

ANNUAL REPORT · FISCAL YEAR 2025

Tesma 2025 Annual Report

Engineering the powertrain of tomorrow · TSX: TSM.A · NASDAQ: TSM.A

Letter from the CEO

Dear Shareholders, 2025 was a year of disciplined execution and meaningful progress against our long-term strategy. We generated record sales of \$41.2 billion, expanded adjusted EBIT margin to 8.7%, and returned \$1.1 billion to shareholders. We launched 38 new programs, brought three new facilities online, and grew our electrified backlog from 22% to 29% of total commitments.

More importantly, we made fundamental investments that position Tesma for the next decade. Our Slovakia eDrive facility is now Europe's largest dedicated electric powertrain campus. Our integrated power electronics joint venture in China reached SOP six weeks ahead of schedule. And our R&D investment of \$1.0 billion — over 2.5% of sales — is producing the breakthroughs that will define the next generation of mobility.

— Seetarama Kotagiri, President & Chief Executive Officer

2025 Financial Highlights

(\$ millions, except per share)	FY 2025	FY 2024	Change
Sales	41,158	38,802	+6.1%
Adjusted EBIT	3,584	3,212	+11.6%
Adjusted EBIT margin	8.7%	8.3%	+40 bps
Net income	2,303	2,054	+12.1%
Adjusted diluted EPS	\$7.12	\$6.28	+13.4%
Free cash flow	1,892	1,684	+12.4%
Dividends per share	\$1.74	\$1.62	+7.4%

Operational Review

Manufacturing Footprint

We operate 327 manufacturing facilities, 92 product development centres, and 28 country operations. In 2025 we opened new facilities in Hermosillo, Mexico (transmission components), Bratislava, Slovakia (eDrive systems), and Wuxi, China (integrated power electronics).

New Program Launches

38 program launches in 2025, including 18 electrified programs, 12 transmission programs, and 8 fueling and thermal management programs. Notable launches include the integrated eDrive on a major North American EV pickup platform and a hybrid 8-speed transmission for a leading European luxury OEM.

Customer Diversification

Top three customers represented 51% of 2025 sales, down from 54% in 2024. Tesma serves more than 30 vehicle manufacturers globally, with growing content in Asian and European EV-native OEMs.

Innovation & R&D;

Tesma invested **\$1.00 billion** in research and development in 2025 (2.4% of sales). Key focus areas include:

- Integrated eDrive systems combining motor, inverter and gearbox in a single housing
- 800V silicon-carbide power electronics for fast-charging architectures
- Battery thermal management with two-phase refrigerant systems
- Hybrid-optimised transmissions enabling 25%+ fuel economy improvements
- Software-defined powertrain controls and over-the-air calibration

Sustainability

Scope 1 and 2 emissions intensity declined 14% versus our 2021 baseline. European operations achieved 92% renewable electricity. Water withdrawal intensity declined 9%. Recordable injury rate of 0.32 per 200,000 hours, a 12% improvement YoY. We were named to the Dow Jones Sustainability World Index for the third consecutive year.

Segment Results

Segment (\$M)	Sales	Adj. EBIT	Margin
Engine Systems	12,420	1,304	10.5%
Transmission Systems	14,128	1,412	10.0%
Driveline & Electrification	9,492	532	5.6%
Fueling & Thermal Management	5,118	336	6.6%

Capital Allocation

- \$1.46B of capital expenditures invested in growth programs and capacity expansion
- \$908M of dividends paid (16th consecutive annual increase)
- \$196M of share repurchases under our normal course issuer bid
- Net debt / adjusted EBITDA of 0.7x at year-end (vs. 1.0x – 1.5x target range)

2026 Outlook (As Provided February 2026)

Sales of \$42 – \$44 billion · Adjusted EBIT margin of 8.9% – 9.3% · Free cash flow of \$1.95 – \$2.20 billion · Capital expenditures of approximately \$1.55 billion.

Board of Directors

- William Hartmann — Chair of the Board
- Seetarama Kotagiri — President & CEO
- Dr. Aisha Khan — Lead Independent Director
- Robert Choi — Audit Committee Chair
- Margaret Sullivan — Compensation Committee Chair
- Hiroshi Tanaka — Governance Committee Chair
- Sofia Reyes — Sustainability Committee Chair

Shareholder Information

Listed: TSX (TSM.A), NASDAQ (TSMA) · **Transfer Agent:** Computershare Trust Company of Canada · **Auditor:** Deloitte LLP · **Annual Meeting:** May 7, 2026, 10:00 AM EST · **Investor Relations:** ir@tesma.ca · **Headquarters:** 50 Casmir Crt, Concord, ON L4K 4J5, Canada

Forward-Looking Information & Disclaimer

This document contains forward-looking statements within the meaning of applicable securities legislation. Such statements involve risks and uncertainties that could cause actual results to differ materially. See Tesma's most recent Annual Information Form for a discussion of such risks. Financial measures referenced include non-IFRS measures; reconciliations are available in the related MD&A.; © 2026 Tesma International Inc. All rights reserved. TSX: TSM.A · NASDAQ: TSMA.