



EXCO TECHNOLOGIES LIMITED
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Unaudited Condensed Interim Report
to the shareholders
for the three and nine months ended
June 30, 2019

NOTICE TO READER

The attached unaudited condensed interim consolidated financial statements have been prepared by management of the Company. The condensed interim consolidated financial statements for the three- and nine- month periods ended June 30, 2019 and 2018 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
\$ (000)'s

	As at June 30, 2019	As at September 30, 2018
ASSETS		
Current		
Cash and cash equivalents	\$11,616	\$31,343
Accounts receivable	100,488	102,520
Unbilled revenue	17,010	24,438
Inventories	62,231	63,771
Prepaid expenses and deposits	3,124	3,585
Derivative instruments	6	779
Income taxes recoverable	708	3,170
Total current assets	195,183	229,606
Property, plant and equipment, net (note 4)	123,069	117,549
Intangible assets, net (note 5)	34,355	36,639
Goodwill (note 5)	63,066	62,843
Deferred tax assets	775	1,247
Total assets	\$416,448	\$447,884
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$1,611	\$11,764
Trade accounts payable	35,584	46,966
Accrued payroll liabilities	10,627	14,498
Other accrued liabilities	8,175	9,834
Provisions	1,487	1,267
Customer advance payments	2,327	2,865
Long-term debt - current portion (note 7)	92	4,108
Total current liabilities	59,903	91,302
Long-term debt - long-term portion (note 7)	14,092	18,181
Deferred tax liabilities	8,932	8,238
Total liabilities	82,927	117,721
Shareholders' equity		
Share capital (note 8)	51,246	51,230
Contributed surplus	4,266	4,391
Accumulated other comprehensive income	12,192	10,895
Retained earnings	265,817	263,647
Total shareholders' equity	333,521	330,163
Total liabilities and shareholders' equity	\$416,448	\$447,884

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

\$ (000)'s except for income per common share

	Three months ended June 30		Nine months ended June 30	
	2019	2018	2019	2018
Sales	\$119,944	\$152,755	\$385,533	\$436,016
Cost of sales	93,888	121,356	302,533	346,450
Selling, general and administrative expenses	11,664	11,318	33,758	32,353
Depreciation (note 4)	3,965	4,037	11,303	11,583
Amortization (note 5)	1,020	1,230	3,064	3,688
Loss (gain) on disposal of property, plant and equipment	(91)	(32)	(125)	755
Interest expense, net	181	246	660	823
Other expense (note 12)	-	-	6,409	-
	110,627	138,155	357,602	395,652
Income before income taxes	9,317	14,600	27,931	40,364
Provision for income taxes (note 11)	1,840	3,389	8,072	9,681
Net income for the period	7,477	11,211	19,859	30,683
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss in subsequent periods:				
Net unrealized gain (loss) on derivatives designated as cash flow hedges ^(a)	221	(561)	(570)	(744)
Unrealized gain (loss) on foreign currency translation	(4,319)	476	1,867	10,670
	(4,098)	(85)	1,297	9,926
Comprehensive income	\$3,379	\$11,126	\$21,156	\$40,609
Income per common share				
Basic	\$0.18	\$0.27	\$0.48	\$0.73
Diluted	\$0.18	\$0.27	\$0.48	\$0.72
Weighted average number of common shares outstanding				
Basic	41,253	42,268	41,334	42,313
Diluted	41,253	42,295	41,348	42,346

(a) Net of income tax payable of \$79 and income tax recoverable of \$203 for the three- and nine- month periods ended June 30, 2019 (2018 - net of income tax recoverable of \$ 200 and \$265 for the three- and nine- month periods ended June 30, 2018)

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
\$ ('000)'s

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total shareholders' equity
				Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	
Balance, October 1, 2018	\$51,230	\$4,391	\$263,647	\$572	\$10,323	\$10,895	\$330,163
Net income for the period	-	-	3,818	-	-	-	3,818
Dividend paid (note 3)	-	-	(3,524)	-	-	-	(3,524)
Stock option grants	-	110	-	-	-	-	110
Exercise of stock options	111	(34)	-	-	-	-	77
Repurchase of Share Capital (note 8)	(507)	-	(3,445)	-	-	-	(3,952)
Other comprehensive income (loss)	-	-	-	(1,376)	12,076	10,700	10,700
Balance, December 31, 2018	\$50,834	\$4,467	\$260,496	(\$804)	\$22,399	\$21,595	\$337,392
Net income for the period	-	-	8,564	-	-	-	8,564
Dividend paid (note 3)	-	-	(3,717)	-	-	-	(3,717)
Stock option grants	-	64	-	-	-	-	64
Exercise of stock options	849	(254)	-	-	-	-	595
Repurchase of Share Capital (note 8)	(236)	-	(1,629)	-	-	-	(1,865)
Other comprehensive income (loss)	-	-	-	585	(5,890)	(5,305)	(5,305)
Balance, March 31, 2019	\$51,447	\$4,277	\$263,714	(\$219)	\$16,509	\$16,290	\$335,728
Net income for the quarter	-	-	7,477	-	-	-	7,477
Dividends paid (note 3)	-	-	(3,702)	-	-	-	(3,702)
Stock option grants	-	13	-	-	-	-	13
Exercise of stock options	81	(24)	-	-	-	-	57
Repurchase of Share Capital (note 8)	(282)	-	(1,672)	-	-	-	(1,954)
Other comprehensive income (loss)	-	-	-	221	(4,319)	(4,098)	(4,098)
Balance, June 30, 2019	\$51,246	\$4,266	\$265,817	\$2	\$12,190	\$12,192	\$333,521

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total shareholders' equity
				Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income (loss)	
Balance, October 1, 2017	\$51,707	\$3,998	\$241,321	(\$233)	\$4,465	\$4,232	\$301,258
Net income for the period	-	-	8,916	-	-	-	8,916
Dividend paid (note 3)	-	-	(3,396)	-	-	-	(3,396)
Stock option grants	-	126	-	-	-	-	126
Repurchase of Share Capital (note 8)	(66)	-	(475)	-	-	-	(541)
Other comprehensive income (loss)	-	-	-	(1,629)	521	(1,108)	(1,108)
Balance, December 31, 2017	\$51,641	\$4,124	\$246,366	(\$1,862)	\$4,986	\$3,124	\$305,255
Net income for the period	-	-	10,556	-	-	-	10,556
Dividend paid (note 3)	-	-	(3,597)	-	-	-	(3,597)
Stock option grants	-	127	-	-	-	-	127
Exercise of stock options	370	(111)	-	-	-	-	259
Repurchase of Share Capital (note 8)	(198)	-	(1,406)	-	-	-	(1,604)
Other comprehensive income	-	-	-	1,446	9,673	11,119	11,119
Balance, March 31, 2018	\$51,813	\$4,140	\$251,919	(\$416)	\$14,659	\$14,243	\$322,115
Net income for the quarter	-	-	11,211	-	-	-	11,211
Dividends paid (note 3)	-	-	(3,587)	-	-	-	(3,587)
Stock option grants	-	127	-	-	-	-	127
Exercise of stock options	-	-	-	-	-	-	-
Repurchase of Share Capital (note 8)	(144)	-	(986)	-	-	-	(1,130)
Other comprehensive income (loss)	-	-	-	(561)	476	(85)	(85)
Balance, June 30, 2018	\$51,669	\$4,267	\$258,557	(\$977)	\$15,135	\$14,158	\$328,651

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
\$ (000)'s

	Three months ended June 30		Nine months ended June 30	
	2019	2018	2019	2018
OPERATING ACTIVITIES:				
Net income for the period	\$7,477	\$11,211	\$19,859	\$30,683
Add non-operating and items not involving a current outlay of cash				
Depreciation (note 4)	3,965	4,037	11,303	11,583
Amortization (note 5)	1,020	1,230	3,064	3,688
Stock-based compensation expense	(48)	141	203	391
Deferred income taxes	540	38	1,076	55
Net interest expense	181	246	660	823
Non-cash provision for ALC and Other expense (note 12)	-	-	6,409	-
Loss (gain) on disposal of property, plant and equipment	(91)	(32)	(125)	755
	13,044	16,871	42,449	47,978
Net change in non-cash working capital (note 10)	2,603	6,319	(7,070)	(4,610)
Cash provided by operating activities	15,647	23,190	35,379	43,368
FINANCING ACTIVITIES:				
Increase (decrease) in bank indebtedness	1,011	(5,931)	(8,323)	(7,867)
Repayment of long-term debt	(5,649)	(4,906)	(8,105)	(1,731)
Interest paid, net	(181)	(246)	(660)	(823)
Dividends paid (note 3)	(3,702)	(3,587)	(10,943)	(10,580)
Repurchase of share capital	(1,954)	(1,130)	(7,771)	(3,275)
Issuance of share capital	57	-	729	259
Cash used in financing activities	(10,418)	(15,800)	(35,073)	(24,017)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (note 4)	(4,197)	(4,326)	(19,062)	(18,549)
Purchase of intangible assets (note 5)	(207)	(130)	(407)	(541)
Proceeds from disposal of property, plant and equipment	111	77	228	512
Cash used in investing activities	(4,293)	(4,379)	(19,241)	(18,578)
Effect of exchange rate changes on cash	(3,473)	430	172	2,051
Net increase (decrease) in cash during the period	(2,537)	3,441	(18,763)	2,824
De-consolidation of ALC cash (note 12)	-	-	(964)	-
Cash, beginning of period	14,153	35,259	31,343	35,876
Cash, end of period	\$11,616	\$38,700	\$11,616	\$38,700

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

\$(000)'s except per share amounts

1. CORPORATE INFORMATION

Exco Technologies Limited (the “Company”) is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 15 strategic locations in 7 countries (see Note 12), the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed interim consolidated financial statements present the Company’s financial results of operations and financial position as at and for the three- month and six- month periods ended March 31, 2019 and have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those used in the preparation of the 2018 audited annual consolidated financial statements except as noted below.

The Company’s preparation of unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the application of the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements were essentially the same as those that applied to the Company’s consolidated financial statements as at and for the year ended September 30, 2018.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2018 audited annual consolidated financial statements, which are available at www.sedar.com and on the Corporation’s website at www.excocorp.com. The unaudited condensed interim consolidated financial statements and accompanying notes for the three- and nine- month periods ended June 30, 2019 were authorized for issue by the Board of Directors on August 1, 2019.

Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, its subsidiaries. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all of the following: power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The financial statements of the subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases (see Note 12). All intercompany transactions and balances have been eliminated on consolidation.

The Company has an interest in a joint operation, whereby the joint operators have a contractual arrangement that establishes joint control over the economic activities of the individual entity. The Company recognized its share of the joint operation’s assets, liabilities, revenues and expenses in the condensed interim consolidated financial statements.

Accounting standards adopted in fiscal year 2019

The Company’s significant accounting policies are as outlined in the Company’s consolidated financial statements as at and for the year ended September 30, 2018 except as follows:

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Effective October 1, 2018 the Company adopted IFRS 15, in accordance with the modified retrospective approach. The adoption of the standard did not result in any restatement of previously reported results and did not have a material impact on the presentation and disclosure in the consolidated financial statements.

The following should be read as a modification to the significant accounting policies in note 2 of the Company's annual audited consolidated financial statements for the year ended September 30, 2018 and is applicable to the three and nine month periods ended June 30, 2019.

Revenue Recognition

The Company recognizes sales primarily from two categories of goods: production contracts (including finished production parts and assemblies, short-term die cast tooling contracts, extrusion and other tooling), and long-term large die cast mould contracts.

Revenue for production contracts is recognized at the point in time control of the goods is transferred to the customer. Control of finished production parts, assemblies and tooling transfers when the goods are shipped from the Company's manufacturing facilities to the customer.

The Company recognizes revenue from long-term large die cast mould contracts over time using the percentage-of-completion input method, which recognizes revenue as performance of the contract progresses. Contracts that do not meet the criteria for over time recognition are recognized at a point in time. Input methods recognize revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The estimation of revenue and costs-to-complete is complex, subject to variables and requires significant judgement. The contract value may include fixed amounts, variable amounts or both. The Corporation estimates variable consideration at the most likely amount to which the Corporation expects to be entitled. The estimated variable amount is included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimation of variable consideration is largely based on assessment of the Company's historical, current and forecasted information that is reasonably available.

IFRS 9, Financial Instruments ("IFRS 9")

The Company has adopted IFRS 9 using the modified retrospective approach effective October 1, 2018. The adoption of IFRS 9 did not have a material impact on the consolidated financial statements. In accordance with the transitional provisions in the standard, comparative figures have not been restated.

The following should be read as a modification to the significant accounting policies in note 2 of the Company's annual audited consolidated financial statements for the year ended September 30, 2018 and is applicable to the three and nine month periods ended June 30, 2019:

Financial instruments

(a) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification under IFRS 9 as described below:

Amortized cost:

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including trade and other receivables. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Fair value through profit or loss (FVTPL):

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes cash and cash equivalents, and derivative assets and derivative liabilities that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets and liabilities on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statement of operations. Transaction costs incurred are expensed in the consolidated statement of operations.

Loans and borrowings

The Company initially recognized the carrying amount of such liabilities on the consolidated balance sheet at fair value net of directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

(b) Impairment of financial assets:

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company’s ECL model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward-looking information and did not result in a significant change as compared to the Company’s pre-IFRS 9 approach. The Company’s allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer’s credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

(c) Hedge Accounting

The Company has applied hedge accounting prospectively. At the date of initial application of IFRS 9, all of the Company’s existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Company has continued to designate the change in fair value of the entire forward contract in the Company’s cash flow hedge relationship in other comprehensive income (loss) to the extent the hedge continues to be highly effective. The related other comprehensive income (loss) amounts are allocated to the consolidated statements of income in the same period in which the hedged item affects earnings. The adoption of the new hedge accounting requirements resulted in no transitional adjustment to how the Company has applied hedge accounting under IFRS 9.

Accounting standards issued but not yet applied

The following standards are not yet effective for the year ending September 30, 2019. The Company is in the process of reviewing the standards to determine the impact on its consolidated financial statements.

IFRS 16, *Leases* (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 in which lessees will have a single accounting model for all leases, with certain exemptions and lessor accounting is substantially unchanged. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for the Company using a modified retrospective approach with the option to elect certain practical expedients. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements but application of IFRS 16 will result in an increase in liabilities and assets from the recognition of right to use assets and lease liabilities, as well as a decrease in cost of sales and selling, general and administrative expenses and an increase in interest expense and depreciation.

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

3. CASH DIVIDEND

During the three- and nine- month periods ended June 30, 2019, the Company paid quarterly cash dividends totaling \$3,702 and \$10,943 (2018 -\$3,587 and \$10,580). The quarterly dividend rate in the third quarter of 2019 was \$0.09 per common share (2018 - \$0.085).

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Cost						
Balance as at September 30, 2018	203,981	22,923	71,289	12,012	2,631	312,836
Additions	1,247	1,256	425	-	16,134	19,062
Reclassification	9,720	1,283	3,542	-	(14,545)	-
Disposals	(6,306)	(78)	-	-	-	(6,384)
Deconsolidation of ALC (note 12)	(6,962)	(601)	-	-	-	(7,563)
Foreign exchange movement	868	103	232	26	(6)	1,223
Balance as at June 30, 2019	\$202,548	\$24,886	\$75,488	\$12,038	\$4,214	\$319,174

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2018	143,946	17,893	33,448	-	-	195,287
Depreciation for the period	7,740	1,297	2,266	-	-	11,303
Disposals	(6,240)	(42)	-	-	-	(6,282)
Deconsolidation of ALC (note 12)	(4,269)	(473)	-	-	-	(4,742)
Foreign exchange movement	402	84	53	-	-	539
Balance as at June 30, 2019	\$141,579	\$18,759	\$35,767	\$-	\$-	\$196,105

Carrying amounts

As at September 30, 2018	\$60,035	\$5,030	\$37,841	\$12,012	\$2,631	\$117,549
As at June 30, 2019	\$60,969	\$6,127	\$39,721	\$12,038	\$4,214	\$123,069

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
\$(000)'s except per share amounts

5. INTANGIBLE ASSETS AND GOODWILL

	Computer Software and Other	Acquisition Intangibles*	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Cost					
Balance as at September 30, 2018	21,460	46,266	99	67,825	62,843
Additions	364	-	43	407	-
Reclassifications	34	-	(34)	-	-
Disposals	(253)	-	-	(253)	-
Deconsolidation of ALC (note 12)	(321)	-	-	(321)	-
Foreign exchange movement	34	462	-	496	223
Balance as at June 30, 2019	\$21,318	\$46,728	\$108	\$68,154	\$63,066

	Computer Software and Other	Acquisition Intangibles*	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2018	19,797	11,389	-	31,186	-
Amortization for the period	632	2,432	-	3,064	-
Disposals	(253)	-	-	(253)	-
Deconsolidation of ALC (note 12)	(273)	-	-	(273)	-
Foreign exchange movement	30	45	-	75	-
Balance as at June 30, 2019	\$19,933	\$13,866	\$-	\$33,799	\$-

Carrying amounts

As at September 30, 2018	\$1,663	\$34,877	\$99	\$36,639	\$62,843
As at June 30, 2019	\$1,385	\$32,862	\$108	\$34,355	\$63,066

*Acquisition intangibles are comprised primarily of customer relationships and trade names resulting from business acquisitions.

6. FINANCIAL INSTRUMENTS

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

The fair value of cash and cash equivalents, bank indebtedness, trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are variable and a reflection of market-based rates.

The fair value of derivative instruments that are not traded in an active market such as over-the-counter foreign exchange options and collars is determined using quoted forward exchange rates at the consolidated statement of financial position dates and are Level 2 instruments.

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

During the nine-month period ended June 30, 2019 there were no transfers between Level 1 and Level 2 fair value measurements.

The carrying value and fair value of all financial instruments are as follows:

	June 30, 2019		September 30, 2018	
	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	\$11,616	\$11,616	\$31,343	\$31,343
Accounts receivable	100,488	100,488	102,520	102,520
Trade accounts payable	(35,584)	(35,584)	(46,966)	(46,966)
Bank indebtedness	(1,611)	(1,611)	(11,764)	(11,764)
Customer advance payments	(2,327)	(2,327)	(2,865)	(2,865)
Accrued liabilities	(18,802)	(18,802)	(24,332)	(24,332)
Derivative instruments	6	6	779	779
Long-term debt	(\$14,184)	(\$14,184)	(\$22,289)	(\$22,289)

7. LONG-TERM DEBT

On February 22, 2018, the Company closed an amendment to renew the \$50,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A, of which \$14,000 was utilized as at June 30, 2019. The facility has a 3 year term and is collateralized by a general security agreement covering all assets of the Company's subsidiaries located in Canada and the US, with the exception of real property. There are no specific repayment terms prior to maturity.

The components of long-term debt are as follows:

	March 31, 2019	September 30, 2018
Bank debt	\$14,000	\$18,000
Term notes	-	4,017
Promissory note	184	272
Subtotal	14,184	22,289
Less: current portion	(92)	(4,108)
Long-term debt, long-term portion	\$14,092	\$18,181

Pursuant to the terms of the credit facility, Exco is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at June 30, 2019.

8. SHARE CAPITAL

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning February 18, 2019. The Company's Board of Directors authorized the purchase of up to 2,100,000 common shares representing approximately 5% of the Company's outstanding common shares. During the quarter and year-to-date 230,100 and 837,700 common shares were repurchased (2018 - 118,600 and 335,900) for a total cost of \$1,954 and \$7,771 respectively (2018 - \$1,130 and \$3,275). The cost to repurchase the common shares in the nine-month period exceeded their stated value by \$6,746 (2018 - \$2,867) which was recorded against retained earnings.

As at June 30, 2019 the Company had 41,105,981 common shares issued and outstanding.

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
\$(000)'s except per share amounts

9. SEGMENTED INFORMATION

Business segments

The Company operates in two business segments: Casting and Extrusion Technology (“Casting and Extrusion”) and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 2 to the consolidated financial statements.

The Casting and Extrusion segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for seating, cargo storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers). (See Note 12)

The Company evaluates the performance of its operating segments primarily based on pre-tax income before interest and other expense.

The Corporate segment involves administrative expenses that are not directly related to the business activities of the above two operating segments.

Three Months Ended June 30, 2019				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$51,212	\$71,156	\$-	\$122,368
Intercompany sales	(2,280)	(144)	-	(2,424)
Net sales	48,932	71,012	-	119,944
Depreciation	3,273	672	20	3,965
Amortization	173	845	2	1,020
Pre-tax income (loss) before interest and other expense	3,856	7,924	(2,282)	9,498
Net interest expense				181
Income before income taxes				9,317
Property, plant and equipment additions	3,064	1,123	10	4,197
Property, plant and equipment, net	98,708	22,941	1,420	123,069
Intangible asset additions	203	4	-	207
Intangible assets, net	1,203	33,151	1	34,355
Goodwill	-	63,066	-	63,066
Total assets	215,384	210,590	(9,526)	416,448
Total liabilities	25,919	38,783	18,225	82,927

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
\$(000)'s except per share amounts

Three Months Ended June 30, 2018				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$54,712	\$100,093	\$-	\$154,805
Intercompany sales	(1,872)	(178)	-	(2,050)
Net sales	52,840	99,915	-	152,755
Depreciation	3,200	831	6	4,037
Amortization	217	1,013	-	1,230
Pre-tax income (loss) before interest and other expense	5,212	11,385	(1,751)	14,846
Net interest expense				(246)
Income before income taxes				14,600
Property, plant and equipment additions	3,603	712	11	4,326
Property, plant and equipment, net	91,052	27,175	1,265	119,492
Intangible asset additions	106	24	-	130
Intangible assets, net	1,515	37,171	3	38,689
Goodwill	-	64,041	-	64,041
Total assets	196,873	251,520	3,980	452,373
Total liabilities	29,928	59,321	34,473	123,722

Nine Months Ended June 30, 2019				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$159,371	\$242,074	\$-	\$401,445
Intercompany sales	(7,523)	(8,389)	-	(15,912)
Net sales	151,848	233,685	-	385,533
Depreciation	9,121	2,128	54	11,303
Amortization	524	2,538	2	3,064
Pre-tax income (loss) before interest and other expense	13,950	26,852	(5,802)	35,000
Other expense		(6,409)		(6,409)
Net interest expense				(660)
Income before income taxes				27,931
Property, plant and equipment additions	16,788	2,166	108	19,062
Property, plant and equipment, net	98,708	22,941	1,420	123,069
Intangible asset additions	364	43	-	407
Intangible assets, net	1,203	33,151	1	34,355
Goodwill	-	63,066	-	63,066
Total assets	215,384	210,590	(9,526)	416,448
Total liabilities	25,919	38,783	18,225	82,927

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

Nine Months Ended June 30, 2018				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$154,300	\$287,048	\$-	\$441,348
Intercompany sales	(4,875)	(457)	-	(5,332)
Net sales	149,425	286,591	-	436,016
Depreciation	9,088	2,466	29	11,583
Amortization	678	3,009	1	3,688
Pre-tax income (loss) before interest and other expense	14,826	31,533	(5,172)	41,187
Net interest expense				(823)
Income before income taxes				40,364
Property, plant and equipment additions	11,494	7,042	13	18,549
Property, plant and equipment, net	91,052	27,175	1,265	119,492
Intangible asset additions	409	132	-	541
Intangible assets, net	1,515	37,171	3	38,689
Goodwill	-	64,041	-	64,041
Total assets	196,873	251,520	3,980	452,373
Total liabilities	29,928	59,321	34,473	123,722

10. NET CHANGE IN NON-CASH WORKING CAPITAL

Nine months ended June 30		
	2019	2018
Accounts receivable	(\$6,278)	(\$7,009)
Unbilled revenue	6,935	(493)
Inventories	(3,911)	3,708
Prepaid expenses and deposits	94	(935)
Trade accounts payable	(4,255)	(19)
Accrued payroll liabilities	(3,078)	(691)
Other accrued liabilities	1,404	1,336
Provisions	220	(29)
Customer advance payments	(492)	(1,706)
Income taxes payable	2,291	1,228
	(\$7,070)	(\$4,610)

11. INCOME TAXES

The consolidated effective income tax rate for the three- and nine-month periods ended June 30, 2019 was 19.7% and 28.9% (three- and nine- month periods ended June 30, 2018 – 23.2% and 24.0%). The income tax rate in the current quarter was favorably impacted by the receipt of certain tax credits while the effective income tax rate for the nine-month period was adversely impacted by the non-deductibility of Other Expense related to the de-consolidation of

EXCO TECHNOLOGIES LIMITED
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

\$(000)'s except per share amounts

ALC in the amount of \$6,409 (note 12). Excluding ALC, the effective income tax rate for the nine-month period ended June 30, 2019 would have been 23.5% (nine-month period ended June 30, 2018 – 24.0%).

12. DECONSOLIDATION OF ALC AND OTHER EXPENSE

On January 17, 2019, the Company's indirect wholly owned subsidiary ALC Bulgaria EOOD ("ALC") voluntarily filed a liquidation petition in Bulgaria. Consequently, all seat-cover production at ALC was ceased on that date. On April 8, 2019, the local courts declared the company insolvent effective January 1, 2019 and a receiver was appointed to liquidate ALC.

During the three months ended March 31, 2019, the Company lost control of and de-consolidated it from the Company's financial statements.

The Company had recorded a \$6.1 million provision during the three months ended December 31, 2018 in respect to ALC, the result of which was that the net assets of ALC were \$nil.

During the three months ended March 31, 2019, the Company recorded Other Expense of \$333 which included net expenses of \$356 related to the realization of deferred foreign exchange losses included in Other Comprehensive Income associated with ALC and as well as entities in South Africa and Germany, the net impact of losses incurred between December 31, 2018 and the date of deconsolidation (these resulting in a gain on deconsolidation) and the net impact of the elimination of intercompany amounts with ALC.

CORPORATE INFORMATION

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 15 strategic locations in 7 countries, we employ approximately 5,400 people and service a diverse and broad customer base.

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Colleen M. McMorrow

Paul E. Riganelli

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