

# PRESS RELEASE

## TESMA INTERNATIONAL INC. REPORTS RECORD SECOND QUARTER RESULTS; QUARTERLY DIVIDEND INCREASED

March 3, 2000, Concord, Ontario, Canada... **Tesma International Inc.** (TSE:TSM.A; NASDAQ:TSMA) today announced record second quarter sales, income and earnings per share for the period ended January 31, 2000.

	Three Months Ended January 31		Six Months Ended January 31	
	<i>(Canadian dollars in millions, except per share figures)</i>			
	2000	1999	2000	1999
Sales	\$266.8	\$191.2	\$546.3	\$395.8
Income before income taxes	\$ 32.7	\$ 17.8	\$ 64.1	\$ 37.3
Net income	\$ 20.7	\$ 11.2	\$ 40.6	\$ 23.1
Operating cash flow	\$ 42.9	\$ 20.6	\$ 65.1	\$ 30.6
Basic earnings per share	\$ 0.73	\$ 0.39	\$ 1.42	\$ 0.81
Fully diluted earnings per share	\$ 0.69	\$ 0.38	\$ 1.35	\$ 0.78
Weighted average number of shares outstanding on a fully diluted basis (in millions)	30.2	30.1	30.2	30.1

The second quarter of fiscal 2000 represents Tesma's 18<sup>th</sup> consecutive quarter (on a comparative year-over-year basis) of record sales and operating income.

Sales for the quarter increased by 40% over the prior year to \$266.8 million. This increase reflects the sales generated by new products and production programs launched in the last half of fiscal 1999, the inclusion of our South Korean subsidiary acquired in January 1999, as well as the continued strong vehicle production volumes in North America which were up 6% over the comparable period last year. Year-to-date sales increased by 38% to \$546.3 million, compared to \$395.8 million last year.

Income before income taxes increased by 84% to a record \$32.7 million, compared to \$17.8 million in the second quarter of fiscal 1999. This increase is attributed to the Company's new business, higher sales volumes and improvements in operating efficiencies. Net income for the quarter of \$20.7 million was also a record high and compares to \$11.2 million a year ago. Year-to-date net income was \$40.6 million, compared to \$23.1 million a year ago.

Tesma's fully diluted earnings per share for the second quarter of fiscal 2000 increased by 82% to \$0.69 from \$0.38 last year. Year-to-date fully diluted earnings per share increased by 73% to \$1.35 from \$0.78 last year.

Cash provided from operations was \$42.9 million in the second quarter, an increase of \$22.3 million over fiscal 1999. Net investment activities for the quarter included \$22.1 million for fixed and other asset additions, primarily related to new business which will be launched over the next twelve months. Year-to-date cash generated from operations was \$65.1 million, compared to \$30.6 million a year ago.

“We anticipate that the continued solid operating and financial performance of Tesma will ultimately be reflected in our share price,” stated Anthony Dobranowski, Tesma’s Executive Vice President and Chief Financial Officer. “In the meantime, we will continue to expand our investor relations activities and focus on improving shareholder value.”

In accordance with Tesma’s Corporate Constitution, the Board of Directors announced a 28% increase in the Company’s quarterly dividend over the first quarter. Accordingly, in respect of the second quarter of fiscal 2000, the Board declared a dividend of \$0.16 per share on the Company’s Class A Subordinate Voting and Class B shares payable on April 14, 2000 to shareholders of record on March 31, 2000.

Consistent with earlier communications, Tesma did not experience any significant problems with the “Year 2000 Issue”.

Tesma is a global supplier of highly-engineered engine, transmission and fueling systems and components for the automotive industry, focusing on **Innovation, Engineering and Performance**. Tesma employs over 3,900 employees in North America, Europe and Asia in 21 manufacturing facilities and two research centres.

Tesma will hold a conference call to discuss its second quarter 2000 results on Friday, March 3, 2000 at 1:30 p.m. EST. The numbers for this call are 416-641-6677 (local/overseas) or 1-800-381-6756 (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. A taped replay of the conference call will also be made available from 3:00 p.m. on March 3, 2000 until 12:00 midnight on March 17, 2000. The numbers for the replay are 416-626-4100, reference number 14340180 (local/overseas) or 1-800-558-5253, reference number 14340432 (North America).

This press release may contain forward looking statements within the meaning of applicable securities legislation. Such statements involve certain risks and uncertainties which may cause actual results or objectives to be materially different from those expressed or implied herein. These factors include the Company's financial performance, changes in the economic and competitive markets in which the Company competes, relationships with customers and other factors as set out in the Company's Form 40-F for its fiscal year ended July 31, 1999 and subsequent SEC filings.

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

**As at**                      **As at**  
**January 31, 2000**    **July 31, 1999**

**ASSETS**

**Current**

Cash	\$107,931	\$ 78,582
Accounts receivable	148,498	134,395
Inventories	75,763	76,043
Prepaid expenses and other	10,204	9,813
	342,396	298,833
Fixed assets	283,322	276,297
Other assets	29,936	32,173
	655,654	\$607,303

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Bank indebtedness	\$ 39,659	\$ 30,618
Accounts payable	82,255	78,654
Accrued salaries and wages	26,696	25,108
Other accrued liabilities	46,696	41,854
Income taxes payable	9,713	5,673
Long-term debt due within one year	9,086	10,029
	214,105	191,936
Long-term debt	78,878	82,340
Deferred income taxes	30,889	29,538

**SHAREHOLDERS' EQUITY**

Class A Subordinate Voting Shares	181,420	180,265
Class B Shares	2,583	2,583
Retained earnings	154,701	120,595
Currency translation adjustment	(6,922)	46
	331,782	303,489
	\$655,654	\$607,303

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	January 31		January 31	
	2000	1999	2000	1999
Sales	\$266,834	\$191,214	\$546,258	\$395,803
Cost of goods sold	201,216	148,151	414,584	307,394
Depreciation and amortization	10,926	8,045	21,826	15,685
Selling, general and administrative	17,289	14,205	36,108	29,829
Interest, net	1,248	501	2,665	545
Affiliation fees and other charges	3,437	2,494	6,975	5,066
Income before income taxes	32,718	17,818	64,100	37,284
Income taxes	12,009	6,582	23,547	14,210
Net income for the period	20,709	11,236	40,553	23,074
Retained earnings, beginning of period	137,575	86,927	120,595	77,085
Dividends on Class A Subordinate Voting Shares and Class B Shares	(3,583)	(1,995)	(6,447)	(3,991)
Retained earnings, end of period	\$154,701	\$96,168	\$154,701	\$96,168
Earnings per Class A Subordinate Voting Share or Class B Share				
Basic	\$0.73	\$0.39	\$1.42	\$0.81
Fully diluted	\$0.69	\$0.38	\$1.35	0.78
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding (in millions)				
Basic	28.7	28.5	28.6	28.5
Fully diluted	30.2	30.1	30.2	30.1

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

	THREE MONTHS ENDED January 31		SIX MONTHS ENDED January 31	
	2000	1999	2000	1999
<b>CASH PROVIDED FROM (USED FOR):</b>				
<b>OPERATING ACTIVITIES</b>				
Net income	\$20,709	\$11,236	\$40,553	\$23,074
Items not involving current cash flows	13,199	9,594	24,911	16,567
	33,908	20,830	65,464	39,641
Changes in non-cash working capital	8,993	(204)	(403)	(9,058)
	42,901	20,626	65,061	30,583
<b>INVESTING ACTIVITIES</b>				
Fixed asset additions	(21,024)	(24,738)	(36,588)	(42,345)
Purchase of subsidiaries	(800)	(12,605)	(800)	(44,785)
Increase in other assets	(1,026)	(3,242)	(1,144)	(3,538)
Proceeds from disposition of fixed and other assets	1,589	75	2,358	814
Cash acquired on purchase of subsidiaries	-	3,866	-	3,866
	(21,261)	(36,644)	(36,174)	(85,988)
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank indebtedness	(9,656)	21,414	9,099	42,919
Issues of long-term debt	-	3,659	1,377	3,772
Repayments of long-term debt	(2,254)	(1,623)	(3,334)	(2,078)
Issuance of Class A Subordinate Voting Shares	420	262	1,155	262
Dividends on Class A Subordinate Voting Shares and Class B Shares	(3,583)	(1,995)	(6,447)	(3,991)
	(15,073)	21,717	1,850	40,884
Effect of exchange rate changes on cash	(869)	(892)	(1,388)	152
Net increase (decrease) in cash during the period	5,698	4,807	29,349	(14,369)
Cash, beginning of period	102,233	24,822	78,582	43,998
Cash, end of period	\$107,931	\$29,629	\$107,931	\$29,629