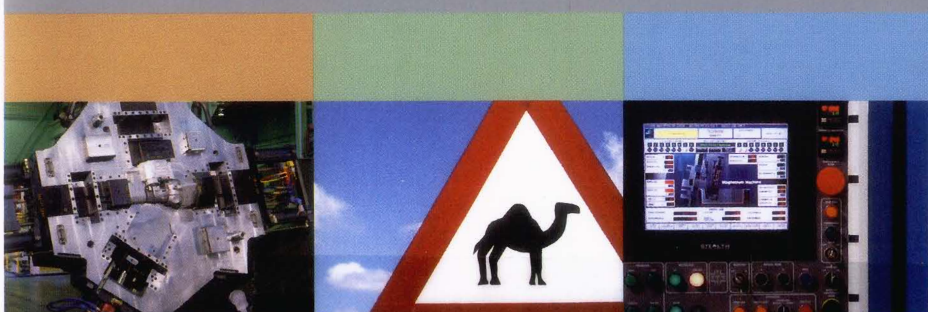
EXCO

EXCO TECHNOLOGIES LIMITED

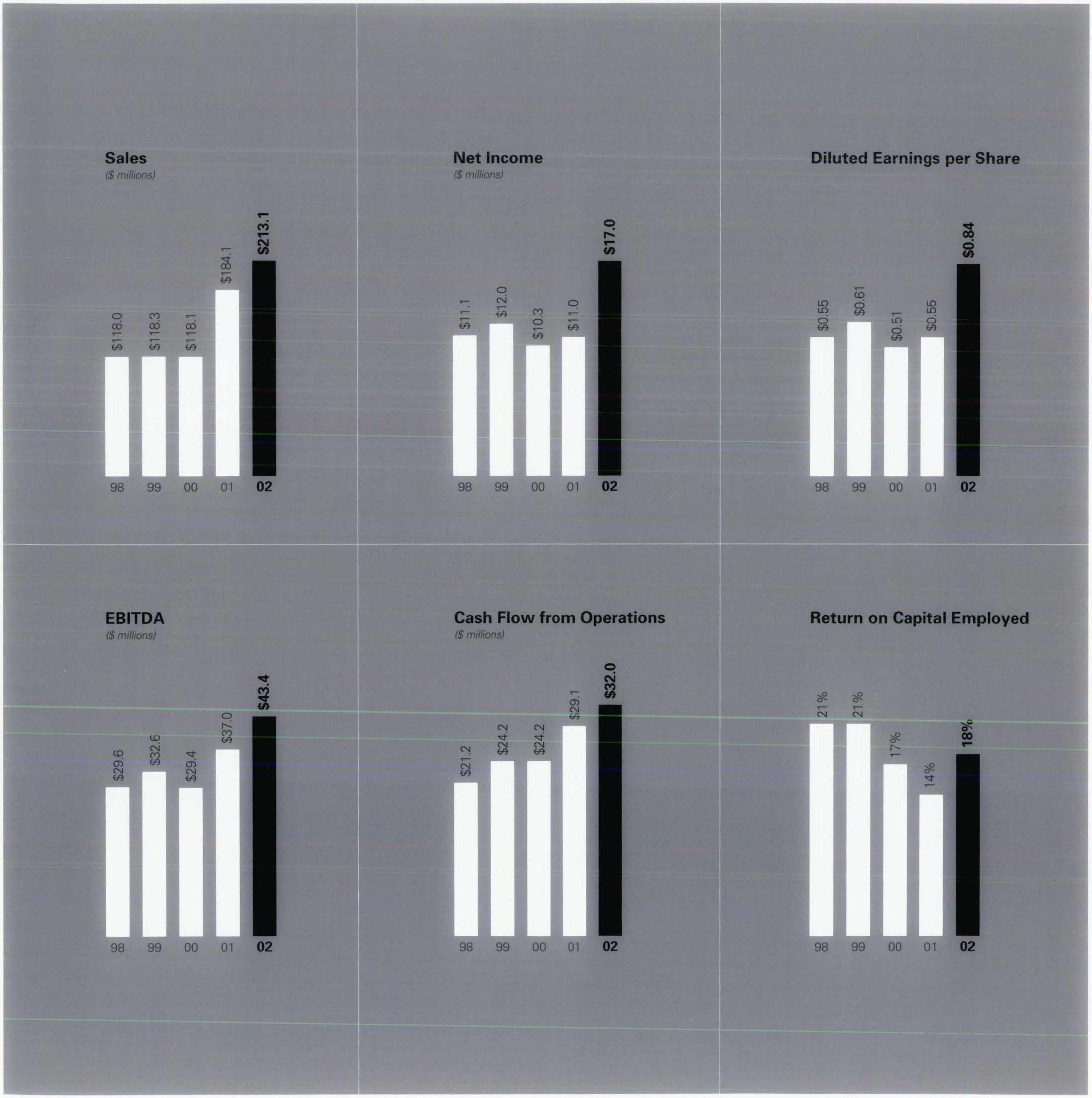
2002 ANNUAL REPORT

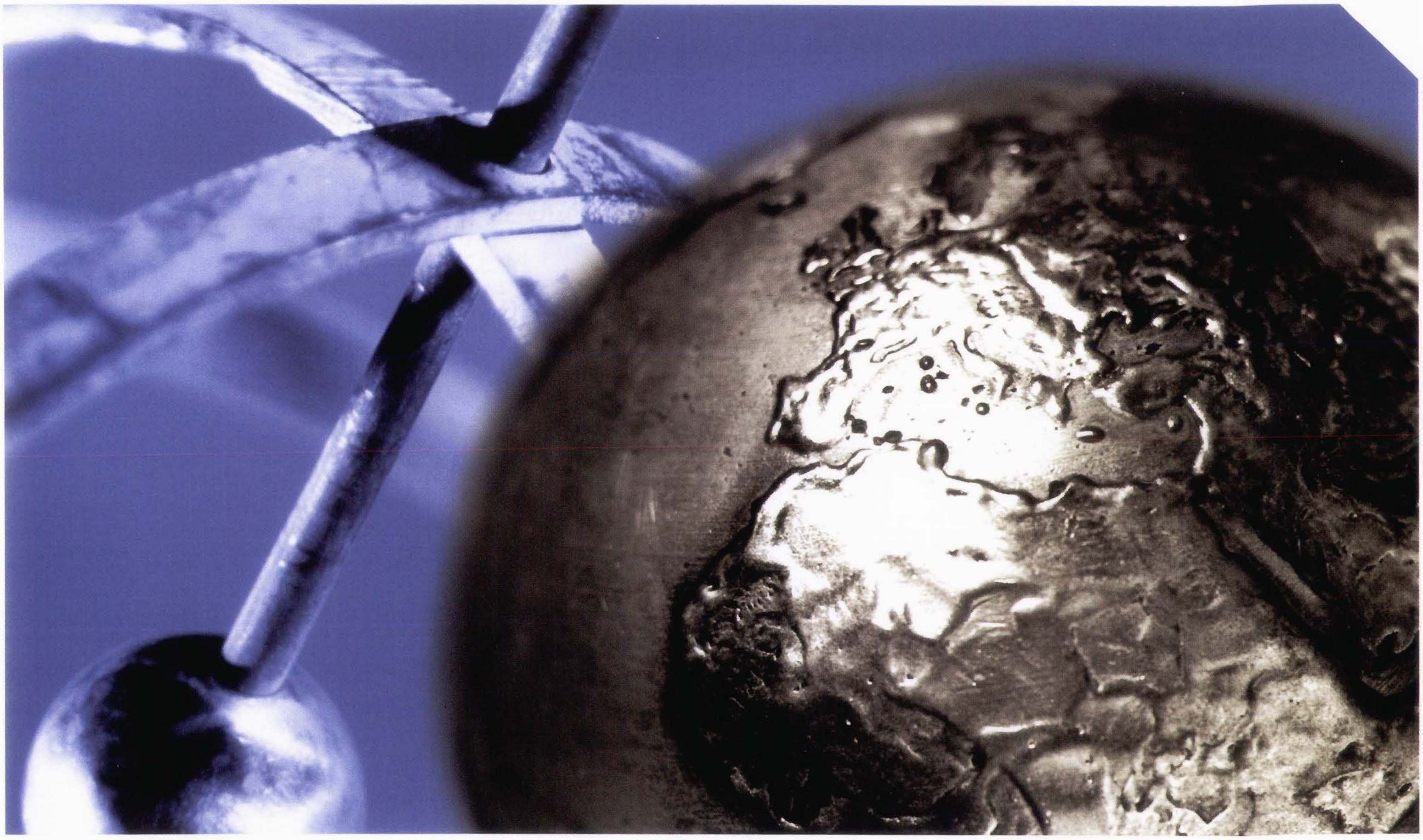
Know How



In 2002, Exco achieved record-breaking results. This outstanding financial performance is a significant improvement over fiscal 2001. Net income, for example, increased by 55% while return on capital employed at 18% exceeds industry norms and should continue to improve as capacity utilization increases. The graphs below further illustrate the Company's performance.

Financial Highlights





Know When

Anticipating trends, launching new products, entering new markets: Exco knows how to achieve maximum results and make the right decisions, at precisely the right time.

Exco Technologies is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 13 strategic locations, we employ 1,900 people and service a diverse and broad customer base.

EXCO at a Glance

CASTING & EXTRUSION SOLUTIONS

CASTING

Exco Engineering

From preliminary design to post-production quality assurance, Exco covers the spectrum of customer tooling needs. Exco Engineering operates from a 135,000 sq. ft. facility in Newmarket, Ontario with the most sophisticated and robust technology in the industry. The foundry at this facility features a state-of-the-art 3,500-ton high pressure die-cast machine. Exco Engineering has also developed an innovative computer simulated die-casting process, utilizing its own Die Temperature Control System (D-TeC). This process also employs this division's Rapid Tooling Concept, which has become an industry benchmark.

Edco

Edco supplies an array of services from designing and building complete new dies to rebuilding and repairing existing dies. Edco uses the most sophisticated CAD/CAM technology and the latest state-of-the-art machinery in its 45,000 sq. ft. facility. Edco maintains a high quality product through engineering, manufacturing, sub-contracting and metrology.

CASTING & EXTRUSION SOLUTIONS

EXTRUSION

Exco Canada

Exco is North America's largest supplier of extrusion dies and is a major force in the industry. Exco Canada operates from a 36,000 sq. ft. facility in Markham, Ontario and serves customers in the construction, electronics and automotive industries. Exco's philosophy is to partner with its customers to improve productivity and increase profitability. Exco's production procedures ensure that the quality of its dies is world class. Exco was the first North American die maker to receive ISO 9002 accreditation.

Exco U.S.A.

Exco's 36,000 sq. ft. plant in Detroit, Michigan supplies extrusion dies for the construction, electronics and automotive industries in the U.S. The facility serves the growing demand in the U.S. market for high quality dies. Exco's competitive advantage is superior onsite engineering and high quality control procedures that enable this division to gain market share.

AUTOMOTIVE SOLUTIONS

Exco Automotive Solutions – Polytech Division

Polytech produces flexible restraint and storage systems for the automotive sector. Its products include cargo nets for trunks and storage nets for the backs of driver and passenger seats. Polytech operates a 100,000 sq. ft. manufacturing facility in Matamoras, Mexico and a 10,000 sq. ft. engineering office in Troy, Michigan.

Exco Automotive Solutions – Polydesign Division

Polydesign was established in 2001 to serve the European market for the flexible restraint and storage system product line. The 75,000 sq. ft. Polydesign facility is located in Tangier, Morocco, an economic Free Trade zone ideally situated to serve Europe.

Know Us

Extec

Extec specializes in small to medium size die-casting tools, serving an extensive range of automakers and automotive industry suppliers. With a 25,000 sq. ft. facility in Markham, Ontario, Extec supports complete design, development and testing capabilities to fulfill the die-cast product cycle.

Elex

Elex is an Electrical Discharge and Machine shop, and is among the largest of its kind in North America. Operating from a 22,000 sq. ft. plant in Markham, Ontario and using some of the most advanced tools and equipment available, Elex is recognized throughout the sector for efficiency, thoroughness, and an emphasis on quality control.

Techmire

Techmire is the global leader in the design and manufacture of multiple-slide die-casting machines for precision zinc, lead and magnesium components. Techmire operates from a 35,000 sq. ft. facility in Montreal, Quebec and provides tool design, tooling, testing, training and after-sales services to the electronic, automotive, telecommunications and consumer products industries.

Alu'Die

Alu'Die is a frontrunner in the production of extrusion dies. Alu'Die operates from a 35,000 sq. ft. extrusion die shop in Newmarket, Ontario. The plant includes state-of-the-art computer design and manufacturing equipment including an onsite heat treatment capability.

Castool

Castool provides essential production tooling required by both extruders and die casters at its 38,000 sq. ft. facility in Scarborough, Ontario. Castool tooling is found almost everywhere that aluminum extrusion or die-casting is done around the world. Castool has exceeded the requirements of its ISO 9002 certification, and is moving towards QS 9000-TE certification. Castool is at the forefront of technological development, and holds several critical patents to protect this intellectual property.

Exco Automotive Solutions – NeoCon Division

Exco Technologies acquired NeoCon subsequent to year-end, on Oct. 1, 2002, under the umbrella of our newly named Exco Automotive Solutions group. NeoCon is a designer and manufacturer of cargo management products for all major automakers. NeoCon is located in Dartmouth, Nova Scotia and was established in 1993.

Exco Advanced Products (formerly TecSyn PMP)

Exco Advanced Products is a manufacturer of advanced material products with a 25,000 sq. ft. manufacturing plant located in Huntsville, Alabama. Its proprietary cold isostatic compaction process employs patented technology to produce powdered material components. This technology allows for faster processing and has many applications in automotive and other hi-tech industries.

Brian A. Robbins President and Chief Executive Officer **Helmut Hofmann** Chairman

Know No Bounds

Fiscal 2002 was by all measures a very successful year. Revenues rose 16% and profits increased 55%. These results were extremely satisfying given the hurdles and challenges that confronted the Company. Equally gratifying was that this performance validated our strategic direction.

We have been consistent in our strategy to maintain and extend our dominant position in our original die-cast and extrusion tooling business, as well as to pursue opportunities to grow in our Automotive Solutions business. Growth in the die-cast sector has been slow to materialize over the past three years. Considerable up-front investment has been made and we have approximately 40% capacity available for growth. As this sector rebounds, the leverage in our business is significant. In the interim, substantial free cash flow is enabling us to diversify and broaden our product and service offerings, as well as our customer base. Our success in diversifying our business is a result of our emphasis on innovation, engineering and low cost manufacturing. The formula has worked for Exco and our shareholders and it will continue to guide our future.

In 2002, all business sectors grew and contributed to these record results.

Our die-cast tooling business continues to operate well below capacity, at 60% utilization. The big three automakers have continued to defer large capital projects, and fuel economy continues to be a low priority for consumers and producers. This means that anticipated programs to transition to lighter weight materials, such as aluminum and magnesium, have languished. Furthermore, the next generation of engines and transmissions had also been deferred. In spite of this, through prudent management and selective investment, our die-cast businesses have continued to deliver strong profits.

Our new die-casting venture, Techmire, also faced significant challenges in 2002. The zinc casting market in North America essentially evaporated as the manufacturing sector trimmed or eliminated capital investment in the two years since we acquired this business. In response, Techmire sought to develop new geographic markets with a specific focus on the Asia-Pacific region. As well, this business unit began to develop new products and re-engineer existing products to service these new markets. These initiatives required significant energy and capital resources. During this time Techmire also adapted its unique patented technology to magnesium casting—essentially doubling the size of its addressable market.

We are pleased to report that Techmire made significant achievements in pursuing these initiatives and has remained profitable, albeit at a level lower than historic norms.

In our extrusion tooling business, we have benefited from a more robust market. Our customers have consolidated and have raised their expectations regarding quality and service. This plays into our strengths. We are well positioned to benefit from the next stage of growth in this market.

TecSyn PMP, acquired in 2000, continued to be a challenge in 2002. This division had specialized in producing proprietary liners for the cylinders of aluminum alloy engine blocks and has had a history of losses and missed targets. In 2002 we discontinued efforts to develop this market and we replaced the management team. We then wrote down the value of this investment by $2 million. From an original investment of $5 million, the remaining book value of this business is in its real estate.

The new management team has committed itself to a rigorous timetable to identify other profitable applications for this division's unique pressing technology. Thus far it has achieved some measure of success in developing new market opportunities and we are encouraged by the potential of this business.

Polytech was the other major business acquired in the purchase of TecSyn. Polytech will be the driving force behind our increasingly important group, Exco Automotive Solutions. This company specializes in developing and supplying components primarily for the interior of cars and trucks. Although North American vehicle production achieved record levels in 2002, there has been a substantive effort by the automakers to lower vehicle content and reduce component costs. This shift has prompted Polytech to diversify its product offering to include injection moulded products and assembly operations. This business has continued to be successful and recorded a handsome profit for the year.

In 2002, we expanded this business by building a new plant in Tangier, Morocco to serve the large European automotive market. Polydesign will also fall under the Exco Automotive Solutions group. This project required a significant capital investment and was the focus of much of our effort in 2002 as we assembled a management team to serve this market. The 75,000 sq. ft. facility was completed in March 2002 and production commenced, on a limited basis, in April 2002. All losses incurred in the year were expensed and we have not deferred any of the start-up costs. In October 2002, this new plant received the Ford Q1 rating. We have successfully earned new business with Ford, Volkswagen, Opel and Mercedes Benz.

Considering the challenges of fiscal 2002, our ability to generate significant increases in revenue and profits is evidence of the strength of our business and the people who make it work.

We have met our challenges head on and we look forward with confidence to the year ahead. Any improvement in our markets in fiscal 2003 should drive significant increases in our profitability as we increase capacity utilization.

In the case of our casting business, we believe we have seen the cyclical low in this sector. Subsequent to year-end we were awarded a multi-year contract by Mercedes Benz to produce tooling for their next generation V-6 and V-8 engine blocks utilizing our patented technology. We have formed a strategic alliance with a German toolmaker and will partner with them on this program and jointly provide all tooling for this program through December 31, 2012.

In addition to this Mercedes Benz contract, we have recently been released on initial production for several 6-speed automotive transmission programs. These new contracts, received after the year-end, indicate a good early trend for this and subsequent years.

Our extrusion business continues to grow and provide sustained improving results.

Techmire has completed the development of its magnesium-casting machine. Several machines are now in production and working well for a customer in Asia. Techmire will begin marketing these machines in January 2003 and it expects sales to ramp up quickly. The Asia-Pacific region, in particular, has been very receptive to Techmire's zinc and magnesium technology. As the North American and European markets recover, Techmire's contribution to earnings should grow dramatically.

At TecSyn PMP, recently renamed Exco Advanced Products, we have found sufficient custom pressing business to cover operating costs which allows us the latitude to investigate further opportunities. The future of this business appears to be heading in the right direction. In 2003 we expect to realize a small profit.

Exco Automotive Solutions – Polytech Division anticipates results in 2003 similar to those in 2002. The Polydesign division is up and running and forecasted to be solidly profitable in 2003. Over the next several years, Polydesign should grow to reflect the success of our North American business.

At year-end, we acquired NeoCon International of Dartmouth, Nova Scotia. NeoCon designs and produces storage solutions for a number of automakers, including Ford, Subaru, GM and Honda. We expect NeoCon to generate revenue of about $20 million in 2003 and to contribute to Exco's bottom line. NeoCon is the latest addition to the Exco Automotive Solutions group.

We look to 2003 with confidence, knowing we have met and overcome significant challenges in 2002. No doubt there will be new challenges on the road ahead, but we have demonstrated that we can turn challenges into opportunities for improvement and enhanced earnings. Our strategy over the next couple of years will be to maintain and expand our dominance in our tooling businesses while growing and acquiring businesses that complement our Exco Automotive Solutions group.

Techmire is expected to continue to offer growth opportunities as we endeavour to adapt this technology to other metals and alloys. We may also evaluate the applicability of their multiple-slide technology in our existing automotive tools. We will continue our focus on engineering and innovation to unleash the value of this technology. This has been and will continue to be the key to our success.

Exco, over the past two years, has grown by more than 75%. Our strategy is working. We believe we can build Exco into a $500 million business over the next several years.

In closing, we must acknowledge the efforts and contributions of our employees in our success. Indeed, our people are at the core of our capabilities and provide our competitive advantage. We involve our people; we nurture entrepreneurship; and we reward effort and success accordingly. The proof is in the achievements that Exco has delivered.

Brian A. Robbins
President and Chief Executive Officer

Helmut Hofmann
Chairman

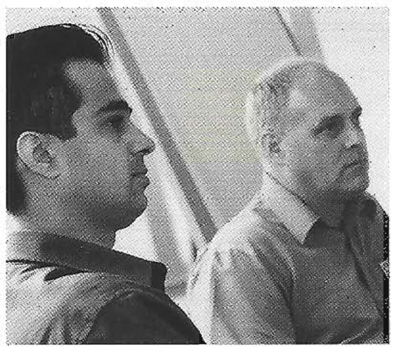
WORKING TOGETHER

Exco takes pride in its ability to recognize talent and foster leadership within the organization. Exco's highly qualified, dedicated management team members hold an average of 20 years' tenure.

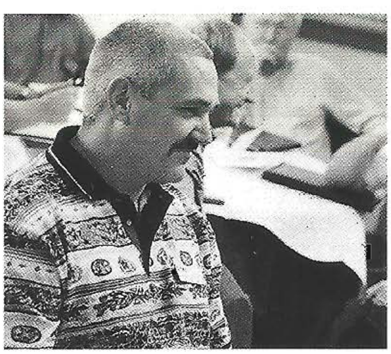
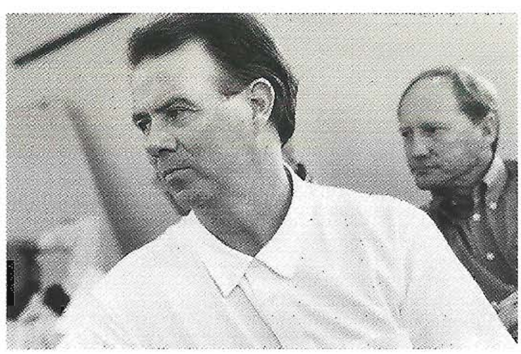
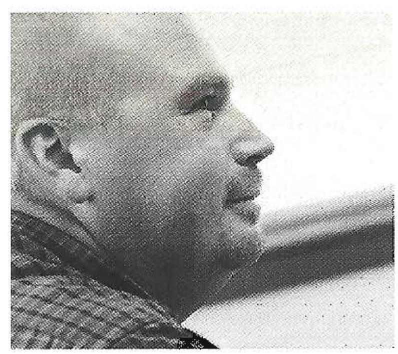
Management Team

Clockwise from centre Brian Robbins, Bonnie Cartwright, Scott Bond, Jan Tesar, Rene Bomben, Carl Holderbaum, Sigi Kreidler, Lawrence Robbins, Richard Mount, Stephen May, Paul Robbins, Bill Schroers, Mihran Jubian, Gabriel Piccinin and Elie Ghanime

Know Your Management Team

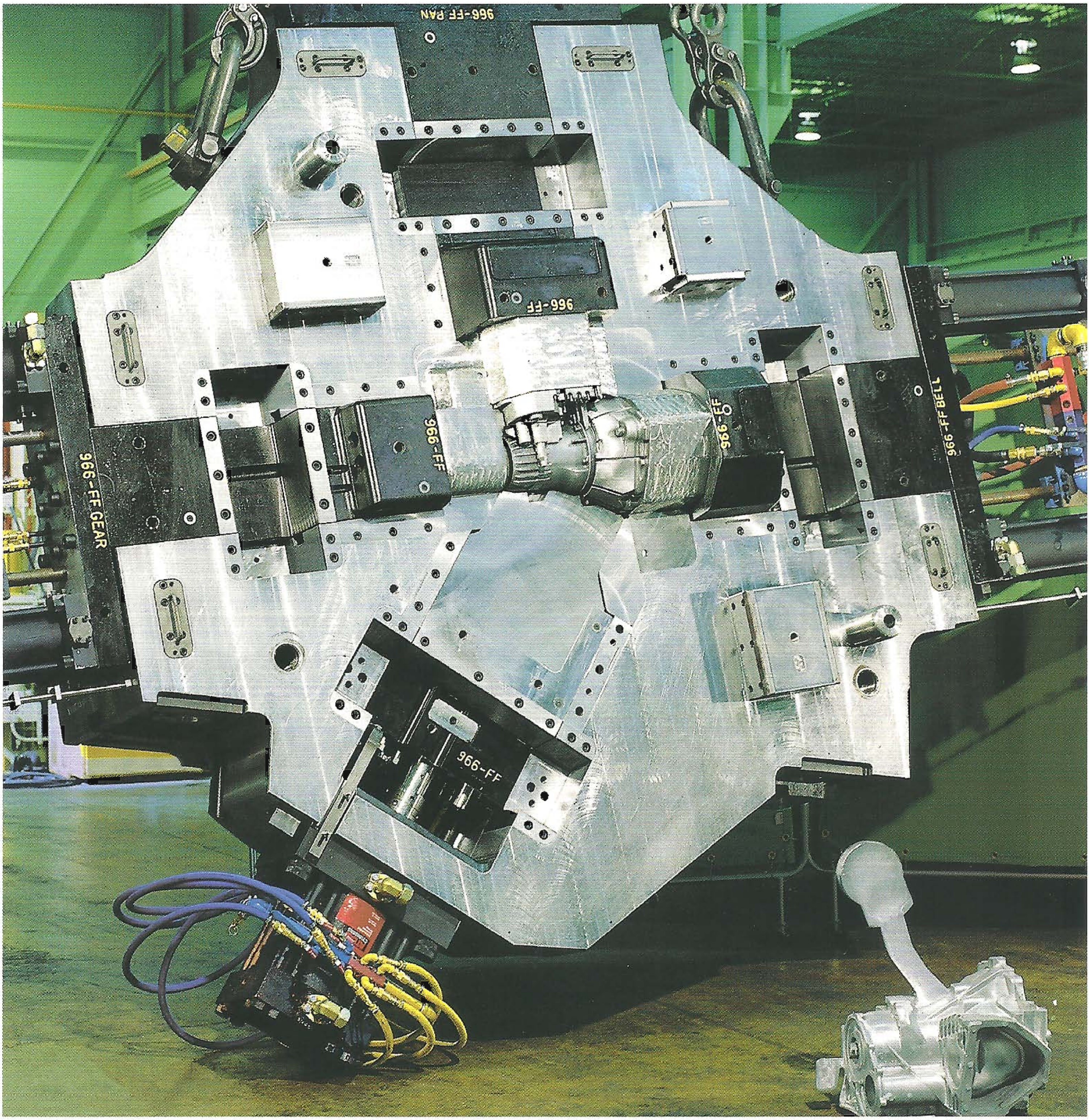

Exco continues to develop its internal leadership capabilities alongside overall Company growth. Cooperation across functions, divisions and geographic locations has led to a broad understanding among employees of current capabilities and increased awareness of future possibilities. The Exco management team is committed to cohesiveness, consistent communication and the realization of common goals. Collaborative achievements have occurred across the Exco group of companies as a result of its management retreats and formal meetings alike.

CASTING SOLUTIONS

Exco leverages its extensive knowledge base to ensure growth across its expanding market. We continue to invest in state-of-the-art technology that improves overall production capabilities, which improves our customers' competitiveness.

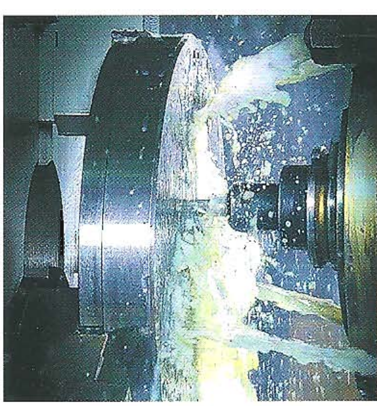
Expanding Market Share

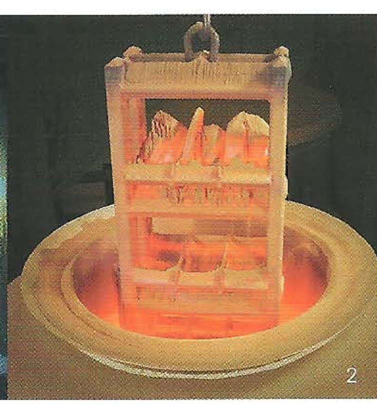


Exco is the leading supplier of Die-Cast and Aluminum Extrusion Tooling, with over 50 years of experience and the largest worldwide distribution reach in the industry. > At Exco, we have never been complacent about our number one status. In both Die-Cast and Aluminum Extrusion Tooling, the consolidation of our customer base has allowed us to forge strong partnerships to maintain our leading edge. Exco has been identified in both Die-Cast and Aluminum Extrusion Tooling as a company that is prepared to make an investment in our customers' success. Exco continues to invest in state-of-the-art technology that improves our production capabilities and, in turn, improves our customers' competitiveness. > The quality of Exco's finished moulds and dies is a direct outcome of our exceptional management and engineering capabilities. We have leveraged our core of expertise to ensure growth across our expanding market. For example, in our Die-Cast divisions, we are manufacturing moulds for automotive instrument panels in addition to our traditional engine block and transmission case moulds. In our Aluminum Extrusion Tooling sector we have looked to industries other than the traditional construction and electronics areas and are now targeting the automotive industry more aggressively. At Exco, we continue to use our extensive knowledge base to find new and innovative ways to expand.

We Know Technology

Exco's production procedures ensure the world class quality of its moulds and dies. We are recognized in Die-Cast and Aluminum Extrusion Tooling as a company that invests in our customers' success.





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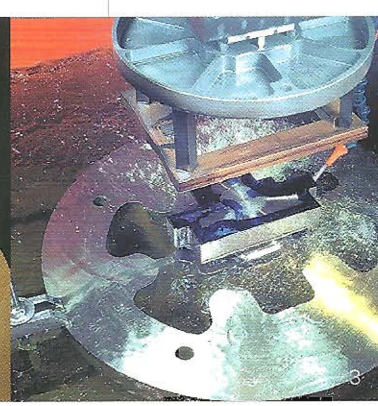

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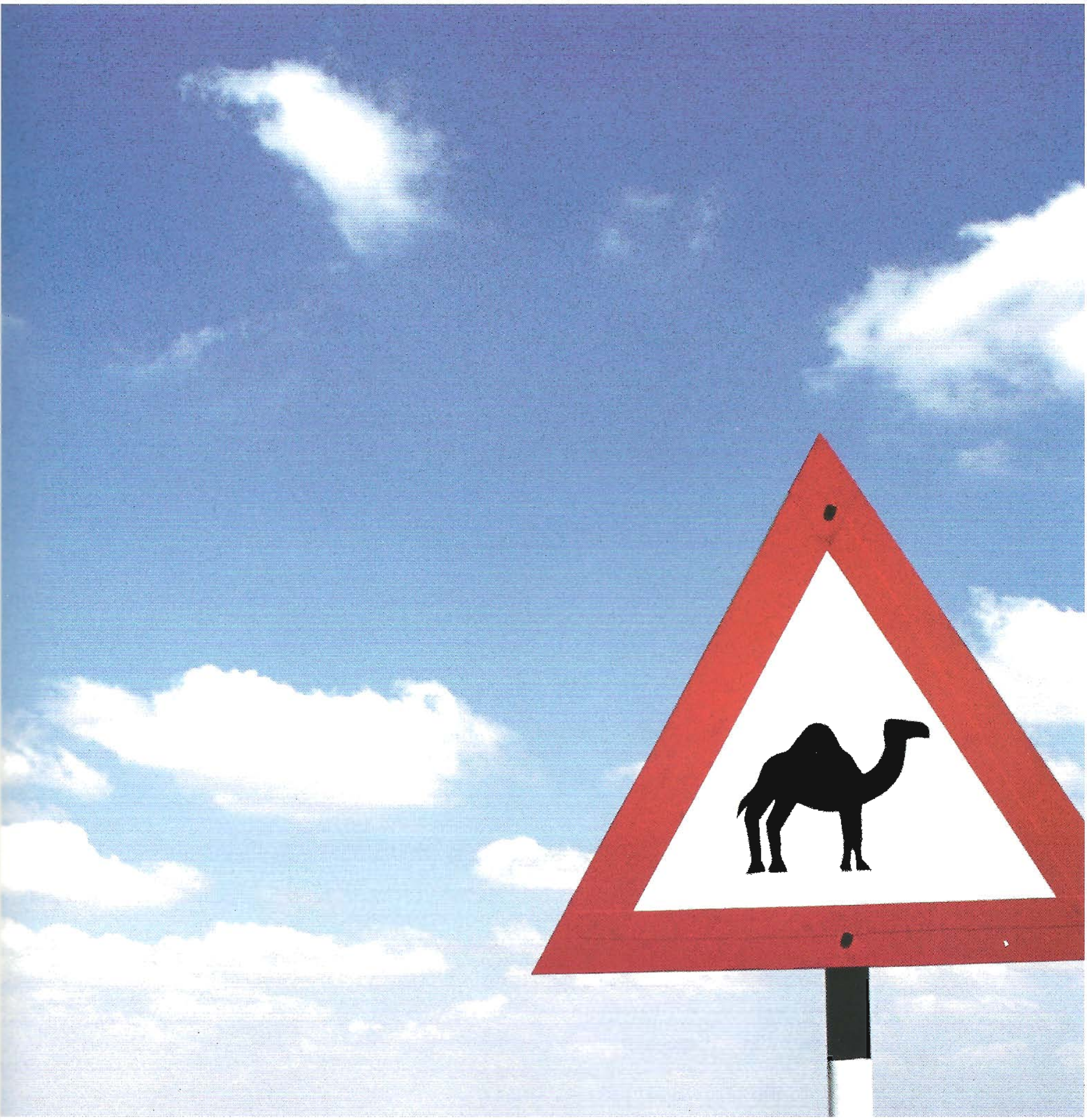
1. Exco's Die-Cast and Aluminum Extrusion Tooling technology is recognized worldwide for its accuracy and quality.
2. The construction, electronics and automotive industries are key targets for Exco's Aluminum Extrusion solutions.
3. Partnering with our customers is a key to Exco's success.

MOROCCO

Exco Automotive Solutions is a growing manufacturer of flexible restraint and storage solutions for the interior of the automobile. Exco identified Tangier, Morocco as an optimal access point for the European automotive market. We have built a 75,000 sq. ft. manufacturing facility to address this market.

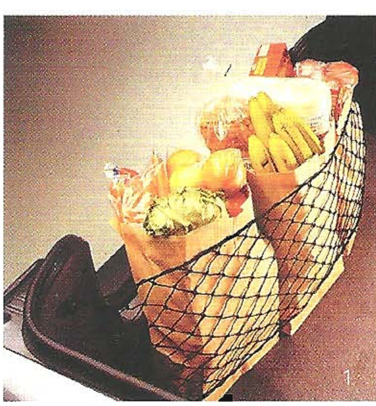
Growing New Markets

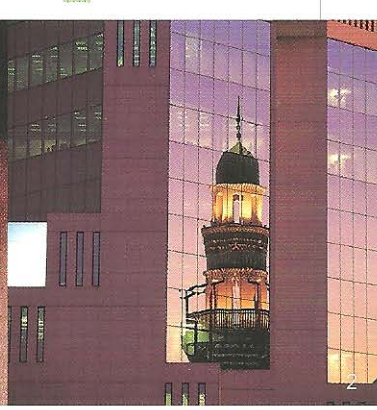


Exco has recently established the Exco Automotive Solutions group. As part of this group, the Polytech division has captured approximately 75% of the North American market in flexible restraint and storage solutions. > Sales have continued to grow in excess of 20% year over year since Exco acquired Polytech in 2000. > Polytech has set two strategic paths to ensure continued growth. First, they have expanded their product range to include the production of power train interior components such as shift boots and plastic console components. The transition into plastic injection moulding products provides Polytech's customers with more integrated solutions for the automotive interior. Second, Polytech identified the need for a fully integrated, low-cost producer of similar products for the European market. Polytech chose Tangier, Morocco, a European Free Trade zone, as its entry point to this market. Exco Automotive Solutions added the Polydesign facility and equipped this 75,000 sq. ft. plant with the latest technology. Polydesign officially opened in April 2002 and has since received several contracts from European automakers. Exco is enthusiastic about the potential for Polydesign, which is on track to replicate our North American experience within a few years.

We Know Europe

Exco Automotive Solutions group has targeted the European market to drive growth in this business. A new 75,000 sq. ft. manufacturing facility was opened in April 2002 in Tangier, Morocco. This facility is ramping up on schedule and is on track to meet expectations.





1. Polytech manufactures a range of flexible restraint and storage systems for automobile interiors.
2. The European Union represents a significant untapped market for Polydesign.
3. Tangier, Morocco boasts a highly skilled workforce and a low cost centre for the production of textile products.

TECHNOLOGY DEVELOPMENT

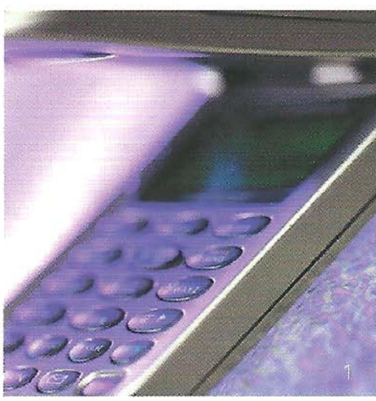
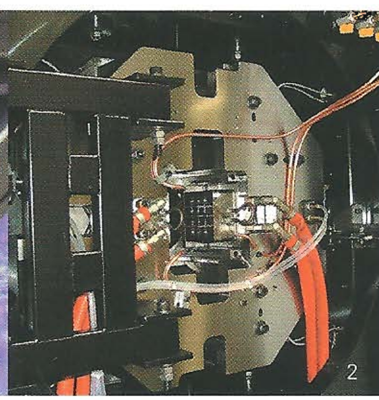
Through its extensive 2001–2002 Research and Development program, Techmire has advanced its capabilities with innovative magnesium die-casting machines, set to launch in 2003. Adapting Techmire's technology to magnesium applications effectively doubles the size of its addressable market.

Developing New Directions

Exco has a strong track record for expanding product offerings geographically and by extending our technology into new markets. We continue to leverage our experience and knowledge base into new and innovative products and services. > Techmire has been positioned to expand their market offerings since joining Exco in 2000. Techmire began as a manufacturer of multiple-slide zinc die-casting systems. Techmire has always understood the need to be a global player and has developed the marketing and support infrastructure to target customer markets in North and South America, as well as Europe and Asia. > Exco has set demanding goals to expand our product offering. > As a result of Techmire Research and Development initiatives, the division has adapted its multiple-slide casting technology to magnesium applications. Techmire will launch its new high-speed magnesium die-casting machines in early 2003. In preparation for the launch, Techmire has already manufactured, customer-site tested and sold a number of magnesium machines in 2002. Techmire believes the market for its new magnesium die-casting technology could be larger than that for its zinc technology. The magnesium die-casting technology is focused on serving the electronic, telecommunication, automotive and consumer products industries. It may only be the beginning; Techmire believes that a myriad of new applications exist for its proprietary technology beyond zinc. > Techmire has demonstrated its ability to leverage its existing skills into the development of new products that address real market opportunities.

We Know Innovation

Techmire has leveraged its extensive knowledge base in zinc die-casting, resulting in the launch of a state-of-the-art, multiple-slide magnesium die-casting machine.


1. Techmire's innovative, proprietary technology is changing the casting industry.
2. Adapting Techmire's technology to new materials has opened up a myriad of new market applications.
3. Techmire is leveraging its intellectual property to continue to develop the market for new applications.

FINANCIAL REPORT

Scott E. Bond Vice-President, Finance and Chief Financial Officer

Exco's technological leadership, broad customer and product base and geographic diversification will be the foundation that fuels growth. In addition, Exco's strong financial position will allow the Company to capitalize on strategic opportunities as they arise.

The following is management's discussion and analysis of operations and financial position and should be read in conjunction with the Consolidated Financial Statements presented elsewhere in this annual report. It is intended to provide additional information on the Company's performance, financial position and outlook.

OVERVIEW **Exco achieved record-breaking financial results, despite the economic uncertainty which prevailed throughout the year. These achievements included:**

- Record sales of $213 million;
- Record net income of $17 million;
- Record diluted earnings per share of $0.84; and
- Record cash flow from operations of $32 million.

In addition to Exco's outstanding financial performance, the following significant accomplishments and events occurred:

- A strategically situated manufacturing facility in Morocco was completed and commercial production commenced, supplying the European market with automotive interior systems and components.
- The Company successfully developed a multiple-slide magnesium die-cast machine, a number of which are currently in production in Korea to serve the electronics industry.
- Subsequent to year-end, the Company acquired NeoCon International Inc. ("NeoCon"). NeoCon's rigid cargo management systems are complementary and effectively broaden the flexible automotive interior storage systems currently supplied by Exco.
- Reflecting the Company's strong financial performance during the year, Exco's share price outperformed the Toronto Stock Exchange total return index by 119%.

Know by the Numbers

Operating Results

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the fiscal year ended September 30, 2002:

$000s, except per share amounts

2002	Sept/02	June/02	Mar/02	Dec/01	Total
Sales	$ 57,393	$ 54,192	$ 55,338	$ 46,218	$ 213,141
Net income	$ 5,299	$ 5,276	$ 4,007	$ 2,460	$ 17,042
Earnings per share					
Basic	$ 0.27	$ 0.27	$ 0.20	$ 0.13	$ 0.87
Diluted	$ 0.26	$ 0.26	$ 0.20	$ 0.12	$ 0.84

$000s, except per share amounts

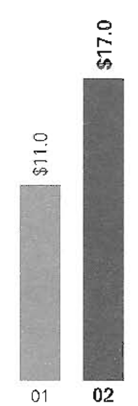
2001	Sept/01	June/01	Mar/01	Dec/00	Total
Sales	$ 50,750	$ 47,754	$ 46,118	$ 39,511	$ 184,133
Net Income	$ 3,835	$ 3,182	$ 2,430	$ 1,538	$ 10,985
Earnings per share					
Basic	$ 0.19	$ 0.16	$ 0.12	$ 0.08	$ 0.55
Diluted	$ 0.19	$ 0.16	$ 0.12	$ 0.08	$ 0.55

The fluctuations in quarterly earnings were largely a result of differences in volume and product mix. In addition, during fiscal 2001, Techmire was acquired in late December 2000 and therefore Techmire's earnings and revenue were included for twelve months as compared to nine months in the prior year.

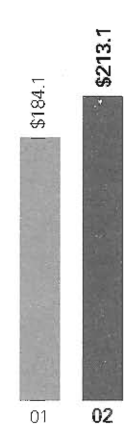
For the year ended September 30, 2002, total sales increased by 16% over the prior year. Casting and Extrusion Technology sales increased by 12% while Automotive Solutions sales grew by 23%.

Exco's Automotive Solutions segment was supported, in part, by incentives offered to consumers by vehicle manufacturers. These incentives resulted in another year of strong automotive production and sales. As well, new contract awards provided additional organic growth for the Company. Exco's market penetration of automotive interior components continued to increase, largely due to the successful introduction of new products for automotive interiors. In addition, Exco's operational efficiency enabled it to win business from its competitors.

Net Income
($ millions)



Sales
($ millions)



The Company's Casting and Extrusion Technology segment demonstrated growth in fiscal 2002. This was a result of a number of key factors, including a surprisingly resilient construction market in North America which supported sales of the Company's extrusion tooling products. Additionally, the development of the Asian market for both zinc and magnesium die-casting machines contributed to growth. However, while sales of the Company's die-cast moulds improved over fiscal 2002, demand continued to be weak. In summary, although this segment demonstrated growth in fiscal 2002, the North American market for its products continued to be soft.

Gross margin for the year was 36.2%, an improvement from 35.8% in the prior year. Although gross margin exceeded industry norms, it is expected to further improve as capacity utilization increases in the Casting and Extrusion Technology segment. In the Automotive Solutions segment, gross margin will improve as sales in its Moroccan facility grow beyond breakeven in 2003.

Selling, general and administrative costs rose to $33.8 million in fiscal 2002 (15.8% of sales) as compared to $28.9 million (15.7% of sales) in fiscal 2001. This increase, a result of higher profit sharing costs and selling and promotion costs, is reflective of improved sales. In addition, the prior year did not include the Company's start-up operation in Morocco and included Techmire for nine months as compared to twelve months in the current year.

Depreciation and amortization expense declined to $14.4 million (6.8% of sales) from $16.0 million (8.7% of sales). Depreciation expense in certain of Exco's more mature operations declined during the year. As well, the change in accounting policy regarding the amortization of goodwill, as described in note 1 to the consolidated financial statements, resulted in a further reduction. Amortization of goodwill in the prior year totalled $943 thousand and was zero in the current year. On implementation of this accounting policy change, the Company recorded an impairment loss of $2 million in the second quarter of fiscal 2002 with respect to goodwill associated with the Company's investment in its subsidiary TecSyn PMP, Inc. and recorded the loss as a reduction to retained earnings.

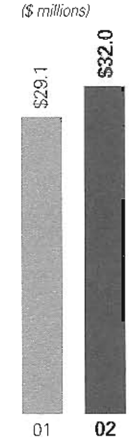
The decrease in Exco's interest expense was a result of both lower interest rates and the significant reduction in Exco's operating lines. Interest expense declined to $1.3 million from $3.0 million in the prior year.

Financial Resources, Liquidity and Capital Resources

Cash flow from operations, before changes in non-cash working capital, was $32.0 million, an increase of 10% over the prior year cash flow of $29.1 million. The increase in non-cash working capital was not significant at $958 thousand.

The Company invested $16.5 million in fixed assets during 2002. In the Automotive Solutions segment, the Company completed construction of the new facility in Morocco which will supply the European market with automotive interior systems and components. In addition, plastic injection moulding capacity was added to Exco's Mexican facility. This new equipment was necessary in order to expand Exco's automotive interior product line to include more plastic components. In the Casting and Extrusion Technology segment, the Company's Newmarket extrusion tooling facility was expanded to accommodate future growth.

Cash Flow from Operations
($ millions)



At September 30, 2002, Exco had total net debt of $24.2 million, a reduction of $15.4 million. This reflected a debt to equity ratio of 0.19:1. This reduction was achieved as a result of the significant free cash flow generated by Exco during the year. Cash flow from operations before changes in non-cash working capital exceeded the net investment in fixed assets by $15.4 million. These funds were then used to repay Exco's operating lines.

In 2003, Exco plans to invest $15 million in fixed assets of which $7 million will be used to increase capacity in several of its operations. The balance will be used to either replace or upgrade existing equipment.

Immediately after year-end, Exco purchased NeoCon, a company that designs and manufactures rigid automotive cargo management systems, a complementary product line to Exco's existing flexible storage systems. The purchase price, including debt assumed, totalled $15 million. The transaction 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). This acquisition, coupled with planned investment in fixed assets, totals $30 million. Exco believes that its cash flow from operations in fiscal 2003 will be sufficient to fund both the acquisition and the budgeted investment in fixed assets. Accordingly, Exco's financial position will remain strong throughout fiscal 2003 and its credit facilities totalling $68.7, of which $45.4 million is available at September 30, 2002, will be sufficient to meet its operating requirements.

Over and above the obligations disclosed in the Company's balance sheet, Exco also enters into operating lease arrangements from time to time. Although Exco owns the majority of its manufacturing facilities and equipment, under certain circumstances it chooses to lease. The expense associated with these obligations is recorded in the Company's income statement, and the commitment for future lease payments is disclosed in note 10 to the Consolidated Financial Statements. Although note 10 shows the obligation diminishing in future years, the Company anticipates renewing many of these leases and, accordingly, the Company's future payment obligations are expected to be higher than shown.

Critical Accounting Policies

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenue and expenses during the reporting period. The most critical accounting principle upon which the Company's financial status depends is its revenue recognition policy. The Company recognizes revenue upon product completion. Completion for large die-cast moulds and die-cast machines is defined as completion of manufacturing of the mould or machine. For extrusion and other tooling and Automotive Solutions segment products, completion is defined as shipment to customers.

Debt/Equity

($ millions)

Risks and Uncertainties

The economic environment within which Exco operates directly affects its results. In 2003, Exco's Automotive Solutions segment will represent approximately 40% of revenue. Therefore, the level of automotive production and Exco's ability to continue to win new production contracts will have a direct impact on Exco's future operating results. Exco believes that its approach of focusing on automotive interiors and offering low-cost efficient manufacturing is the key to achieving continued growth.

The Casting and Extrusion Technology segment is a capital goods business. Accordingly, both the economic climate and business confidence affect the demand for Exco's products. In this environment, the Company believes that its broad product line, geographic diversification and leading technology will continue to provide momentum for growth.

The Company's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. Exco also purchases material in both currencies. Together, U.S. dollar sales and U.S. dollar purchases provide a natural hedge for the Company's Canadian operations. Exco constantly reviews its net foreign currency exposure and believes that the range within which the value of the Canadian dollar trades, relative to the U.S. dollar, does not pose significant financial risk to the Company. However, the Company enters into contracts to sell U.S. dollars in the event of weakness in the Canadian dollar to further reduce currency risk. Note 10 to the consolidated financial statements sets out information concerning these contracts.

Exco's Automotive Solutions segment has manufacturing facilities in Mexico and Morocco. These operations incur some operating expenses, primarily labour, in their local currency. Sales contracts and major purchases, such as material and equipment, are negotiated in U.S. dollars and Euros for Mexico and Morocco, respectively. Significant long-term fluctuations in the relative value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results.

OUTLOOK

Casting and Extrusion Technology

For several years, Exco has experienced lower revenue in its Casting Technology business, despite record North American vehicle production. This is a direct result of limited technology changes to powertrains being introduced to the North American automotive market. During this period, the primary focus of the OEMs was not fuel economy. Rather, new sport utility vehicles, using existing powertrain technology, were introduced to the marketplace. This trend now appears to be changing as North American OEMs are proposing the introduction of new powertrains beginning in 2005. Given Exco's leadership in the development and engineering of die-cast moulds, we believe we are in an excellent position to win this business. Further, the manufacturing capacity required for this anticipated increase in volume is already in place. Accordingly, a significant improvement in profitability is expected as capacity utilization increases.

Over the next several years, expectations are that new aluminum and magnesium die-cast components will replace existing components manufactured from steel and other materials. Aluminum and magnesium die-cast components provide automakers with weight savings and fewer manufacturing operations. Such a transition should result in further growth for Exco's Casting Technology business.

Exco has successfully developed a multiple-slide magnesium die-cast machine. Several systems are currently in operation at customer sites and full-scale marketing of this equipment is underway. Customer interest is high, particularly in the electronics industry where the attributes of magnesium and the proprietary manufacturing technology of Exco's system make it an attractive choice. In addition, the marketing efforts of our multiple-slide zinc and magnesium die-cast machines in Asia have resulted in an expanding customer base, which will provide significant future growth. The North American market continues to be soft; however, equipment sales should improve upon its recovery.

The Extrusion Technology business continued to grow through 2002. With a North American market share of 10%, Exco has a significant opportunity for growth in this field. In addition, the continued consolidation of Exco's customer base is a positive trend. Consolidation has created a larger, more sophisticated market, which demands the trusted technological and leadership capabilities provided by Exco. Exco's innovative approach of offering its customers peripheral equipment that complements our primary extrusion tooling also supports the demand for the Company's products.

Automotive Solutions

Exco's Automotive Solutions segment supplies storage, restraint and other automotive interior components. This business has experienced compound annual growth in excess of 20% since it was acquired in August 2000. This continued growth has occurred as a result of three initiatives: we introduced new products to the market; we increased our market share in existing products by offering lower cost, more efficient manufacturing; and we expanded into the European market.

The purchase of NeoCon, subsequent to year-end, further advances Exco's diverse product line. NeoCon manufactures rigid storage systems, which complement the existing flexible storage systems already offered by Exco. We believe that the consumer trend to conveniently organize and store items in vehicles will result in continued market increases for Exco's products. This promising trend, coupled with our continued penetration of the European market and the potential growth of the Company's barrier net product in the North American market, will further fuel growth.

Conclusion

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. 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 prospects 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Exco Technologies Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and a majority of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

November 8, 2002
Exco Technologies Limited

AUDITORS' REPORT

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2002 and 2001 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Toronto, Canada
November 8, 2002

CONSOLIDATED BALANCE SHEETS

($000s)

As at September 30	2002	2001
ASSETS		
CURRENT		
Accounts receivable	$ 46,075	$ 44,004
Inventories (note 3)	27,272	25,452
Prepaid expenses and deposits	2,086	2,135
Total current assets	75,433	71,591
Fixed assets (notes 4 and 6)	90,535	88,333
Goodwill	36,025	38,025
	$ 201,993	$ 197,949
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 5)	$ 23,265	$ 38,446
Accounts payable and accrued liabilities	28,731	25,922
Income taxes payable (note 8)	5,220	1,770
Customer advance payments	8,671	12,087
Current portion of long-term debt (note 6)	117	177
Total current liabilities	66,004	78,402
Long-term debt (note 6)	856	970
Future income tax liabilities (note 8)	4,723	4,127
Total liabilities	71,583	83,499
SHAREHOLDERS' EQUITY		
Share capital (note 7)	26,707	25,843
Retained earnings	99,626	84,584
Currency translation adjustment	4,077	4,023
Total shareholders' equity	130,410	114,450
	$ 201,993	$ 197,949

Commitments (note 10)

See accompanying notes

On behalf of the Board:

Brian A. Robbins
Director,
President and
Chief Executive Officer

Helmut Hofmann
Director,
Chairman of
the Board

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

($000s, except per share amounts)

Years ended September 30		2002		2001
Sales	$	213,141	$	184,133
Cost of sales and operating expenses before the following		135,914		118,213
Selling, general and administrative		33,841		28,907
Loss (gain) on sale of fixed assets		(47)		43
Depreciation and amortization		14,407		15,955
Interest on long-term debt		87		171
Other interest expense		1,236		2,818
		185,438		166,107
Income before income taxes		27,703		18,026
Provision for income taxes (note 8)				
Current		10,065		4,952
Future		596		2,089
		10,661		7,041
Net income for the year		17,042		10,985
Retained earnings, beginning of year		84,584		74,865
Goodwill impairment loss (note 1)		(2,000)		
Excess of redemption price over stated value of common shares acquired and cancelled (note 7)		—		(1,266)
Retained earnings, end of year	$	99,626	$	84,584
Earnings per common share (note 11)				
Basic	$	0.87	$	0.55
Diluted	$	0.84	$	0.55

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000s, except per share amounts)

Years ended September 30	2002	2001
OPERATING ACTIVITIES		
Net income for the year	$ 17,042	$ 10,985
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	14,407	15,955
Future income taxes	596	2,089
Loss (gain) on sale of fixed assets	(47)	43
	31,998	29,072
Net change in non-cash working capital balances related to operations (note 9)	(958)	384
Cash provided by operating activities	31,040	29,456
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(15,181)	2,083
Decrease in long-term debt	(174)	(989)
Issue (repurchase) of share capital (note 7)	864	(1,733)
Cash used in financing activities	(14,491)	(639)
INVESTING ACTIVITIES		
Investment in fixed assets	(16,870)	(14,237)
Proceeds from sale of fixed assets	321	172
Acquisition of subsidiary (note 2)	—	(17,393)
Cash acquired on acquisition of subsidiary (note 2)	—	2,641
Cash used in investing activities	(16,549)	(28,817)
Increase in cash	0	0
Cash, beginning of year	0	0
Cash, end of year	$ 0	$ 0
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital balances related to operations (note 11)		
Basic	$ 1.63	$ 1.47
Diluted	$ 1.58	$ 1.47

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Exco Technologies Limited's (the Company's) wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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. In the year of adoption, any impairment loss recognized on transition to the new accounting policy may be recorded as a charge against retained earnings. The Company adopted these recommendations effective October 1, 2001 and has applied these changes prospectively. As a result, net income and earnings per share are higher by $996 and $0.05 respectively, for the year ended September 30, 2002 as compared to net income and earnings per share that would have been recorded before the change in accounting policy. Although the prior year has not been restated, net income and earnings per share for the year ended September 30, 2001 would have been higher by $943 and $0.05 respectively had the change in accounting policy been applied retroactively.

(ii) Goodwill Impairment Tests

During fiscal 2002, the Company completed impairment tests for goodwill under the transition rules for the change in accounting policy 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 Solutions segment. The Company's total investment in this subsidiary was $5 million and an impairment loss of $2 million, based on its net realizable value, has been recorded as a reduction in the carrying value of goodwill and a charge to retained earnings. Impairment tests of the Company's other operations concluded that no other impairment losses have occurred and therefore no further adjustments were required. Goodwill in the Automotive Solutions 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.

Earnings per Share and Cash per Common Share Provided by Operating Activities

The Company uses the 'treasury stock method' in computing diluted weighted average number of shares outstanding. Under the treasury stock method:

- exercise of options is 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.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour and the applicable share of manufacturing overhead.

Fixed Assets

Fixed assets are recorded at historical cost, net of related investment tax credits and accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of and the related accumulated depreciation and amortization are removed from the accounts with the net gain or loss being included in income.

Depreciation and amortization are provided over the estimated useful lives of the fixed assets as follows:

Buildings	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Leasehold improvements	straight-line over the terms of the leases

Financial Instruments

Financial instruments recognized in the consolidated balance sheets comprise accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, customer advance payments and long-term debt. The fair value of these instruments approximates their carrying value.

The Company also has forward foreign exchange sale contracts denominated in U.S. dollars. These contracts are used to hedge the Company's foreign exchange exposure inherent in sales in U.S. dollars. Foreign exchange contracts are negotiated with Canadian banks with credit ratings of R1 (mid) as determined by the Dominion Bond Rating Service. The Company does not anticipate non-performance by the banks, which are counterparties to these contracts.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates. Revenue and expense transactions denominated in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions. All of the Company's foreign operations are self-sustaining. The assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are deferred as a separate component of shareholders' equity.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statements of income and retained earnings except for gains and losses on foreign exchange forward contracts used to hedge specific future foreign currency transactions. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

Revenue Recognition

Revenue from the sale of manufactured products is recognized upon product completion as follows:

- For large die-cast moulds and die-cast machines, upon completion of manufacturing of the mould or machine; and
- For extrusion and other tooling, and Automotive Solutions segment products, upon shipment to customers.

Research and Development Expenditures

Research and development expenditures are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral.

September 30, 2002 ($000s, except per share amounts)

Income Taxes

The Company follows the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock-Based Compensation

Effective October 1, 2001, the Company adopted the new recommendations concerning Stock-Based Compensation and Other Stock-Based Payments, issued by the Canadian Institute of Chartered Accountants. The new recommendations are applicable only to options granted by the Company after October 1, 2001.

The Company has elected to follow the intrinsic value method of accounting for stock-based compensation granted to employees and directors. Under this method, no compensation expense for stock options granted to employees and directors or for shares issued under the Company's employee share purchase plan is recognized; however, pro forma disclosure of the net income and earnings per share is provided as if these awards were accounted for using the fair value method (calculated by the Black-Scholes model) as set out in note 7.

Consideration received by the Company from the exercise of stock options is credited to share capital.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates.

2. ACQUISITION OF SUBSIDIARY

Year Ended September 30, 2001

Effective December 20, 2000, the Company purchased 100% of the outstanding shares of Techmire Ltd. ("Techmire"). Techmire designs and manufactures multiple-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.

The Company's net investment was $14,752, 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)		(243)
Net identifiable assets purchased		8,890
Goodwill upon acquisition		8,503
Purchase price		17,393
Less cash acquired		(2,641)
Net investment	$	14,752

3. INVENTORIES

	2002	2001
Raw materials	$ 13,556	$ 11,642
Work in process and finished goods	13,716	13,810
	$ 27,272	$ 25,452

4. FIXED ASSETS

	2002		
	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 5,657	$ —	$ 5,657
Buildings	36,623	9,652	26,971
Machinery and equipment	174,073	117,658	56,415
Tools	6,075	4,924	1,151
Leasehold improvements	1,147	806	341
	$ 223,575	$ 133,040	$ 90,535

	2001		
	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 5,655	$ —	$ 5,655
Buildings	31,609	8,498	23,111
Machinery and equipment	164,349	106,888	57,461
Tools	5,475	4,154	1,321
Leasehold improvements	1,489	704	785
	$ 208,577	$ 120,244	$ 88,333

5. BANK INDEBTEDNESS

At September 30, 2002, the Company has available lines of credit totalling $68,690 (2001 – $82,628), of which $45,425 (2001 – $32,432) was unused and available. These operating lines are available in both U.S. and Canadian dollars at variable rates not exceeding prime rate, are unsecured and are due on demand. The prime rate in Canada at September 30, 2002 was 4.5% (2001 – 5.25%) and in the United States was 4.75% (2001 – 6.0%). In addition, under the terms of these credit agreements, the Company is permitted to make use of banker's acceptances to borrow at effective interest rates which are usually lower than those charged under the banks' lines of credit.

September 30, 2002 ($000s, except per share amounts)

6. LONG-TERM DEBT

		2002		2001
U.S. dollar denominated mortgage payable	$	946	$	1,025
U.S. dollar denominated capital lease obligation		—		50
Canadian dollar denominated capital lease obligations		27		72
		973		1,147
Less current portion		117		177
Long-term portion	$	856	$	970

The U.S. dollar denominated mortgage, secured by land and a building, bears interest at 8.7% and matures June 1, 2005. The monthly principal and interest payments on this loan are approximately U.S.$9 and are based on an amortization period of 10 years.

The Canadian capital lease obligation bears interest at 8.9% and matures in 2003. The monthly principal and interest payments are $2 and are based on amortization periods of five years.

Total principal repayment requirements are as follows:

2003	$	117
2004		99
2005		757
	$	973

7. SHARE CAPITAL

Authorized

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares.

Issued

The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares		
	Number of Shares		Stated Value
Issued and outstanding at September 30, 2000	19,998,669	$	26,310
Purchased and cancelled pursuant to normal course issuer bid	(354,700)		(467)
Issued and outstanding at September 30, 2001	19,643,969	$	25,843
Issued for cash under Stock Option Plan	92,250		845
Issued for cash under the Employee Stock Purchase Plan	2,840		19
Issued and outstanding at September 30, 2002	19,739,059	$	26,707

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees, officers and directors of the Company. The following table shows the changes to stock options outstanding:

	2002			2001		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	1,566,805	$	7.15	1,314,329	$	7.42
Granted during the year	183,820	$	9.70	298,476	$	5.99
Exercised during the year	(92,250)	$	9.16	—		—
Cancelled during the year	(5,250)	$	8.02	(46,000)	$	7.32
Balance, end of year	1,653,125	$	7.32	1,566,805	$	7.15

The following table summarizes information about stock options outstanding at September 30, 2002:

Options Outstanding					Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$4.85 – $ 6.00	684,625	4.3 years	$	5.77	490,649	$	5.69
$6.00 – $ 8.00	506,086	5.9 years	$	7.24	174,323	$	7.10
$8.00 – $11.64	462,414	6.2 years	$	9.80	191,326	$	9.60

The number of shares available for option at September 30, 2002 is 209,684 (2001 – 79,195). During the year, the Company's shareholders approved an increase in the number of stock options available for issuance under the Stock Option Plan by 320,000. Accordingly, the number of options outstanding together with those available for future issuance totals 1,862,809 (2001 – 1,646,000) or 9.4% (2001 – 8.4%) of the issued and outstanding common shares.

Employee Stock Purchase Plan (ESPP)

The Company has an Employee Stock Purchase Plan (ESPP). The ESPP allows employees to purchase shares annually through payroll deductions at a predetermined price. During 2002, payroll deductions were made supporting the purchase of a maximum of 154,712 shares at $7.23 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2003. Employees must decide annually whether or not they wish to purchase their shares. During 2002, 2,840 shares (2001 – nil) were issued under the terms of the ESPP.

September 30, 2002 ($000s, except per share amounts)

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 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 year ended September 30, 2002:

Year ended September 30		2002
Net income	$	17,042
Pro forma compensation expense		275
Pro forma net income	$	16,767
Basic earnings per share		
As reported	$	0.87
Pro forma	$	0.85
Diluted earnings per share		
As reported	$	0.84
Pro forma	$	0.83

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 4.54%, expected dividend yield of 0%, expected volatility of 0.275 and expected option life of 3.7 years. The weighted average fair value of the options granted and shares issuable under the ESPP during the year is $2.43.

Normal Course Issuer Bid

The Toronto Stock Exchange approved 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 982,198 common shares, less any common shares purchased for the Company's deferred profit sharing plan, representing approximately 5% of the Company's outstanding shares. During fiscal 2002, the Company did not purchase any shares pursuant to the August 8, 2001 bid. In the prior fiscal year, under an earlier bid, 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 was charged against retained earnings in the prior fiscal year.

8. INCOME TAXES

The Company's effective income tax rate is as follows:

			2002
Income before income taxes	$	27,703	100%
Income taxes at Canadian statutory rates	$	10,832	39.1%
Manufacturing and processing deduction		(1,662)	(6.0)
Foreign rate differential		376	1.4
Losses not benefited for tax purposes		336	1.2
Items not deductible for tax purposes		290	1.0
Other		489	1.7
	$	10,661	38.4%

			2001
Income before income taxes	$	18,026	100%
Income taxes at Canadian statutory rates	$	7,810	43.3%
Manufacturing and processing deduction		(1,622)	(9.0)
Non-deductible goodwill amortization		327	1.8
Foreign rate differential		217	1.2
Other		309	1.7
	$	7,041	39%

Cash outflows during the year for income taxes were $6,692 (2001 – $4,821).

Future income tax assets and liabilities consist of the following temporary differences:

		2002		2001
Assets				
Tax benefit of loss carryforwards	$	(998)	$	(843)
Items not currently deductible for tax purposes		(2,189)		(1,783)
Research and development expenditures		(430)		(435)
Liabilities				
Tax depreciation in excess of book depreciation		8,340		7,188
Net future income tax liabilities	$	4,723	$	4,127

Research and development expenditures:

The Company has accumulated research and development expenditures of $1,930 (2001 – $2,200), which have not been deducted for federal income tax purposes. The tax benefit pertaining to these expenditures has been recognized in the consolidated financial statements. These expenditures are available to reduce future taxable income and have an unlimited carry-forward period.

9. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The net (increase) decrease in non-cash working capital balances related to operations consists of the following:

		2002		2001
Accounts receivable	$	(2,071)	$	(2,708)
Prepaid expenses and deposits		49		(350)
Inventories		(1,820)		(1,448)
Accounts payable and accrued liabilities		2,809		(368)
Income taxes payable		3,450		2,210
Customer advance payments		(3,416)		2,254
Translation adjustment allocated to working capital		41		794
	$	(958)	$	384

September 30, 2002 ($000s, except per share amounts)

10. COMMITMENTS

Leases

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2007. Future minimum annual lease payments are as follows:

2003	$	2,640
2004		1,924
2005		1,534
2006		1,569
2007		699
	$	8,366

Foreign Exchange Contracts

The Company has contracts to sell U.S.$23,050 (2001 – U.S.$13,900) over the next 24 months at rates varying from 1.53 to 1.61 (2001 – 1.47 to 1.59) Canadian dollar for each U.S. dollar sold. Management estimates that a loss of $590 (2001 – $214) would be incurred if the contracts were terminated on September 30, 2002.

11. EARNINGS AND CASH FLOW PER COMMON SHARE PROVIDED BY OPERATING ACTIVITIES

The basic earnings and cash flow per share are calculated using the monthly weighted average number of common shares outstanding of 19,666,599 (2001 – 19,799,977). The effect of outstanding stock options on diluted weighted average shares outstanding was to increase the weighted average number of shares outstanding by 537,052 shares (2001 – 11,541).

12. SEGMENTED INFORMATION

Business Segments

The Company operates in two business segments: Casting and Extrusion Technology and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 1 of the 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 Solutions segment produces automotive restraint systems and powdered metal cylinder liners for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

	2002						2001
	Casting & Extrusion Technology	Automotive Solutions	Total	Casting & Extrusion Technology	Automotive Solutions	Total
Sales	$ 142,599	$ 70,542	$ 213,141	$ 126,850	$ 57,283	$ 184,133
Depreciation & amortization	$ 12,219	$ 2,188	$ 14,407	$ 13,117	$ 2,838	$ 15,955
Segment income	$ 17,375	$ 11,651	$ 29,026	$ 14,371	$ 6,644	$ 21,015
Interest expense			$ 1,323			$ 2,989
Income before income taxes			$ 27,703			$ 18,026
Fixed asset additions	$ 9,855	$ 7,015	$ 16,870	$ 11,443	$ 2,794	$ 14,237
Total fixed assets, net	$ 75,620	$ 14,915	$ 90,535	$ 78,360	$ 9,973	$ 88,333
Goodwill additions	$ —	$ —	$ —	$ 8,503	$ —	$ 8,503
Goodwill	$ 8,345	$ 27,680	$ 36,025	$ 8,345	$ 29,680	$ 38,025
Total assets	$ 136,532	$ 65,461	$ 201,993	$ 136,902	$ 61,047	$ 197,949

Geographic and Customer Information

	2002	2001
Sales		
Canada	$ 39,498	$ 34,054
United States	145,883	123,164
Other	27,760	26,915
	$ 213,141	$ 184,133
Fixed assets and goodwill, net		
Canada	$ 65,870	$ 66,933
United States	48,961	52,683
Mexico	6,036	6,035
Morocco	5,693	707
	$ 126,560	$ 126,358

In 2002, sales to the Company's largest customer were 16% (2001 – 19%) of total sales. The allocation of sales to the geographic segments is based upon the location of the customer.

13. SUBSEQUENT EVENT

On October 1, 2002, the Company announced the purchase of all the outstanding common shares of NeoCon International Inc. ("NeoCon"). The purchase price for the common shares was approximately $10,700, subject to adjustment based on the closing balance sheet. In addition, NeoCon's debt of approximately $4,300 was assumed. The transaction will be financed through Exco's operating lines and by the issuance of 65,000 Exco common shares at $12.00 per share ($780).

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.

($000s, except per share amounts)

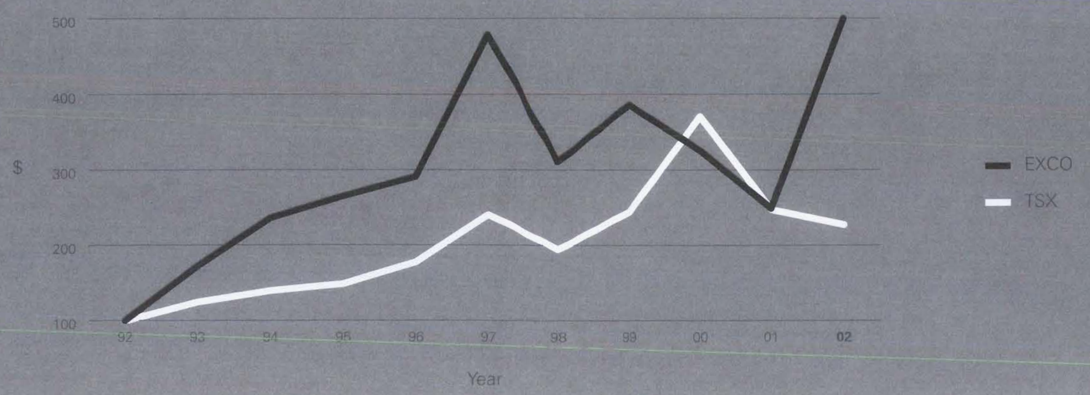
Financial Results

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Sales	$213,141	$184,133	$118,070	$118,295	$118,045	$ 99,579	$ 73,403	$ 73,947	$ 56,785	$ 42,505
Net income	$ 17,042	$ 10,985	$ 10,310	$ 12,036	$ 11,115	$ 8,388	$ 5,880	$ 9,144	$ 7,747	$ 3,238
Diluted earnings per share	$ 0.84	$ 0.55	$ 0.51	$ 0.61	$ 0.55	$ 0.43	$ 0.30	$ 0.47	$ 0.41	$ 0.19
Cash flow from operations	$ 31,998	$ 29,072	$ 24,216	$ 24,208	$ 21,238	$ 16,355	$ 11,636	$ 14,384	$ 11,777	$ 7,100
Diluted cash flow per share	$ 1.58	$ 1.47	$ 1.21	$ 1.22	$ 1.06	$ 0.83	$ 0.59	$ 0.73	$ 0.62	$ 0.42
EBITDA	$ 43,433	$ 36,970	$ 29,398	$ 32,617	$ 29,572	$ 21,688	$ 15,279	$ 19,621	$ 16,609	$ 9,841
Total net debt to equity	.19:1	.35:1	.37:1	0:1	.26:1	.15:1	.06:1	0:1	0:1	0:1
Capital expenditures	$ 16,549	$ 14,065	$ 11,691	$ 8,669	$ 26,155	$ 21,469	$ 18,790	$ 9,431	$ 6,360	$ 3,103
Acquisitions	$ 0	$ 14,752	$ 48,625	$ 0	$ 0	$ 1,522	$ 0	$ 4,038	$ 0	$ 0

Cumulative Shareholder Return

The graph below illustrates that $100 invested in the Toronto Stock Exchange total return index in 1992 is worth $228 in 2002, whereas, $100 invested in Exco in 1992 is worth $500. An Exco share has outperformed the index by 119% and has provided an average annual compound return of 17.5% over the 10 year period.

Stock Price Performance



BOARD OF DIRECTORS AND OFFICERS

DIRECTORS

Helmut Hofmann
Chairman of the Board of the Company
Chairman, Héroux-Devtek

Geoff Hyland, B. Eng. (Chem), MBA
President and Chief Executive Officer
ShawCor Ltd.

Richard D. McGraw, B. Comm.
President
Lochan Ora Group of Companies

Brian A. Robbins, P. Eng.
President and Chief Executive Officer
of the Company

Brian J. Steck, MBA, CFA
President
St. Andrews Financial Corporation

Ralph Zarboni, B. Comm., FIM
President
Rossiter Ventures Corporation

Audrey E. Robbins, Honorary Director
Co-founder of the Company

CORPORATE OFFICERS

Helmut Hofmann
Chairman of the Board

Brian A. Robbins
President and Chief Executive Officer

Scott E. Bond
Vice-President, Finance and Chief Financial Officer

Bonnie M. Cartwright
Vice-President, Business Development

Anne Himelfarb
Secretary

PRINCIPAL BANKER

The Bank of Nova Scotia
Markham, Ontario

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

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(416) 643-5500 or
1-800-387-0825

AUDITORS

Ernst & Young LLP
Chartered Accountants

STOCK LISTING

Toronto Stock Exchange (XTC)

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Web: www.excocorp.com

2002 ANNUAL MEETING

The 2002 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto, on Wednesday, January 29, 2003 at 4:30 p.m.

DESIGN: BRYAN MILLS GROUP, TORONTO

EXCO

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