quarter depreciation charges was the consequence of our continuing investment in capital assets - primarily new facilities and equipment. Thus far, capital expenditures for fiscal 2001 total $70.4 million, net of disposals representing an increase of 25% over the prior year level. A significant portion of the additions were for upcoming program launches and will result in higher depreciation charges in the future.

S, G & A costs for the quarter decreased to $18.4 million versus $19.9 million for the third quarter of fiscal 2000 and declined to 5.9% of consolidated sales in fiscal 2001 from 6.6% a year ago. During the third quarter of fiscal 2001, the Company recorded a foreign exchange gain of $0.5 million versus a loss of $0.5 million in the same period in the prior year and, in addition, recorded lower provisions under the corporate constitution due to the overall reduction in operating income for the quarter.

For the first nine months of fiscal 2001, S, G & A costs increased 2% to $57.3 million versus $56.0 million in the prior year, but declined to 6.4% of consolidated sales versus 6.6% in fiscal 2000. The absolute increase was attributable to the ramp up of operations at our oil pump facility and second transmission technology facility in Cape Breton, increased costs associated with the expansion of our international sales and engineering offices, provisions against receivables from two South Korean customers who filed for creditor protection in the first half of fiscal 2001 and non-recurring gains of $0.7 million in the prior year, offset by the foreign exchange gain recorded in fiscal 2001.

Interest expense, net declined significantly during the first nine months of the year to $0.9 million versus $3.4 million for the comparable period in fiscal 2000, but for the quarter declined only slightly to $0.5 million versus $0.7 million in the third quarter of fiscal 2000. The decrease in net interest expense for the year-to-date resulted from lower levels of net indebtedness during the first half of fiscal 2001 and lower rates of interest on the majority of the Company's operating lines of credit.

Income Taxes

Tesma's effective income tax rate decreased to 35.9% for the first nine months of fiscal 2001 versus 36.2% a year ago. For the quarter, the rate was 34.4% versus 35.4% in fiscal 2000. The main reasons for this decrease were the reduction in the Canadian statutory rate by 0.9% effective August 1, 2000, the reduction in the German income tax rate on January 1, 2001 by approximately

5% and income in one of our foreign subsidiaries which is not tax effected due to the availability of loss carryforwards, offset by higher large corporations tax provisions. The decrease in the rate for the third quarter is more substantial as this was the first quarter in which the full effect of the reduction in the German income tax rate was realized.

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 3% to $63.2 million for the nine month period in fiscal 2001 compared to $65.4 million for the same period in fiscal 2000. For the quarter, net income declined by 9% to $22.6 million versus $24.9 million for the third quarter of fiscal 2000.

Earnings Per Share

On a fully diluted basis, earnings per Class A Subordinate Voting Share or Class B Share for the first nine months decreased 4% to $2.09 from $2.18 in the same period in fiscal 2000 and for the quarter decreased 11% to $0.74 from $0.83. 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 5% to $2.16 for the nine month period from $2.28 a year ago and for the quarter decreased to $0.77 compared to $0.86 in fiscal 2000. This reduction is the result of the decrease in net income attributable to these shares and a 2% increase in the weighted average number of basic shares outstanding. The increase in the number of basic shares outstanding was entirely a result of the exercise of stock options, while the increase in the average number of fully diluted shares outstanding was the net effect of the issuance and surrender of stock options on a weighted average basis.

Financial Condition, Liquidity and Capital Resources

Cash balances at April 30, 2001, net of bank indebtedness, were $53.3 million versus $92.9 million at July 31, 2000 and $54.8 million at January 31, 2001. The decrease in the cash balance by $39.6 million since July 31, 2000 was a result of investing cash in non-cash working capital, the increase in investing activities consisting primarily of capital expenditures, the repayment of debt, the payment of dividends and the surrender of stock options, offset by cash generated by operations and proceeds on the issuance of Class A Subordinate Voting Shares on the exercise of stock options.

Operating Activities

Cash provided from operations, before the effect of changes in non-cash working capital, decreased by $3.4 million to $101.1 million for the first nine months of fiscal 2001 and for the quarter decreased by $4.6 million to $34.5 million. An increased investment in non-cash working capital resulting from a record level of sales, the final payment of fiscal 2000 income taxes, a change in payment dates by one of our key customers and a return to more manageable inventory levels reduced cash provided by operating activities to $50.7 million for the nine month period and $31.2 million for the quarter.

Investing Activities

Investment spending for the first nine months increased by 25% to $71.4 million, net of proceeds from dispositions versus $57.2 million for the same period a year ago. For the quarter, investment spending increased to $24.9 million versus $21.1 million in the third quarter of fiscal 2000. Year-to-date, cash spent on fixed assets increased by 23% to $70.7 million versus $57.3 million last year. This capital spending includes the purchase and upgrading of the new facility in Cape Breton, the completion of the facility in Sinabelkirchen, Austria and the purchase of equipment to support new production programs.

Assets purchased for North American operations accounted for 84% of the total capital spending versus 63% at this time in fiscal 2000, 15% was for Tesma's European operations versus 25% a year ago and 1% was for Asia-Pacific versus 12% for the comparable period in fiscal 2000.

Financing Activities

Funds provided through operating lines of credit were $7.7 million for the nine month period in fiscal 2001 and $5.2 million for the quarter. Our Austrian subsidiary increased the borrowing capacity on one of its operating lines by $4.5 million (45 million Austrian Schillings) which was almost fully drawn at April 30, 2001 and our Asian subsidiary obtained a new $4.7 million line of credit (4.0 billion Won) which was fully drawn at April 30, 2001. The funds provided by these new borrowings were offset by reductions in Canadian indebtedness resulting from lower levels of outstanding cheques drawn against these accounts.

During the third quarter, HACC made an early repayment of $3.2 million of long-term debt using newly negotiated operating lines of credit. The majority of the remaining long-term debt repayments of $0.7 million in the quarter and $5.0 million for the year were scheduled repayments. During the second quarter, a former officer of the Company exercised 73,000 stock appreciation rights and surrendered the underlying stock options for proceeds of $0.6 million, resulting in a $0.4 million net charge to retained earnings after withholding taxes.

Thus far in fiscal 2001, the Company has issued 122,600 Class A Subordinate Voting Shares for consideration of $1.3 million on the exercise of stock options and for the quarter 29,000 Class A Subordinate Voting Shares were issued upon stock option exercises for proceeds of $0.3 million.

The quarterly dividend rate has been $0.16 per share in each quarter of fiscal 2001. Dividends of $14.0 million for the year and $4.7 million for the quarter were paid on the Class A Subordinate Voting Shares.

Tesma's financial position remains strong in fiscal 2001. Our asset base increased by 7% to $763.2 million and our ratio of long-term debt to total capitalization was only 0.14 to 1.

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, the continued weakness of the Euro, declining consumer confidence and general economic uncertainty. North American OEMs have announced cutbacks in calendar second quarter 2001 production schedules by an aggregate of 15 to 20%. 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, but nonetheless, expects modest sales growth in the fourth quarter of fiscal 2001. The impact of the announced production cuts in North America in the range of 15% to 20% and in Europe in the range of 3 to 5% over the next three months should result in an overall growth rate in Tesma's sales of approximately 4 to 5% for fiscal 2001.

Tesma's results continue to be affected by issues arising out of certain of the risks and uncertainties identified in the July 31, 2000 annual management's discussion and analysis. 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 2000 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. The combination of Tesma and Magna Steyr would create one of the world's largest and most technologically advanced suppliers of total drivetrain technologies, including four wheel drive systems, complete vehicle assembly and a wide variety of powertrain components, for the world's major OEM's.

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.

Combining Tesma's strong foundation in the powertrain modules and systems sector with the engineering, technological and assembly capabilities of Magna Steyr will help accelerate future growth by enhancing overall product capabilities, expanding the global customer base and helping to further build on relationships in established and emerging markets. The combination would more than double Tesma's annual sales and further our position as a leading global full-service powertrain supplier.

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

	As at April 30, 2001	As at July 31, 2000
ASSETS		
Current		
Cash and cash equivalents	$109,302	$143,104
Accounts receivable	178,373	142,657
Inventories	102,015	83,632
Prepaid expenses and other	11,138	9,937
	400,828	379,330
Fixed assets	336,159	306,057
Other assets	26,178	27,284
	$763,165	$712,671
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	$ 55,991	$ 50,207
Accounts payable	101,342	85,624
Accrued salaries and wages	32,243	36,019
Other accrued liabilities	41,285	44,014
Income taxes payable	11,181	13,346
Long-term debt due within one year	4,881	8,243
	246,923	237,453
Long-term debt	69,545	74,990
Future tax liabilities	34,194	33,023
SHAREHOLDERS' EQUITY		
Class A Subordinate Voting Shares (authorized: unlimited, issued: 15,022,379)	187,178	185,851
Class B Shares (authorized: unlimited, issued: 14,223,900)	2,583	2,583
Retained earnings	231,345	186,554
Currency translation adjustment	(8,603)	(7,783)
	412,503	367,205
	$763,165	$712,671

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

	THREE MONTHS ENDED April 30		NINE MONTHS ENDED April 30	
	2001	**2000**	**2001**	**2000**
Sales	$313,265	$303,672	$897,664	$849,930
Cost of goods sold	243,009	229,081	691,709	643,665
Depreciation and amortization	13,078	11,569	38,259	33,395
Selling, general and administrative	18,368	19,931	57,337	56,039
Interest, net	507	687	874	3,352
Affiliation fees and other charges	3,814	3,902	10,924	10,877
Income before income taxes	34,489	38,502	98,561	102,602
Income taxes	11,873	13,616	35,384	37,163
Net income attributable to Class A Subordinate Voting Shares and Class B Shares for the period	22,616	24,886	63,177	65,439
Retained earnings, beginning of period	213,408	154,701	186,554	120,595
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,679)	(4,607)	(14,024)	(11,054)
Cumulative adjustment for change in accounting policy (Note 1)	-	-	(3,945)	-
Surrender of stock options	-	-	(417)	-
Retained earnings, end of period	$231,345	$174,980	$231,345	$174,980
Earnings per Class A Subordinate Voting Share or Class B Share				
Basic	$0.77	$0.86	$2.16	$2.28
Fully diluted	$0.74	$0.83	$2.09	$2.18
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding (in millions)				
Basic	29.2	28.8	29.2	28.7
Fully diluted	30.6	30.2	30.6	30.2

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

	THREE MONTHS ENDED April 30		NINE MONTHS ENDED April 30	
	2001	2000	2001	2000
CASH PROVIDED FROM (USED FOR):				
OPERATING ACTIVITIES				
Net income	$22,616	$24,886	$63,177	$ 65,439
Items not involving current cash flows	11,840	14,193	37,878	39,104
	34,456	39,079	101,055	104,543
Changes in non-cash working capital	(3,239)	3,766	(50,355)	3,363
	31,217	42,845	50,700	107,906
INVESTING ACTIVITIES				
Fixed asset additions	(25,035)	(20,740)	(70,716)	(57,328)
Purchase of subsidiaries	128	-	(800)	(800)
Increase in other assets	(184)	(172)	(194)	(1,316)
Proceeds from disposition of fixed and other assets	210	(144)	343	2,214
	(24,881)	(21,056)	(71,367)	(57,230)
FINANCING ACTIVITIES				
Increase in bank indebtedness	5,248	4,516	7,706	13,615
Issues of long-term debt	-	-	-	1,377
Repayments of long-term debt	(3,880)	(1,293)	(8,225)	(4,627)
Issuance of Class A Subordinate Voting Shares	332	2,483	1,328	3,638
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,680)	(4,607)	(14,024)	(11,054)
Surrender of stock options	-	-	(417)	-
	(2,980)	1,099	(13,632)	2,949
Effect of exchange rate changes on cash and cash equivalents	(86)	(291)	497	(1,679)
Net increase (decrease) in cash and cash equivalents during the period	3,270	22,597	(33,802)	51,946
Cash and cash equivalents, beginning of period	106,032	107,931	143,104	78,582
Cash and cash equivalents, end of period	$109,302	$130,528	$109,302	$130,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Accounting Change**

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.

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.

Nine months ended April 30th, 2001	**North American Automotive**	**European Automotive**	**Other Automotive**	**Total**
		[Canadian dollars in thousands]		
Total sales	$ 710,268	$ 162,933	$ 32,319	$ $905,520
Intersegment sales	6,106	1,750	-	7,856
Sales to external customers	$ 704,162	$ 161,183	$ 32,319	$ 897,664
Depreciation and amortization	$ 28,403	$ 6,440	$ 3,416	$ 38,259
Interest, net	$ (87)	$ (477)	$ 1,438	$ 874
Income before income taxes	$ 82,479	$ 14,500	$ 1,582	$ 98,561
Fixed assets, net	$ 239,638	$ 62,193	$ 34,328	$ 336,159
Fixed asset additions	$ 59,128	$ 10,605	$ 983	$ 70,716
Goodwill, net	$ 18,301	$ 1,447	$ -	$ 19,748

Nine months ended April 30th, 2000	**North American Automotive**	**European Automotive**	**Other Automotive**	**Total**
		[Canadian dollars in thousands]		
Total sales	$ 664,595	$ 155,019	$ 35,255	$ 854,869
Intersegment sales	2,844	2,095	-	4,939
Sales to external customers	$ 661,751	$ 152,924	$ 35,255	$ 849,930
Depreciation and amortization	$ 23,328	$ 6,134	$ 3,933	$ 33,395
Interest, net	$ 1,291	$ (600)	$ 2,661	$ 3,352
Income before income taxes	$ 86,938	$ 12,862	$ 2,802	$ 102,602
Fixed assets, net	$ 197,437	$ 50,329	$ 43,716	$ 291,482
Fixed asset additions	$ 35,797	$ 14,435	$ 7,096	$ 57,328
Goodwill, net	$ 18,186	$ 1,790	$ -	$ 19,976

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 April 30, 2001 were exercised:

	Number of Shares
Class A Subordinate Voting Shares outstanding as at April 30, 2001	15,022,379
Class B Shares outstanding as at April 30, 2001	14,223,900
Options to purchase Class A Subordinate Voting Shares	1,320,900
	30,567,179

   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 April 30, 2001 is 177,000.

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 by a majority of the minority shareholders of Tesma's Class A Subordinate Voting Shares.

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

Karl H. Steinbauer
Vice President, Operations

STOCK LISTINGS

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

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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