

DEFINING **the Future**

Annual Report **1998**

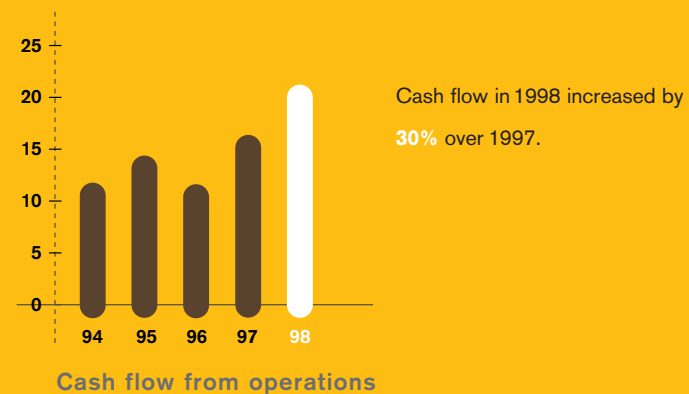
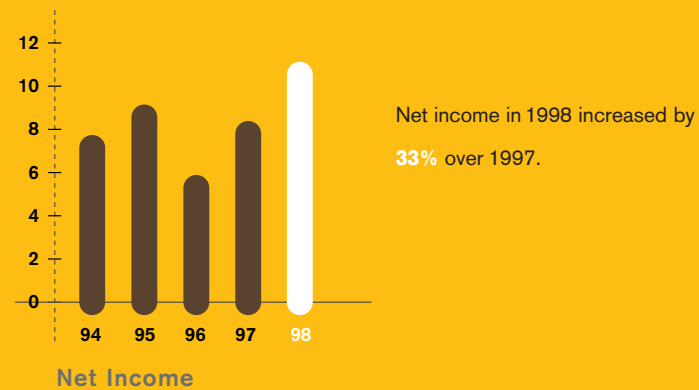
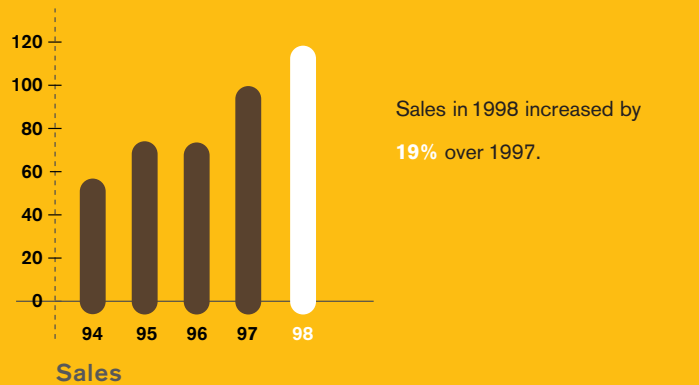


Exco Technologies Limited

Financial Highlights

(\$ in thousands except per share amounts)

	1998	1997	1996	1995	1994
Sales	\$118,045	\$ 99,579	\$ 73,403	\$ 73,947	\$ 56,785
Net Income	\$ 11,115	\$ 8,388	\$ 5,880	\$ 9,144	\$ 7,747
Fully Diluted Earnings Per Share	\$ 0.55	\$ 0.42	\$ 0.30	\$ 0.47	\$ 0.41
Fully Diluted Cash Flow Per Share	\$ 1.04	\$ 0.81	\$ 0.59	\$ 0.73	\$ 0.62
EBITDA	\$ 29,572	\$ 21,688	\$ 15,279	\$ 19,621	\$ 16,609
Total Net Debt to Equity	.26:1	.15:1	.06:1	0:1	0:1
Capital Expenditures and Investments	\$ 26,155	\$ 22,991	\$ 18,790	\$ 13,469	\$ 6,360



President's Message

Defining the future. No one really knows what lies ahead, we are guessing, applying intuition or at the very least, speculating on a continuance of past trends or cycles.

In other words, our ability to forecast the future is a function of our ability to analyse the past and determine a direction. At Exco, our 46 years in business provides sufficient history.

Over the past two years, sales have increased at an average annual rate of 27% and profits have increased 37%. It would be natural to assume that this trend should continue for 1999 and that things only ever go up. Of course, as everyone knows, this is rarely the case and it would be very unrealistic to assume that this rate of growth is sustainable. Typically, businesses follow a growth curve, a consolidation phase and then recurring bursts of growth. This is a more realistic cycle.

As companies broaden their customer base and product offerings, marketing and development costs are incurred. This was the case for Exco and, as a result, 1996 earnings were negatively impacted. Although some companies choose to capitalize these deferred development costs and expense them over subsequent periods, we expense them as they are incurred so there are no surprises later.

In a capital intensive business such as Exco's, it is necessary to invest significant sums of money up front, to provide manufacturing capacity to support further growth. Looking back over the past three years, Exco has invested about \$70 million in new facilities and equipment. I should add that this extensive capital program was financed from cash flow. In the short term, such expenditures, in the form of depreciation costs, have had a significant negative impact on earnings. During this past year, Exco had depreciation costs of approximately \$11 million, yet record earnings in excess of \$11 million were realized. In the long term, Exco has positioned itself to significantly grow its business.

The impact of these depreciation costs will lessen as capital spending declines in subsequent years and sales growth gains momentum. You have heard me say for some time now that Exco is in a state of transition. We are now approaching the end of this phase and will, over the coming years, benefit from this investment program.

The analysis of historical numbers, which predicate our financial resources, is not the only determining factor. Human resource policies and issues must be addressed as well. At Exco, we have also invested in our people. Existing employees are involved in training and development programs and new employees are hired from local colleges and universities. Yet another significant expense Exco has incurred that is buried in operating costs. Wherever possible, we promote from within and our workforce consists of numerous employees with 20 to 30 years of service.

The skills and technology are in place. We are fully equipped to support anticipated sales growth.

We have made a commitment to expand our geographic markets and broaden our product offerings. These efforts are ongoing. We have witnessed the consolidation of our customers, the globalization of the economy and the deterioration of third world economies. These times of change and upheaval dictate caution. For 1999, capital spending will be kept to a minimum, save for the construction of a new extrusion tool plant in Detroit, and should not exceed our current depreciation charge. As we have said in the past, we will not stray far from our core competency, that is tool making.

If the future is a function of the past, then Exco's future is definitely bright. The foundation is strong and we will capitalize on opportunities as they present themselves. We take pride that our success is linked to the benefit of our customers, our employees and our investors alike.



Brian A. Robbins
President &
Chief Executive Officer

Brian A. Robbins
President and Chief Executive Officer



Founded in 1952, Exco has evolved into a very sophisticated tooling company. Exco is not simply a tool maker, it is the industry leader and has gained a global audience with its technical innovation, problem-solving capability and aggressive and focussed growth. It has earned the respect of the industry. Our diverse customer and product base allows us to cater to customer requirements, minimize cyclical downturns and weather weak economies. No one competitor can offer the same scope of product or service. We stand on the threshold with the challenging task of defining the future.

Our 539 employees are trained professionals who are provided with an environment for innovative thinking and instilled with a commitment to excellence. Their dedication and efforts are also defining Exco's future. The quality awards received from our customers speak for themselves.

The corporate culture at Exco embodies a safe and healthy workplace together with incentive and reward programs. Exco's employees share in the profits of the Company through Deferred Profit Sharing Plans and Employee Share Purchase Plans.



Extrusion Tooling

Exco is the largest producer of extrusion tooling in North America and competes against 40 smaller, privately owned companies. We design and manufacture aluminum and copper extrusion dies for extruders who in turn sell to the construction, automotive and aerospace industries. Our relationship with our customers is best defined as “partners in technology”. We work together to identify the problem and then provide the solution. As a world class bench-mark

In the design stage, the most advanced computer-aided design and numerically controlled machining technology is used.

supplier, we help our customer achieve the best results possible. Exco is rated the highest in the industry, by its customers, for die quality in terms of extrusion productivity, reduced die trials and reduced scrap. We provide premium quality dies at competitive rates and with timely delivery.

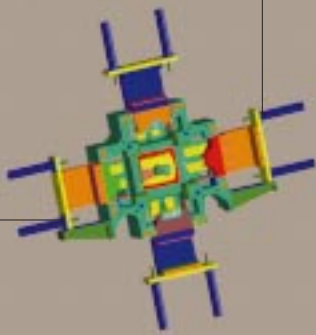
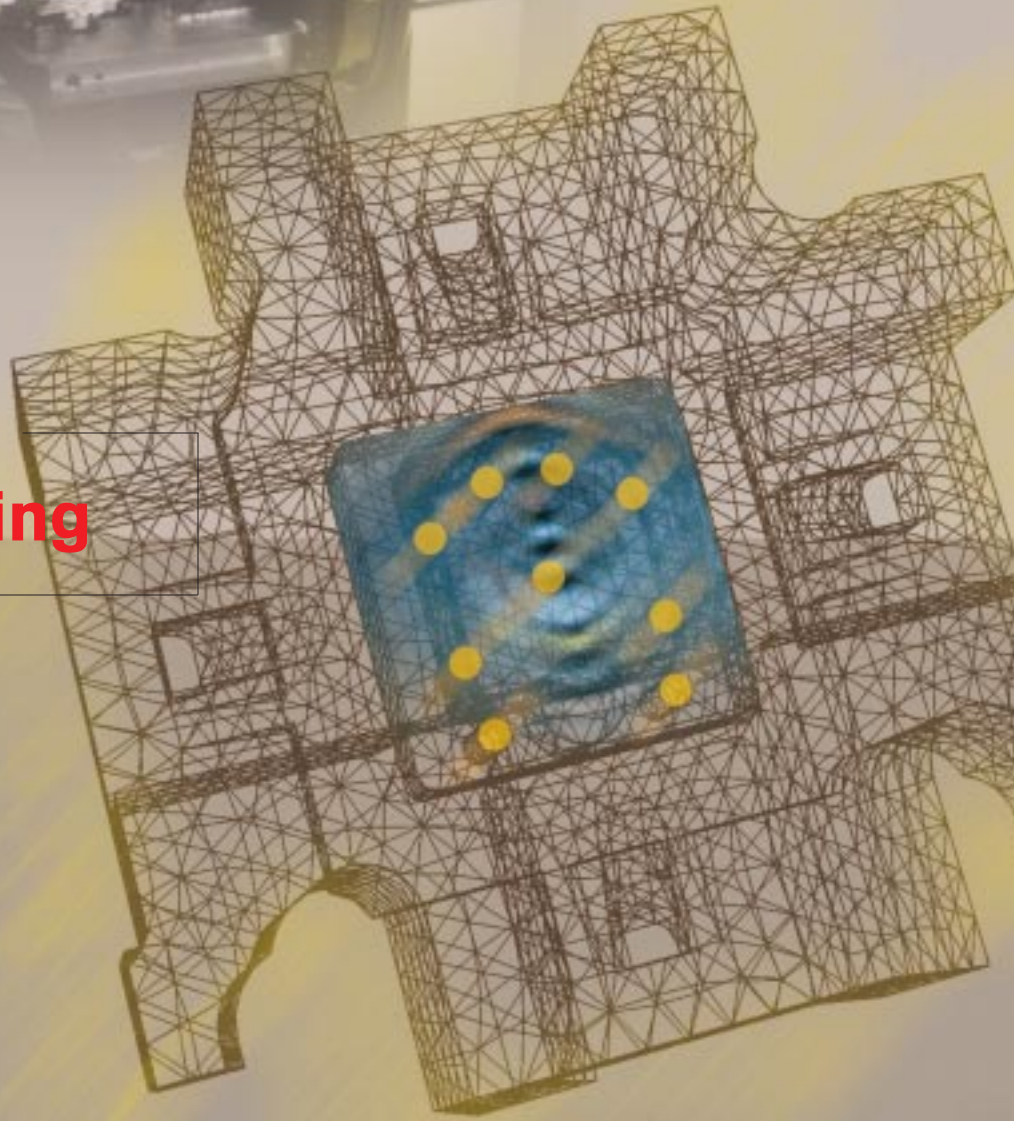
In the design stage, the most advanced computer-aided design and numerically controlled machining technology is used. Our designers work closely with our production staff so that our manufacturing and machining capabilities are used to the fullest extent. Our design department is currently introducing three-dimensional Computer Assisted Industrial Design and Manufacturing CAID/CAIM. This technology will allow high speed machining with fully contoured surfaces cut in three-dimensional space. Once again, we are defining the future.

We recently expanded our Markham, Ontario location, the first ISO 9002 registered die maker in North America. This increased capacity allowed us to better handle the growing number of dies ordered and the reduced lead times demanded by our customers.

In October, 1998 our Fraser, Michigan plant was unveiled as Exco Extrusion Dies, Inc. This existing business was purchased two years ago as Nova Tool & Die and was recently renamed to reinforce the Exco standard of excellence. Plant procedures and technology have been significantly upgraded to the same standards in place at the Markham location and ISO 9002 application and certification are only a function of time. We expect these changes will better identify our position with current customers and enhance our ability to further grow our business with potential customers in the North American market.

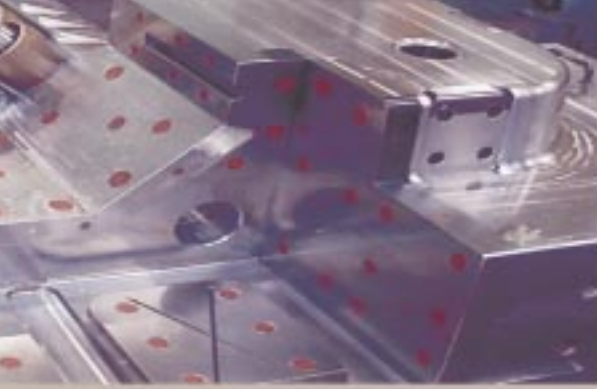


Die-Cast Tooling



Exco is the largest single producer of complex die-cast moulds. Our largest facility, a state-of-the art 135,000 square foot facility in Newmarket, Ontario, employs 145 skilled technicians. In-house, the Company is able to design, manufacture, inspect, validate dies by sampling, cast prototype parts, validate parts, machine parts and inspect parts.





Exco's advanced engineering and manufacturing methods have set new standards in the industry.

Exco's advanced engineering and manufacturing methods have set new standards in the industry. Recently, a case study was witnessed by the United States Automotive Materials Program (USAMP) and editorialized in Die Casting Engineer in the September/October 1998 issue. The goal was to develop rapid

tooling technology for the faster production of functional die-cast prototypes. Exco beat the original 10 week schedule by 2 ½ weeks.

Customer provided 3D-part databases were interpreted using a sophisticated data system. Our CAD/CAM engineers worked together with our customer to develop tooling geometry and to correct discrepancies. Once complete, concurrent programming, design and manufacturing phases followed. The innovative in-house inspection program known as "Excheck" connected the part database to the Company's inspection machines. The tooling was inspected for dimensions and tolerances and programs were tested and verified even before the first casting was made. Die verification was performed on Exco's 3500 ton Prince die-casting machine and functional prototype runs were also undertaken. In the end, the prototypes exceeded all expectations in terms of quality and timing.

Jan Tesar, President of the Die-Cast Tooling Division said, "the die designer must be involved with the product designer right at the product development stage. This is needed to help the customer improve both the part design for tool manufacture and the castability of the part".

This advancement in technology has important implications for the die-casting and automotive industries. Lead times on car model changes have shrunk significantly and Exco's revolutionary techniques allow us to accept this challenge. Exco continues to define the future.

Management Discussion and Analysis

Management's discussion and analysis of operations and financial position should be read in conjunction with the consolidated financial statements and is intended to provide additional information on the Company's performance, financial position and outlook.

Operating Results

Exco's sales grew from \$99.6 million to \$118 million in 1998, an increase of 19%. All product areas achieved sales growth in 1998.

Extrusion tooling sales increased by 14%. Export sales in this area increased by 12%, primarily from markets outside Canada and the United States such as Europe, South America and the Far East. Extrusion tooling sales outside Canada and the United States represent 20% of total extrusion tooling sales.

The die-cast mould operations experienced solid growth in 1998 with an increase in sales of 23%. This growth came primarily from moulds for Ford and General Motors programs, although Chrysler continued to represent a significant portion of Exco's overall die-cast mould business.

Mould standards sales grew modestly despite some softening of the plastic mould market it served.

Gross margin increased to 35% from 34% in 1997. Exco's significant investment in its facilities and equipment from fiscal 1996 through to fiscal 1998 has been, at times, very disruptive to its operations and, therefore, negatively affected gross margin. In 1998, most of these projects were completed and management anticipated some improvement in gross margin. With minimal disruption to facilities in fiscal 1999, improvement should continue. In addition, certain underperforming operations showed significant improvement in the latter part of fiscal 1998 and improvement is expected to continue through fiscal 1999.

Although selling, general and administrative expenses increased by \$1.7 million, they decreased as a percentage of sales to 11.5% as compared to 11.9% in the previous year. An increase in travel, selling and profit sharing costs was experienced in 1998 and will continue as Exco grows, however, as a percentage of sales, a significant change is not expected.

During 1998, Exco disposed of machinery and equipment which was excess to its requirements for net proceeds of \$2.9 million. This disposal resulted in an accounting gain of \$2.0 million.

Depreciation expense increased by \$2.9 million, or 38% to \$10.7 million, reflecting Exco's extensive capital program. The increase in Exco's depreciation expense and the corresponding negative impact on the financial results has, to date, been disproportionate to the benefit derived from the improvement in Exco's facilities. Management expects significant future benefits from its capital program. Further, this expense will increase only marginally in 1999 as capital spending returns to a more normal level.

Interest on long-term debt declined in 1998, reflecting the reduction of long-term debt outstanding in 1998 compared to 1997.

Other interest represents interest paid on operating lines. It increased from approximately \$300 thousand to \$800 thousand in 1998. During 1998, Exco's cash flow was not sufficient to fund both its capital program and the increase in its working capital requirements. As a result, Exco's borrowing and therefore its interest costs increased in 1998 compared to 1997.

Financial Resources, Liquidity And Capital Resources

Cash flow from operations, before changes in non-cash working capital, was \$21.2 million, an increase of \$4.9 million or 30%. The increase in net income of \$2.7 million and non-cash charges of \$2.2 million account for the improvement. Cash invested in non-cash working capital increased by \$6.4 million. This increase is primarily a result of the timing of billing and collection of customer advance payments and, in 1997, the shipment of product to a significant former customer on a C.O.D. basis. These payment terms had the affect of lowering Exco's investment in accounts receivable in 1997 compared to 1998.

Exco invested \$26.2 million, net of proceeds on disposition of fixed assets, during 1998. Investment in the die-cast mould operations of \$16.4 million included expansion of the Company's Newmarket, Ontario and Toledo, Ohio facilities, a new die-casting foundry in Newmarket for the testing of moulds and the purchase of some of the largest and most advanced machining equipment in the world.

Management Discussion and Analysis

Investment in the extrusion tooling operations totalled \$9.8 million. This expenditure included the relocation of a division to a new, owned facility in Newmarket, Ontario and the purchase of advanced machining and CAD/CAM equipment.

In 1999, Exco will invest approximately \$14 million, a substantial decrease from the previous three years. This expenditure includes construction of a new extrusion die facility in Detroit, Michigan, replacing an inadequate leased plant, adding magnesium capability to our Newmarket die-cast testing area and continued upgrading of equipment.

In 1998, the Company financed its capital expenditure program from cash flow and its operating lines. The terms of operating lines were amended to provide flexibility for this purpose. Term debt, to finance a portion of Exco's capital expenditure requirements, was not considered necessary given the expectation of continued strong cash flow and the significant reduction in capital expenditures in 1999. Accordingly, Exco expects to reduce its borrowings in 1999. At September 30, 1998, Exco's total debt to shareholders' equity was .26:1 and long-term debt to shareholders' equity was .03:1.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. In addition, Exco purchases material in Canadian and U.S. dollars and German deutschmarks. Exco reviews its net exposure to these currencies and enters into foreign exchange contracts in order to manage the financial risk associated with fluctuations in the relative value of the currencies. These foreign exchange contracts extend for up to two years from the balance sheet date. As a result of these contracts, the weakening of the Canadian dollar through the Company's 1998 fiscal year did not have a significant impact on the operating results.

Year 2000

Exco is reliant on its computer systems for its operations and, accordingly, is conducting a thorough review of the programming code issues associated with its computer systems and the Year 2000.

This review encompasses computer controls of manufacturing equipment, CAD/CAM, production control, accounting systems and networks. Exco is also surveying its suppliers for compliance.

As a result of Exco's strategy to purchase the latest technology available, its systems have, in most situations, met the requirements of Year 2000 compliance. However, certain system upgrades are still required and will be completed by July, 1999.

Exco has not specifically identified the costs associated with the Year 2000 issue separate from the costs associated with ongoing system upgrades and replacement. Exco does not believe that Year 2000 costs, per se, are material.

Despite Exco's best efforts, it is difficult to determine the potential problems which could arise as a result of the Year 2000 issue, including implications of suppliers, customers and other third parties.

Outlook

Exco's outlook is very favourable. Current market trends and Exco's leading position should result in continued growth.

In North America, Exco's extrusion tooling customers are consolidating through mergers resulting in fewer but larger customers. Management believes that these changes in the marketplace are beneficial for Exco. Exco's advanced use of technology in its processes and its extensive manufacturing capacity can meet the needs of these customers better than many of its competitors. Although Exco believes that it is the largest supplier of extrusion tooling in North America, its market share is very small. These factors should result in continued growth for Exco in the North American market.

North American OEM's continue to strive for fuel economy through weight reduction and greater engine efficiency. For Exco, this means that its customers require more die-cast moulds for aluminum and magnesium products. The trend toward aluminum engine blocks, replacing cast iron and the continuously variable transmission (CVT) are examples of these new products. Exco is well positioned to capture a significant portion of this business considering its extensive manufacturing capacity and advanced technology. In addition, Exco continues to strengthen its relationship with its customers. This has resulted in Exco increasing its overall market share.

These factors contribute to management's optimism for the future. Exco's day-to-day effort in developing its products is expected to lead to continued growth and prosperity for Exco.

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 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 fulfils 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 generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

November 6, 1998

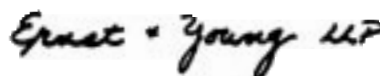
Exco Technologies Limited

Auditors' Report

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 1998 and 1997 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 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, 1998 and 1997 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.



Ernst & Young - Chartered Accountants

Toronto, Canada,
November 6, 1998

Consolidated Balance Sheets

\$ (000)'s As at September 30

	1998	1997
Assets		
CURRENT		
Accounts receivable	\$ 29,685	\$ 26,765
Inventories (note 2)	14,796	14,473
Prepaid expenses and deposits	401	389
Total current assets	44,882	41,627
Fixed assets (notes 3 and 5)	80,523	62,001
	\$ 125,405	\$ 103,628
Liabilities And Shareholders' Equity		
CURRENT		
Bank indebtedness (note 4)	\$ 18,120	\$ 7,490
Accounts payable & accrued liabilities	11,464	10,316
Income taxes payable	472	2,189
Customer advance payments	11,560	14,112
Current portion of long-term debt (note 5)	596	714
Total current liabilities	42,212	34,821
Long-term debt (note 5)	1,416	1,544
Deferred income taxes	4,135	2,670
Total liabilities	47,763	39,035
SHAREHOLDERS' EQUITY		
Share capital (note 6)	24,059	23,150
Retained earnings	52,519	41,404
Currency translation adjustment	1,064	39
Total shareholders' equity	77,642	64,593
	\$ 125,405	\$ 103,628

See accompanying notes

On behalf of the Board:



Brian A. Robbins
 Director
 President and
 Chief Executive Officer



Arthur A. Kennedy
 Director
 Chairman of the Board

Consolidated Statements Of Income And Retained Earnings

\$ (000)'s except for earnings per share Years ended September 30

	1998	1997
Sales	\$ 118,045	\$ 99,579
Cost of sales and operating expenses before the following	76,961	66,174
Selling, general and administrative	13,531	11,861
Gain on sale of fixed assets	(2,019)	(144)
Depreciation and amortization	10,677	7,730
Interest on long-term debt	246	304
Other interest	842	253
	100,238	86,178
Income before income taxes	17,807	13,401
Provision for income taxes (note 7)		
Current	5,242	4,632
Deferred	1,450	381
	6,692	5,013
Net income for the year	11,115	8,388
Retained earnings, beginning of year	41,404	33,016
Retained earnings, end of year	\$ 52,519	\$ 41,404
Earnings per common share (note 9)		
Basic	\$ 0.57	\$ 0.44
Fully diluted	\$ 0.55	\$ 0.42
See accompanying notes		

Consolidated Cash Flow Statements

\$ (000)'s except per share amounts Years ended September 30

	1998	1997
OPERATING ACTIVITIES		
Net income for the year	\$ 11,115	\$ 8,388
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	10,677	7,730
Deferred income taxes	1,465	381
Gain on sale of fixed assets	(2,019)	(144)
	21,238	16,355
Net change in non-cash working capital		
balances related to operations	(6,376)	(859)
Cash provided by operating activities	14,862	15,496
FINANCING ACTIVITIES		
Increase in bank indebtedness	10,630	7,490
Decrease in long-term debt	(246)	(2,146)
Net bank indebtedness assumed on purchase of subsidiary	-	(495)
Issue of share capital	909	2,359
Cash provided by financing activities	11,293	7,208
INVESTING ACTIVITIES		
Investment in fixed assets	(29,055)	(21,991)
Acquisition of subsidiary (note 11)	-	(1,522)
Proceeds on sale of fixed assets	2,900	522
Cash used in investing activities	(26,155)	(22,991)
Decrease in cash	0	(287)
Cash, beginning of year	0	287
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 9)		
Basic	\$ 1.09	\$ 0.85
Fully diluted	\$ 1.04	\$ 0.81

See accompanying notes

Notes To Consolidated Financial Statements

September 30, 1998

\$ (000)'s except per share amounts

1. Summary Of Significant Accounting Policies

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Company's wholly-owned subsidiaries.

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. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of and the related accumulated depreciation, 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:

Building	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Leaseholds	straight-line over the terms of the leases
Aircraft	variable charge based on flying hours and 10% straight-line for the airframe.

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 carrying value of these instruments approximates their fair value.

The Company also has forward foreign exchange contracts denominated in U.S. dollars and German deutschmarks. These contracts are used to hedge the Company's foreign exchange exposure inherent in sales in U.S. dollars and purchases in German deutschmarks. 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.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures are expensed as incurred.

INCOME TAXES

The Company follows the deferral method of income tax allocation in accounting for income taxes whereby the tax effects of timing differences between accounting and taxable income result in the recording of deferred income taxes.

Notes To Consolidated Financial Statements

September 30, 1998

\$(000)'s except per share amounts

Deferred income taxes have arisen as a result of certain charges against income for income tax purposes exceeding those recorded for financial reporting purposes. These differences relate primarily to depreciation and amortization. These taxes may become payable in future years when charges to income for accounting purposes exceed those taken for income tax purposes.

2. Inventories

	1998	1997
Raw materials	\$ 1,466	\$ 1,387
Work in process and finished goods	13,330	13,086
	\$ 14,796	\$ 14,473

3. Fixed Assets

	Cost	1998 Accumulated Depreciation & Amortization	Net Book Value
Land	\$ 4,214	\$ -	\$ 4,214
Buildings	24,463	4,155	20,308
Machinery & equipment	106,689	53,154	53,535
Tools	3,015	2,474	541
Leaseholds	164	145	19
Aircraft	2,576	670	1,906
	\$ 141,121	\$ 60,598	\$ 80,523

	Cost	1997 Accumulated Depreciation & Amortization	Net Book Value
Land	\$ 4,106	\$ -	\$ 4,106
Buildings	18,082	3,523	14,559
Machinery & equipment	86,415	45,605	40,810
Tools	2,564	2,216	348
Leaseholds	337	217	120
Aircraft	2,576	518	2,058
	\$ 114,080	\$ 52,079	\$ 62,001

4. Bank Indebtedness

Bank indebtedness is comprised of utilization of the Company's operating lines of credit. These operating lines are available at variable rates not exceeding prime rate, are unsecured and are due on demand. Prime rate in Canada at year-end was 7.25% and in the United States was 8.5%.

The Company has available unsecured lines of credit totalling \$36,655 (1997 - \$24,294).

5. Long-Term Debt

	1998	1997
Mortgage payable	\$ 682	\$ 705
U.S. term loans	1,330	1,553
	2,012	2,258
Less current portion	596	714
Long-term portion	\$ 1,416	\$ 1,544

Notes To Consolidated Financial Statements

September 30, 1998

\$(000)'s except per share amounts

The mortgage payable bears interest at 10.75% and matures August 11, 2001. The monthly principal and interest payments on this loan are approximately \$8 and are based on an amortization period of 25 years.

The U.S. term loans are collateralized by certain fixed assets of the Company's U.S. subsidiaries. The interest rates on these loans vary from 8.5% to 10%.

Total principal repayment requirements are approximately as follows:

1999	\$	598
2000		561
2001		853
	\$	2,012

6. 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:

	Number of shares	Stated Value
Issued and outstanding at September 30, 1996	12,617,348	\$ 20,791
Issued in exchange for Nova shares on its acquisition (note 11)	138,453	1,522
Issued for cash under the Stock Option Plan	73,000	424
Issued for cash under the Employee Stock Purchase Plan	46,629	413
Issued and outstanding at September 30, 1997	12,875,430	\$ 23,150
Stock dividend	6,437,670	
Share issue expenses for stock dividend		(25)
Issued for cash under the Employee Stock Purchase Plan (1)	84,266	622
Issued for cash under the Stock Option Plan (1)	96,400	312
Issued and outstanding at September 30, 1998	19,493,766	\$ 24,059

(1) figures stated on a post stock dividend basis

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:

	Number of Options	
	1998	1997
Balance, beginning of year	848,430	754,617
Additional options issued pursuant to stock dividend	424,219	–
Granted during the year	182,848	172,813
Exercised during the year	(96,400)	(73,000)
Cancelled during the year	(33,000)	(6,000)
Balance, end of year	1,326,097	848,430

Notes To Consolidated Financial Statements

September 30, 1998

\$(000)'s except per share amounts

The exercise price per share of outstanding options varies from \$2.88 to \$10.83 (1997 - \$2.88 to \$10.83) and can be exercised at various dates through 2008. The number of shares available for option at September 30, 1998 was 134,804 (1997 - 284,655).

EMPLOYEE STOCK PURCHASE PLAN

The Company has an Employee Stock Purchase Plan. The plan allows employees to purchase shares annually through payroll deductions at a predetermined price. During 1998, payroll deductions were made supporting the purchase of a maximum of 102,904 shares at \$10.19 per share. Employees must decide annually whether or not they wish to purchase their shares. During 1998, 84,266 (1997 - 69,943) shares were issued under the terms of this plan.

7. Income Taxes

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

	1998	
Income before income taxes	\$ 17,807	100.0%
Income taxes at Canadian statutory rates	\$ 7,942	44.6%
Manufacturing and processing deduction	(1,603)	(9.0)
Other	353	2.0
	\$ 6,692	37.6%
	1997	
Income before income taxes	\$ 13,401	100.0%
Income taxes at Canadian statutory rates	\$ 5,977	44.6
Manufacturing and processing deduction	(1,206)	(9.0)
Tax benefit of foreign losses	272	2.0
Other	(30)	(0.2)
	\$ 5,013	37.4%

8. Commitments

LEASES

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2003. Future minimum annual lease payments are as follows:

1999	\$	939
2000		835
2001		830
2002		85
2003		85
	\$	2,774

FOREIGN EXCHANGE CONTRACTS

The Company has contracts to sell U.S. \$17,500 over the next twenty-four months at rates varying from \$1.37 to \$1.45 Canadian for each U.S. dollar sold. The Company also has contracts to purchase 900 German deutschmarks over the next six months at a rate of \$0.78 Canadian for each deutschmark purchased. Management estimates that the closure of these contracts would result in a loss of \$2,102.

Notes To Consolidated Financial Statements

September 30, 1998

\$(000)'s except per share amounts

9. Earnings And Cash Per Common Share Provided By Operating Activities

Basic earnings and cash per common share after giving retroactive effect to the stock dividend are calculated using the monthly weighted average number of common shares outstanding of 19,442,522 (1997 - 19,190,049). Fully diluted earnings and cash per common share are calculated using the monthly weighted average number of common shares outstanding adjusted for stock options as though these options had been exercised and shares issued at the beginning of the year.

10. Segmented Information

The Company operates in a single business segment which is the designing, engineering and precision machining of moulds and dies. Its operations are substantially related to the automotive and construction industries in North America. Total sales outside Canada were \$89,438 (1997 - \$76,566).

11. Acquisition Of Subsidiary

Effective December 1, 1996, the Company purchased 100% of Nova Tool & Die, Inc., an extrusion tooling manufacturer located in Fraser, Michigan. The purchase price was \$1,522 (U.S. \$1,114) and was financed by a private placement of 138,453 shares of the Company. The acquisition has been accounted for using the purchase method.

Net assets acquired at their assigned values are as follows:

Current assets	\$	1,058
Fixed assets		2,767
Other assets		60
Current liabilities		(913)
Deferred income taxes		(104)
		2,868
Bank indebtedness		(495)
Long-term debt		(851)
Purchase price	\$	1,522

12. 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. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Comparative Consolidated Financial Statements

The Company has retroactively adopted the new Canadian Institute of Chartered Accountants, Section 1540, "Cash Flow Statements". The comparative consolidated cash flow statement for the year ended September 30, 1997 has been adjusted accordingly. Other amounts in the comparative consolidated financial statements have been reclassified from statements previously presented to conform with the presentation of the 1998 consolidated financial statements.



Directors and Officers

DIRECTORS

W. Scott Brown,
Retired; formerly President & Chief Executive Officer,
ITT Precision Castings Division; Elected founding
president of Canadian Die Caster Association 1978;
Awarded Modern Metals "Grand Award" for excellence in
aluminum die-casting 1985; Inducted to Foundry Hall of
Honor 1992

Helmut Hofmann,
Chairman,
Devtek Corporation

Arthur A. Kennedy, Q.C., B. Comm.
Chairman of the Board
Retired; formerly Partner Tory, Tory, DesLauriers & Binnington,
Corporate/Commercial Law

Richard D. McGraw, B. Comm.
President and Chief Executive Officer,
Vitran Corporation

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

Robert I. Werner, P. Eng.
Management and Technology Consultant;
Retired; formerly Vice-Chairman, Director and Senior
Vice-President Werner Co.; Chairman & CEO MIIICA; Chair
International Aluminum Extrusion Technology Seminars

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

CORPORATE OFFICERS

Arthur A. Kennedy
Chairman of the Board

Brian A. Robbins
President and Chief Executive Officer

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

Anne Himelfarb
Secretary

Jan M. Tesar
President, Die-Cast Tooling Division

Gabriel Piccinin
President, Exco Extrusion Dies Division

Lawrence C. Robbins
President, Alu-Die Division

Paul H. Robbins
Vice-President, Exco Extrusion Dies Division

PRINCIPAL BANKERS

The Bank of Nova Scotia
Markham, Ontario

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust, Toronto, Ontario

STOCK LISTING

Toronto Stock Exchange (XTC)

CORPORATE OFFICE

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario
L3R 5H6

Telephone (905) 477-3065
Telefax (905) 477-2449

E-mail address: excotech@compuserve.com

1998 ANNUAL MEETING

The 1998 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto, on Wednesday, January 27, 1999 at 4:30 p.m.



Exco Technologies Limited

130 Spy Court, Markham, Ontario L3R 5H6