

Exco Technologies Limited



**INTERIM REPORT TO THE SHAREHOLDERS
FOR THE NINE MONTHS ENDED
JUNE 30, 2002**

TO OUR SHAREHOLDERS

	Nine Months Ended June 30		Three Months Ended June 30	
	2002	2001	2002	2001
Sales	\$155,748	\$133,383	\$54,192	\$47,754
Net income	\$11,743	\$7,150	\$5,276	\$3,182
Cash flow	\$22,913	\$19,525	\$9,133	\$7,080
EBITDA	\$31,361	\$25,956	\$12,541	\$9,615
Basic earnings per share	\$0.60	\$0.36	\$0.27	\$0.16
Diluted earnings per share	\$0.58	\$0.36	\$0.26	\$0.16
Diluted cash flow per share	\$1.14	\$0.99	\$0.45	\$0.36
Shares outstanding	19,688,000	19,645,000	19,688,000	19,645,000

We are delighted to report the best quarter in Exco's history. Earnings per share of \$0.26 is not only a new record for the Company but is 63% higher than the third quarter in the prior year. For the nine month period, earnings per share rose 61% to \$0.58.

Sales in the quarter increased 13% over the prior year quarter to \$54.2 million and 17% for the nine month period to \$155.7 million. Sales increased in the Automotive Systems as well as the Casting and Extrusion Technology segments.

Exco has built a solid foundation with geographic and product diversification which should provide long-term above average growth. We have continued to invest in technology and capacity. This has positioned us well to manage successfully through the business cycles. We await further economic recovery, particularly in the United States, to further fuel Exco's growth.

Exco's facility in Morocco, which was established to supply the European market, began official production in April 2002. This facility is intended to replicate our Mexican plant in the production of components and systems for automotive interiors. The transfer of European contracts from our Mexican facility to the new Moroccan plant is proceeding smoothly. We believe that this location provides Exco with a distinct competitive advantage. Our North American market share for these products continues to grow as a direct result of the efficiency and competitiveness of our Mexican facility. We expect further growth in this segment as our product offerings continue to expand and as we win business from competitors.

Our focus on innovation in products and new applications is continuing with the development of magnesium die-cast machines at Techmire. Currently, machines are fully operational at a customer Beta site. An extensive marketing effort will be launched later this year and early indications are that the product will be well received and, in many cases, is anxiously awaited. The patented design results in higher productivity by allowing for lighter/thinner castings than those currently produced by conventional magnesium die-cast machines. Although our initial focus will be the electronics industry, we anticipate rapid expansion into many industries, including automotive.

Exco's Extrusion and Casting Technologies segment continues to perform well despite a sluggish economy. As the U.S. market improves, Exco should benefit from higher capacity utilization rates. This anticipated development, combined with the sustained profitable growth of the Automotive Systems segment, should provide Exco with the potential to continue to increase profit.

“Signed”

July 24, 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 \$155.7 million for the nine months ended June 30, 2002, an increase of \$22.4 million as compared to the same period in fiscal 2001. Sales for the quarter ended June 30, 2002 were \$54.2 million, an increase of \$6.4 million as compared to the three month period ended June 30, 2001.

The Automotive Systems segment reported sales of \$51.9 million in the nine month period and \$17.8 million for the quarter, an increase of 35% and 19%, respectively, for the same periods in the prior fiscal year. The increase in revenue in this segment is attributable to both new contract awards and more stable OEM production volumes.

The Casting and Extrusion Technology segment reported sales of \$103.8 million in the nine month period and \$36.4 million for the quarter, an increase of 9% and 11%, respectively, for the same periods in the prior fiscal year. Both die-cast mould and extrusion tooling sales were higher during the period. In addition, Techmire's revenues were included for nine months as compared to six months in the prior year period. Despite the increase in sales in the Casting and Extrusion Technology segment over the prior year period, the market for these products in the United States continues to be soft.

Gross margin was 39% for the quarter and 36% for the nine month period. Capacity utilization improved in the current period over the prior year resulting in improved margins. This margin improvement also reflects Exco's product diversification and the efficiency of its operations.

The increase in selling, general and administrative costs is a result of higher profit sharing costs and higher selling and promotion costs, reflective of the increase in sales. In addition, the prior year period did not include the Company's start-up operation in Morocco and included Techmire for six months as compared to nine months in the current period.

Depreciation and amortization declined 4% for the quarter and 7% for the nine month period. These reductions reflect the change in accounting policy regarding the amortization of goodwill, as described in note 1 to the consolidated financial statements, and lower depreciation expense in certain of Exco's more mature operations. These changes were partly offset by the inclusion of Techmire's depreciation expense.

In conjunction with the above mentioned accounting policy change, the Company, in its second quarter, recorded an impairment loss of \$2 million, charged to retained earnings, with respect to goodwill associated with the Company's investment in TecSyn PMP, Inc.

Interest expense for the nine month period of \$1.0 million declined from \$2.2 million in the prior year as a result of a reduction in Exco's total debt and a decline in interest rates. Exco's total debt at quarter end was \$30.0 million as compared to \$45.8 million in the comparative prior year period.

Financial Resources, Liquidity and Capital Resources

Cash flow from operations for nine months, before changes in non-cash working capital, was \$22.9 million as compared to \$19.5 million in the prior year period and \$9.1 million in the quarter compared to \$7.1 million in the prior year quarter. These increases reflect higher net income offset by a decline in depreciation and future income taxes.

The investment in fixed assets for nine months totalled \$14.9 million as compared to \$9.6 million in the prior year period. Fixed asset additions in the current period include \$4.1 million relating to construction costs and equipment for the new Moroccan facility. Cash flow from operations exceeded the investment in fixed assets by \$8.0 million and the Company was net cash flow positive.

Exco's financial position remains strong and, at quarter end, the total debt to equity ratio was .24:1 with total borrowings of \$30.0 million as compared to .35:1 with borrowings of \$39.6 million at year end.

Outlook

The Company believes that its unique technical capabilities, broad product line, strong customer base and healthy financial position will likely mitigate the effects of the economic slowdown. Economic data suggests that the economy is improving although the recovery, particularly in the United States, may be slower than initially anticipated. This softness continues to impact the Casting and Extrusion Technology segment as manufacturers delay capital goods purchases. To date, the recovery has been led by the consumer. Accordingly, vehicle sales have been relatively strong and Exco's Automotive Systems segment has benefited. Further improvement in the U.S. market, particularly with respect to capital goods purchases by manufacturers, should result in a continued improvement in Exco's operating results.

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)

	June 30, 2002	Sept 30, 2001
ASSETS		
Current		
Accounts receivable	\$40,400	\$44,004
Inventories	27,701	25,452
Prepaid expenses and deposits	1,416	2,135
Total Current Assets	69,517	71,591
Fixed assets	90,727	88,333
Goodwill (note 1)	36,025	38,025
	\$196,269	\$197,949
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$29,035	\$38,446
Accounts payable and accrued liabilities	25,081	25,922
Income taxes payable	4,447	1,770
Customer advance payments	9,741	12,087
Current portion of long-term debt	89	177
Total Current Liabilities	68,393	78,402
Long-term debt	875	970
Future income taxes	4,263	4,127
Total Liabilities	73,531	83,499
Shareholders' Equity		
Share capital	26,202	25,843
Retained earnings	94,327	84,584
Currency translation adjustment	2,209	4,023
Total Shareholders' Equity	122,738	114,450
	\$196,269	\$197,949

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	
	2002	2001	2002	2001
Sales	\$54,192	\$47,754	\$155,748	\$133,383
Cost of sales and operating expenses before the following	32,835	30,298	99,129	86,296
Depreciation and amortization	3,718	3,888	11,097	11,966
Selling, general and administrative	8,727	7,817	25,321	21,067
Loss (gain) on sale of fixed assets	89	24	(63)	64
Interest on long-term debt	16	65	65	127
Other interest	294	610	969	2,112
	45,679	42,702	136,518	121,632
Income before income taxes	8,513	5,052	19,230	11,751
Provision for income taxes	3,237	1,870	7,487	4,601
Net income for the period	\$5,276	\$3,182	\$11,743	\$7,150
Retained earnings, beginning of period	89,051	77,908	84,584	74,865
Goodwill impairment loss (Note1)	-		(2,000)	
Excess of redemption price over stated value of common shares acquired and cancelled.	-	(341)	-	(1,266)
Retained earnings, end of period	\$94,327	\$80,749	\$94,327	\$80,749
Earnings per common share				
- Basic	\$0.27	\$0.16	\$0.60	\$0.36
- Diluted	\$0.26	\$0.16	\$0.58	\$0.36

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$ thousands except per share amounts)

	3 Months ended June 30		9 Months ended June 30		
	2002	2001	2002	2001	
OPERATING ACTIVITIES:					
Net income for the period	\$5,276	\$3,182	\$11,743	\$7,150	
Add items not involving a current outlay of cash:					
Depreciation and amortization	3,718	3,888	11,097	11,966	
Future income taxes	50	(14)	136	345	
Loss (gain) on sale of fixed assets	89	24	(63)	64	
	9,133	7,080	22,913	19,525	
Net change in non-cash working capital balances related to operations	1,124	(1,370)	1,017	(861)	
Cash provided by operating activities	10,257	5,710	23,930	18,664	
FINANCING ACTIVITIES:					
Increase (decrease) in bank indebtedness	(3,838)	(1,135)	(9,411)	7,627	
Decrease in long-term debt	(75)	(142)	(183)	(324)	
Issue of (re-purchase of) share capital	224	(471)	359	(1,733)	
Cash provided by financing activities	(3,689)	(1,748)	(9,235)	5,570	
INVESTING ACTIVITIES:					
Acquisition of subsidiary	-	-	-	(17,393)	
Cash acquired on acquisition of subsidiary	-	-	-	2,641	
Investment in fixed assets	(6,578)	(3,987)	(14,946)	(9,597)	
Proceeds on sale of fixed assets and other	10	25	251	115	
Cash used in investing activities	(6,568)	(3,962)	(14,695)	(24,234)	
Decrease in cash during the period	0	0	0	0	
Cash, beginning of the period	0	0	0	0	
Cash, end of the period	\$0	\$0	\$0	\$0	
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital					
	Basic:	\$0.46	\$0.36	\$1.16	\$0.99
	Diluted:	\$0.45	\$0.36	\$1.14	\$0.99

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(\$ 000's except per share amounts)

June 30, 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 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

(i) Goodwill Amortization

In September 2001, the Canadian Institute of Chartered Accountants issued new accounting recommendations regarding the amortization of goodwill. It states that goodwill not be amortized but be reviewed annually for recording of an impairment loss if required. Effective October 1, 2001, the Company is following the guidelines with respect to the adoption of the new recommendations. Goodwill was not amortized in the period. As a result, net income is higher by \$249 and earnings per share by \$0.01 for the quarter and \$747 and \$0.04 respectively for the nine month period as compared to net income and earnings per share that would have been recorded before the change in accounting policy. Although the prior period has not been restated, net income and earnings per share in the prior period quarter would have been lower by \$249 and \$0.01, respectively, and by \$694 and \$0.03 for the nine month period.

(ii) Goodwill Impairment Tests

During the period, the Company completed the impairment tests for goodwill and concluded that an impairment loss be recorded with respect to its subsidiary, TecSyn PMP, Inc., a manufacturer of powdered metal cylinder liners and included in the Automotive Systems segment. Impairment tests of the Company's other operations concluded that no other impairment losses have occurred and therefore no further adjustments were required. The Company's total investment in this subsidiary was \$5 million and an impairment loss of \$2 million has been recorded as a reduction in the carrying value of goodwill and a charge to retained earnings.

(ii) Goodwill Impairment Tests (cont'd)

Goodwill in the Automotive Systems segment has been reduced by \$2 million to \$27,680 as a result of recording the impairment loss. Goodwill recorded in the Casting and Extrusion Technology segment is \$8,345 and is unchanged from September 30, 2001.

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 June 30, 2002			
	Casting and Extrusion Technology	Automotive Systems	Total
Sales	\$36,376	\$17,816	\$54,192
Depreciation & amortization	\$3,134	\$584	\$3,718
Segment Income	\$5,428	\$3,395	\$8,823
Interest expense			\$310
Income before income taxes			\$8,513
Fixed asset additions	\$3,961	\$2,617	\$6,578
Total fixed assets, net	\$76,497	\$14,230	\$90,727
Goodwill	\$8,345	\$27,680	\$36,025
Total assets	\$138,061	\$58,208	\$196,269

3 Months ended June 30, 2001			
	Casting and Extrusion Technology	Automotive Systems	Total
Sales	\$32,846	\$14,908	\$47,754
Depreciation & amortization	\$3,380	\$508	\$3,888
Segment Income	\$3,056	\$2,671	\$5,727
Interest expense			\$675
Income before income taxes			\$5,052
Fixed asset additions	\$3,778	\$209	\$3,987
Total fixed assets, net	\$77,840	\$8,714	\$86,554
Goodwill	\$8,411	\$29,876	\$38,287
Total assets	\$124,599	\$61,617	\$186,216

9 Months ended June 30, 2002			
	Casting and Extrusion Technology	Automotive Systems	Total
Sales	\$103,850	\$51,898	\$155,748
Depreciation & amortization	\$9,456	\$1,641	\$11,097
Segment Income	\$12,343	\$7,921	\$20,264
Interest expense			\$1,034
Income before income taxes			\$19,230
Fixed asset additions	\$8,940	\$6,006	\$14,946
Total fixed assets, net	\$76,497	\$14,230	\$90,727
Goodwill	\$8,345	\$27,680	\$36,025
Total assets	\$138,061	\$58,208	\$196,269

9 Months ended June 30, 2001			
	Casting and Extrusion Technology	Automotive Systems	Total
Sales	\$94,843	\$38,540	\$133,383
Depreciation & amortization	\$9,982	\$1,984	\$11,966
Segment Income	\$10,886	\$3,104	\$13,990
Interest expense			\$2,239
Income before income taxes			\$11,751
Fixed asset additions	\$8,363	\$1,234	\$9,597
Total fixed assets, net	\$77,840	\$8,714	\$86,554
Goodwill	\$8,411	\$29,876	\$38,287
Total assets	\$124,599	\$61,617	\$186,216

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. As at June 30, 2002, the Company has not purchased any shares for cancellation.

5 YEAR FINANCIAL HIGHLIGHTS

(as at September 30)

	2001	2000	1999	1998	1997
	<i>(\$ in thousands except per share amounts)</i>				
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	0:021	.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. With Exco's investment in technology and capacity, the Company believes that it has 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 world-leading manufacturer of highly engineered tools and machinery for the die-casting and extrusion industries. The company also designs and supplies precision components and systems for automotive interiors. Exco employs 1,800 skilled employees at 12 facilities in Canada, United States, Mexico and Morocco.

The Toronto Stock Exchange Listing XTC

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EXCO