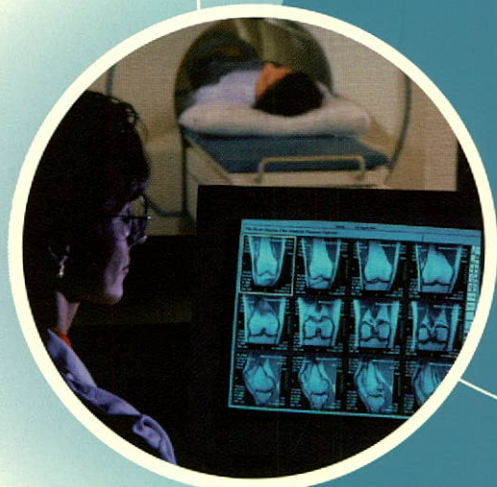
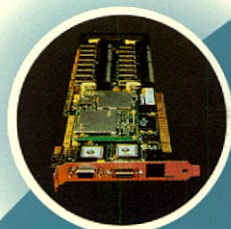


ANNUAL  
REPORT  
1999



## **CORPORATE PROFILE**

*Coreco is a leader in the design, development, manufacturing and marketing of cutting-edge computer vision hardware and software.*

*The Company provides value-added, integrated imaging solutions for Original Equipment Manufacturers (OEMs). Its vision platforms are used in the manufacture of high-growth electronics products, including semiconductors and flat panel displays, as well as in medical imaging equipment.*

*Founded in 1979, Coreco's continuing success is driven by its commitment to the research and development of value-added products as well as its focus on the evolving needs of the computer vision market.*

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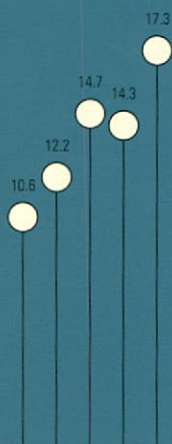
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**FINANCIAL  
HIGHLIGHTS**

Years ended December 31,	1999	1998	% Change
(in thousands of \$, except per share data)			
<b>OPERATING RESULTS</b>			
Sales	\$17,309	\$14,349	+21%
Gross profit	11,253	9,432	+19%
Research and development expenditures (gross)	3,798	2,532	+50%
Selling and marketing expenses	2,540	2,231	+14%
Other charges <sup>(1)</sup>	3,907	555	—
Earnings before income taxes	1,237	4,228	-71%
Net earnings from operations <sup>(2)</sup>	3,225	3,142	+3%
Net earnings	779	2,778	-72%
Net earnings from operations per share <sup>(2)</sup>	0.44	0.42	+5%
Net earnings per share	0.11	0.37	-70%
<b>NUMBER OF SHARES OUTSTANDING</b>			
Weighted average	7,345,452	7,506,927	—
Issued	7,333,322	7,364,416	—
<b>FINANCIAL POSITION</b>			
Total assets	\$27,677	\$28,618	-3%
Working capital	20,815	21,825	-5%
Cash position	14,922	17,527	-15%
Shareholders' equity	24,693	24,788	—

**SALES**

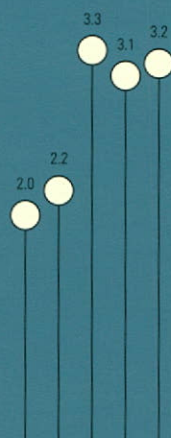
(in millions of \$)



95 96 97 98 99

**NET EARNINGS FROM OPERATIONS<sup>2</sup>**

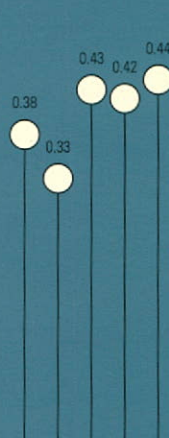
(in millions of \$)



95 96 97 98 99

**NET EARNINGS FROM OPERATIONS PER SHARE<sup>2</sup>**

(in \$)



95 96 97 98 99

(1) Includes the amortization of intangible assets, write-off of acquired software, settlement costs and related attorney fees.

(2) Excludes the after-tax effect of the other charges described in (1) above. See Note 10 to the audited Financial Statements.

# MESSAGE TO SHAREHOLDERS

We are pleased to report a 21% increase in revenues for the year, attributable to the recovery of the semiconductor market together with the integration of the Dipix board division in Ottawa.

Having anticipated the turnaround in the semiconductor industry, we focused our efforts in fiscal 1999 on the launch of several new products targeting specific high-growth markets. This strategy yielded 51 design-wins in 1999.

This year's new products included the Viper series of intelligent frame grabbers, the Mamba vision processor and the FastSeries application specific software — all of which support our strategy to provide OEM customers with complete imaging solutions. These products have already gained design-wins in the semiconductor industry and will be followed by volume orders in fiscal 2000.

With these products, we are targeting manufacturing equipment for high-growth end applications like telecommunications, internet-based technologies and consumer electronics. Coreco products assure that components used in these applications meet the quality, reliability and price targets set by their manufacturers. Coreco is well positioned to benefit from the high growth of the markets for these applications, which is being driven by rapid technological advances.

We have been successfully focusing on the flat panel display market with our Viper and Python vision processors. Solid-state displays are an integral part of computers, video games, cell phones and high-definition television, all high-growth markets. Coreco is now supplying the major OEM in the flat panel industry, which is currently valued at \$19 billion and expected to reach \$70 billion by 2005.

Likewise, the semiconductor industry, another important target market for Coreco products, is also being driven by the explosive growth in telecommunications, internet technologies and consumer electronics. The semiconductor equipment manufacturing market is expected to reach \$28 billion in 2000. Most recently, Coreco's products have been designed into equipment used to inspect Ball Grid Arrays (BGA) and Chip Scale Package (CSP) integrated circuits, which are critical to compact electronics products.

## ***Our targeted strategy yields concrete results***

In fiscal 1999, revenues from industrial vision applications, which combine machine vision and industrial inspection, increased by 59% to reach 62% of Coreco's total revenues. Medical imaging accounted for 22% of our revenues, compared with 36% in the previous year.

Sales to all regions increased, led by Asia, where demand was driven primarily by OEMs supplying the semiconductor and flat panel display industries. In Europe, we secured key OEM customers in the semiconductor and pharmaceutical industries.

The Dipix board division, which was acquired in early fiscal 1999, was completely integrated by year-end. During the year, this group won several key OEM accounts in the semiconductor industry. Targeting higher-end application-specific products, our Vancouver-based group, Coreco LVL, launched the FastSeries software in 1999, for which it has already gained a number of design-wins. In addition, this group has been instrumental in winning key OEM accounts for our board products.

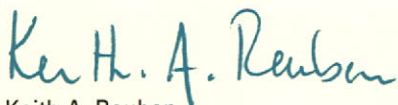
**Outlook**

In 2000, Coreco is targeting new, value-added industrial vision applications in the document imaging and print web inspection markets. Our FastSeries software, coupled with our hardware, will serve as the platform from which we address these markets.

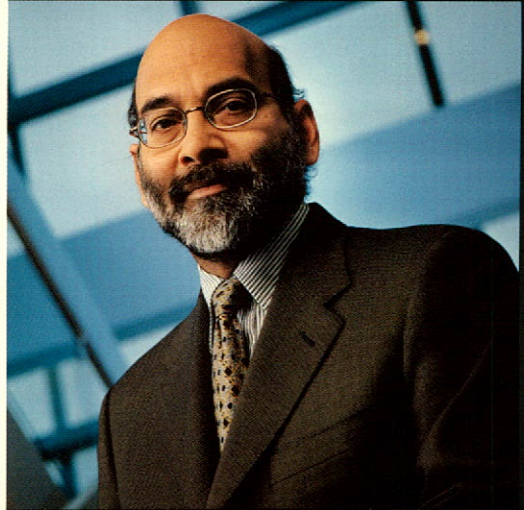
In addition, we will continue to focus our efforts on the semiconductor markets. We believe this area continues to hold substantial potential for revenue growth, both for new and previous design-wins.

Looking further ahead, Coreco will enter the smart camera market. The smart camera reduces some of the barriers that have prevented the use of machine vision in certain high-volume markets. By partnering with companies that have camera sensor expertise and leveraging Coreco's knowledge in vision algorithms, our objective is to create products that address new, high-volume markets.

As we continue to enlarge the applications and the markets for our products, our focus will remain steadfast on serving the interests of both our clients and our shareholders. On behalf of the Board, I would like to thank our clients for entrusting us with their business, our shareholders for their support of our strategy, and our employees for their creativity and dedication. With your support, we look forward to sustaining our long-term growth and profitability.

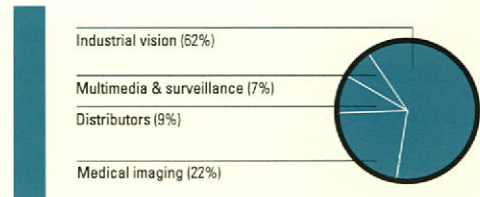


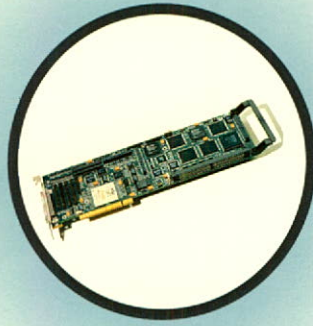
Keith A. Reuben  
President and Chief Executive Officer



*Fiscal 1999 was the year in which Coreco returned to historical levels of growth, while laying the foundation for a solid future through new products addressing high-growth markets.*

**SALES BY APPLICATION**





**THE VIPER-DIGITAL IS AN INTELLIGENT PCI FRAME GRABBER, DESIGNED FOR MULTI-TAP DIGITAL CAMERAS, THAT IS USED WITH THE PYTHON/C6 VISION ACCELERATOR TO PERFORM HIGH SPEED EMBEDDED PROCESSING.**

### **Customer profile**

*A leading Asian supplier of industrial measurement products has selected Coreco's vision engine for use in its flat panel display inspection systems. The main task of these systems is to measure the size, shape and dimension of defects during the manufacture of two types of flat panel displays (FPDs): liquid crystal displays (LCDs) and plasma display panels (PDPs). Combining Coreco's vision technology with a line sensor camera, these inspection systems are able to scan 72" panels and identify the exact type and location of a defect within seconds. These specialized flat panel display products have proven to be more precise and twice as fast as other methods.*

**Industrial vision\***  
**for**  
**flat panel displays**

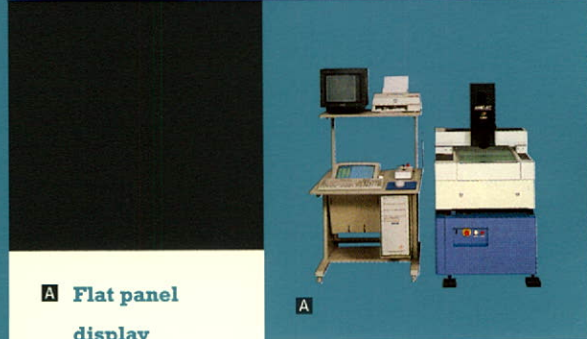
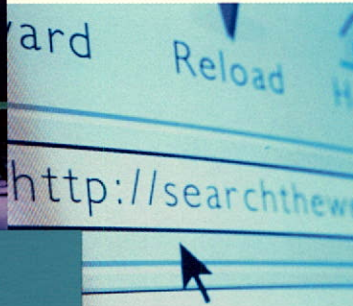
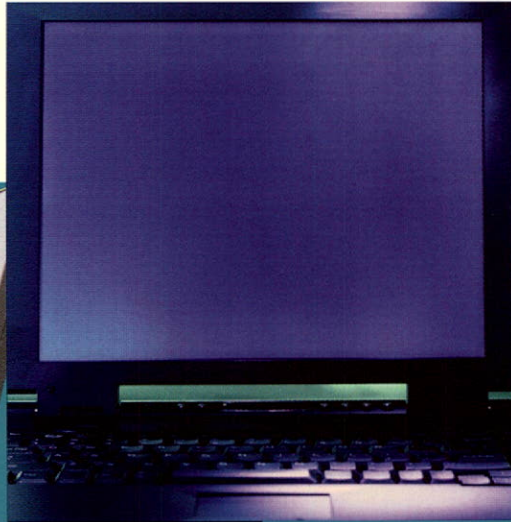
\*Combines industrial inspection and machine vision

### **Applications**

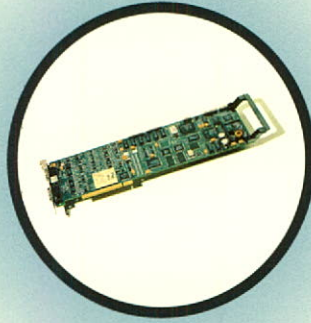
**Computer vision technology plays an important role in the manufacture of flat panel displays by enabling the identification of defects not visible to the human eye, both during and after the manufacturing process. Lightweight and rugged, the usage of FPDs is proliferating into a variety of consumer markets, including digital cameras, video games, high-definition television, cellular phones and hand-held computers. Coreco's products allow the manufacturers of these products to improve quality control, productivity and competitiveness.**

*The \$18.5 billion flat panel display market is expected to grow at a 25% compounded annual growth rate to reach \$69.9 billion in 2005.<sup>1</sup>*

<sup>1</sup>Source: DisplaySearch



**A** Flat panel display inspection system



**THE VIPER-RGB IS AN INTELLIGENT PCI FRAME GRABBER FOR RGB CAMERAS THAT ACQUIRES IMAGE DATA FROM A WIDE RANGE OF MEDICAL IMAGING DEVICES, INCLUDING CAMERA-MOUNTED MICROSCOPES, CAT SCAN SYSTEMS AND MRI SYSTEMS.**

### ***Customer profile***

*EndoSonics Corp. (NASDAQ: ESON) of Rancho Cordova, CA, is a leading developer of smart-guided diagnostic and therapeutic products serving the cardiology market. The company's intravascular imaging products are used in the diagnosis and treatment of cardiovascular and vascular disease. Featuring new, highly integrated circuit technology, EndoSonics' digital catheters and ultrasound systems provide greater depth and image quality than alternative products.*

**Medical  
imaging**

### ***Applications***

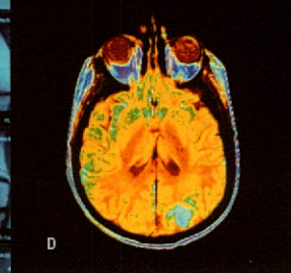
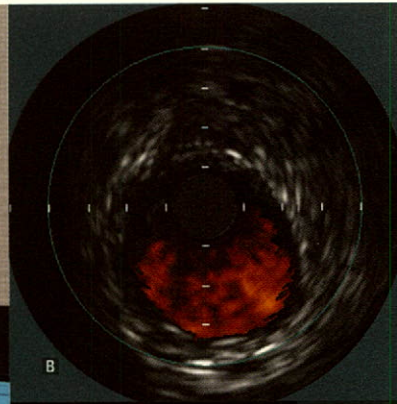
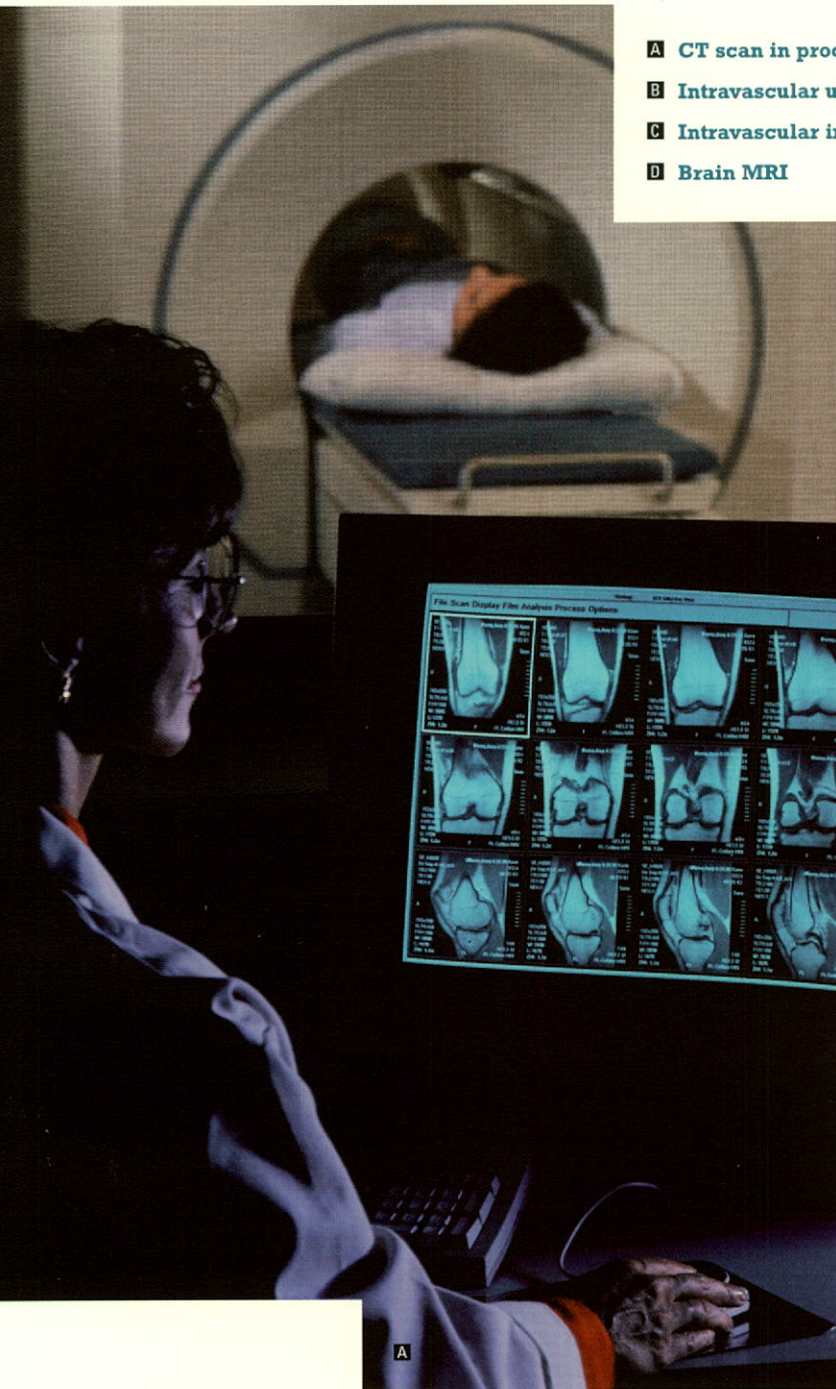
**Medical imaging makes significant demands on image processing. Coreco's vision products are used in telemedicine and in medical imaging systems to display, enhance, analyze or store image data produced by X-rays, ultrasounds, microscopy, endoscopy, fluoroscopy and CAT scans. This results in cost- and time-efficient diagnostic information, optimized patient care and improved clinical outcome.**

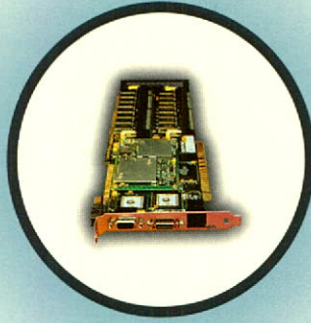


The market for medical imaging products is currently valued at approximately \$12 billion and is expected to reach almost \$16 billion by 2004.<sup>1</sup>

<sup>1</sup>Frost & Sullivan

- A** CT scan in process
- B** Intravascular ultrasound image
- C** Intravascular imaging system by EndoSonics
- D** Brain MRI





**THE MAMBA IS THE FIRST PENTIUM-II BASED EMBEDDED VISION PROCESSOR IN THE INDUSTRY. IT IS DESIGNED FOR OEMS THAT REQUIRE FASTER PROCESSING SPEEDS FOR LARGE AMOUNTS OF DATA.**

### **Customer profile**

*Electroglas Inc. (NASDAQ: EGLS), of San Jose, CA, is a leading developer of inspection systems for semiconductor wafers (the base material for semiconductor chips). Electroglas' wafer inspection systems make use of vision technology to automate the process of defect identification, defect classification and quality control. The company's inspection products analyze each individual die on every wafer to check for defects and process excursions, then identify the type of defect or pattern anomaly and pass the quantitative results to both upstream and downstream production machines.*

**Industrial vision  
for  
semiconductors**

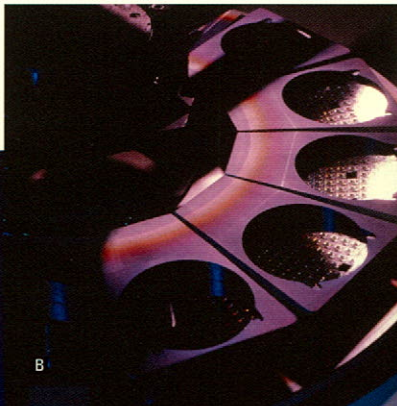
### **Applications**

**Vision technology is critical to many phases of semiconductor manufacturing. Coreco products are used to perform a number of quality and process control tasks, such as: inspecting work in progress or finished goods moving at high speeds on a production line, making decisions regarding product conformity to specifications, sorting, routing, rejecting or accepting the inspected component, and controlling robotics equipment. The strong demand for lightweight, portable electronic devices by the telecommunications, wireless and internet markets is driving the growth for new semiconductor chip and packaging technologies (CSP and BGA). Coreco products help improve manufacturing efficiency, thereby reducing costs.**

The wafer inspection market is growing at approximately 29% per year and is expected to reach \$948 million in 2000.<sup>1</sup> At the same time, the market for integrated circuit packaging is predicted to grow at a compounded annual growth rate of 12.5% to reach \$20.4 billion in 2003.<sup>2</sup>

<sup>1</sup> VLSI Research

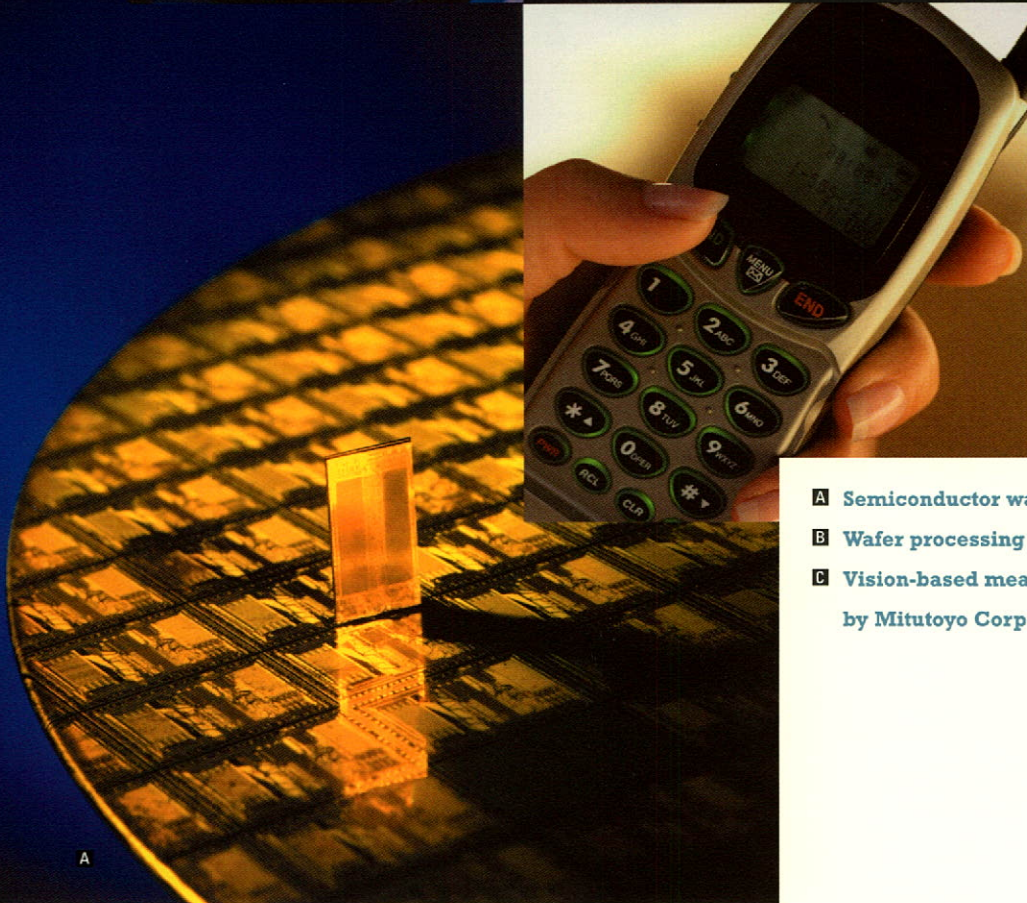
<sup>2</sup> Electronic Trend Publications



B



C



A

- A** Semiconductor wafer and chip
- B** Wafer processing machine
- C** Vision-based measuring system by Mitutoyo Corp.

**FIVE-YEAR  
FINANCIAL  
REVIEW**

Years ended December 31	1999	1998	1997	1996	1995
<b>OPERATING RESULTS</b> (in 000'S)					
Sales	\$17,309	\$14,349	\$14,674	\$12,218	\$10,589
Gross profit	11,253	9,432	9,343	7,000	5,802
Research and development expenditures	3,798	2,532	1,823	1,324	1,174
Selling and marketing expenses	2,540	2,231	2,304	2,061	1,631
Other charges <sup>(1)</sup>	3,907	555	93	0	0
Earnings before income taxes	1,237	4,228	4,937	3,415	2,590
Supplementary measure of net earnings <sup>(2)</sup>	3,225	3,142	3,268	2,200	2,034
Net earnings	779	2,778	3,208	2,200	2,034
<b>FINANCIAL POSITION</b> (in 000'S)					
Total assets	\$27,677	\$28,618	\$26,530	\$22,484	\$5,823
Working capital	20,815	21,825	18,794	18,194	2,504
Cash position	14,922	17,527	15,126	15,729	704
Cash flows from operating activities	3,289	3,824	3,427	1,893	1,980
Cash flows from financing activities	(753)	(1,056)	491	13,577	(1,000)
Cash flows from investing activities	(7,534)	1,106	(3,110)	(15,782)	(473)
Shareholders' equity	24,693	24,788	23,066	19,368	3,052
<b>PER SHARE DATA</b>					
Supplementary measure of net earnings per share <sup>(2)</sup>	\$0.44	\$0.42	\$0.43	\$0.33	\$0.38
Net earnings per share	0.11	0.37	0.43	0.33	0.38
Book value per share	3.37	3.37	3.04	2.56	0.57
Cash per share (including short-term investments)	2.04	2.38	2.00	2.08	0.13
Dividend	0.10	0.00	0.00	0.00	0.10
<b>SHAREHOLDER DATA</b>					
Weighted average number of shares outstanding	7,345,452	7,506,927	7,530,899	6,641,108	5,377,737
Total number of shares outstanding	7,333,322	7,364,416	7,578,616	7,558,868	5,391,011
Market price range (C\$ per share)					
High	\$7.00	\$11.80	\$12.00	\$7.80	n/a
Low	4.35	3.40	5.00	4.70	n/a

(1) Includes the amortization of intangible assets, write-off of acquired software, settlement costs and related attorney fees.

(2) Excludes the after-tax effect of the other charges described in (1) above. See Note 10 to the audited Financial Statements.

(unaudited)

		Year	Q4	Q3	Q2	Q1
In thousands, except per share data						
Sales	1999	\$17,309	\$ 4,230	\$ 4,510	\$ 4,465	\$ 4,104
	1998	14,349	3,583	3,422	3,548	3,796
Gross profit	1999	11,253	2,780	2,960	2,821	2,692
	1998	9,432	2,324	2,155	2,387	2,566
Research and development						
expenditures	1999	3,798	1,020	964	941	873
	1998	2,532	648	603	635	646
Selling and marketing expenses	1999	2,540	590	677	618	655
	1998	2,231	615	480	517	619
Other charges <sup>(1)</sup>	1999	3,907	3,272	212	212	211
	1998	555	139	139	139	138
Earnings before income taxes	1999	1,237	(2,075)	1,214	1,090	1,008
	1998	4,228	1,002	917	1,143	1,166
Supplementary measure						
of net earnings <sup>(2)</sup>	1999	3,225	756	893	814	762
	1998	3,142	750	693	842	857
Net earnings	1999	779	(1,368)	778	771	658
	1998	2,778	714	587	731	746
Supplementary measure						
of net earnings per share <sup>(2)</sup>	1999	0.44	0.10	0.12	0.12	0.10
	1998	0.42	0.10	0.10	0.11	0.11
Net earnings per share	1999	0.11	(0.18)	0.10	0.10	0.09
	1998	0.37	0.10	0.08	0.09	0.10

(1) Includes the amortization of intangible assets, write-off of acquired software, settlement costs and related attorney fees.

(2) Excludes the after-tax effect of the other charges described in (1) above. See Note 10 to the audited Financial Statements.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS OF FINANCIAL POSITION  
AND RESULTS OF OPERATIONS**

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Financial Statements and related Notes for the year ended December 31, 1999.*

Coreco is a leader in the design, development, manufacturing and marketing of cutting-edge computer vision hardware and software. The Company provides value-added, integrated imaging solutions to its clients, consisting of Original Equipment Manufacturers (OEMs) in the semiconductor manufacturing, industrial vision and medical imaging markets.

**Highlights of Operations**

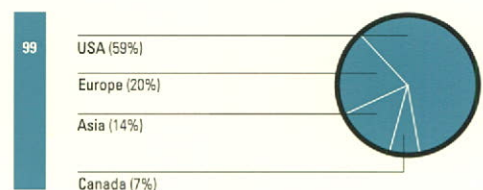
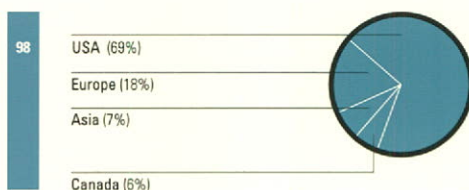
**Acquisition of imaging board business of, and investment in Dipix Technologies Inc.** - In January 1999, the Company completed its acquisition of the imaging board business of Dipix Technologies Inc., as well as its investment in Dipix' systems business, known as "Quali-Vision." The purchase price for the acquisition of the board business was approximately \$3.3 million and the investment in Quali-Vision was approximately \$1.4 million. The Company's ownership in the Dipix Quali-Vision business is approximately 20% of the total shares outstanding.

**New product launches** - During the year, several new products were launched in support of the Company's strategy to offer value-added, integrated imaging solutions to its customers. Three of these products have already gained design-wins in the semiconductor industry that will result in volume orders in fiscal 2000. They include the Viper, a new line of intelligent frame grabbers; the Mamba, an embedded image processor designed to accelerate machine vision and medical imaging applications; and the FastSeries, a library of application-specific software for optical character recognition, alignment, bar code reading and print web inspection. New products, including the Viper, Python, Cobra and FastSeries, accounted for 18% of overall revenues in 1999.

**Increased sales to all geographic regions** - Sales to all regions increased in fiscal 1999, reflecting a turnaround in the semiconductor market. Sales to Asia rose by 126%, driven primarily by OEM

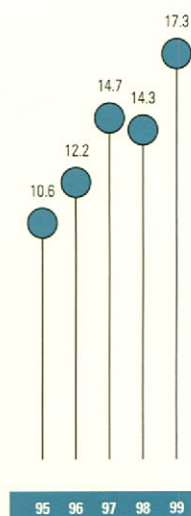
**SALES BY GEOGRAPHIC AREA**

(in %)



## SALES

(in millions of \$)



customers who design inspection equipment for the semiconductor and flat panel display industry. Sales to Europe increased by 36%, due to the Company's new frame grabber products and the added market penetration provided by the Dipix distribution network. Sales to North America recorded an increase of 7% as the semiconductor industry responded more slowly in this market. More growth from this area is expected by mid-2000.

The following table represents selected financial data as a percentage of sales:

Years ended December 31,	1999	1998	1997
Sales	100%	100%	100%
Gross profit	65%	66%	64%
Research and development expenditures (gross)	22%	18%	12%
Selling and marketing expenses	15%	16%	16%
Other charges <sup>(1)</sup>	23%	4%	1%
Supplementary measure of net earnings <sup>(2)</sup>	19%	22%	22%
Net earnings	5%	19%	22%

(1) Includes the amortization of intangible assets, write-off of acquired software, settlement costs and related attorney fees.

(2) Excludes the after-tax effect of the other charges described in (1) above. See Note 10 to the audited Financial Statements.

## Results of Operations

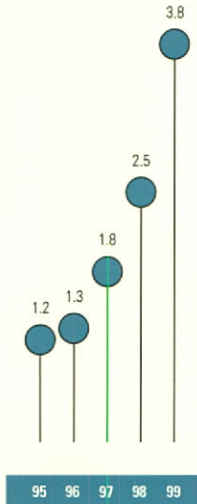
Sales for the year ended December 31, 1999 increased 21% to \$17.309 million compared with \$14.349 million for the same period in 1998. This growth is mainly due to revenues generated from the integration of the Dipix board division, acquired in fiscal 1999, which accounted for \$2.9 million of total revenues in fiscal 1999.

Gross profit amounted to \$11.253 million, or 65% of sales, in 1999 compared with \$9.432 million, or 66% of sales, in 1998. This gross margin percentage is consistent with the levels achieved in the two previous years.

Coreco continues to invest heavily in research and development ("R&D"). R&D expenditures increased 50% to \$3.798 million, or 22% of sales, in fiscal 1999 from \$2.532 million, or 18% of sales, the previous year. This increase is mainly due to the acquisition of Dipix, which enabled Coreco to gain access to a group of specialized engineers. The Company's objective is to continue investing heavily in R&D, in order to ensure its leading-edge market position.

## RESEARCH AND DEVELOPMENT EXPENDITURES

(in millions of \$)



Tax credits for research and development totalled \$1.583 million in 1999 compared with \$1.125 million in 1998, a 41% increase due to higher research and development expenditures as previously explained. Salaries are the principal element in the calculation of tax credits.

Selling and marketing expenses reached \$2.540 million in 1999 compared with \$2.231 million in 1998. This 14% increase was mainly due to the integration of Dipix in 1999. As a percentage of sales, selling and marketing expenses decreased slightly to 15% in 1999 from 16% in 1998.

General and administrative expenses increased by approximately \$200,000, to total \$1.460 million in 1999 compared with \$1.254 million in 1998. The increased resources required to support the activities of a larger organization were behind this rise.

Net interest income in 1999 decreased to \$596,000 compared with \$704,000 in 1998. This \$108,000 decrease resulted, in large part, from the use of \$4.548 million in cash for the acquisition of Dipix in January 1999.

The Statement of Earnings contains an additional line item titled Other charges that is composed of:

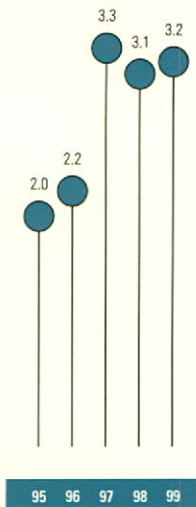
- *Amortization of intangible assets and the write-off of acquired software (WiT) related to the acquisition of Logical Vision* - The total charge for amortization and related write-off of intangibles for 1999 was \$3.486 million. In particular, at year-end, the Company reviewed the intangible assets resulting from its acquisition of Logical Vision. Based on an estimate of future direct contributions from this transaction, it was decided to write off the remaining unamortized book value of this acquisition, resulting in a one-time non-cash charge of \$2.689 million. Amortization expense in 1999 was \$797,000 compared with \$555,000 in 1998. This increase was due to the amortization of intangibles arising from the Dipix acquisition.
- *Attorney fees and settlement costs related to the National Instruments Corp. dispute* - In July 1999, National Instruments Corp. named the Company in a patent infringement suit in the U.S. Federal Court. In March 2000, both parties settled their legal dispute, and agreed to dismiss with prejudice their respective claims. The parties have reached a mutually acceptable confidential arrangement. Under this arrangement, Coreco will continue to sell the WiT Product. This situation resulted in a one-time charge of approximately \$421,000 for attorney fees and settlement costs.

In 1999, the total tax provision amounted to \$458,000 compared with \$1.450 million in 1998. The effective tax rate was 37% in 1999 compared with 34% in 1998. This change is mainly due to the variation in tax rates between provinces, stemming from Coreco's new Dipix operations in Ontario. The Company was fully taxable in both years.



## SUPPLEMENTARY MEASURE OF NET EARNINGS

(in millions of \$)



Net earnings amounted to \$779,000 in 1999 compared with \$2.778 million in 1998. Net earnings per share were \$0.11 in 1999 compared with \$0.37 in 1998.

### *Supplementary measure of net earnings*

Management utilizes supplementary measures of net earnings and net earnings per share to assess financial performance. These measures exclude the impact of after-tax amortization and write-offs of intangible assets arising from acquisitions and other one-time charges, which, in 1999, included settlement costs and related attorney fees. Supplementary measure of net earnings was \$3.225 million, or \$0.44 per share, compared with \$3.142 million, or \$0.42 per share, in 1998. See Note 10 to the audited Financial Statements for full details.

### *Liquidity and Capital Resources*

For the year ended December 31, 1999, cash flow from operations totalled \$3.289 million, which was used, in part, for increased working capital (\$552,000), investments in capital assets (\$592,000), repurchase of Company common shares under the normal course issuer bid (\$202,000) and payment of dividends (\$551,000). The remaining \$1.392 million, together with funds generated from previous years, was used for the Dipix acquisition (\$4.548 million) and for short-term investments (\$2.393 million).

During the year, through its normal course issuer bid program, the Company repurchased 43,500 common shares for cancellation, for a total consideration of \$202,000. In March 2000, Coreco renewed its normal course issuer bid program, entitling the Company to repurchase for cancellation a maximum of 200,000 common shares over the 12-month period ending March 1, 2001 through the facilities of the Toronto Stock Exchange.

At year-end 1999, the Company held \$14.922 million in cash and short-term investments, with no long-term debt. There was a 14.9% decrease in cash and short-term investments over 1998, resulting mainly from the use of \$4.548 million in cash for the acquisition of Dipix in January 1999. Coreco has a \$500,000 line of credit, of which no amount was outstanding as at December 31, 1999.

Coreco believes that existing cash and short-term investments, as well as cash flow generated from operations, will be sufficient to meet all the Company's planned expenditures through 2000. The Company regularly reviews acquisition opportunities, and may therefore require additional credit or equity financing.

## ***Dividends***

In March 1999, the Coreco Board of Directors announced that it had adopted a dividend policy, under which it intends to pay quarterly dividends in the amount of two and one-half cents (\$0.025) per share, representing ten cents (\$0.10) per share on an annual basis. The Board of Directors has determined that the record date for the dividend payments will be on or about the last day of each quarter of Coreco's fiscal year. Under this policy, \$735,000 was declared during the year, of which \$552,000 was paid in 1999 and the remainder in January 2000.

## ***Risks and Uncertainties***

### ***Foreign currency risk***

As in prior years, the Company's export sales represented over 90% of revenues, a percentage that should remain unchanged in 2000. The Company's export sales are in U.S. dollars and, as a result, Coreco is affected by associated fluctuations in the exchange rate. The Company protects itself against foreign exchange fluctuations through the purchase, from time to time, of forward exchange contracts and by purchasing components almost exclusively in U.S. dollars, along with certain services.

### ***Concentration of credit risk***

Coreco's operations include the management of trade receivables. The Company reviews the situation on a regular basis using a conservative approach.

The Company has a diversified customer base with over 300 active customers dispersed among different market segments and geographic locations around the world. Coreco's largest customer represented 7% of revenues in 1999.

### ***Year 2000 Issue***

As at the date of the audit report, Coreco had not experienced any problems relating to year 2000 issues. The Company has reviewed its internal computer systems as well as its products and believes that it does not have any material exposure to year 2000 problems. There can be no assurance, however, that such issues, including those related to customers, suppliers, or other third parties, may not affect the Company subsequent to this date.

## ***Outlook***

Coreco plans to continue its strategy of providing integrated, application-specific solutions. With this view, the Company is developing new products and continues to examine opportunities to acquire complementary technologies and businesses.

**MANAGEMENT'S  
STATEMENT OF  
RESPONSIBILITY**

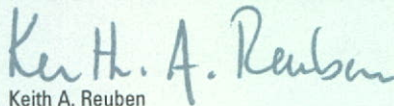
The financial statements of Coreco Inc. and the other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These financial statements have been prepared by management in accordance with generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded. Management recognizes its responsibility for conducting the Company's affairs to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

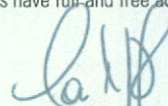
The Board of Directors supervises the financial statements and other financial information through its Audit Committee, which consists solely of outside directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors, either with or without the Company's management, to review their audit plan and discuss the results of their examinations.

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



Keith A. Reuben  
President and Chief Executive Officer



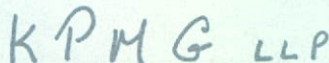
Louis Daigneault  
Vice-President,  
Finance and Administration  
and Chief Financial Officer

**AUDITORS'  
REPORT TO  
SHAREHOLDERS**

We have audited the balance sheets of Coreco Inc. as at December 31, 1999 and 1998 and the statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants


Montréal, Canada  
March 2, 2000

**BALANCE  
SHEETS**

December 31, 1999 and 1998	1999	1998
<b>ASSETS</b>		
Current assets:		
Cash	\$ 76,883	\$ 5,074,384
Short-term investments	14,845,591	12,452,446
Accounts receivable (note 3)	3,078,162	2,320,923
Research tax credits recoverable	2,180,415	1,926,852
Inventories (note 4)	3,283,718	2,441,967
Prepaid expenses	147,665	162,000
	23,612,434	24,379,172
Capital assets (note 5)	1,896,754	4,046,616
Investment, at cost (note 2)	1,482,030	—
Goodwill (note 2)	590,068	—
Deferred income taxes (note 9)	96,000	192,000
	\$27,677,286	\$28,617,788
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,702,283	\$ 1,666,980
Income taxes payable	565,703	716,916
Dividends payable	183,333	—
Deferred income taxes (note 9)	346,000	170,000
	2,797,319	2,553,896
Deferred income taxes (note 9)	187,000	1,276,000
Shareholders' equity:		
Share capital (note 6)	16,393,221	16,426,105
Retained earnings	8,299,746	8,361,787
	24,692,967	24,787,892
Commitments (note 7)		
	\$27,677,286	\$28,617,788

See accompanying notes to financial statements.

On behalf of the Board:

  
Robert Mee

  
Jacques E. Lefebvre, C.M.

**STATEMENTS  
OF EARNINGS**

Years ended December 31, 1999 and 1998	1999	1998
Sales	\$17,308,973	\$14,349,224
Cost of goods sold	6,056,441	4,916,983
Gross profit	11,252,532	9,432,241
Expenses:		
Research and development expenditures	3,798,071	2,531,747
Less research tax credits	(1,583,079)	(1,125,091)
	2,214,992	1,406,656
Selling and marketing	2,540,163	2,231,298
General and administrative	1,459,518	1,254,169
Depreciation and amortization of equipment and leasehold improvements	489,291	461,437
Financial, net	(595,764)	(703,981)
	6,108,200	4,649,579
Earnings before the undernoted items	5,144,332	4,782,662
Other charges (note 8)	3,907,096	555,000
Earnings before income taxes	1,237,236	4,227,662
Income taxes (note 9):		
Current	1,371,000	865,000
Deferred	(913,000)	585,000
	458,000	1,450,000
Net earnings	\$ 779,236	\$ 2,777,662

Earnings per share (note 10)  
See accompanying notes to financial statements.

**STATEMENTS  
OF RETAINED  
EARNINGS**

Years ended December 31, 1999 and 1998	1999	1998
Retained earnings, beginning of year	\$ 8,361,787	\$ 6,164,731
Net earnings	779,236	2,777,662
Dividends	(734,508)	—
Excess of purchase price over book value of common shares (note 6 (b))	(106,769)	(580,606)
Retained earnings, end of year	\$ 8,299,746	\$ 8,361,787

See accompanying notes to financial statements.

**STATEMENTS  
OF CASH  
FLOWS**

Years ended December 31, 1999 and 1998	1999	1998
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 779,236	\$ 2,777,662
Adjustments for:		
Depreciation and amortization of capital assets	489,291	461,437
Amortization of goodwill and acquired software	796,678	555,000
Write-off of acquired software	2,689,333	—
Deferred income taxes	(913,000)	585,000
Change in operating assets and liabilities:		
Accounts receivable	74,608	612,935
Research tax credits recoverable	(253,563)	(776,198)
Inventories	(168,264)	(447,354)
Prepaid expenses	14,935	178,627
Accounts payable and accrued liabilities	(164,697)	371,505
Income taxes payable	(55,213)	(494,354)
	<u>3,289,344</u>	<u>3,824,260</u>
<b>Cash flows from financing activities:</b>		
Dividends paid	(551,175)	—
Repurchase of shares	(201,683)	(1,056,152)
	<u>(752,858)</u>	<u>(1,056,152)</u>
<b>Cash flows from investing activities:</b>		
Cash used for business acquisition and investment	(4,548,746)	—
Purchase of capital assets	(592,096)	(367,613)
Net (purchases of) proceeds from disposal of short-term investments	(2,393,145)	1,473,686
	<u>(7,533,987)</u>	<u>1,106,073</u>
(Decrease) increase in cash	(4,997,501)	3,874,181
Cash, beginning of year	5,074,384	1,200,203
Cash, end of year	<u>\$ 76,883</u>	<u>\$ 5,074,384</u>
<b>Supplemental cash flow disclosure:</b>		
Cash paid during the year for:		
Income taxes	\$ 1,426,213	\$ 1,276,825
<b>Total cash position, end of year:</b>		
Cash	\$ 76,883	\$ 5,074,384
Short-term investments	14,845,591	12,452,446
	<u>\$14,922,474</u>	<u>\$17,526,830</u>

See accompanying notes to financial statements.

Years ended December 31, 1999 and 1998

Coreco Inc. (the "Corporation"), incorporated under the Canada Business Corporations Act, develops, manufactures, markets and sells computer vision products.

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The more significant accounting policies are as follows:

(a) *Investments:*

The Corporation's portfolio of short-term investments consists principally of corporate bonds, government securities and commercial paper, and are recorded at the lower of cost or market value.

Other investments are recorded at cost. When, in the opinion of management, a permanent decline in value has occurred, the investment is written down to its estimated realizable value. In determining the estimated realizable value of its investments, management relies on its judgment and knowledge of each investment as well as assumptions of general business and economic conditions that prevail and are expected to prevail. These assumptions are limited due to the uncertainty of predictions concerning future events.

(b) *Inventories:*

Raw materials are carried at the lower of cost and replacement cost, while goods in process and finished goods are carried at the lower of cost and net realizable value. The cost of raw materials is determined on a first in, first out basis, whereas the cost of goods in process and finished goods is determined using the full cost accounting method.

(c) *Capital assets:*

Capital assets are recorded at cost. Depreciation and amortization are calculated using the following methods and annual rates:

Asset	Method	Rate/period
Equipment	Declining balance	20% and 30%
Computer equipment	Straight-line	2 years
Furniture and fixtures	Declining balance	20% and 30%
Leasehold improvements	Straight-line	Over lease term
Acquired software	Straight-line	7 years

(d) *Goodwill and acquired software:*

Goodwill represents the excess of the purchase consideration over the fair value of the net assets of businesses acquired and is being amortized on a straight-line basis over a period of seven years. On an ongoing basis, management reviews the valuation and amortization of goodwill and acquired software, taking into consideration any events and circumstances which might have impaired their values. The Corporation assesses impairment by determining whether the unamortized balance can be recovered through undiscounted future cash flows to be derived from the software over its remaining life or from operations of the acquired business. Any permanent impairment in the value of goodwill and acquired software is written off against earnings.

(e) *Revenue recognition:*

Revenue from product sales is recorded on shipment.

(f) *Government grants and research tax credits:*

Government assistance is recorded as a reduction of the related expense or the cost of the capital assets acquired.

(g) *Research and development costs:*

Research and development costs, net of related investment and research tax credits, are expensed as incurred.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Foreign currency translation:

Monetary assets and monetary liabilities denominated in foreign currencies are translated at year-end exchange rates. Other balance sheet items denominated in foreign currencies are translated at the rates of exchange in effect at the transaction date. Income and expenses denominated in foreign currencies are translated at average rates prevailing during the year. Translation gains and losses are included in income.

### (i) Stock-based compensation plan:

No compensation expense is recognized under the Corporation's stock-based compensation plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

### (j) Statements of cash flows:

In 1999, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information. Under the new recommendations, all non-cash transactions are excluded from the cash flow statement and disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. The information for 1998 has been restated to conform to the new presentation.

### (k) Use of estimates:

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### (l) Financial instruments:

The Corporation periodically uses derivative financial instruments, principally forward foreign exchange contracts to manage risks related to fluctuations in exchange rates. Derivative financial instruments are not used for trading purposes. Gains and losses on forward foreign exchange contracts are recognized through income and generally offset transaction losses or gains on the foreign currency cash flows which they are intended to hedge. Forward foreign exchange contracts are entered into with maturities of no longer than six months.

## 2. BUSINESS ACQUISITION

Effective January 8, 1999, the Corporation acquired certain assets and the ongoing business of the Imaging Board Division of Dipix Technologies Inc. (the "Board Business") for a total purchase price of \$3.3 million. The Board Business is similar to the Corporation's business and involves the design, manufacture and marketing of computer hardware for the high-end computer vision industry and the development and licensing of related software.

Details of the acquisition are as follows:

Assets acquired, at assigned values:	
Accounts receivable	\$ 831,847
Inventory	673,487
Equipment	135,000
Software	1,000,000
Goodwill	688,412
Fair value of assets acquired	\$3,328,746
Consideration given:	
Cash paid	\$3,128,746
Balance of sale <sup>(i)</sup>	200,000
Total consideration given	\$3,328,746

(i) The balance of sale, which is included in "Accounts payable and accrued liabilities" on the balance sheets, bears interest at a rate of 4.57% per annum and is scheduled to be paid on March 31, 2000.



**2. BUSINESS ACQUISITION** (continued)

As at December 31, 1999, goodwill consisted of:

Goodwill, at cost	\$ 688,412
Less amortization	98,344
	<b>\$ 590,068</b>

Concurrent with the acquisition of the Board Business, the Corporation purchased 867,925 Class A common shares and 500,000 first preferred shares of Dipix Technologies Inc. ("Dipix") for \$1,420,000 and the issue of 12,406 common shares of the Corporation having a fair value of \$62,030. The Corporation's ownership in Dipix is approximately 20% of this company's total shares outstanding. The principal business activities of Dipix involve the design, manufacture and sale of computer hardware and the development and licensing of software intended for use in computerized product-inspection systems having high-speed two-dimensional and three-dimensional image processing capabilities.

**3. ACCOUNTS RECEIVABLE**

	1999	1998
Trade receivables	\$2,883,315	\$2,068,461
Sales tax receivable	194,847	252,462
	<b>\$3,078,162</b>	<b>\$2,320,923</b>

**4. INVENTORIES**

	1999	1998
Raw materials	\$1,567,224	\$1,216,067
Goods in process	1,423,716	1,043,315
Finished goods	292,778	182,585
	<b>\$3,283,718</b>	<b>\$2,441,967</b>

**5. CAPITAL ASSETS**

	1999		
	Cost	Accumulated depreciation and amortization	Net book value
Equipment and leasehold improvements:			
Equipment, including computers	\$2,570,535	\$1,896,991	\$ 673,544
Furniture and fixtures	610,171	310,284	299,887
Leasehold improvements	205,215	60,013	145,202
	3,385,921	2,267,288	1,118,633
Investment tax credits	(123,668)	(44,646)	(79,022)
	3,262,253	2,222,642	1,039,611
Acquired software	1,000,000	142,857	857,143
	<b>\$4,262,253</b>	<b>\$2,365,499</b>	<b>\$1,896,754</b>

## 5. CAPITAL ASSETS (Continued)

	1998		
	Cost	Accumulated depreciation and amortization	Net book value
Equipment and leasehold improvements:			
Equipment, including computers	\$2,076,279	\$ 1,465,378	\$ 610,901
Furniture and fixtures	425,392	242,980	182,412
Leasehold improvements	130,146	24,987	105,159
	2,631,817	1,733,345	898,472
Investment tax credits	(146,102)	(56,807)	(89,295)
	2,485,715	1,676,538	809,177
Acquired software	3,884,939	647,500	3,237,439
	\$6,370,654	\$ 2,324,038	\$ 4,046,616

## 6. SHARE CAPITAL

### Authorized:

An unlimited number of common shares, without nominal or par value

An unlimited number of preferred shares, without nominal or par value, issuable in series with such rights and conditions as may be determined by the Board of Directors

	1999	1998
Issued and outstanding:		
7,333,322 common shares (1998 - 7,364,416)	\$16,393,221	\$16,426,105

### (a) Changes in the issued and outstanding common shares were as follows:

	Number	Amount
Balance, December 31, 1997	7,578,616	\$16,901,651
1998:		
Repurchase of shares under normal course issuer bid (b) and other	(214,200)	(475,546)
Balance, December 31, 1998	7,364,416	16,426,105
1999:		
Repurchase of shares under normal course issuer bid (b)	(43,500)	(94,914)
Issue of shares in connection with business acquisition (note 2)	12,406	62,030
Balance, December 31, 1999	7,333,322	\$16,393,221

### (b) Normal course issuer bid:

In 1999, the Corporation repurchased 43,500 common shares (1998 - 213,200 common shares) under a normal course issuer bid for a total consideration of \$201,683 (1998 - \$1,056,152). The excess of the purchase price over book value of common shares in the amount of \$106,769 (1998 - \$580,606) was charged to retained earnings.

## 6. SHARE CAPITAL (continued)

### (c) Stock option plan:

Under a stock option plan, the Corporation may grant options to purchase common shares to key employees, directors, officers and service-providers. The terms, number of common shares covered by each option as well as the permitted frequency of the exercise of such options are determined by the Board of Directors. The plan provides that a maximum of 500,000 common shares may be optioned under the stock option plan. The subscription price for each share covered by an option shall be established by the Board of Directors but such price shall not be lower than the fair market value at the date of grant. Options vest ratably over a period of four years and are exercisable for a maximum period of ten years after date of grant.

Changes in outstanding options are as follows:

	Number	Weighted average exercise price
Options outstanding, December 31, 1997	—	—
Granted	117,000	\$ 7.59
Cancelled	(2,000)	10.11
Options outstanding, December 31, 1998	115,000	7.54
Granted	259,000	4.78
Cancelled	(16,000)	7.35
Options outstanding, December 31, 1999	358,000	\$ 5.55

Options outstanding at December 31, 1999 are exercisable at the following prices:

Options outstanding	Options exercisable	Exercise price per share	Expiry date
46,000	11,500	\$10.11	March 2008
55,000	13,750	\$ 5.35	August 2008
70,000	—	\$ 5.00	January 2009
187,000	—	\$ 4.70	October 2009
358,000	25,250		

### (d) Rights plan:

Under a Rights Agreement approved by shareholders in 1997, rights were issued to purchase common shares from the Corporation; each right is exercisable at a price of \$75.00 for each share outstanding, subject to adjustments. The rights will separate and trade apart from the common shares and become exercisable in the event that 20% or more of the common shares of the Corporation have been acquired or in the event of a public announcement of a take-over bid. Each right will entitle the holder to receive, upon payment of the exercise price, that number of common shares that have a market value equal to twice the exercise price. The rights will expire on July 21, 2002. As at December 31, 1999 and 1998, no rights were issued and outstanding under this plan.

## 7. COMMITMENTS

Minimum lease payments under operating leases relating to premises for each of the next five years are approximately as follows:

2000	\$216,000
2001	216,000
2002	211,000
2003	157,000
2004	12,000
	\$812,000

## 8. OTHERS CHARGES

	1999	1998
Litigation settlement and related legal costs (a)	\$ 421,085	\$ —
Write-off of acquired software (b)	2,689,333	—
Amortization of goodwill	98,344	—
Amortization of acquired software	698,334	555,000
	\$3,907,096	\$ 555,000

(a) In July 1999, an action was taken against the Corporation for alleged patent infringements. In February 2000, the Corporation settled all outstanding issues in this matter. The litigation settlement, including related legal costs, have been recorded in the statements of earnings.

(b) As a result of its review of the carrying value of acquired technology in accordance with the policy described in note 1 (d), the Corporation determined that certain acquired technology was permanently impaired. This determination was based on the Corporation's assessment of the recoverability of this balance.

Significant changes during 1999 have reduced the value of this asset. Specifically, the Corporation has developed new products which have substantially reduced the application and marketability of the technology, changes were required to be made to the old technology as part of the settlement of the lawsuit discussed in note 8 (a) above, and limited research and development activities will be devoted to this technology in the future.

In view of these comprehensive changes, and based upon the revised estimates of product economic life and anticipated revenues from products using this technology, the value was written down to its estimated net realizable value.

## 9. INCOME TAXES

The income tax provision reported differs from the amount computed by applying the Canadian federal and provincial rates to earnings before income taxes. The reasons for the difference and the related tax effects are as follows:

	1999	1998
Earnings before income taxes	\$1,237,236	\$4,227,662
Expected rate	38.0%	38.0%
Expected tax	470,000	1,606,000
Adjustments:		
Effect of permanent and other differences	18,000	(131,000)
Effect of manufacturing and processing credit	(30,000)	(25,000)
	\$ 458,000	\$1,450,000

The deferred tax asset and liabilities relate to the following elements of timing differences:

	1999	1998
Deferred tax asset:		
Share issue expenses	\$ 96,000	\$ 192,000
Deferred tax liabilities:		
Federal research tax credits	\$ 346,000	\$ 170,000
Tax depreciation in excess of book depreciation and amortization	187,000	1,276,000
	\$ 533,000	\$1,446,000

## 10. EARNINGS PER SHARE

Earnings per share have been calculated based on the weighted average number of shares outstanding during the year.

	1999	1998
Earnings per share	\$ 0.11	\$ 0.37
Weighted average number of common shares outstanding	7,345,452	7,506,927

The outstanding options described in note 6 (c) have no dilutive effect on earnings per share for 1999 and 1998.

Supplementary measure of net earnings and earnings per share data are presented to show the impact of the litigation settlement as well as the amortization and write-off of acquired software and goodwill on an after-tax basis ("adjustments").

	1999	1998
Net earnings	\$ 779,236	\$ 2,777,662
Add-back effect of adjustments described above	2,445,282	364,647
Supplementary measure of net earnings	\$ 3,224,518	\$ 3,142,309
Supplementary measure of earnings per share	\$ 0.44	\$ 0.42

## 11. SEGMENT DISCLOSURES

### (a) Geographic information:

The Corporation operates in one business segment, namely computer vision products. The Corporation's assets are located in Canada. Sales by geographical area, based on the location of the customers, are approximately as follows:

	1999	1998
Canada	\$ 1,285,000	\$ 843,000
United States	10,199,000	9,928,000
Europe	3,423,000	2,514,000
Asia/Pacific	2,402,000	1,064,000
	\$17,309,000	\$14,349,000

### (b) Information about major customers:

No one customer represents more than 10% of total sales for 1999 or 1998.

## 12. FINANCIAL INSTRUMENTS

### (a) Concentration of credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Corporation regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures from resulting in actual loss.

Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist principally of short-term investments and accounts receivable.

The Corporation has investment policies that require placement of short-term investments in financial institutions evaluated as highly creditworthy.

Concentration of credit risk with respect to accounts receivable is limited due to the Corporation's credit evaluation process, reasonably short collection terms, the large number of customers comprising the Corporation's customer base and their dispersion among different industries and geographical locations around the world. In the normal course of business, the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the creditworthiness of all new customers. The Corporation determines an allowance for doubtful accounts to reflect specific customer risks.

## 12. FINANCIAL INSTRUMENTS (continued)

### (b) Foreign currency risk management:

A substantial portion of the Corporation's sales are denominated in US dollars. This results in financial risk due to fluctuations in the value of the Canadian dollar relative to the US dollar. From time to time, the Corporation uses forward foreign exchange contracts to reduce its foreign exchange exposure on its US-denominated sales. Fluctuations in payments made for the Corporation's products could cause unanticipated fluctuations in the Corporation's operating results.

The following table summarizes the Corporation's commitments to sell foreign currency at December 31, 1999. There were no forward foreign exchange contracts outstanding as at December 31, 1998.

	Notional amount (SELL)	Notional amount (BUY)	Exchange rate	Maturity
Forward exchange contracts:				
Sales contracts	US\$405,840	Cdn\$600,000	average 1.4784	March 2000

The forward exchange contracts represent an obligation to exchange principal amounts between the Corporation and counterparties. Credit risk exists in the event of failure by counterparties to meet their obligations. The Corporation reduces this risk by dealing only with highly rated counterparties, normally major financial institutions.

### (c) Fair value disclosures:

Fair value estimates are made as of a specific point in time using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Corporation has determined that the carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. The carrying values of the Corporation's short-term investments and forward foreign exchange contracts are not significantly different from their fair values. The fair values of short-term investments and forward foreign exchange contracts are determined based on published market prices or quotes as of December 31, 1999 and 1998.

## 13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

## CORPORATE INFORMATION

### HEAD OFFICE

Coreco Inc.  
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Facsimile: (514) 333-1388  
E-Mail: [investors@coreco.com](mailto:investors@coreco.com)  
Web Site: [www.coreco.com](http://www.coreco.com)

### TRANSFER AGENT AND REGISTRAR

Montreal Trust Company  
Montreal, Quebec, Canada

### BANKERS

National Bank of Canada  
Montreal, Quebec, Canada

### LEGAL COUNSEL

McCarthy Tétrault  
Montreal, Quebec, Canada

### AUDITORS

KPMG LLP  
Montreal, Quebec, Canada

### STOCK INFORMATION

Stock exchange — TSE  
Stock symbol — CRC  
Common shares outstanding at  
December 31, 1999: 7,333,322  
Public float at December 31, 1999:  
5,330,058  
Volume of common shares traded in 1999  
Montreal Exchange: 258,558  
Toronto Stock Exchange: 1,232,619

### DIVIDENDS

The record date for dividend payments is on or about the last day of each quarter of Coreco's fiscal year.

### BOARD OF DIRECTORS

**Keith A. Reuben**  
President and Chief Executive Officer,  
Coreco Inc.

**Robert Mee\***  
Vice-President,  
Miralta Capital Inc.  
Chairman of the Board,  
Coreco Inc.

**Jacques E. Lefebvre, C.M.\***  
President,  
Lefebvre, Démosthène et les autres inc.

**Daniel Crevier\***  
Professional Engineer

\* Member of Audit Committee

### OFFICERS

**Keith A. Reuben**  
President and Chief Executive Officer

**Louis Daigneault**  
Vice-President, Finance and  
Administration,  
Secretary and Chief Financial Officer

**Ghislain Beaupré**  
Vice-President, Research and  
Development

**Philip Colet**  
Director of Sales and Marketing

### ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Coreco Inc. on Tuesday, May 30, 2000 at 9:30 a.m. Omni Hotel Salon Printemps 1050 Sherbrooke Street West Montreal, Quebec Canada H3A 2R6 A continental breakfast will be served starting at 9:00 a.m.

### REQUESTS FOR INFORMATION SHOULD BE DIRECTED TO:

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Coreco Inc.  
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[www.coreco.com](http://www.coreco.com)