
Interim report
to the shareholders
for the three months
ended December 31, 2001

TO OUR SHAREHOLDERS:

| | Three Months Ended | |
|-----------------------------|--|---------------------|
| | <u>Dec 31, 2001</u> | <u>Dec 31, 2000</u> |
| | (\$ in thousands except per share amounts) | |
| Sales | \$46,218 | \$39,511 |
| Net income | \$2,460 | \$1,538 |
| Cash flow | \$6,180 | \$5,650 |
| EBITDA | \$8,096 | \$7,174 |
| Basic earnings per share | \$0.13 | \$0.08 |
| Diluted earnings per share | \$0.12 | \$0.08 |
| Diluted cash flow per share | \$0.31 | \$0.28 |
| Shares outstanding | 19,644,000 | 19,999,000 |

Sales for the three month period ended December 31, 2001 were \$46.2 million, an increase of \$6.7 million or 17% over the prior year period. The improvement is primarily attributable to the Automotive Systems segment, which reported sales of \$16.1 million in the quarter as compared to \$11.9 million in the prior year quarter. In addition, sales in the quarter were higher as a result of the inclusion of Techmire.

Net income was \$2.5 million, an increase of 60% as compared to \$1.5 million in the prior year period. EBITDA in the current period increased by 13% to \$8.1 million. Cash flow increased by 9% to \$6.2 million.

After an intensive marketing effort at PMP, over the past several months, we have decided to suspend the development of powdered metal cylinder liners. Notwithstanding the benefits of this technology, small engine builders and automakers are not prepared to incur the cost of modifying their process or pay a premium for this product. Over the short term, we intend to pursue the custom pressing market. Currently, we have several contracts to perform this service and, by the end of the second quarter, we will determine if this is a viable option.

With respect to automotive restraint systems, we are currently building a facility in Tangier, Morocco, scheduled to open in April of this year. Preliminary production will commence in January 2002 from a leased facility. Tangier is a free-trade zone for the European Union that offers open access to a market of more than 330 million consumers.

Technique, our die-cast machine manufacturer, has progressed through the research and development process for magnesium die-casting equipment and has manufactured several prototype machines. Demand for these magnesium machines is high and we are excited about their potential.

With respect to our large die-cast mould business, we are confident that the market is improving as a result of changes in direction and focus within the automotive industry. We are well positioned to aggressively respond to this opportunity once the OEMs' plans are finalized.

Although economic uncertainty prevails, we continue to invest in and develop our businesses and are optimistic with respect to their future prospects. In addition, Exco's strong financial position and unique capabilities should enable it to prosper despite current market conditions.

"Brian A. Robbins"

January 23, 2002

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 2001 Annual Report.

Management's Discussion and Analysis

Operating Results

Sales were \$46.2 million for the first quarter of fiscal 2002, an increase of \$6.7 million (17%) as compared to the first quarter of fiscal 2001.

Despite lower North American automotive production volumes as compared to the prior year period, Exco achieved higher sales in its Automotive Systems segment reflecting both new products for new vehicles and growth in market share. Since Techmire was acquired at the end of the first quarter of 2001, no sales were recorded in the prior year period. Techmire is included in the Casting and Extrusion Technology segment.

Gross margin was 34.5% for the quarter as compared to 34.0% in the first quarter of fiscal 2001. Gross margin improved as compared to the first quarter in the prior year as a result of higher capacity utilization in the Automotive Systems segment. Further improvement in gross margin is expected as capacity utilization increases.

The increase in selling, general and administrative costs, although higher than the first quarter of the prior year, is consistent with latter quarters of the prior year. The first quarter of the prior year did not include Techmire or the Company's start-up operation to manufacture flexible restraint and storage systems in Morocco.

Depreciation expense of \$3.7 million is lower for the period by \$265 thousand. This reduction reflects the change in accounting policy regarding the amortization of goodwill, as described in note 1 to the consolidated financial statements, and a lower depreciation expense in certain of Exco's more mature operations. These changes were partly offset by inclusion of Techmire's depreciation expense in the first quarter.

Interest expense of \$404 thousand has declined from \$700 thousand in the prior year period as a result of a reduction in Exco's operating loans and long-term debt. Exco's total debt at quarter end was \$36.6 million as compared to \$44.4 million in the comparative prior year period. In addition, interest rates have declined as compared to the prior year.

Financial Resources, Liquidity and Capital Resources

Cash flow from operations, before changes in non-cash working capital, was \$6.2 million as compared to \$5.7 million in the prior year. The increase reflects higher net income offset by a decline in non-cash charges (depreciation and future income taxes).

During the period, the Company's investment in fixed assets totalled \$4.6 million. As cash flow from operations for the period totalled \$6.2 million, Exco was net cash flow positive.

Exco's financial position remains strong and, at quarter end, the total debt to equity ratio was .31:1 with borrowings of \$36.6 million as compared to .35:1 with borrowings of \$39.6 million at year end.

Outlook

As described in Management's Discussion and Analysis included in Exco's 2001 Annual Report, the Company believes that its unique technical capabilities, broad product line and strong customer base coupled with its strong financial position, will mitigate the effects of an economic slowdown. As a result, the Company remains optimistic for the balance of the year.

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 cyclicalities and the demand for the Company's technology, products and services. The Company disclaims any obligations to update any such factors or publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

EXCO TECHNOLOGIES LIMITED**BALANCE SHEETS****(unaudited)**

(\$ in thousands)

| | Dec 31 | Sept 30 |
|--|-------------------|-------------------|
| | <u>2001</u> | <u>2001</u> |
| Current | | |
| Accounts receivable | \$ 39,805 | \$ 44,004 |
| Inventories | 27,918 | 25,452 |
| Prepaid expenses and deposits | <u>1,521</u> | <u>2,135</u> |
| Total current assets | 69,244 | 71,591 |
| Fixed assets | 89,593 | 88,333 |
| Goodwill | <u>38,025</u> | <u>38,025</u> |
| | <u>\$ 196,862</u> | <u>\$ 197,949</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness | \$ 35,533 | \$ 38,446 |
| Accounts payable and accrued liabilities | 23,020 | 25,922 |
| Income taxes payable | 2,369 | 1,770 |
| Customer advance payments | 13,354 | 12,087 |
| Current portion of long-term debt | <u>166</u> | <u>177</u> |
| Total current liabilities | 74,442 | 78,402 |
| Long-term debt | 931 | 970 |
| Future income taxes | <u>4,177</u> | <u>4,127</u> |
| Total liabilities | 79,550 | 83,499 |
| Shareholders' Equity | | |
| Share capital | 25,843 | 25,843 |
| Retained earnings | 87,044 | 84,584 |
| Currency translation adjustment | <u>4,425</u> | <u>4,023</u> |
| Total shareholders' equity | <u>117,312</u> | <u>114,450</u> |
| | <u>\$ 196,862</u> | <u>\$ 197,949</u> |

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

(\$ in thousands except per share amounts)

| | 3 Months ended | |
|---|------------------|-----------|
| | December 31 | |
| | 2001 | 2000 |
| Sales | \$ 46,218 | \$ 39,511 |
| Cost of sales and operating expenses before the following | 30,289 | 26,096 |
| Depreciation and amortization | 3,670 | 3,935 |
| Selling, general and administrative | 7,833 | 6,241 |
| Interest on long-term debt | 24 | 42 |
| Other interest | 380 | 658 |
| | 42,196 | 36,972 |
| Income before income taxes | 4,022 | 2,539 |
| Provision for income taxes | 1,562 | 1,001 |
| Net income for the period | 2,460 | \$ 1,538 |
| | \$ | |
| Retained earnings, beginning of period | 84,584 | 74,865 |
| Retained earnings, end of period | 87,044 | 76,403 |
| Earnings per common share | | |
| - Basic | \$ 0.13 | \$ 0.08 |
| - Diluted | \$ 0.12 | \$ 0.08 |

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

(\$ in thousands except per share amounts)

| | 3 Months ended | |
|---|----------------|-----------------|
| | December 31 | |
| | 2001 | 2000 |
| OPERATING ACTIVITIES: | | |
| Net income for the period | \$ 2,460 | \$ 1,538 |
| Add items not involving a current outlay of cash: | | |
| Depreciation and amortization | 3,670 | 3,935 |
| Future income taxes | 50 | 177 |
| | 6,180 | 5,650 |
| Net change in non-cash working capital balances related to operations | 1,425 | 5,857 |
| Cash provided by operating activities | 7,605 | 11,507 |
| FINANCING ACTIVITIES: | | |
| Increase (decrease) in bank indebtedness | (2,913) | 6,007 |
| Decrease in long-term debt | (50) | (70) |
| Cash provided by financing activities | (2,963) | 5,937 |
| INVESTING ACTIVITIES: | | |
| Acquisition of subsidiary | - | (17,393) |
| Cash acquired on acquisition of subsidiary | - | 2,641 |
| Investment in fixed assets | (4,654) | (2,728) |
| Proceeds on sale of fixed assets and other (net) | 12 | 36 |
| Cash used in investing activities | (4,642) | (17,444) |
| Decrease in cash during the period | 0 | 0 |
| Cash, beginning of the period | 0 | 0 |
| Cash, end of the period | \$ 0 | \$ 0 |
| Cash per common share provided by operating activities before giving effect to net change in non-cash working capital | | |
| - Basic | \$ 0.31 | \$ 0.28 |
| - Diluted | \$ 0.31 | \$ 0.28 |

EXCO TECHNOLOGIES LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

(\$ 000's except per share amounts)
December 31, 2001

1. **ACCOUNTING POLICIES**

Basis of Presentation

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 with the exception of the change in accounting for goodwill described below. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 2001 Annual Report.

Accounting Policy Change - Goodwill

In September 2001, the Canadian Institute of Chartered Accountants issued new accounting recommendations requiring that goodwill not be amortized. Instead, it must be tested annually for recording of an impairment loss if required. Effective for its first quarter ended December 31, 2001, the Company is following the guidelines with respect to the adoption of the new recommendations. Goodwill was not amortized in the quarter. As a result, net income is higher by \$249 and earnings per share by \$0.01 as compared to net income and earnings per share that would have been recorded before the change in accounting policy. The prior period has not been restated and, accordingly, net income and earnings per share in the prior period are lower by \$196 and \$0.01 respectively.

2. 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 Automotive Systems segment produces automotive restraint systems and powdered metal cylinder liners for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers). The accounting policies followed in the operating segments are consistent with those outlined in Note 1 of the Annual Consolidated Financial Statements except as described in Note 1 above.

3 Months ended
December 31, 2001

| | Casting & Extrusion Technology | Automotive Systems | Total |
|-------------------------------|--------------------------------------|-----------------------|-----------|
| Sales | \$30,104 | \$16,114 | \$46,218 |
| Depn & amort | \$3,156 | \$514 | \$3,670 |
| Segment Income | \$2,845 | \$1,581 | \$4,426 |
| Interest expense (income) | | | \$404 |
| Income before income taxes | | | \$4,022 |
| Fixed asset additions | \$2,586 | \$2,068 | \$4,654 |
| Total fixed assets, net | \$77,872 | \$11,721 | \$89,593 |
| Goodwill | \$8,345 | \$29,680 | \$38,025 |
| Total assets | \$134,206 | \$62,656 | \$196,862 |

3 Months ended
December 31, 2000

| | Casting & Extrusion Technology | Automotive Systems | Total |
|-------------------------------|--------------------------------------|-----------------------|-----------|
| Sales | \$ 27,603 | \$11,908 | \$39,511 |
| Depn & amort | \$ 3,184 | \$751 | \$3,935 |
| Segment Income | \$ 2,927 | \$312 | \$3,239 |
| Interest expense (income) | | | \$700 |
| Income before income taxes | | | \$2,539 |
| Fixed asset additions | \$ 2,384 | \$344 | \$2,728 |
| Total fixed assets, net | \$ 78,419 | \$8,513 | \$86,932 |
| Goodwill | \$ 8,503 | \$31,099 | \$39,602 |
| Total assets | \$131,603 | \$56,654 | \$188,257 |

3. 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 August 8, 2001. The Company's Board of Directors authorized the purchase of up to 982,198 common shares, representing approximately 5% of the Company's outstanding shares, less any common shares purchased pursuant to the Company's deferred profit sharing plan. To December 31, 2001, the Company has not purchased any shares for cancellation.

5 YEAR FINANCIAL HIGHLIGHTS

As at September 30,

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--------------------------------|--|-----------|-----------|-----------|----------|
| | (\$ in thousands except per share amounts) | | | | |
| Sales | \$184,133 | \$118,070 | \$118,295 | \$118,045 | \$99,579 |
| Net Income | \$10,985 | \$10,310 | \$12,036 | \$11,115 | \$8,388 |
| Diluted Earnings Per Share | \$0.55 | \$0.51 | \$0.61 | \$0.55 | \$0.43 |
| Cash Flow from Operations | \$29,072 | \$24,216 | \$24,208 | \$21,238 | \$16,355 |
| Diluted Cash Flow Per Share | \$1.47 | \$1.21 | \$1.22 | \$1.06 | \$0.83 |
| EBITDA | \$36,970 | \$29,398 | \$32,617 | \$29,572 | \$21,688 |
| Total Net Debt to Equity | .35:1 | .37:1 | 0:01 | .26:1 | .15:1 |
| Capital Expenditures | \$14,065 | \$11,691 | \$8,669 | \$26,155 | \$21,469 |
| Acquisitions | \$14,752 | \$48,625 | \$0 | \$0 | \$1,522 |

Fiscal 2001 was a successful year for Exco. Sales, EBITDA and cash flow set new records while two acquisitions were completed and successfully integrated into the Company. Exco's financial position remained strong and its margins continued to exceed industry norms. Coupled with Exco's investment in technology and capacity, the Company established a solid foundation for further growth. Given the economic uncertainty that prevailed throughout fiscal 2001, these are significant accomplishments.

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, as well as components and systems, to the automotive and other industrial markets.

The Toronto Stock Exchange Listing
XTC

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EXCO