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Interim report  
to the shareholders  
for the three months  
ended December 31, 2000

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## TO OUR SHAREHOLDERS:

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Three Months Ended  
**Dec 31, 2000**      Dec 31, 1999  
(\$ in thousands except per share amounts)

Sales	<b>\$39,511</b>	\$28,517
Net income	<b>\$1,538</b>	\$2,706
Cash flow	<b>\$5,650</b>	\$5,983
EBITDA	<b>\$7,174</b>	\$7,601
Basic earnings per share	<b>\$ .08</b>	\$0.14
Fully diluted earnings per share	<b>\$ .08</b>	\$0.13
Fully diluted cash flow per share	<b>\$0.27</b>	\$0.29
Shares outstanding	<b>19,999,000</b>	19,816,000

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Sales for the quarter increased by \$11.0 million, over the prior year, to \$39.5 million. The increase in sales is attributable to the acquisition of TecSyn, which reported sales of \$11.9 million in the quarter. The increase was partly offset by lower Casting Technology sales as this operation continues to be affected by delays in the release of new die-cast mould programs.

Net income was \$1.5 million as compared to \$2.7 million in the prior year period. TecSyn experienced lower than anticipated sales and profit in the period as OEM's began vehicle inventory adjustments. In addition, profits were lower as a result of lower sales in the Casting Technology operations.

We expect that TecSyn will continue to be affected by OEM vehicle inventory adjustments through our second quarter. In the third and fourth quarters, new programs previously awarded, should offset, for the fiscal year, lower sales in the first and second quarters. In addition, we expect that OEM inventory adjustments will be completed by the third quarter.

Exco has been awarded a significant mould contract for Daimler-Chrysler's 580 transmission. This transmission is currently in production in Europe for Mercedes Benz vehicles and represents an important transfer of technology from Europe to North America. Award of this contract confirms Exco's leadership in the engineering and production of large die-cast moulds.

Exco believes that higher fuel prices, the expectation of lower vehicle demand and OEM reorganization should result in further powertrain changes and the release of new programs to Exco in 2001 and beyond.

In December 2000, Exco was successful in its take-over bid for Techmire Ltd. Techmire designs and manufactures multi-slide die-casting machines for high precision components and services a variety of industries. Techmire is an important strategic fit for Exco as Exco broadens its casting capabilities. In addition, Techmire's international presence and exposure in multiple industries is consistent with Exco's objective to secure world-wide leadership in die-casting technology. Techmire is expected to contribute to Exco's earnings, commencing in Exco's second quarter.

Exco management believes that the recent acquisitions together with Exco's investment in technology and capacity positions the Company for significant growth.

"Brian A. Robbins"

January 24, 2001

**Brian A. Robbins**  
President and Chief Executive Officer

*The following is management's interim discussion and analysis of operations and financial position and should be used in conjunction with the consolidated financial statements and Management's Discussion and Analysis included in the Company's 2000 Annual Report.*

## **Management's Discussion and Analysis**

### **Operating Results**

Sales were \$39.5 million for the first quarter of fiscal 2001, an increase of \$11.0 million as compared to the first quarter of fiscal 2000. This increase is primarily attributable to the Automotive Systems segment as a result of the inclusion of TecSyn, acquired in the fourth quarter of fiscal 2000. TecSyn reported sales of \$11.9 million in the quarter. Sales in the Casting and Extrusion Technology segment declined by 3% as compared to the prior year period. Although Extrusion Technology sales were higher in the period, the increase was offset by lower Casting Technology sales as this operation continues to be affected by the delay in the release of new die-cast mould programs.

Gross margin was 34% for the quarter as compared to 40% in the first quarter of fiscal 2000. This decline is a result of two factors. First, TecSyn, because of the nature of its business, achieved somewhat lower margins and was expected to reduce Exco's overall average gross margin. In addition, TecSyn experienced lower than expected sales in December, 2000 as the OEM's began vehicle inventory adjustments. This had a negative impact on margins. Second, as a result of lower sales in Exco's Casting Technology operations, and the corresponding increase in excess capacity, gross margin in these operations was lower in the quarter as compared to the prior year.

The increase in the quarter in both selling, general and administration costs and depreciation expense is attributable to the inclusion of TecSyn in Exco's operating results.

Total interest expense of \$700 thousand, as compared to \$18 thousand for the same period in the prior year, reflects the cost of financing the TecSyn purchase. Total borrowings at December 31, 2000 was \$44.4 million as compared to Exco's net cash position of \$1.9 million (net of long-term debt) at December 31, 1999.

On December 21, 2000, Exco acquired Techmire Ltd. Techmire's operating results are included in Exco's consolidated results at December 31, 2000, however, the impact was insignificant as it represented only one week of operations for the period. Exco's consolidated balance sheet includes Techmire's assets and liabilities at December 31, 2000.

#### Financial Resources, Liquidity and Capital Resources

Cash flow from operations, before changes in non-cash working capital, was \$5.7 million as compared to \$6.0 million in the prior year period. The decline reflects lower net income, partly offset by higher non-cash depreciation charges.

Cash used in investing activities includes \$14.8 million for the acquisition of Techmire Ltd., net of Techmire cash on hand at the acquisition date. The purchase of Techmire was financed using Exco's operating lines.

At quarter end, the total debt to equity ratio was .43:1 with borrowings of \$44.4 million as compared to .37:1 with borrowings of \$38.2 million at year end. The increase is a result of financing the Techmire acquisition. Despite the increase in borrowings, Exco's financial position remains strong.

#### Outlook

Exco believes that the market conditions for its Extrusion and Casting Technology business continue to be favourable as described in the Management's Discussion and Analysis included in Exco's 2000 Annual Report.

The recently announced cutbacks by North American OEM's will have an impact on Exco's Automotive Systems segment (TecSyn), particularly in Exco's second quarter. Exco anticipates that volumes will improve in the third and fourth quarter after OEM's correct inventory levels. In addition, new contracts awarded to Exco will commence production in the third quarter. This new business should offset anticipated OEM volume reductions for the fiscal year.

Exco's 2001 financial results are expected to improve in subsequent quarters as a result of improved market conditions for the Casting and Extrusion Technology business, new contract awards for the Automotive Systems business and the positive impact of the Technmire acquisition.

*Information in the previous discussion relating to projected growth, changing market conditions, improvements in productivity and future results constitutes forward-looking statements. Actual results in future periods may differ materially from the forward-looking statements because of a number of risks and uncertainties, including but not limited to economic factors, industry cyclicality and the demand for the Company's technology, products and services.*

**EXCO TECHNOLOGIES LIMITED**  
**BALANCE SHEETS**  
(unaudited)  
(\$ in thousands)

	<b>Dec 31</b>	Sept 30
	<u><b>2000</b></u>	<u><b>2000</b></u>
<b>ASSETS</b>		
Current		
Accounts receivable	\$ 35,778	\$ 36,907
Inventories	24,284	20,880
Prepaid expenses and deposits	<u>1,661</u>	<u>1,131</u>
Total current assets	<b>61,723</b>	58,918
Fixed assets		
Goodwill	<u>86,932</u>	85,867
	<u>39,602</u>	<u>31,295</u>
	<b>\$ 188,257</b>	<b>\$ 176,080</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness	\$ 42,370	\$ 36,363
Accounts payable and accrued liabilities	22,740	20,225
Income taxes payable	1,074	1,037
Customer advance payments	10,910	9,013
Current portion of long-term debt	<u>439</u>	<u>871</u>
Total current liabilities	<b>77,533</b>	67,509
Long-term debt	1,627	1,022
Future income taxes	<u>4,899</u>	<u>4,873</u>
Total liabilities	<u><b>84,059</b></u>	<u>73,404</u>
Shareholders' Equity		
Share capital	26,310	26,310
Retained earnings	76,403	74,865
Currency translation adjustment	<u>1,485</u>	<u>1,501</u>
Total shareholders' equity	<u><b>104,198</b></u>	<u>102,676</u>
	<b>\$ 188,257</b>	<b>\$ 176,080</b>

**EXCO TECHNOLOGIES LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**(unaudited)**

(\$ in thousands except per share amounts)

	3 Months ended December 31	
	2000	1999
Sales	\$ <b>39,511</b>	\$ 28,517
Cost of sales and operating expenses before the following	<b>26,096</b>	17,051
Depreciation and amortization	<b>3,739</b>	3,251
Selling, general and administrative	<b>6,241</b>	3,865
Interest on long-term debt	<b>42</b>	18
Other interest	<b>658</b>	-
	<b>36,776</b>	24,185
Income before income taxes and goodwill charges	<b>2,735</b>	4,332
Provision for income taxes	<b>1,001</b>	1,626
<b>Income before goodwill charges</b>	<b>1,734</b>	2,706
Goodwill charges	<b>196</b>	-
<b>Net income for the period</b>	<b>\$ 1,538</b>	\$ 2,706
Retained earnings, beginning of period	<b>74,865</b>	64,555
Retained earnings, end of period	<b>76,403</b>	67,261
<b>Earnings per common share, before goodwill charges</b>		
- Basic	\$ <b>0.09</b>	\$ 0.14
- Fully Diluted	\$ <b>0.08</b>	\$ 0.13
<b>Earnings per common share</b>		
- Basic	\$ <b>0.08</b>	\$ 0.14
- Fully Diluted	\$ <b>0.08</b>	\$ 0.13

**EXCO TECHNOLOGIES LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

(\$ in thousands except per share amounts)

	3 Months ended December 31	
	2000	1999
<b>OPERATING ACTIVITIES:</b>		
Net income for the period	\$ 1,538	\$ 2,706
Add items not involving a current outlay of cash:		
Depreciation and amortization	3,935	3,251
Future income taxes	177	26
	<b>5,650</b>	5,983
Net change in non-cash working capital balances related to operations	5,857	(1,094)
<b>Cash provided by operating activities</b>	<b>11,507</b>	4,889
<b>FINANCING ACTIVITIES:</b>		
Increase in bank indebtedness	6,007	-
Decrease in long-term debt	(70)	(63)
<b>Cash provided by financing activities</b>	<b>5,937</b>	(63)
<b>INVESTING ACTIVITIES:</b>		
Acquisition of subsidiary	(17,393)	-
Cash acquired on acquisition of subsidiary	2,641	-
Investment in fixed assets	(2,728)	(5,185)
Proceeds on sale of fixed assets and other (net)	36	230
<b>Cash used in investing activities</b>	<b>(17,444)</b>	(4,955)
Decrease in cash during the period	0	(129)
Cash, beginning of the period	0	2,844
<b>Cash, end of the period</b>	<b>\$ 0</b>	\$ 2,715
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital		
- Basic	\$ 0.28	\$ 0.30
- Fully diluted	\$ 0.27	\$ 0.29

**EXCO TECHNOLOGIES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**

(\$ 000's)

December 31, 2000

**1. ACCOUNTING POLICIES**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 2000 Annual Report.

**2. ACQUISITION OF SUBSIDIARY**

During the period from December 21, 2000 to January 11, 2001, the Company purchased 100% of the outstanding shares of Techmire Ltd. ("Techmire"). Techmire designs and manufactures multi-slide die-casting machines for high precision components, and services a variety of industries. Techmire also supplies tooling and turnkey systems related to these machines. For its fiscal year ended July 31, 2000, Techmire reported sales of \$18,593, net income of \$2,121 and total assets of \$11,686.

The Company's net investment was \$14,752 (excluding cash acquired) , including transaction costs of \$575. This transaction was financed using the Company's operating lines. The acquisition has been accounted for using the purchase method and the results of operations are included in the Company's consolidated financial statements from December 21, 2000.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	\$4,210
Fixed assets	2,131
Future income taxes	151
Cash	2,641
Long term debt (including current portion)	<u>(243)</u>
Net identifiable assets purchased	8,890
Goodwill upon acquisition	<u>8,503</u>
Purchase price	17,393
Less cash acquired	<u>(2,641)</u>
Net investment	<u>\$14,752</u>

### 3. SEGMENTED INFORMATION

#### **Business Segments**

The Company operates in two business segments: Casting and Extrusion Technology and Automotive Systems. The Casting and Extrusion Technology segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America. The accounting policies followed in the operating segments are consistent with those outlined in Note 1 of the Annual Consolidated Financial Statements.

The Automotive Systems segment produces automotive restraint systems and powdered metal cylinder liners for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers). It was acquired September 1, 2000 and, therefore, for the Company's period ended December 31, 1999, it operated only one business segment, Casting and Extrusion Technology.

As at and  
 Three months ended      December 31, 2000                      December 31, 1999

	<u>Casting &amp; Extrusion Technology</u>	<u>Automotive Systems</u>	<u>Total</u>	<u>Casting &amp; Extrusion Technology</u>
Sales	\$ 27,603	\$11,908	\$39,511	\$28,517
Depn & amort	\$ 3,212	\$723	\$3,935	\$3,251
Segment Income	\$ 2,779	\$460	\$3,239	\$4,350
Interest expense			\$700	\$18
Income before income taxes			\$2,539	\$4,332
Fixed asset additions	\$ 2,384	\$344	\$2,728	\$5,185
Total fixed assets, net	\$ 78,419	\$8,513	\$86,932	\$78,787
Goodwill	\$ 8,503	\$31,099	\$39,602	-
Total assets	\$131,603	\$56,654	\$188,257	\$120,004

#### **4. NORMAL COURSE ISSUER BID**

The Company received approval from The Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on July 10, 2000. The Company's Board of Directors authorized the purchase of up to 1,188,258 common shares, less any common shares purchased pursuant to the Company's deferred profit sharing plan, representing approximately 5% of the Company's outstanding shares. To December 31, 2000, the Company has not purchased any shares for cancellation.

### 5 YEAR FINANCIAL HIGHLIGHTS

As at September 30,

	2000	1999	1998	1997	1996
	(\$ in thousands except per share amounts)				
Sales	<b>\$118,070</b>	\$118,295	\$118,045	\$99,579	\$73,403
Net Income	<b>\$10,310</b>	\$12,036	\$11,115	\$8,388	\$5,880
Fully Diluted Earnings Per Share	<b>\$0.50</b>	\$0.59	\$0.55	\$0.42	\$0.30
Cash Flow from Operations	<b>\$24,216</b>	\$24,208	\$21,238	\$16,355	\$11,636
Fully Diluted Cash Flow Per Share	<b>\$1.15</b>	\$1.17	\$1.04	\$0.81	\$0.59
EBITDA	<b>\$29,398</b>	\$32,617	\$29,572	\$21,688	\$15,279
Total Net Debt to Equity	<b>.37:1</b>	0:1	.26:1	.15:1	.06:1
Capital Expenditures and Investments	<b>\$60,316</b>	\$8,669	\$26,155	\$22,991	\$18,790

*Sales, net income and cash flow have shown significant compound growth over the previous five years. Growth in 2000 temporarily stalled as re-engineering of OEM powertrain delayed the release of new programs. Growth is expected to resume in 2001.*

## **DIRECTORS**

Helmut Hofmann  
*Chairman*

Geoffrey F. Hyland

Richard D. McGraw

Brian A. Robbins  
*President and C.E.O.*

Brian J. Steck

Ralph Zarboni

## **EXCO TECHNOLOGIES LIMITED**

Exco Technologies Limited is a global supplier of casting and extrusion technology, primarily for automotive and other industrial markets. In addition, Exco designs and supplies automotive systems that include powdered metal cylinder liners and flexible restraint and storage solutions.

The Toronto Stock Exchange Listing  
XTC

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**EXCO**