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Interim report  
to the shareholders  
for the nine months  
ended June 30, 2001

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## TO OUR SHAREHOLDERS:

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	Nine Months Ended	
	<u>June 30, 2001</u>	<u>June 30, 2000</u>
	(\$ in thousands except per share amounts)	
Sales	<b>\$133,383</b>	\$84,928
Net income	<b>\$7,150</b>	\$7,788
Cash flow	<b>\$19,525</b>	\$17,711
EBITDA	<b>\$25,956</b>	\$21,956
Basic earnings per share	<b>\$0.36</b>	\$0.39
Fully diluted earnings per share	<b>\$0.36</b>	\$0.39
Fully diluted cash flow per share	<b>\$0.99</b>	\$0.88
Shares outstanding	<b>19,645,000</b>	19,999,000

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Sales for the nine month period ended June 30, 2001 were \$133.4 million, an increase of \$48.5 million or 57% over the prior year. The increase in sales is primarily attributable to the acquisitions of TecSyn and Techmire, which reported sales of \$46.9 million for the nine month period.

Net income was \$7.2 million as compared to \$7.8 million in the prior year period. EBITDA in the current period increased 18% over the prior year to \$26 million. Cash flow increased by 10% to \$19.5 million and the Company generated free cash flow of \$10 million after capital expenditures. Gross margin, although lower than the prior year, improved quarter over quarter in the current year and was 37% for the 3<sup>rd</sup> quarter. Gross margin at 37% exceeds industry norms.

Revenue and earnings continue to lack forward visibility as the Company's core business experiences a drought of activity in the capital goods market. Our customers continue to withhold funding for major new programs and investments. However, through prudent management and the hard work of our employees, the Company continues to record excellent results.

Our focus of enhancing long term shareholder value has not been compromised. While monitoring our costs, we continue to invest heavily in engineering and research and development. Once the economy recovers from this decline, we will emerge as the premier and dominant force in our sector. We believe the future for Exco is bright.

"Brian A. Robbins"

July 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 \$133.4 million for the nine months ended June 30, 2001, an increase of \$48.5 million as compared to the same period in fiscal 2000. Sales for the quarter ended June 30, 2001 were \$47.8 million, an increase of \$21.5 million as compared to the three month period ended June 30, 2000. This increase is primarily attributable to the acquisitions. The acquisitions reported sales of \$18.7 million for the quarter and \$46.9 million for the nine month period. TecSyn, was acquired in the fourth quarter of fiscal 2000, and comprises the Automotive Systems segment. Techmire was acquired at the end of the first quarter of fiscal 2001 and is included in the Casting and Extrusion Technology segment.

Gross margin was 37% for the quarter and 35% for the nine month period as compared to 37% and 40% respectively in fiscal 2000. The decline in the nine month period is primarily a result of the delay in release of new die-cast mould programs, and the corresponding increase in excess capacity in the Casting Technology operations. The Automotive Systems segment (TecSyn) gross margin improved significantly in the third quarter as compared to the first and second quarter of the current fiscal year. This improvement is a result of new business commencing in the third quarter and higher OEM production levels.

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 June 30, 2001 was \$45.8 million as compared to Exco's net cash position of \$8.3 million (net of long-term debt) at June 30, 2000.

#### Financial Resources, Liquidity and Capital Resources

Cash flow from operations for nine months, before changes in non-cash working capital, was \$19.5 million as compared to \$17.7 million in the prior year period and \$7.1 million in the quarter compared to \$5.4 million in the prior year quarter. The increase in the quarter reflects higher net income in addition to higher non-cash depreciation charges. For the nine month period, the increase in non-cash charges exceeds the decline in net income, resulting in a net increase to cash flow. Cash flow increased by 32% for the quarter and 10% for the nine month period as compared to these periods in the prior fiscal year.

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 nine months was \$9.6 million in both the current and prior period. Accordingly, in the nine month period, the Company was net cash flow positive by \$9.9 million, after the investment in fixed assets.

At quarter end, the total debt to equity ratio was .42:1 with borrowings of \$45.8 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 354,700 shares pursuant to its normal course issuer bid at a cost of \$1.7 million.

## Outlook

Exco has experienced a slowdown in its Extrusion and Casting Technology business. Management 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.

The cutbacks by North American OEMs had an impact on Exco's Automotive Systems segment (TecSyn), in Exco's first and second quarter. In the third quarter, Exco experienced an increase in volume as a result of North American OEM production levels returning to more normal levels. In addition, new contracts awarded to Exco commenced production in the third quarter. Given this new business, Exco anticipates that the improvement in its Automotive Systems segment experienced in the third quarter should continue.

*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.*

**EXCO TECHNOLOGIES LIMITED**

**BALANCE SHEETS (unaudited)**

	<b>30-Jun 2001</b>	30-Sep <u>2000</u>
<b>ASSETS</b>		
Current		
Accounts receivable	\$ 34,657	\$ 36,907
Inventories	24,837	20,880
Prepaid expenses and deposits	1,703	1,131
Income taxes recoverable	<u>178</u>	<u>-</u>
Total Current Assets	<b>61,375</b>	58,918
Fixed assets	<b>86,554</b>	85,867
Goodwill	<u>38,287</u>	<u>31,295</u>
	<b>\$ <u>186,216</u></b>	<b>\$ <u>176,080</u></b>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness	\$ 43,990	\$ 36,363
Accounts payable and accrued liabilities	20,651	20,225
Income taxes payable	-	1,037
Customer advance payments	8,100	9,013
Current portion of long-term debt	<u>839</u>	<u>871</u>
Total Current Liabilities	<b><u>73,580</u></b>	<b><u>67,509</u></b>
Long-term debt	973	1,022
Future income taxes	<u>2,784</u>	<u>4,873</u>
Total Liabilities	<b><u>77,337</u></b>	<b><u>73,404</u></b>
 Shareholders' Equity		
Share capital	25,843	26,310
Retained earnings	80,749	74,865
Currency translation adjustment	<u>2,287</u>	<u>1,501</u>
Total Shareholders' Equity	<b><u>108,879</u></b>	<b><u>102,676</u></b>
	<b>\$ <u>186,216</u></b>	<b>\$ <u>176,080</u></b>

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

(\$ in thousands except per share amounts)

	3 Months ended June 30		9 Months ended June 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales	\$ <u>47,754</u>	\$ 26,270	\$ <u>133,383</u>	\$ <u>84,928</u>
Cost of sales and operating expenses before the following	<b>30,298</b>	16,557	<b>86,296</b>	51,293
Depreciation and amortization	<b>3,888</b>	3,033	<b>11,966</b>	9,499
Selling, general and administrative	<b>7,817</b>	3,432	<b>21,067</b>	11,593
Loss on sale of fixed assets	<b>24</b>	45	<b>64</b>	86
Interest on long-term debt	<b>65</b>	17	<b>127</b>	52
Other interest	<b>610</b>	(87)	<b>2,112</b>	(139)
	<u><b>42,702</b></u>	<u>22,997</u>	<u><b>121,632</b></u>	<u>72,384</u>
Income before income taxes	<b>5,052</b>	3,273	<b>11,751</b>	12,544
Provision for income taxes	<b>1,870</b>	1,196	<b>4,601</b>	4,756
<b>Net income for the period</b>	<u>\$ <b>3,182</b></u>	<u>\$ 2,077</u>	<u>\$ <b>7,150</b></u>	<u>\$ 7,788</u>
Retained earnings, beginning of period	<b>77,908</b>	70,266	<b>74,865</b>	64,555
Excess of redemption price over stated value of common shares acquired and cancelled	<u>(341)</u>	-	<u>(1,266)</u>	-
Retained earnings, end of period	<u><b>80,749</b></u>	<u>72,343</u>	<u><b>80,749</b></u>	<u>72,343</u>
<b>Earnings per common share (note 1)</b>				
- Basic	\$ <b>0.16</b>	\$ 0.10	\$ <b>0.36</b>	\$ 0.39
- Diluted	<u>\$ <b>0.16</b></u>	<u>\$ 0.10</u>	<u>\$ <b>0.36</b></u>	<u>\$ 0.39</u>

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

(\$ in thousands except per share amounts)

	3 Months ended June 30		9 Months ended June 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>OPERATING ACTIVITIES:</b>				
Net income for the period	\$ 3,182	\$ 2,077	\$ 7,150	\$ 7,788
Add items not involving a current outlay of cash:				
Depreciation and amortization	3,888	3,033	11,966	9,499
Future income taxes	(14)	190	345	338
Loss on sale of fixed assets	24	73	64	86
	<u>7,080</u>	<u>5,373</u>	<u>19,525</u>	<u>17,711</u>
Net change in non-cash working capital balances related to operations	<u>(1,370)</u>	<u>(1,185)</u>	<u>(861)</u>	<u>(3,171)</u>
<b>Cash provided by operating activities</b>	<u><b>5,710</b></u>	<u><b>4,188</b></u>	<u><b>18,664</b></u>	<u><b>14,540</b></u>
<b>FINANCING ACTIVITIES:</b>				
Increase in bank indebtedness	(1,135)	-	7,627	-
Decrease in long-term debt	(142)	(74)	(324)	(201)
Issue of (purchase of) share capital	(471)	336	(1,733)	1,114
<b>Cash provided by financing activities</b>	<u><b>(1,748)</b></u>	<u><b>262</b></u>	<u><b>5,570</b></u>	<u><b>913</b></u>
<b>INVESTING ACTIVITIES:</b>				
Acquisition of subsidiary	-	-	(17,393)	-
Cash acquired on acquisition of subsidiary	-	-	2,641	-
Investment in fixed assets	(3,987)	(2,153)	(9,597)	(9,624)
Proceeds on sale of fixed assets	25	-	115	293
<b>Cash used in investing activities</b>	<u><b>(3,962)</b></u>	<u><b>(2,153)</b></u>	<u><b>(24,234)</b></u>	<u><b>(9,331)</b></u>
Increase in cash during the period	0	2,297	0	6,122
Cash, beginning of the period	0	6,669	0	2,844
<b>Cash, end of the period</b>	<u><u><b>\$ 0</b></u></u>	<u><u><b>\$ 8,966</b></u></u>	<u><u><b>\$ 0</b></u></u>	<u><u><b>\$ 8,966</b></u></u>
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital (note 1)				
-Basic	\$ 0.36	\$ 0.27	\$ 0.99	\$ 0.88
-Diluted	\$ 0.36	\$ 0.27	\$ 0.99	\$ 0.88



**EXCO TECHNOLOGIES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
(\$ 000's)  
June 30, 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 accounting policy change described below. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 2000 Annual Report.

**Accounting Policy Change**

In December 2000, the Canadian Institute of Chartered Accountants issued new accounting recommendations for the presentation and disclosure of basic and diluted earnings per share. Effective October 1, 2000, the Company adopted these new recommendations on a retroactive basis. The most significant change under the new recommendations is the use of the 'treasury stock method' instead of the 'imputed earnings approach' in computing diluted earnings per share. Under the treasury stock method:

- . exercise of options are assumed at the beginning of the period [or at the time of issuance, if later];
- . the proceeds from exercise are assumed to be used to purchase common stock at the average market price during the period; and
- . the incremental shares [the difference between the number of shares assumed issued and the number of shares assumed purchased] are included in the denominator of the diluted earnings per share computation.

The retroactive impact on fiscal 2000 of adopting the new recommendations was to increase diluted earnings per share by \$0.01 and to reduce the average number of diluted shares outstanding by 1.3 million for the nine month period ended June 30, 2000.

## 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 accounting policies followed in the operating segments are consistent with those outlined in Note 1 of the Annual Consolidated Financial Statements.

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). It was acquired September 1, 2000 and, therefore, for the Company's period ended June 30, 2000, it operated only one business segment, Casting and Extrusion Technology.

	3 Months ended June 30, 2001			3 Months ended June 30, 2000
	Casting & Extrusion Technology	Automotive Systems	Total	Casting & Extrusion Technology
Sales	\$32,846	\$14,908	\$47,754	\$26,270
Depn & amort	\$3,415	\$473	\$3,888	\$3,033
Segment Income	\$2,749	\$2,978	\$5,727	\$3,203
Interest expense (income)			\$675	\$(70)
Income before income taxes			5,052	\$3,273
Fixed asset additions	\$3,778	\$209	\$3,987	\$2,153
Total fixed assets, net	\$77,840	\$8,714	\$86,554	\$77,216
Goodwill	\$8,411	\$29,876	\$38,287	
Total assets	\$124,599	\$61,617	\$186,216	\$124,448

	9 Months ended June 30, 2001			9 Months ended June 30, 2000
	Casting & Extrusion Technology	Automotive Systems	Total	Casting & Extrusion Technology
Sales	\$94,843	\$38,540	\$133,383	\$84,928
Depn & amort	\$10,066	\$1,900	\$11,966	\$9,499
Segment Income	\$9,974	\$4,016	\$13,990	\$12,457
Interest expense (income)			\$2,239	\$(87)
Income before income taxes			\$11,751	\$12,544
Fixed asset additions	\$8,363	\$1,234	\$9,597	\$9,624
Total fixed assets, net	\$77,840	\$8,714	\$86,554	\$77,216
Goodwill	\$8,411	\$29,876	\$38,287	
Total assets	\$124,599	\$61,617	\$186,216	\$124,448

#### **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 June 30, 2001, the Company purchased 354,700 shares for cancellation at a cost of \$1,733. The cost to purchase the shares exceeded their stated value by \$1,266. 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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