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Interim report  
to the shareholders  
for the six months  
ended March 31, 2001

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## TO OUR SHAREHOLDERS:

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	Six Months Ended	
	<u>Mar 31, 2001</u>	<u>Mar 31, 2000</u>
	(\$ in thousands except per share amounts)	
Sales	<b>\$85,629</b>	\$58,658
Net income	<b>\$3,968</b>	\$5,711
Cash flow	<b>\$12,445</b>	\$12,338
EBITDA	<b>\$16,341</b>	\$15,720
Basic earnings per share	<b>\$0.20</b>	\$0.29
Fully diluted earnings per share	<b>\$0.20</b>	\$0.28
Fully diluted cash flow per share	<b>\$0.59</b>	\$0.59
Shares outstanding	<b>19,645,000</b>	19,999,000

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Sales for the six month period ended March 31, 2001 were \$85.6 million, an increase of \$27 million or 46% over the prior year. The increase in sales is attributable to the acquisitions of TecSyn and Techmire. TecSyn contributed \$23.6 million in the period and Techmire, acquired at the end of the first quarter, \$4.7 million.

Net income was \$4.0 million as compared to \$5.7 million in the prior year period. We are pleased with the improvement in gross margin in the second quarter to 35% from 34% in the first quarter. Further improvement is anticipated.

With respect to Exco's original core businesses, extrusion technologies continues to grow both in revenue and earnings. Casting technologies continues to suffer from delays in release of new die-cast mould programs. We believe this delay is a short term consequence of the market rather than a long term comment of the technology. All indices continue to point toward the broader application of aluminum and magnesium in automobiles and, accordingly, greater growth is expected.

At Polytech, part of our recent TecSyn acquisition, we are noting an improvement in customer releases as OEM inventory adjustments are nearing completion. In addition, new contracts awarded to Polytech and commencing production in the third quarter are expected to offset the impact of OEM volume reductions for the fiscal year

With respect to TecSyn PMP, we are applying Exco's resources to resolve manufacturing issues associated with the liner.

Our most recent acquisition, Techmire, a manufacturer of zinc die-casting machines, completed its first quarter as part of the Exco group.

Prior to acquisition, Techmire demonstrated a track record of superior financial performance and this has continued. Although a weakening economy has recently softened the market for its capital goods, the diversity and geography of its customer base provides an excellent cushion. We believe that Techmire will be an important contributor to Exco's performance this fiscal year.

Techmire continues to broaden its line of equipment and is initiating the development of a multi-slide magnesium die-casting machine. We believe the market for such a machine is significant.

Despite some economic uncertainty but based on current economic forecasts, Exco management is cautiously optimistic with respect to the balance of this fiscal year.

**"Brian A. Robbins"**

April 25, 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 \$85.6 million for the six months ended March 31, 2001, an increase of \$27 million as compared to the same period in fiscal 2000. Sales for the quarter ended March 31, 2001 were \$46.1 million, an increase of \$16 million as compared to the three month period ended March 31, 2000. This increase is primarily attributable to the acquisitions. TecSyn, acquired in the fourth quarter of fiscal 2000, and comprising the Automotive Systems segment, reported sales of \$23.6 million in the six month period and \$11.7 million for the quarter. Techmire, acquired at the end of the first quarter of fiscal 2001, contributed sales of \$4.7 million to the Casting and Extrusion Technology segment in the quarter. Excluding the acquisition of Techmire, sales in the Casting and Extrusion Technology segment declined by 2% as compared to the prior year period. This segment continues to be affected by the delay in the release of new die-cast mould programs.

Gross margin was 35% for the quarter and for the six month period as compared to 41% in fiscal 2000. This decline is a result of two factors. First, TecSyn has experienced lower than expected sales as OEM's strive to adjust vehicle inventories. This has had a negative impact on margins. Second, as a result of the delay in release of new die-cast mould programs, and the corresponding increase in excess capacity, gross margin in Casting and Extrusion Technology operations was lower as compared to the prior year period.

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

Exco incurred interest expense during the period as compared to earning interest on cash deposits in the prior year period. The interest cost reflects the financing of the TecSyn and Techmire purchases. Total borrowings at March 31, 2001 was \$47.1 million as compared to Exco's net cash position of \$6.7 million (net of long-term debt) at March 31, 2000.

#### Financial Resources, Liquidity and Capital Resources

Cash flow from operations for six months, before changes in non-cash working capital, was \$12.4 million as compared to \$12.3 million in the prior year period and \$6.8 million in the quarter compared to \$6.4 million in the prior year quarter. The increase reflects lower net income, 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. Investment in fixed assets for six months totalled \$5.6 million as compared to \$7.5 million in the prior year period.

At quarter end, the total debt to equity ratio was .44:1 with borrowings of \$47.1 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 using Exco's operating lines. Despite the increase in borrowings, Exco's financial position remains strong.

During the period, Exco repurchased 256,100 shares pursuant to its normal course issuer bid at a cost of \$1.3 million.

## Outlook

Exco believes that the longer-term 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.

Although Exco has experienced a slowdown in both its Automotive Systems segment and its Casting and Extrusion Technology segment, given current economic forecasts, Exco remains cautiously optimistic for the balance of the fiscal year.

The cutbacks by North American OEM's, which commenced in December, 2000, had an impact on Exco's Automotive Systems segment (TecSyn), in Exco's first and second quarter. Early in the third quarter, Exco has noted an improvement in volume and believes this will continue. In addition, new contracts awarded to Exco are expected to commence production in the third quarter. This new business should offset the impact of OEM volume reductions for the fiscal year. Exco's 2001 financial results are expected to improve in subsequent quarters as a result of these contract awards.

*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 cyclicity 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)**

	<b>Mar 31</b>	Sept 30
	<u><b>2001</b></u>	<u>2000</u>
<b>ASSETS</b>		
Current		
Accounts receivable	\$ 35,428	\$ 36,907
Inventories	24,332	20,880
Prepaid expenses and deposits	<u>1,583</u>	<u>1,131</u>
Total Current Assets	<b>61,343</b>	58,918
Fixed assets		
Goodwill	<u>87,078</u>	85,867
	<u>39,369</u>	<u>31,295</u>
	<b>\$ 187,790</b>	\$ 176,080
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness	\$ 45,125	\$ 36,363
Accounts payable and accrued liabilities	17,989	20,225
Income taxes payable	66	1,037
Customer advance payments	10,008	9,013
Current portion of long-term debt	<u>341</u>	<u>871</u>
Total Current Liabilities	<u>73,529</u>	<u>67,509</u>
Long-term debt		
Future income taxes	1,613	1,022
	<u>5,081</u>	<u>4,873</u>
Total Liabilities	<u>80,223</u>	<u>73,404</u>
Shareholders' Equity		
Share capital	25,973	26,310
Retained earnings	77,908	74,865
Currency translation adjustment	<u>3,686</u>	<u>1,501</u>
Total Shareholders' Equity	<u>107,567</u>	<u>102,676</u>
	<b>\$ 187,790</b>	\$ 176,080

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

(\$ in thousands except per share amounts)

	3 Months ended March 31		6 Months ended March 31	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales	\$ <u>46,118</u>	\$ <u>30,141</u>	\$ <u>85,629</u>	\$ <u>58,658</u>
Cost of sales and operating expenses before the following	<b>29,902</b>	17,685	<b>55,998</b>	34,736
Depreciation and amortization	<b>4,143</b>	3,215	<b>8,078</b>	6,466
Selling, general and administrative	<b>7,009</b>	4,296	<b>13,250</b>	8,161
Loss on sale of fixed assets	<b>40</b>	41	<b>40</b>	41
Interest on long-term debt	<b>20</b>	17	<b>62</b>	35
Other interest (income)	<b>844</b>	(52)	<b>1,502</b>	(52)
	<u><b>41,958</b></u>	<u>25,202</u>	<u><b>78,930</b></u>	<u>49,387</u>
Income before income taxes	<b>4,160</b>	4,939	<b>6,699</b>	9,271
Provision for income taxes	<b>1,730</b>	1,934	<b>2,731</b>	3,560
<b>Net income for the period</b>	<b>\$ <u>2,430</u></b>	<b>\$ <u>3,005</u></b>	<b>\$ <u>3,968</u></b>	<b>\$ <u>5,711</u></b>
Retained earnings, beginning of period	<b>76,403</b>	67,261	<b>74,865</b>	64,555
Excess of redemption price over stated value of common shares acquired and cancelled	<u>(925)</u>	-	<u>(925)</u>	-
Retained earnings, end of period	<u><b>77,908</b></u>	<u>70,266</u>	<u><b>77,908</b></u>	<u>70,266</u>
<b>Earnings per common share</b>				
- Basic	\$ <u>0.12</u>	\$ 0.16	\$ <u>0.20</u>	\$ 0.29
- Fully Diluted	\$ <u>0.12</u>	\$ 0.15	\$ <u>0.20</u>	\$ 0.28



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

	3 Months ended March 31		6 Months ended March 31	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>OPERATING ACTIVITIES:</b>				
Net income for the period	\$ 2,430	\$ 3,005	\$ 3,968	\$ 5,711
Add items not involving a current outlay of cash:				
Depreciation and amortization	4,143	3,215	8,078	6,466
Future income taxes	182	122	359	148
Loss on sale of fixed assets	40	13	40	13
	<u>6,795</u>	<u>6,355</u>	<u>12,445</u>	<u>12,338</u>
Net change in non-cash working capital balances related to operations	(5,348)	(892)	509	(1,986)
<b>Cash provided by operating activities</b>	<u>1,447</u>	<u>5,463</u>	<u>12,954</u>	<u>10,352</u>
<b>FINANCING ACTIVITIES:</b>				
Increase in bank indebtedness	2,755	-	8,762	-
Decrease in long-term debt	(112)	(64)	(182)	(127)
Issue of (purchase of) share capital	(1,262)	778	(1,262)	778
<b>Cash provided by financing activities</b>	<u>1,381</u>	<u>714</u>	<u>7,318</u>	<u>651</u>
<b>INVESTING ACTIVITIES:</b>				
Acquisition of subsidiary	-	-	(17,393)	-
Cash acquired on acquisition of subsidiary	-	-	2,641	-
Investment in fixed assets	(2,882)	(2,286)	(5,610)	(7,471)
Proceeds on sale of fixed assets	54	63	90	293
<b>Cash used in investing activities</b>	<u>(2,828)</u>	<u>(2,223)</u>	<u>(20,272)</u>	<u>(7,178)</u>
Increase in cash during the period	0	3,954	0	3,825
Cash, beginning of the period	0	2,715	0	2,844
<b>Cash, end of the period</b>	<u>\$ 0</u>	<u>\$ 6,669</u>	<u>\$ 0</u>	<u>\$ 6,669</u>
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital				
- Basic	\$ 0.35	\$ 0.32	\$ 0.63	\$ 0.63
- Fully diluted	<u>\$ 0.32</u>	<u>\$ 0.30</u>	<u>\$ 0.59</u>	<u>\$ 0.59</u>

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

(\$ 000's)

March 31, 2001

**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, 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 March 31, 2001, it operated only one business segment, Casting and Extrusion Technology.

	3 Months ended March 31, 2001			3 Months ended March 31, 2000
	Casting & Extrusion	Automotive		Casting & Extrusion
	<u>Technology</u>	<u>Systems</u>	<u>Total</u>	<u>Technology</u>
Sales	\$34,394	\$11,724	\$46,118	\$30,141
Depn & amort	\$3,439	\$704	\$4,143	\$3,215
Segment Income	\$4,446	\$578	\$5,024	\$4,956
Interest expense			\$864	\$17
Income before income taxes			\$4,160	\$4,939
Fixed asset additions		\$2,201	\$681	<del>\$2,882</del>
			\$2,286	
Total fixed assets, net	\$78,084	\$8,994	\$87,078	\$77,838
Goodwill	\$8,449	\$30,920	\$39,369	-
Total assets	\$129,220	\$58,570	\$187,790	\$123,354

	6 Months ended March 31, 2001			6 Months ended March 31, 2000
	Casting & Extrusion	Automotive		Casting & Extrusion
	<u>Technology</u>	<u>Systems</u>	<u>Total</u>	<u>Technology</u>
Sales	\$61,997	\$23,632	\$85,629	\$58,658
Depn & amort	\$6,651	\$1,427	\$8,078	\$6,466
Segment Income	\$7,225	\$1,038	\$8,263	\$9,306
Interest expense			\$1,564	\$35
Income before income taxes			\$6,699	\$9,271
Fixed asset additions		\$4,585	\$1,025	\$5,610
			\$7,471	
Total fixed assets, net	\$78,084	\$8,994	\$87,078	\$77,838
Goodwill	\$8,449	\$30,920	\$39,369	-
Total assets	\$129,220	\$58,570	\$187,790	\$123,354

#### **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 March 31, 2000, the Company purchased 256,100 shares for cancellation at a cost of \$1,262. The cost to purchase the shares exceeded their stated value by \$925. This excess has been charged against retained earnings..

### 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**