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Unaudited Condensed Interim Report
to the shareholders
for the three months ended
December 31, 2018

CONTENTS

	Three Months ended December 31	
(in $ thousands except earnings per share amounts)		
	2018	2017
Sales	**$142,124**	$134,871
Net income	**$3,818**	$8,916
Basic and diluted earnings per share	**$0.09**	$0.21
Weighted Basic Common shares outstanding	**41,483**	42,447

The following management's interim discussion and analysis of operations and financial position are prepared as at January 30, 2019 and should be read in conjunction with the consolidated financial statements and Management's Discussion and Analysis ("MD&A") in the Company's 2018 Annual Report.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference may be made to Adjusted EBITDA, Adjusted EBITDA Margin, adjusted EPS, pretax profit and free cash flow which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates Adjusted EBITDA as earnings before other income/expense, interest, taxes, depreciation and amortization and Adjusted EBITDA Margin as Adjusted EBITDA divided by sales. Exco calculates adjusted EPS as earnings before other income/expense and pretax profit as earnings before other income/expense, interest and taxes. Free cash flow is calculated as cash provided by operating activities less interest paid less investment in fixed assets net of proceeds of disposal. Adjusted EBITDA, Adjusted EBITDA Margin, adjusted EPS, pretax profit and free cash flow are used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use these measures as well when evaluating Exco's financial performance. These measures, as calculated by Exco, do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other issuers.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated sales for the first quarter ended December 31, 2018 were $142.1 million compared to $134.9 million in the same quarter last year – an increase of $7.2 million, or 5%. Over the quarter the average USD/CAD exchange rate was 5% higher from the prior year period ($1.34 versus $1.28), increasing sales by $3.8 million. The average EUR/CAD exchange rate was modestly higher in the quarter compared to last year ($1.52 versus $1.51), increasing sales by $0.1 million.

The Automotive Solutions segment reported sales of $89.4 million in the first quarter – an increase of $1.1 million, or 1% from the same quarter last year. Foreign exchange movements increased segment sales by $2.4 million, mostly reflecting the effect of the higher USD/CAD exchange rate on our North American businesses. Excluding foreign exchange rate movements, revenues were modestly lower in North America despite relatively flat overall vehicle production volumes, primarily driven by a focus on higher margin activity. However, the timing of program launches and isolated competitive pricing pressures also impacted revenues. In Europe, segment revenues were mostly stable as the launch of several new programs at Polydesign offset lower revenues at ALC driven by the voluntary wind down of several smaller programs, which ALC began curtailing in the third quarter of fiscal 2018. The volume and mix of BMW Mini seat covers, ALC's largest revenue source, were relatively stable year over year.

The Casting and Extrusion segment reported sales of $52.7 million for the first quarter – an increase of $6.1 million, or 13%, from the same quarter last year. Foreign exchange movements increased segment sales by $1.5 million. Sales were up in each of the segment's three main business groups, with the highest increase recorded in the Large Mould group, reflecting continued deliveries against its firm order backlog. Sales were also up sharply at the Castool group as capital equipment sales continued to improve and demand for consumable components in both the diecast and extrusion end markets were firmer, particularly in the United States and Europe. Sales levels were also higher at the Extrusion group driven by continuing strong overall industry fundamentals and aided by the pass-through of higher raw material costs and tariffs to customers. Market conditions and quoting activity remain uniformly strong across the segment, which should bode well for our future results.

Consolidated net income for the first quarter was $3.8 million or basic and diluted earnings of $0.09 per share compared to $8.9 million or $0.21 per share in the same quarter last year – a decrease in net income of 57%. The latest quarter results include $2.2 million ($0.05 per share) of operating losses at ALC and an additional $6.1 million ($0.15 per share) charge related to voluntary liquidation of ALC subsequent to December 31, 2018 (see below). Neither the operating losses nor the provision can be tax effected, which contributed to a 49% tax rate in the current quarter compared to an effective income tax rate of 26% in the prior year period. Excluding ALC, the effective income tax rate for quarter would have been 23.2% , compared to 23.3% in the prior year period. The current year period tax rate was also negatively impacted by a shift in profitability towards operations located in higher tax-rate jurisdictions but modestly benefited from the reduced corporate income tax rate in the US.

With regards to ALC, as Exco management indicated in the past, a permanent price increase from ALC's primary customer was necessary to restore that entity to sustained profitability, failing which Exco would exit the business. Such price increases occurred on a temporary basis in the third and fourth quarter of fiscal 2018, however ALC's primary customer declined to provide any similar support in the first quarter of fiscal 2019. ALC continued normal operations through December 31, 2018, incurring $2.2 million of operating losses in the quarter. However, in the absence of ongoing price support, it was apparent ALC would become illiquid in the very near term. Consequently, Exco recorded a $6.1 million provision in ALC at the end of the quarter and ALC subsequently filed a liquidation petition in Bulgaria on January 17, 2019. Exco expects to de-consolidate ALC from its financial statements in the second quarter of fiscal 2019 and does not expect ALC to have a further significant negative impact on its net income or equity position beyond December 31, 2018. The deconsolidation of ALC will eliminate approximately $23.1 million of total assets and $23.1 million of total liabilities from Exco's balance sheet, including $4.2 million in net debt. ALC generated $19.8 million of revenue in the quarter with 1,439 employees.

The Automotive Solutions segment reported pretax profit of $9.8 million in the first quarter – an increase of $0.3 million or 4% over the same quarter last year. In North America, pretax profits were higher due to increase sales as well as a net improvement in segment margins. Pre-tax profit margins were higher at Polytech, Neocon and AFX by 160 basis points on a combined basis arising from favorable foreign exchange rate movements, positive product mix variance, and cost containment initiatives. These factors more than offset isolated competitive price pressures and isolated raw material cost inflation. In Europe, operating losses at ALC widened to $2.2 million ($0.05 per share) during the quarter from $1.5 million ($0.03 per share) the prior year period due to increased operating costs and reduced overhead absorption. Partially offsetting ALC losses was increased overall profitability at Polydesign which benefited from higher revenues associated with new program launches. The $6.1 million provision related to ALC that is discussed above was recorded outside of the segment results.

The Casting and Extrusion segment reported $5.5 million of pretax profit in the first quarter – an increase of $0.9 million or 18% from the same quarter last year. Margins and overall profitability were higher at the Large Mould group which benefited from stronger overhead absorption rates, improved product mix and increased manufacturing efficiencies associated with prior capex investments, particularly at the group's plant in Newmarket, Ontario. Castool's margins and profitability also improved due to higher overhead absorption rates and selective price increases and ongoing efficiency initiatives. The Extrusion group recorded relatively stable profitability despite higher sales due to isolated manufacturing inefficiencies at one of its plants during the quarter. These inefficiencies however have begun to abate and management expects the Extrusion group will resume a trend of profit growth in the quarters ahead.

The Corporate segment expenses were $1.6 million in the first quarter compared to $1.8 million in the prior year quarter due mainly to foreign exchange rate movements and a reduction of non-cash stock-based compensation expense related to the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan.

Consolidated adjusted EBITDA for the first quarter totaled $18.6 million compared to $17.3 million in the same quarter last year – an increase of $1.3 million, or 8%. Adjusted EBITDA as a percentage of sales increased to 13.1% in the current period compared to 12.8% million the prior year. The adjusted EBITDA margin in the Casting and Extrusion segment declined to 16.4% from 16.8% last year while the adjusted EBITDA margin in the Automotive Solutions segment remained stable at 12.8%. Corporate segment cash expenses decreased to 1.1% of consolidated sales versus 1.3% last year.

Financial Resources, Liquidity and Capital Resources

Operating cash flow before net change in non-cash working capital totaled $15.2 million in the first quarter compared to $15.1 million in the same period last year. Current year results included the previously discussed $6.1 million non-cash provision in ALC whereas the prior year results included a $0.7 million write-down of non-cash costs associated with the disposal of equipment. Non-cash working capital consumed $10.2 million of cash in the first quarter compared to a use of $2.8 million in the same quarter last year. The use of cash in the current quarter was mainly due to timing as trade payments and accrued liabilities reduced at a faster pace than accounts receivable and inventory levels. Consequently, net cash provided by operating activities amounted to $5.0 million in the current quarter compared to $12.3 million in the same quarter last year.

Cash used in financing activities in the current quarter was $14.3 million compared to $5.3 million of cash used in the same quarter last year. The increased cash use this year was due to the incremental use of $3.3 million for share repurchases (net of issuance) as well as a net borrowing of indebtedness compared to a net reduction the prior year.

Cash used in investing activities in the first quarter totaled $8.6 million compared to $9.5 million in the same quarter last year. The difference was due to lower capital spending in the current year quarter associated with the timing of planned capital expenditures generally.

The Company's financial position and liquidity remain strong. The Company's conservative financial policies have served it well throughout the years and has allowed it to take advantage of acquisition opportunities and fund organic growth initiatives as circumstances permit.

Exco's net debt totaled $12.3 million as at December 31, 2018, of which $4.2 million was at ALC Bulgaria and is expected to be deconsolidated from Exco's financial statements in the second quarter of fiscal 2019. Exco's principal sources of liquidity include generated free cash flow, $13.0 million of balance sheet cash (excluding balances at ALC Bulgaria), and $42.0 million of unused availability under its $50 million committed credit facility, which matures February 2021. 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 December 31, 2018.

In addition to the obligations disclosed on the balance sheet, Exco also enters into operating lease arrangements from time to time. Exco owns 15 of its 18 manufacturing facilities and essentially all of its production equipment. Leased facilities include ALC's three plants in Bulgaria, which were part of that entity's insolvency filing in January 2019. The Company also leases sales and support centers in Troy, Michigan, Port Huron, Michigan and a warehouse in Brownsville, Texas. The following table summarizes all short-term and long-term commitments Exco has entered.

	December 31, 2018			
	Total	< 1 year	1-3 years	4-5 years
Bank indebtedness	$14,884	$14,884	-	-
Long-term debts	12,518	4,327	8,191	-
Accounts Payable	54,055	54,055	-	-
Operating leases*	2,663	1,088	1,455	120
Purchase commitments	42,224	42,224	-	-
Capital expenditures	9,326	9,326	-	-
	$135,670	$125,904	$9,646	$120

∗ Exco leases facilities, automotive, material handling vehicles and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms but occasionally it may purchase the assets at the end of the lease terms when the purchase options are favorable. Exco does not expect any material liquidity or capital resource impacts from these possible purchases.

Quarterly results

The following table sets out financial information for each of the eight quarters through to the first quarter ended December 31, 2018:

($ thousands except per share amounts)	December 31, 2018[1]	September 30, 2018	June 30, 2018	March 31, 2018
Sales	$142,124	$139,538	$152,755	$148,390
Net income	$3,818	$11,587	$11,211	$10,556
Earnings per share				
Basic	$0.09	$0.27	$0.27	$0.25
Diluted	$0.09	$0.27	$0.27	$0.25

($ thousands except per share amounts)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Sales	$134,871	$131,416	$145,909	$153,783
Net income	$8,916	$7,521	$10,933	$12,602
Earnings per share				
Basic	$0.21	$0.18	$0.26	$0.30
Diluted	$0.21	$0.18	$0.26	$0.30

[1] Net income in the first quarter of fiscal 2019 was reduced by the recognition of a $6.1 million ($0.15 per share) provision related to the voluntary liquidation of ALC Bulgaria

Exco typically experiences softer sales and profits in the first and fourth fiscal quarters, which coincides with our customers' plant shutdowns during the holiday season and summer months.

Controls and Procedures

A description of Exco's disclosure controls and internal controls over financial reporting

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at December 31, 2018 that they are responsible for establishing and maintaining disclosure controls and procedure and internal control over financial reporting.

No changes were made in the Corporation's internal control over financial reporting during the Corporation's most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Outstanding Share Capital

As at December 31, 2018 Exco had 41,437,281 common shares issued and outstanding and stock options outstanding to purchase up to 1,034,150 common shares at exercise prices ranging from $7.09 to $14.58.

This Management Discussion and Analysis contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "may", "will", "should", "expect", "believe", "estimates" and similar expressions to identify forward-looking information and statements especially with respect to growth and financial performance of the Company's business units, contribution of our start-up business units, contribution of awarded programs yet to be launched, margin performance, financial performance of acquisitions and operating efficiencies are forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements throughout this document and are also cautioned that the foregoing list of important factors is not exhaustive. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America, Europe and emerging market countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, economic conditions including the availability and cost of labor, currency fluctuations, trade restrictions, our ability to turnaround, close or otherwise dispose of unprofitable operations in a timely manner, our ability to integrate acquisitions and the rate at which our operations in Brazil and Mexico achieve sustained profitability. These forward-looking statements include known and unknown risks, uncertainties, *assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. The Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in our 2018 Annual Report, our 2018 Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.*

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- month periods ended December 31, 2018 and 2017 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 December 31, 2018	As at September 30, 2018
ASSETS		
Current		
Cash and cash equivalents	**$15,073**	$31,343
Accounts receivable	**108,513**	102,520
Unbilled revenue	**26,796**	24,438
Inventories	**68,041**	63,771
Prepaid expenses and deposits	**3,185**	3,585
Derivative Instruments	**-**	779
Income taxes recoverable	**1,296**	3,170
Total current assets	**222,904**	229,606
Property, plant and equipment, net (note 4)	**125,557**	117,270
Intangible assets, net (note 5)	**37,502**	36,639
Goodwill (note 5)	**66,148**	63,122
Deferred tax assets	**1,089**	1,247
Total assets	**$453,200**	$447,884
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$14,884**	$11,764
Trade accounts payable	**54,055**	46,966
Accrued payroll liabilities	**8,969**	14,498
Other accrued liabilities	**13,151**	9,834
Derivative instruments	**1,088**	-
Provisions	**1,170**	1,267
Customer advance payments	**1,208**	2,865
Long-term debt - current portion (note 7)	**4,327**	4,108
Total current liabilities	**98,852**	91,302
Long-term debt - long-term portion (note 7)	**8,191**	18,181
Deferred tax liabilities	**8,765**	8,238
Total liabilities	**115,808**	117,721
Shareholders' equity		
Share capital (note 8)	**50,834**	51,230
Contributed surplus	**4,467**	4,391
Accumulated other comprehensive income	**21,595**	10,895
Retained earnings	**260,496**	263,647
Total shareholders' equity	**337,392**	330,163
Total liabilities and shareholders' equity	**$453,200**	$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 December 31	
	2018	2017
Sales	**$142,124**	$134,871
Cost of sales	**113,143**	106,536
Selling, general and administrative expenses	**10,404**	10,292
Depreciation (note 4)	**3,766**	3,726
Amortization (note 5)	**1,038**	1,229
Loss (gain) on disposal of property, plant and equipment	**(3)**	738
Interest expense, net	**253**	307
Other expense (note 12)	**6,076**	-
	134,677	122,828
Income before income taxes	**7,447**	12,043
Provision for income taxes (note 11)	**3,629**	3,127
Net income for the period	**3,818**	8,916
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Net unrealized loss on derivatives designated as cash flow hedges (a)	**(1,376)**	(1,629)
Unrealized gain on foreign currency translation	**12,076**	521
	10,700	(1,108)
Comprehensive income	**$14,518**	$7,808
Income per common share		
Basic	**$0.09**	$0.21
Diluted	**$0.09**	$0.21
Weighted average number of common shares outstanding		
Basic	**41,483**	42,447
Diluted	**41,510**	42,490

(a) Net of income tax recoverable of $491 for the three- month period ended December 31,2018 (2017 - net of income tax recoverable of $581) for the three month period ended December 31,2017)

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

				Accumulated other comprehensive income			
	Share capital	Contributed surplus	Retained earnings	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income	Total shareholders' equity
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**

				Accumulated other comprehensive income			
	Share capital	Contributed surplus	Retained earnings	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income (loss)	Total shareholders' equity
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**

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 December 31 **2018**	2017
OPERATING ACTIVITIES:		
Net income for the period	**$3,818**	$8,916
Add non-operating and items not involving a current outlay of cash		
Depreciation (note 4)	**3,766**	3,726
Amortization (note 5)	**1,038**	1,229
Stock-based compensation expense	**82**	171
Deferred income taxes	**153**	17
Net interest expense	**253**	307
Non-cash provision for ALC (note 12)	**6,076**	-
Loss (gain) on disposal of property, plant and equipment	**(3)**	738
	15,183	15,104
Net change in non-cash working capital (note 10)	**(10,211)**	(2,803)
Cash provided by operating activities	**4,972**	12,301
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	**3,120**	(5,144)
Financing from long-term debt	**-**	4,045
Repayment of long-term debt	**(9,771)**	-
Interest paid, net	**(253)**	(307)
Dividends paid (note 3)	**(3,524)**	(3,396)
Repurchase of share capital	**(3,952)**	(541)
Issuance of share capital	**77**	-
Cash used in financing activities	**(14,303)**	(5,343)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 4)	**(8,606)**	(9,617)
Purchase of intangible assets (note 5)	**(40)**	(165)
Proceeds from disposal of property, plant and equipment	**26**	280
Cash used in investing activities	**(8,620)**	(9,502)
Effect of exchange rate changes on cash and cash equivalents	**1,681**	246
Net decrease in cash and cash equivalents during the period	**(16,270)**	(2,298)
Cash and cash equivalents, beginning of period	**31,343**	35,876
Cash and cash equivalents, end of period	**$15,073**	$33,578

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

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

The Company's significant accounting policies are outlined below:

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 period ended December 31, 2018 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- month period ended December 31, 2018 were authorized for issue by the Board of Directors on January 30, 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. 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 the current period

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

The Company adopted IFRS 15 using 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 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.

Revenue Recognition
Revenue recognition policies under the new standard are substantially consistent with prior reporting periods. 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 adoption of IFRS 9 did not have a material impact on the consolidated financial statements.

IFRS 9 includes an accounting policy choice between deferring the adoption of the new hedge accounting standards under IFRS 9 and continuing with the current IAS 39 hedge accounting standards. The Company has decided to continue to apply IAS 39 hedge accounting standards.

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:

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):
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 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. The Company does not currently hold any liabilities designated as FVTPL.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

(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 existing model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward-looking information. 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. The adoption of IFRS 9 did not have a material impact on the Company's policy for assessing impairment of financial assets.

(c) Derivative financial instruments

The Company periodically uses derivate financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments, as well as derivative instruments associated with investments in equity securities, are classified as fair value through profit or loss, initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in the statement of changes in shareholders' equity as other comprehensive income or loss. Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast purchase occurs.

(d) Hedge Accounting

The Company has applied hedge accounting prospectively. At the date of initial application, 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 and will continue to measure changes in fair value of the interest rate swaps in other comprehensive earnings (loss) to the extent the hedge continues to be highly effective. The related other comprehensive earnings (loss) amounts are allocated to the consolidated statements of earnings in the same period in which the hedged item affects earnings. To the extent the change in fair value of the derivative financial instruments is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in the consolidated statements of 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. As such there were no retrospective adjustments made upon transition.

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.

$(000)'s except per share amounts

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.

3. CASH DIVIDEND

During the three- month period ended December 31, 2018, the Company paid quarterly cash dividends totaling $3,524 (2017 - $3,396). The quarterly dividend rate in the first quarter of 2019 was $0.085 per common share (2018 - $0.08).

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Cost						
Balance as at September 30, 2017	$192,549	$21,112	$67,564	$10,077	$3,655	$294,957
Additions						
Assets acquired	3,180	1,159	3,656	2,284	12,641	22,920
Reclassification	10,321	835	2,555	-	(13,711)	-
Less: disposals	(3,958)	(470)	(3,043)	(361)	-	(7,832)
Foreign exchange movement	1,610	287	557	12	46	2,512
Balance as at September 30, 2018	203,702	22,923	71,289	12,012	2,631	312,557
Additions						
Assets acquired	319	321	96	-	7,870	8,606
Reclassification	1,168	83	58	-	(1,309)	-
Less: disposals	(548)	-	-	-	-	(548)
Foreign exchange movement	4,489	608	1,967	278	53	7,395
Balance as at December 31, 2018	**$209,130**	**$23,935**	**$73,410**	**$12,290**	**$9,245**	**$328,010**

$(000)'s except per share amounts

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2017	$134,550	$16,187	$32,696	$-	$-	$183,433
Depreciation for the period	11,008	1,860	2,866	-	-	15,734
Less: disposals	(2,719)	(421)	(2,507)	-	-	(5,647)
Reclassification	(21)	21	-	-	-	-
Foreign exchange movement	1,128	246	393	-	-	1,767
Balance as at September 30, 2018	143,945	17,893	33,448	-	-	195,287
Depreciation for the period	2,577	448	741	-	-	3,766
Less: disposals	(524)	-	-	-	-	(524)
Foreign exchange movement	2,721	521	682	-	-	3,924
Balance as at December 31, 2018	**$148,720**	**$18,862**	**$34,871**	**$-**	**$-**	**$202,453**
Carrying amounts						
As at September 30, 2018	$59,756	$5,030	$37,841	$12,012	$2,631	$117,270
As at December 31, 2018	**$60,410**	**$5,073**	**$38,539**	**$12,290**	**$9,245**	**$125,557**

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, 2017	$20,614	$44,713	$427	$65,754	$62,091
Additions					
Assets acquired	384	-	208	592	-
Less: disposals	(165)	-	-	(165)	
Reclassifications	538	-	(538)	-	-
Foreign exchange movement	89	1,553	2	1,644	1,031
Balance as at September 30, 2018	21,460	46,266	99	67,825	63,122
Additions					
Assets acquired	40	-	-	40	-
Less: disposals	(180)	-	-	(180)	
Foreign exchange movement	201	2,279	2	2,482	3,026
Balance as at December 31, 2018	**$21,521**	**$48,545**	**$101**	**$70,167**	**$66,148**

$(000)'s except per share amounts

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2017	$18,829	$7,076	$-	$25,905	$-
Amortization for the period	1,062	4,118	-	5,180	-
Less: disposals	(165)	-	-	(165)	-
Foreign exchange movement	71	195	-	266	-
Balance as at September 30, 2018	19,797	11,389	-	31,186	-
Amortization for the period	224	814	-	1,038	-
Less: disposals	(180)	-	-	(180)	-
Foreign exchange movement	184	437	-	621	-
Balance as at December 31, 2018	**$20,025**	**$12,640**	**$-**	**$32,665**	**$-**
Carrying amounts					
As at September 30, 2018	$1,663	$34,877	$99	$36,639	$63,122
As at December 31, 2018	**$1,496**	**$35,905**	**$101**	**$37,502**	**$66,148**

*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 market-based.

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.

During the three-month period ended December 31, 2018 there were no transfers between Level 1 and Level 2 fair value measurements.

$(000)'s except per share amounts

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

	December 31, 2018		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	**$15,073**	**$15,073**	$31,343	$31,343
Accounts receivable	**108,513**	**108,513**	102,520	102,520
Trade accounts payable	**(54,055)**	**(54,055)**	(46,966)	(46,966)
Bank indebtedness	**(14,884)**	**(14,884)**	(11,764)	(11,764)
Customer advance payments	**(1,208)**	**(1,208)**	(2,865)	(2,865)
Accrued liabilities	**(22,120)**	**(22,120)**	(24,332)	(24,332)
Derivative instruments	**(1,088)**	**(1,088)**	779	779
Long-term debt	**($12,518)**	**($12,518)**	($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 $24,421 was utilized as at September 30, 2018. 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:

	December 31, 2018	September 30, 2018
Bank debt	**$8,000**	$18,000
Term notes	**4,232**	4,017
Promissory note	**286**	272
Subtotal	**12,518**	22,289
Less: current portion	**(4,327)**	(4,108)
Long-term debt, long-term portion	**$8,191**	$18,181

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 16, 2018. The Company's Board of Directors authorized the purchase of up to 1,000,000 common shares representing approximately 2% of the Company's outstanding common shares. During the quarter 360,500 common shares were repurchased (2018 - 54,500) for a total cost of $3,952 (2018 - $541). The cost to repurchase the common shares in the year exceeded their stated value by $3,445 (2018 - $475) which was charged against retained earnings.

As at December 31, 2018 the Company had 41,437,281 common shares issued and outstanding.

$(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).

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 December 31, 2018			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$55,243**	**$96,489**	**$-**	**$151,732**
Intercompany sales	**(2,496)**	**(7,112)**	**-**	**(9,608)**
Net sales	**52,747**	**89,377**	**-**	**142,124**
Depreciation	**2,946**	**807**	**13**	**3,766**
Amortization	**182**	**856**	**-**	**1,038**
Pre-tax income (loss) before interest and other expense	**5,525**	**9,806**	**(1,555)**	**13,776**
Other expense	**-**	**(6,076)**	**-**	**(6,076)**
Net interest expense				**(253)**
Income before income taxes				**7,447**
Property, plant and equipment additions	**7,917**	**591**	**98**	**8,606**
Property, plant and equipment, net	**97,769**	**26,329**	**1,459**	**125,557**
Intangible asset additions	**40**	**-**	**-**	**40**
Intangible assets, net	**1,224**	**36,275**	**3**	**37,502**
Goodwill	**277**	**65,871**	**-**	**66,148**
Total assets	**208,691**	**243,268**	**1,241**	**453,200**
Total liabilities	**26,775**	**58,474**	**30,559**	**115,808**

$(000)'s except per share amounts

	Three Months Ended December 31, 2017			
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$48,450	$88,421	$-	$136,871
Intercompany sales	(1,837)	(163)	-	(2,000)
Net sales	46,613	88,258	-	134,871
Depreciation	2,915	799	12	3,726
Amortization	230	999	-	1,229
Pre-tax income (loss) before interest and other expense	4,666	9,459	(1,775)	12,350
Net interest expense				(307)
Income before income taxes				12,043
Property, plant and equipment additions	4,470	5,147	-	9,617
Property, plant and equipment, net	88,613	26,474	1,269	116,356
Intangible asset additions	109	56	-	165
Intangible assets, net	1,652	37,350	4	39,006
Goodwill	271	61,666	-	61,937
Total assets	187,405	235,905	4,038	427,348
Total liabilities	27,417	54,294	40,382	122,093

10. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended December 31	
	2018	2017
Accounts receivable	**($2,962)**	$2,166
Unbilled revenue	**(1,916)**	(253)
Inventories	**(5,476)**	3,393
Prepaid expenses and deposits	**465**	548
Trade accounts payable	**2,446**	(3,878)
Accrued payroll liabilities	**(5,925)**	(5,132)
Other accrued liabilities	**3,023**	(1,971)
Provisions	**(97)**	(15)
Customer advance payments	**(1,694)**	2,171
Income taxes payable	**1,924**	168
	($10,211)	($2,803)

11. INCOME TAXES

The consolidated effective income tax rate for the three-month period ended December 31, 2018 was 48.7% (three- - month period ended December 31, 2017 – 26.0%). The effective income tax rate for the three- month period was adversely impacted by the non-deductibility of provisions recorded at ALC in the amount of $6,076 (note 12) as well as the loss from operations at ALC Bulgaria in the amount of $2,138. Excluding ALC, the effective income tax rate for the three-month period ended December 31, 2018 would have been 23.2% (three-month period ended December 31, 2017 – 23.3%).

The impacts of the US Tax Act on the consolidated tax provision of the Company for both the current and comparative three-month periods were estimated using all reliable information that was available and could reasonably have been expected to have been obtained and taken into account. The Company will continue to monitor legislative developments and update its estimates as new information becomes available.

12. OTHER EXPENSE AND SUBSEQUENT EVENT

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 has ceased and a trustee will be appointed to liquidate the company.

During the first quarter of the 2019 fiscal year, the Company recorded a provision of $6,076 with the corresponding expense recorded as Other Expense. Additionally, the Company recorded consolidated operating losses from ALC's activities totalling $2,138 during the quarter.

The Company expects to de-consolidate ALC from its financial statements beginning during the second quarter of the 2019 fiscal year upon the trustee being appointed. The deconsolidation of ALC will eliminate approximately $23.1 million of total assets and $23.1 million of total liabilities from Exco's balance sheet, including $4.2 million in net debt.

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 5,350 people and service a diverse and broad customer base.

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