



FIRST QUARTER REPORT

INTERIM REPORT TO THE SHAREHOLDERS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2002

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Exco Technologies Limited
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TO OUR SHAREHOLDERS

	Three Months Ended December 31	
	2002	2001
Sales	\$54,631	\$46,218
Net income	\$3,587	\$2,460
Cash flow	\$7,283	\$6,180
EBITDA	\$9,643	\$8,096
Basic earnings per share	\$0.18	\$0.13
Diluted earnings per share	\$0.18	\$0.12
Diluted cash flow per share	\$0.36	\$0.31
Shares outstanding	19,927,000	19,644,000

We are pleased to report the seventh consecutive quarter where net income was higher than the prior year quarter. At \$0.18, earnings per share increased 50% over the first quarter last year. This improvement in earnings was fuelled by the strong sales growth in the Automotive Solutions segment. This segment benefited from the acquisition of NeoCon International Inc. on October 1, 2002. In addition, our market share increased as we continued to win business with innovative product development and competitive pricing.

A number of positive developments in the first quarter position Exco for growth in 2003 and beyond. First, the acquisition of NeoCon should continue to provide positive benefits. NeoCon, a producer of rigid storage systems for vehicles, provides a good fit for Polytech. As evidence of its potential, NeoCon, since acquisition, has been awarded contracts with annual volumes of approximately \$8 million. With annualized sales in 2002 of \$14 million, these contracts are substantial.

Second, with respect to our Casting and Extrusion Technology segment, we have secured contracts for initial tooling on a number of programs. Although the ultimate size of these programs has not been finalized, they are expected to be significant. These programs include new Ford and General Motors six speed automatic transmissions; the new DaimlerChrysler rear wheel drive transmission program, a derivative of an existing Mercedes-Benz rear wheel drive transmission; and a ten year program with DaimlerChrysler to produce engine block tooling for both the new V6 and V8 Mercedes-Benz engines. This engine block tooling will be supplied directly to Stuttgart, Germany and we will work jointly with a German-based tooling company.

Third, although our extrusion tooling business has recently experienced depressed volumes, we continue to win significant supply contracts from the ever-consolidating customer base.

Our existing businesses are strong and poised for growth. Demonstrating confidence in the future, the Board today approved a cash dividend policy and a stock dividend. The stock dividend will have the effect of a 2 for 1 stock split. Shareholders of record February 12, 2003 will receive one additional share for each share held.

The initial annual cash dividend, post stock dividend, of \$0.05 per share is payable on a quarterly basis with the first disbursement of 1 ¼ cents payable March 31, 2003. This cash dividend policy demonstrates our confidence in Exco's ability to generate sufficient cash while continuing to invest in the growth of the Company. The Board will review the amount of the cash dividend periodically.

Although economic uncertainty has prevailed for two years and has dampened potential growth and prosperity, Exco's performance has been outstanding. A diverse product line, geographic diversification and technological leadership have rewarded Exco with continued growth. Recovery in the North American market should only serve to further enhance Exco's prospects.

January 29, 2003

Brian A. Robbins
President and Chief Executive Officer

EXCO TECHNOLOGIES LIMITED
BALANCE SHEETS
(Unaudited)
(\$ in thousands)

	December 31, 2002	September 30, 2002
ASSETS		
Current		
Accounts receivable	\$43,959	\$46,075
Inventories	31,424	27,272
Prepaid expenses and deposits	2,037	2,086
Total Current Assets	77,420	75,433
Fixed assets	95,028	90,535
Goodwill (note 2)	42,935	36,025
	\$215,383	\$201,993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$33,139	\$23,265
Accounts payable and accrued liabilities	24,860	28,731
Income taxes payable	3,330	5,220
Customer advance payments	9,455	8,671
Current portion of long-term debt	2,053	117
Total Current Liabilities	72,837	66,004
Long-term debt	2,374	856
Future income taxes	4,858	4,723
Total Liabilities	80,069	71,583
Shareholders' Equity		
Share capital	28,378	26,707
Retained earnings	103,213	99,626
Currency translation adjustment	3,723	4,077
Total Shareholders' Equity	135,314	130,410
	\$215,383	\$201,993

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME
AND RETAINED EARNINGS
(Unaudited)
(\$ in thousands except per share amounts)

3 Months ended
December 31

	2002	2001
Sales	\$54,631	\$46,218
Cost of sales and operating expenses before the following	35,636	30,289
Depreciation and amortization	3,539	3,670
Selling, general and administrative	9,354	7,833
Gain on sale of fixed assets	(2)	-
Interest on long-term debt	140	24
Other interest	286	380
	48,953	42,196
Income before income taxes	5,678	4,022
Provision for income taxes	2,091	1,562
Net income for the period	\$3,587	\$2,460
Retained earnings, beginning of period	99,626	84,584
Retained earnings, end of period	\$103,213	\$87,044
Earnings per common share		
- Basic	\$0.18	\$0.13
- Diluted	\$0.18	\$0.12

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(\$ thousands except per share amounts)

3 Months
Ended December 31

	2002	2001	
OPERATING ACTIVITIES:			
Net income for the period	\$3,587	\$2,460	
Add items not involving a current outlay of cash:			
Depreciation and amortization	3,539	3,670	
Future income taxes	159	50	
Gain on sale of fixed assets	(2)	-	
	7,283	6,180	
Net change in non-cash working capital balances related to operations	(3,932)	1,425	
Cash provided by operating activities	3,351	7,605	
FINANCING ACTIVITIES:			
Increase (decrease) in bank indebtedness	9,874	(2,913)	
Decrease in long-term debt	(792)	(50)	
Issue of share capital	891	-	
Cash provided by financing activities	9,973	(2,963)	
INVESTING ACTIVITIES:			
Acquisition of subsidiary (note 2)	(10,307)	-	
Cash acquired on acquisition of subsidiary	41	-	
Investment in fixed assets	(3,063)	(4,654)	
Proceeds on sale of fixed assets and other	5	12	
Cash used in investing activities	(13,324)	(4,642)	
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:	\$0.37	\$0.31
	Diluted:	\$0.36	\$0.31

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(\$ 000's except per share amounts)

December 31, 2002

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. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 2002 Annual Report.

2. ACQUISITION OF SUBSIDIARY

On October 1, 2002, the Company purchased 100% of the outstanding shares of NeoCon International Inc. ("NeoCon"). NeoCon designs and manufactures plastic thermoformed automotive cargo management systems. These systems are supplied to the original equipment manufacturers and their Tier 1 suppliers and are primarily used in the trunk of passenger cars and the cargo area of SUVs and CUVs.

The purchase price of the common shares, including transaction costs of \$496, was \$11,087. In addition, the Company assumed debt, net of cash, of \$4,205. The debt assumed includes \$1,839, which is interest free. This transaction was financed using the Company's operating lines and by the issuance of 65,000 Exco common shares at \$12.00 per share (\$780). 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 October 1, 2002.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	\$3,161
Fixed assets	5,197
Future income taxes	24
Cash	41
Long term debt (including current portion)	<u>(4,246)</u>
Net identifiable assets purchased	4,177
Goodwill upon acquisition	<u>6,910</u>
Purchase price for common shares	<u>\$11,087</u>

3. PRO FORMA STOCK-BASED COMPENSATION EXPENSE

The Company does not recognize compensation expense for stock options granted to employees and directors nor on shares issuable under the Employee Stock Purchase Plan (“ESPP”). The table below presents pro forma net income and basic and diluted earnings per common share as if stock options granted to employees and shares issuable under the ESPP had been determined based on the fair value method. The table includes all stock options granted and shares issuable under the ESPP during the quarter ended December 31, 2002:

First Quarter ended December 31	2002
Net income	\$3,587
Pro forma compensation expense	\$ 85
Pro forma net income	\$3,502
Basic earnings per share	
As reported	\$0.18
Pro forma	\$0.18
Diluted earnings per share	
As reported	\$0.18
Pro forma	\$0.17

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.5%, expected dividend yield of 0%, expected volatility of 0.273 and expected option life of 4.23 years. The weighted average fair value of the options granted and shares issuable under the ESPP during the year is \$3.04.

4. SEGMENTED INFORMATION

Business Segments

The Company operates in two business segments: Casting and Extrusion Technology and Automotive Solutions. 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 Solutions segment produces automotive restraint, storage and other automotive interior components, 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.

3 Months ended December 31, 2002			
	Casting and Extrusion	Automotive	
	Technology	Solutions	Total

Sales	\$31,802	\$22,829	\$54,631
Depreciation & amortization	\$2,912	\$627	\$3,539
Segment Income	\$2,488	\$3,616	\$6,104
Interest expense			\$426
Income before income taxes			\$5,678
Fixed asset additions	\$2,061	\$1,002	\$3,063
Total fixed assets, net	\$78,244	\$16,784	\$95,028
Goodwill	\$8,345	\$34,590	\$42,935
Total assets	\$142,108	\$73,275	\$215,383

3 Months ended December 31, 2001			
	Casting and Extrusion	Automotive	
	Technology	Solutions	Total

Sales	\$30,104	\$16,114	\$46,218
Depreciation & amortization	\$3,156	\$514	\$3,670
Segment Income	\$2,845	\$1,581	\$4,426
Interest expense			\$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

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 2002 Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

Sales were \$54.6 million for the first quarter ended December 31, 2002, an increase of \$8.4 million (18%) as compared to the first quarter in fiscal 2002.

The Automotive Solutions segment reported sales of \$22.8 million in the period, an increase of 42% as compared to the prior year period. The increase is attributable to a number of factors including the acquisition of NeoCon at the beginning of the quarter, an increase in North American market penetration of Exco's flexible restraint and storage system product line and the contribution of European sales from Exco's new Moroccan facility. This facility commenced production in the third quarter of the prior year.

The Casting and Extrusion Technology segment reported sales of \$31.8 million in the quarter, an increase of 6%. This increase is primarily attributable to Techmire's success in the sale of die-cast machines to the Asian market. The North American market for Exco's products in this segment continues to be soft. However, recent contracts awarded for initial tooling of a number of transmission and engine programs, bodes well for the future.

Net income in the quarter of \$3.6 million, an increase of 46% over the first quarter of the prior year, reflects the strong growth of the Automotive Solutions segment.

Gross margin was 35% for the quarter and is consistent with the first quarter of the prior year. Although gross margin in the quarter exceeded industry norms, it was negatively affected by lower capacity utilization in the Extrusion and Casting Technology segment. Cyclicalities in this segment has historically resulted in lower first quarter margins than those experienced in later periods.

The increase in selling, general and administrative costs is a result of the acquisition of NeoCon at the beginning of the quarter. In addition, selling and profit sharing costs are higher than the prior year quarter, although consistent with costs incurred in later quarters of the prior year.

Depreciation and amortization declined marginally, reflecting the maturing of assets in the Casting and Extrusion Technology segment. The acquisition of NeoCon had little impact as it is not a capital-intensive business and therefore its depreciation expense is not significant.

Interest expense for the first quarter of \$426 thousand is consistent with the prior year.

Financial Resources, Liquidity and Capital Resources

Cash flow from operations for the first quarter, before changes in non-cash working capital, was \$7.3 million as compared to \$6.2 million, an increase of 18%. This increase reflects higher net income in the period.

The investment in fixed assets for the quarter totalled \$3.1 million as compared to \$4.7 million in the prior year period. In addition, on October 1, 2002, Exco acquired NeoCon for \$15.3 million inclusive of debt assumed and transaction costs. The acquisition was financed through Exco's operating lines and by the issuance of 65,000 Exco common shares to NeoCon's founder at a price of \$12.00 per share (\$780,000). The debt assumed includes \$1.8 million, which is interest free.

Despite these investments, Exco's financial position remains strong and, at quarter end, the total debt to equity ratio was .28:1 with total borrowings of \$37.6 million as compared to .19:1 with borrowings of \$24.2 million at year end. This increase in debt reflects financing of NeoCon including debt assumed in the purchase, partly offset by cash flow earned in the period.

Outlook

For 2003 and beyond, the outlook continues to be promising. Exco's technological leadership, broad customer and product base and geographic diversification will be the foundation that fuels growth. The acquisition of NeoCon in the quarter broadens Exco's Automotive Solutions product line and future growth prospects. In addition, the recent release on initial tooling for a number of new transmissions and engines should result in significant growth in the Casting and Extrusion technology segment. We also believe that our strong financial position will allow Exco to capitalize on strategic opportunities as they arise. The confidence of both our existing and new customers confirms our prospect for success. We look forward to meeting the challenges and opportunities that lie ahead.

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. 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.

5 YEAR FINANCIAL HIGHLIGHTS

(as at September 30)

	2002	2001	2000	1999	1998
<i>(\$ in thousands except per share amounts)</i>					
Sales	\$213,141	\$184,133	\$118,070	\$118,295	\$118,045
Net Income	\$17,042	\$10,985	\$10,310	\$12,036	\$11,115
Diluted Earnings per Share	\$0.84	\$0.55	\$0.51	\$0.61	\$0.55
Cash flow from Operations	\$31,998	\$29,072	\$24,216	\$24,208	\$21,238
Diluted Cash Flow per Share	\$1.58	\$1.47	\$1.21	\$1.22	\$1.06
EBITDA	\$43,433	\$36,970	\$29,398	\$32,617	\$29,572
Total Net Debt to Equity	.19:1	.35:1	.37:1	0:021	.36:1
Capital Expenditures	\$16,549	\$14,065	\$11,691	\$8,669	\$26,155
Acquisitions	\$0	\$14,752	\$48,625	\$0	\$0

CORPORATE INFORMATION

DIRECTORS

Helmut Hofmann, Chairman

Geoffrey F. Hyland

Richard D. McGraw

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

Brian J. Steck

Ralph Zarboni

TRANSFER AGENT

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Shareholder Inquiries:

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Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 14 strategic locations, we employ 1,900 people and service a diverse and broad customer base.

Toronto Stock Exchange Listing

XTC

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