



PRESS RELEASE

TESMA INTERNATIONAL INC.

Tesma Announces Fiscal 2001 Second Quarter Results

March 1, 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 three months ended January 31, 2001, the 22nd consecutive quarter (on a comparative year-over-year basis) of record sales since going public in 1995.

	<u>Six Months Ended</u>		<u>Three Months Ended</u>	
	<u>January 31</u>		<u>January 31</u>	
	<i>(Canadian dollars in millions, except per share figures)</i>			
	2001	2000	2001	2000
Sales	\$584.4	\$546.3	\$282.3	\$266.8
Income before income taxes	\$ 64.1	\$ 64.1	\$ 27.8	\$ 32.7
Net income	\$ 40.6	\$ 40.6	\$ 17.8	\$ 20.7
Operating cash flow	\$ 19.5	\$ 65.1	\$ 30.4	\$ 42.9
Basic earnings per share	\$ 1.39	\$ 1.42	\$ 0.61	\$ 0.73
Fully diluted earnings per share	\$ 1.35	\$ 1.35	\$ 0.58	\$ 0.69
Weighted average number of shares outstanding on a fully diluted basis (in millions)	30.6	30.2	30.6	30.2

Consolidated Results

Sales for the six month period increased by 7% to \$584.4 million, despite a 10% decline in North American vehicle production volumes and only a modest growth of 2.4% in Europe. This sales increase reflects sales generated from new production launches over the past twelve months, a 20% and 17% increase in our North American and European content per vehicle to \$51.25 and €13.23 respectively, continued growth in export 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 2.8%.

For the quarter, sales were up by 6% to a record \$282.3 million, despite a drop in North American vehicle production volumes of 17% to 3.25 million units, their lowest quarterly level (excluding the strike affected fourth quarter of fiscal year 1998) since Tesma became a public company in 1995.

Income before income taxes for the six month period was unchanged at \$64.1 million. The additional margin generated by newly-launched production programs, improved operating efficiencies, higher content per vehicle, and reduced interest expense was offset by the year-to-date 10% reduction in North

American vehicle production volumes, customer pricing concessions and higher operating costs at certain facilities as we launch new programs and continue to invest in engineering, research and development resources and capital assets for our future. Net income was also unchanged versus the prior year at \$40.6 million.

For the quarter, income before income taxes declined by 15% from \$32.7 million to \$27.8 million largely as a result of the second quarter 17% reduction in North American vehicle production volumes, higher launch costs for new product programs and increased depreciation expenses. Net income for the quarter declined to \$17.8 million from \$20.7 million a year ago.

Tesma's fully diluted earnings per share for the six month period was \$1.35, unchanged from the previous year. For the second quarter, fully diluted earnings per share was \$0.58, versus \$0.69 a year ago.

North American Operations

Tesma operates 14 manufacturing facilities in North America (12 in Canada and 2 in the U.S.) with 3,200 employees. For the first six months of fiscal 2001, the Company's North American operations reported sales of \$458.7 million, an increase of 9% over the same period in 2000. This improvement reflects the increased volumes of the GM GEN III V8, Line 6 and L850 engine programs and Ford's Modular V8 engine program on which Tesma has significant content, the launch of the Allison LCT transmission program, and increased volumes on certain tensioner and alternator decoupler programs. Income before income taxes decreased by 1% to \$53.2 million, compared to \$53.8 million a year ago. This decrease is primarily attributable to the significant drop in North American vehicle production volumes and high launch costs, offset somewhat by improved operating efficiencies 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 970 employees. For the first six months of fiscal 2001, sales from these operations increased by 1% to \$101.7 million compared to the same period last year. Although there was sales growth in all of our European manufacturing facilities and European vehicle production volumes increased approximately 2%, the weakening of the Euro relative to the Canadian dollar caused translated sales to decline by approximately \$15 million versus the comparable period a year ago. Despite the decline in sales, income before income taxes rose by 6% to \$8.9 million, primarily as a result of increased efficiencies in our engine technologies products.

Asian Operations

Tesma's 2 Asian manufacturing facilities in South Korea employ 180 people. The results for the first half of fiscal 2001 do not reflect the strength of these operations, as sales for this segment decreased by 1% to \$24.0 million and income before income taxes was unchanged at \$2.0 million. However, for the second quarter, sales increased by 14% to \$12.7 million, versus \$11.1 million a year ago. This improvement for the quarter is due to the ramp-up of the Ford FN transmission oil pump shipments and the strengthening of the Korean Won.

Cash Flow

Cash provided from operations increased by \$1.1 million to \$66.6 million for the first six months of fiscal 2001, but for the quarter decreased by 8% to \$31.1 million. An increased investment in non-cash working capital resulting from higher sales, the final payment of fiscal 2000 income taxes and a return to more manageable inventory levels reduced cash from operating activities to \$19.5 million in the first half of fiscal 2001. Net investment activities for the six month period included \$45.7 million for fixed and other asset additions. As a result, net cash balances at the end of the second quarter were \$54.8 million, a decline of \$38.1 million since July 31, 2000.

Balance Sheet

Despite the net use of cash during the first half of fiscal 2001, Tesma maintains one of the strongest balance sheets in our industry. Our net debt of \$23.5 million at January 31, 2001 is only 6% of our shareholders' equity. Our return on funds employed exceeded 28%.

Dividends

The Tesma Board of Directors today declared a dividend in respect of the second quarter of fiscal 2001 of \$0.16 per share on the Class A Subordinate Voting and Class B shares payable on April 16, 2001 to shareholders of record on March 30, 2001.

Outlook

Many of our North American customers continue to announce significant production cutbacks and are increasing pressure on suppliers for pricing concessions to offset high inventory levels, declining consumer confidence and, in some cases, significant losses. North American OEMs have announced cutbacks in first half calendar 2001 production schedules by an aggregate of 15 to 20%. Across the board production declines of the magnitude announced by the North American OEMs will undoubtedly affect all auto parts suppliers, including Tesma. Tesma is responding to these issues, but nonetheless, expects to continue to show sales growth in fiscal 2001. The impact of the announced production cuts in North America in the range of 15% and in Europe in the range of 2 to 3% over the next six months should result in an overall growth rate in Tesma's sales of approximately 5 to 6% for fiscal 2001. We believe that given the Company's strong financial position, opportunities may be created for Tesma in the near term as marginal or smaller suppliers struggle to maintain profitability in a lower production, lower cost environment – which still demands “full-service” support. Tesma will continue to build on our past and present successes, as we evolve in the ever-changing automotive industry.

Tesma employs over 4,350 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 fiscal 2001 results on Friday, March 2, 2001 at 8:00 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 Chief Financial Officer. A taped replay of the conference call will also be made available until 12:00 midnight on March 16, 2001. The numbers for the replay are 416-626-4100, reference number 17350059 (local/overseas) or 1-800-558-5253, reference number 17355363 (North America).

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 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, the Company's financial performance, changes in the economic and competitive markets in which Tesma competes, relationships with customers, customer pricing pressures, the Company's dependence on certain engine and transmission programs, currency exposure, 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.

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

	As at January 31, 2001	As at July 31, 2000
ASSETS		
Cash	\$106,032	\$143,104
Accounts receivable	161,608	142,657
Inventories	97,176	83,632
Prepaid expenses and other	12,634	9,937
	<hr/> 377,450	<hr/> 379,330
Fixed assets	323,880	306,057
Other assets	26,596	27,284
	<hr/> \$727,926	<hr/> \$712,671
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank indebtedness	\$51,217	\$ 50,207
Accounts payable	90,058	85,624
Accrued salaries and wages	29,487	36,019
Other accrued liabilities	43,840	44,014
Income taxes payable	5,359	13,346
Long-term debt due within one year	6,846	8,243
	<hr/> 226,807	<hr/> 237,453
Long-term debt	71,439	74,990
Future tax liabilities	35,481	33,023
 SHAREHOLDERS' EQUITY		
Class A Subordinate Voting Shares (authorized: unlimited, issued: 14,993,379)	186,847	185,851
Class B Shares (authorized: unlimited, issued: 14,223,900)	2,583	2,583
Retained earnings	213,408	186,554
Currency translation adjustment	(8,639)	(7,783)
	<hr/> 394,199	<hr/> 367,205
	<hr/> \$727,926	<hr/> \$712,671
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TESMA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Canadian dollars in thousands, except per share figures)
(Unaudited)

	THREE MONTHS ENDED January 31		SIX MONTHS ENDED January 31	
	2001	2000	2001	2000
Sales	\$282,292	\$266,834	\$584,399	\$546,258
Cost of goods sold	219,329	201,216	448,700	414,584
Depreciation and amortization	12,986	10,926	25,181	21,826
Selling, general and administrative	18,296	17,289	38,969	36,108
Interest, net	533	1,248	367	2,665
Affiliation fees and other charges	3,392	3,437	7,110	6,975
Income before income taxes	27,756	32,718	64,072	64,100
Income taxes	9,956	12,009	23,511	23,547
Net income for the period	17,800	20,709	40,561	40,553
Retained earnings, beginning of period	200,698	137,575	186,554	120,595
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,673)	(3,583)	(9,345)	(6,447)
Cumulative adjustment for change in accounting policy (Note 1)	-	-	(3,945)	-
Surrender of stock options	(417)	-	(417)	-
Retained earnings, end of period	\$213,408	\$154,701	\$213,408	\$154,701
Earnings per Class A Subordinate Voting Share or Class B Share				
Basic	\$0.61	\$0.73	\$1.39	\$1.42
Fully diluted	\$0.58	\$0.69	\$1.35	\$1.35
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding (in millions)				
Basic	29.2	28.7	29.2	28.6
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 January 31		SIX MONTHS ENDED January 31	
	2001	2000	2001	2000
CASH PROVIDED FROM (USED FOR):				
OPERATING ACTIVITIES				
Net income	\$ 17,800	\$ 20,709	\$ 40,561	\$40,553
Items not involving current cash flows	13,331	13,199	26,038	24,911
	31,131	33,908	66,599	65,464
Changes in non-cash working capital	(709)	8,993	(47,116)	(403)
	30,422	42,901	19,483	65,061
INVESTING ACTIVITIES				
Fixed asset additions	(28,723)	(21,024)	(45,681)	(36,588)
Purchase of subsidiaries	(128)	(800)	(928)	(800)
Decrease (increase) in other assets	62	(1,026)	(10)	(1,144)
Proceeds from disposition of fixed and other assets	51	1,589	133	2,358
Cash acquired on purchase of subsidiaries	-	-	-	-
	(28,738)	(21,261)	(46,486)	(36,174)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	1,155	(9,656)	2,458	9,099
Issues of long-term debt	-	-	-	1,377
Repayments of long-term debt	(2,410)	(2,254)	(4,345)	(3,334)
Issuance of Class A Subordinate Voting Shares	171	420	996	1,155
Dividends on Class A Subordinate Voting Shares and Class B Shares	(4,672)	(3,583)	(9,344)	(6,447)
Surrender of stock options	(417)	-	(417)	-
	(6,173)	(15,073)	(10,652)	1,850
Effect of exchange rate changes on cash	638	(869)	583	(1,388)
Net increase (decrease) in cash during the period	(3,851)	5,698	(37,072)	29,349
Cash, beginning of period	109,883	102,233	143,104	78,582
Cash, end of period	\$106,032	\$107,931	\$106,032	\$107,931

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.

Six months ended January 31st, 2001	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total Sales	\$ 462,274	\$ 102,975	\$ 24,004	\$ 589,253
Intersegment sales	3,590	1,264	-	4,854
Sales to external customers	\$ 458,684	\$ 101,711	\$ 24,004	\$ 584,399
Depreciation and amortization	\$ 18,635	\$ 4,248	\$ 2,298	\$ 25,181
Interest, net	\$ (517)	\$ (166)	\$ 1,050	\$ 367
Income before income taxes	\$ 53,222	\$ 8,883	\$ 1,967	\$ 64,072
Fixed assets, net	\$ 228,489	\$ 60,043	\$ 35,348	\$ 323,880
Fixed asset additions	\$ 39,402	\$ 5,785	\$ 494	\$ 45,681
Goodwill, net	\$ 18,241	\$ 1,533	\$ 128	\$ 19,902

Six months ended January 31st, 2000	North American Automotive	European Automotive	Other Automotive	Total
[Canadian dollars in thousands]				
Total Sales	\$ 422,552	\$ 102,352	\$ 24,196	\$ 549,100
Intersegment sales	1,281	1,561	-	2,842
Sales to external customers	\$ 421,271	\$ 100,791	\$ 24,196	\$ 546,258
Depreciation and amortization	\$ 15,249	\$ 4,257	\$ 2,320	\$ 21,826
Interest, net	\$ 1,134	\$ (375)	\$ 1,906	\$ 2,665
Income before income taxes	\$ 53,762	\$ 8,378	\$ 1,960	\$ 64,100
Fixed assets, net	\$ 193,543	\$ 46,120	\$ 43,659	\$ 283,322
Fixed asset additions	\$ 23,841	\$ 5,940	\$ 6,807	\$ 36,588
Goodwill, net	\$ 18,162	\$ 1,876	\$ -	\$ 20,038

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 January 31, 2001 were exercised:

	Number of Shares
Class A Subordinate Voting Shares outstanding as at January 31, 2001	14,993,379
Class B Shares outstanding as at January 31, 2001	14,223,900
Options to purchase Class A Subordinate Voting Shares	1,349,900
	<u>30,567,179</u>

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 January 31, 2001 is 177,000.