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Unaudited Condensed Interim Report
to the shareholders
for the three months ended
December 31, 2019

CONTENTS

	Three Months ended December 31	
(in $ thousands except earnings per share amounts)		
	2019	2018
Sales	**$120,423**	**$142,124**
Net income	**$8,058**	**$3,818**
Basic and diluted earnings per share	**$0.20**	**$0.09**
Weighted average Basic Common shares outstanding (000's)	**40,222**	**41,483**

The following management's interim discussion and analysis of operations and financial position are prepared as at January 29, 2020 and should be read in conjunction with the consolidated financial statements and Management's Discussion and Analysis ("MD&A") in the Company's 2019 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.

Use of Non-IFRS Measures
In this MD&A, reference may be made to Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Adjusted Net Income, Adjusted 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 divided by the weighted average number of shares. Adjusted Net Income is calculated as net income before other income/expense and Adjusted Pretax Profit as segmented 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, 2019 were $120.4 million compared to $142.1 million in the same quarter last year – a decrease of $21.7 million, or 15%. Essentially all of the sales decline was driven by the deconsolidation of ALC from Exco's results in January 2019 as previously disclosed. Over the quarter the average USD/CAD exchange rate was 1% lower from the prior year period ($1.32 versus

$1.34), which decreased sales by $1.3 million. The average EUR/CAD exchange rate was 4% lower in the quarter compared to last year ($1.46 versus $1.52), which decreased sales by $0.7 million.

The Automotive Solutions segment reported sales of $68.3 million in the first quarter – a decrease of $21.1 million, or 24% from the same quarter last year. Of this decrease, $19.8 million was due to the deconsolidation of ALC while foreign exchange rate movements were responsible for an additional $1.5 million of the reduction. Excluding the impact of ALC and foreign exchange rate movements, segment sales were up $0.2 million (or 0%). This compares very favorably to overall industry vehicle production volumes in North America and Europe, which were lower by roughly 9% during the quarter. Segment sales were supported by a number of program launches for both new and existing products, particularly at Polydesign and AFX. Despite generally softer vehicle industry production levels, management continues to see ample opportunity for future growth. This view is supported by meaningful contract wins during the quarter as well as robust quoting activity for new potential programs across the segment's various businesses.

The Casting and Extrusion segment reported sales of $52.1 million in the quarter – a decrease of $0.6 million, or 1%, from the same period last year. Excluding foreign exchange rate movements, segment sales were essentially unchanged during the quarter. Within the group, sales were relatively stable in the Large Mould group although quoting activity remains robust with discussions ongoing with both current and new potential customers. Extrusion group sales were modestly higher during the quarter as sales from the new Extrusion facility in Mexico were partially offset by lower sales elsewhere in North America due to softer overall market conditions. At Castool, the group's revenues were modestly lower as market conditions softened for both consumable and capital equipment goods in the quarter, particularly within the extrusion industry. Within the segment, US steel tariffs continued to reduce during the quarter as certain steel distributors received exemptions of these tariffs during the second quarter of fiscal 2019. As Exco generally aims to pass such tariffs on to its customers, they positively impacted revenues when implemented, but are now having a dampening impact on revenues as they recede.

Consolidated net income for the first quarter was $8.1 million or basic and diluted earnings of $0.20 per share compared to $3.8 million or $0.09 per share in the same quarter last year – an increase in net income of 111%. Excluding a net expense of $6.1 million ($0.15 per share) related to the deconsolidation of ALC in the prior year period, Adjusted Net Income was lower by 19% year over year. The consolidated effective income tax rate for the current quarter was 18% compared to 49% the prior year period. The income tax rate in the current quarter was favorably impacted by the recognition of $0.2 million of deferred tax assets and an increase in earnings in jurisdictions with lower tax rates. As well, the prior year period was unfavorably impacted by the non-deductibility of Other Expense related to the write-down of ALC in the amount of $6.1 million and $2.1 million of operating losses at ALC. Excluding these items, the effective income tax rate for the prior year quarter was 23%.

The Automotive Solutions segment reported pretax profit of $8.0 million in the quarter – a decrease of $1.8 million or 18% over the same quarter last year. Current period results benefited from the elimination of ALC's operations, which contributed operating losses of $2.1 million the prior year. Segment pretax profits however were nonetheless adversely impacted by higher labor costs, unfavorable product mix, adverse foreign exchange rate movements, the impact of the strike at General Motors and ongoing launch costs inefficiencies, particularly at Polydesign and AFX. To counter ongoing pricing pressures and rising input costs, management remains focused on improving the efficiency of its operations and reducing its overall cost structure. Pricing discipline also remains a focus, although there is typically limited, if any, ability to attain increased pricing for the duration of current programs, which typically range from three to five years. New programs however embed management's expectations for higher future costs.

The Casting and Extrusion segment reported $4.3 million of pretax profit in the quarter – a decrease of $1.2 million or 22% from the same quarter last year, with much of the variance driven by adverse foreign exchange rate movements. Profitability reduction occurred within the Extrusion group which was impacted by reduced market demand for extrusion dies within North America as well as start-up losses for the Extrusion facility in Mexico. Nonetheless, despite the losses, management remains very encouraged by the early results of its latest facility. As is the case with Exco's prior greenfield operations, these operations typically require several quarters after production commences to mature and reach sustained profitability. Separately, profitability at the Large Mould group was relatively stable during the quarter. Progress with various efficiency initiatives continues to move ahead however profitability was adversely impacted by reduced overhead absorption at one of the group's locations due to lower volumes associated with customer timing requirements. Castool's profitability was down modestly in the quarter due to higher delivery and selling costs as well as reduced overhead absorption and a mix shift towards lower margin products.

The Corporate segment expenses were $2.4 million in the quarter compared to $1.6 million in the prior year quarter. Year over year variances were mainly due to foreign exchange rate movements, which reduced expenses by $0.5 million the prior year and added $0.2 million to expenses the current year period.

Consolidated adjusted EBITDA for the first quarter totaled $15.4 million compared to $18.6 million in the same quarter last year – a decrease of 17%. Adjusted EBITDA as a percentage of sales decreased to 12.8% in the current quarter compared to 13.1% the prior year. The adjusted EBITDA margin in the Casting and Extrusion segment declined to 14.8% from 16.4% last year while the adjusted EBITDA margin in the Automotive Solutions segment increased to 14.5% compared to 12.9% last year.

Financial Resources, Liquidity and Capital Resources

Operating cash flow before net change in non-cash working capital totaled $13.5 million in the first quarter compared to $15.1 million in the same period last year. The year over year reduction was mostly driven by the lower Adjusted Net Income in the current year period including the $6.1 million of non-cash costs related to ALC in the prior year period. Non-cash working capital consumed $3.8 million of cash in the quarter compared to a use of $10.2 million in the same quarter last year. The non-cash working capital movements were mainly driven by reduction in accounts payable and accrued liabilities partially offset by reductions in accounts receivable and inventories. Consequently, net cash provided by operating activities amounted to $9.8 million in the current quarter compared to $5.0 million in the same quarter last year.

Cash used in financing activities in the current quarter was $7.1 million compared to $14.3 million of cash used in the same quarter last year. The differences in the respective periods was primarily attributable to increased debt repayment amounts with cash on hand the prior year period as well as a lower use of cash in the current year period for share repurchases.

Cash used in investing activities was $6.5 million in the current quarter compared to $8.6 million the prior year. The difference is mostly due to timing differences of capital spending plans and $1.2 million of proceeds received in the current year period compared to nil the prior year.

The Company's financial position and liquidity remain strong. Exco's net cash position totaled $5.5 million as at December 31, 2019. Exco's principal sources of liquidity include Free Cash Flow, $23 million of balance sheet cash and $33.7 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, 2019.

Exco's operating leases have been recognized as Right of Use assets as per IFRS 16 Leases and included in the balance sheet within Property, plant and equipment. Exco owns all 15 of its manufacturing facilities and essentially all of its production equipment. The Company 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, 2019				
		Total		< 1 year		1-3 years		4-5 years
Bank Indebtedness	$	4,931	$	4,931				
Trade accounts payable		38,204		38,204				
Long term debt		12,182		91		12,091		
Lease commitments		1,287		412		824		51
Purchase commitments		25,965		25,965				
Capital expenditures		7,007		7,007				
	$	89,576	$	76,610	$	12,915	$	51

Quarterly results

The following table sets out financial information for each of the eight quarters through to the first quarter ended December 31, 2019:

($ thousands except per share amounts)	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Sales	$120,423	$121,815	$119,944	$123,465
Net income	$8,058	$6,773	$7,477	$8,564
Earnings per share				
Basic	$0.20	$0.17	$0.18	$0.21
Diluted	$0.20	$0.17	$0.18	$0.21

($ 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

[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.

Non-IFRS Measures

The following table provides a reconciliation of net income for the periods to adjusted net income, adjusted pretax profit, adjusted EBITDA, adjusted basic earnings per share as well as a reconciliation of cash provided by operating activities to free cash flow.

	Three Months ended December 31	
	(in $ thousands)	
	2019	2018
Net income	**$8,058**	$3,818
Other expense	**-**	6,076
Adjusted net income	**8,058**	9,894
Provision for income tax	**1,768**	3,629
Adjusted Pretax Profit	**9,826**	13,523
Depreciation	**4,378**	3,766
Amortization	**999**	1,038
Net interest expense	**179**	253
Adjusted EBITDA	**15,382**	18,580
Sales	**$120,423**	$142,124
Adjusted EBITDA margin	**12.8%**	13.1%
Weighted average basic shares outstanding	**40,222**	41,483
Adjusted EPS	**$0.20**	$0.24
Cash provided by operating activities	**$9,764**	$4,972
Interest	**(179)**	(253)
Investment in Fixed assets net of proceeds of disposal	**(6,539)**	(8,620)
Free Cash Flow	**$3,046**	($3,901)

Recent Accounting Changes and Effective Dates

Please see the notes to the Company's consolidated financial statements for the year ended September 30, 2019 for information regarding the accounting changes effective October 1, 2019.

Controls and Procedures

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, 2019 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, 2019 Exco had 40,189,663 common shares issued and outstanding and stock options outstanding to purchase up to 791,900 common shares at exercise prices ranging from $8.80 to $14.58.

Forward -looking information

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 in response to rising climate risk , 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 2019 Annual Report, our 2019 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, 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 December 31, 2019	As at September 30, 2019 (note 2)
ASSETS		
Current		
Cash and cash equivalents	**$22,565**	$26,488
Accounts receivable	**92,133**	93,552
Inventories	**68,062**	73,260
Prepaid expenses and deposits	**2,739**	2,874
Derivative instruments	**1,242**	-
Income taxes recoverable	**198**	1,875
Total current assets	**186,939**	198,049
Property, plant and equipment, net (note 4)	**130,041**	126,787
Intangible assets, net (note 5)	**32,358**	33,891
Goodwill (note 5)	**62,291**	62,834
Deferred tax assets	**1,343**	1,174
Total assets	**$412,972**	$422,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$4,931**	$578
Trade accounts payable	**38,204**	44,183
Accrued payroll liabilities	**7,966**	12,643
Other accrued liabilities	**7,255**	8,041
Derivative instruments	**-**	278
Provisions	**2,610**	2,672
Customer advance payments	**2,894**	1,747
Long-term debt - current portion (note 7)	**91**	93
Total current liabilities	**63,951**	70,235
Long-term debt - long-term portion (note 7)	**12,091**	17,093
Deferred tax liabilities	**9,264**	8,920
Total liabilities	**85,306**	96,248
Shareholders' equity		
Share capital (note 8)	**50,117**	50,538
Contributed surplus	**4,435**	4,349
Accumulated other comprehensive income	**8,783**	9,480
Retained earnings	**264,331**	262,120
Total shareholders' equity	**327,666**	326,487
Total liabilities and shareholders' equity	**$412,972**	$422,735

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	
	2019	2018
Sales	**$120,423**	$142,124
Cost of sales	**93,861**	113,143
Selling, general and administrative expenses	**11,221**	10,404
Depreciation (note 4)	**4,378**	3,766
Amortization (note 5)	**999**	1,038
(Gain) on disposal of property, plant and equipment	**(41)**	(3)
Interest expense, net	**179**	253
Other expense (note 12)	**-**	6,076
	110,597	134,677
Income before income taxes	**9,826**	7,447
Provision for income taxes (note 11)	**1,768**	3,629
Net income for the period	**8,058**	3,818
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)	**1,121**	(1,376)
Unrealized gain (loss) on foreign currency translation	**(1,818)**	12,076
	(697)	10,700
Comprehensive income	**$7,361**	$14,518
Income per common share		
Basic	**$0.20**	$0.09
Diluted	**$0.20**	$0.09
Weighted average number of common shares outstanding		
Basic	**40,222**	41,483
Diluted	**40,222**	41,510

(a) Net of income tax payable of $400 for the three- month period ended December 31, 2019 (2018 - net of income tax recoverable of $491 for the three- month period ended December 31, 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

				Accumulated other comprehensive income			
	Share capital	Contributed surplus	Retained earnings	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 2019	$50,538	$4,349	$262,120	($207)	$9,687	$9,480	$326,487
Net income for the period	-	-	8,058	-	-	-	8,058
Dividend paid (note 3)	-	-	(3,617)	-	-	-	(3,617)
Stock option grants	-	86	-	-	-	-	86
Exercise of stock options	-	-	-	-	-	-	-
Repurchase of Share Capital (note 8)	(421)	-	(2,230)	-	-	-	(2,651)
Other comprehensive income (loss)	-	-	-	1,121	(1,818)	(697)	(697)
Balance, December 31, 2019	$50,117	$4,435	$264,331	$914	$7,869	$8,783	$327,666

				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, 2018	$51,230	$4,391	$263,647	$572	$10,323	$10,895	$330,163
Adjustment to Opening Retained earnings (note 2)	-	-	(2,994)	-	-	-	($2,994)
Net income for the period	-	-	3,818	-	-	-	3,818
Dividend paid (note 3)	-	-	(3,524)	-	-	-	(3,524)
Stock option grants	-	110	-	-	-	-	110
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	$257,502	($804)	$22,399	$21,595	$334,398

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 **2019**	2018
OPERATING ACTIVITIES:		
Net income for the period	**$8,058**	$3,818
Add non-operating and items not involving a current outlay of cash		
Depreciation (note 4)	**4,378**	3,766
Amortization (note 5)	**999**	1,038
Stock-based compensation expense	**156**	82
Deferred income taxes	**(181)**	153
Net interest expense	**179**	253
Non-cash provision for ALC and Other expense (note 12)	**-**	6,076
(Gain) on disposal of property, plant and equipment	**(41)**	(3)
	13,548	15,183
Net change in non-cash working capital (note 10)	**(3,784)**	(10,211)
Cash provided by operating activities	**9,764**	4,972
FINANCING ACTIVITIES:		
Increase in bank indebtedness	**4,353**	3,120
(Repayment) of long-term debt	**(5,004)**	(9,771)
Interest paid, net	**(179)**	(253)
Dividends paid (note 3)	**(3,617)**	(3,524)
Repurchase of share capital	**(2,651)**	(3,952)
Issuance of share capital	**-**	77
Cash used in financing activities	**(7,098)**	(14,303)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 4)	**(7,642)**	(8,606)
Purchase of intangible assets (note 5)	**(66)**	(40)
Proceeds from disposal of property, plant and equipment	**1,169**	26
Cash used in investing activities	**(6,539)**	(8,620)
Effect of exchange rate changes on cash	**(50)**	1,681
Net (decrease) in cash during the period	**(3,923)**	(16,270)
Cash, beginning of period	**26,488**	31,343
Cash, end of period	**$22,565**	$15,073

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, 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 period ended December 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 2019 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 the same as those that applied to the Company's consolidated financial statements as at and for the year ended September 30, 2019 with the exception of the adoption of IFRS 16.

Effective October 1, 2018 the Company adopted IFRS 15, in accordance with the modified retrospective approach. During the first quarter of fiscal 2020 management identified an error related to the adoption of IFRS 15. Specifically, in evaluating its long-term large die cast mould contracts, certain cancelation provisions do not meet the requirements and as a result, the Company should have recognized revenue for these contracts at a point in time (i.e. completed contract) rather than over time (i.e. percentage of completion). Management evaluated the quantitative and qualitative aspects of this change and determined that the impact was not material to the fiscal 2019 annual consolidated financial statements nor to the fiscal 2019 interim condensed consolidated financial statements. In the current quarter the Company recorded an adjustment to October 1, 2018 retained earnings of $2,994 to reflect the IFRS 15 transition adjustment. In addition, in the September 30, 2019 consolidated statement of financial position the Company recorded a decrease to deferred tax liabilities of $1,052, reclassified progress billings of $737 from unbilled revenue to customer advance payments and reclassified the remaining $15,410 of unbilled revenues to inventories.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2019 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, 2019 were authorized for issue by the Board of Directors on January 29, 2020.

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 2020

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, 2019 except as follows:

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value or short term in nature. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized an increase to both assets and liabilities on its interim condensed consolidated balance sheet, as well as a decrease in operating rent expense, and increases in finance and depreciation expenses, as recognized in the interim condensed consolidated statement of operations. The standard did not have a significant impact on the Company's overall consolidated operating results.

The Company adopted IFRS 16, effective October 1, 2019, under the modified retrospective approach. Comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after October 1, 2019.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at October 1, 2019. For leases previously classified as operating leases under IAS 17, the Company measured right-of-use assets equal to the corresponding lease liabilities adjusted for any accrued payments related to that lease. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

As such, on October 1, 2019, the Company recorded lease liabilities of $1,361 in Other Accrued Liabilities and right-of-use assets of $1,361 are included in Property, plant and equipment, recognized in the interim condensed consolidated balance sheet immediately before the date of initial application, with no net impact on retained earnings.

The Company elected to use the following practical expedients upon initial application in accordance with the provisions of IFRS 16:

- Accounting for all leases with a lease term that ends within 12 months of initial application in the same way as short-term leases;
- Exclusion of initial direct costs from the measurement of the right-of-use asset on the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, the Company elected to use the recognition exemptions on short-term leases or low-value leases, however, in the future, may choose to elect the recognition exemptions on a class-by-class and lease-by-lease basis.

New Lease Accounting Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.
This policy is applied to contracts entered into, or modified, on or after October 1, 2019.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

Short term and low-value leases

The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than $5,000 US). The expenses associated with such leases are recognized in the interim condensed consolidated statement of operations on a straight-line basis over the lease term.

Variable lease payments

Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

$(000)'s except per share amounts

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the interim condensed consolidated statement of operations in the period in which they are incurred.

3. CASH DIVIDEND

During the three- month period ended December 31, 2019, the Company paid quarterly cash dividends totaling $3,617 (2018 -$3,524). The quarterly dividend rate in the first quarter of 2020 was $0.09 per common share (2018 - $0.085).

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	TOTAL
Cost							
Balance as at September 30, 2019	203,928	24,407	75,263	11,978	6,552	-	322,128
Initial recognition IFRS16 assets (note 2)	-	-	-	-	-	1,361	1,361
Additions	2,878	382	104	-	4,278	-	7,642
Less: disposals	(3,912)	(27)	(27)	-	-	-	(3,966)
Reclassification	3,518	205	4	-	(3,727)	-	-
Foreign exchange movement	(728)	(105)	(236)	(13)	41	-	(1,041)
Balance as at December 31, 2019	**$205,684**	**$24,862**	**$75,108**	**$11,965**	**$7,144**	**$1,361**	**$326,124**

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	TOTAL
Accumulated depreciation and impairment losses							
Balance as at September 30, 2019	140,567	18,294	36,480	-	-	-	195,341
Depreciation	3,024	481	761	-	-	112	4,378
Less: disposals	(2,810)	(27)	(1)	-	-	-	(2,838)
Foreign exchange movement	(542)	(118)	(138)	-	-	-	(798)
Balance as at December 31, 2019	**$140,239**	**$18,630**	**$37,102**	**$-**	**$-**	**$112**	**$196,083**
Carrying amounts							
As at September 30, 2019	$63,361	$6,113	$38,783	$11,978	$6,552	$-	$126,787
As at December 31, 2019	**$65,445**	**$6,232**	**$38,006**	**$11,965**	**$7,144**	**$1,249**	**$130,041**

$(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, 2019	$21,326	$47,224	$106	$68,656	$62,834
Additions	62	-	4	66	-
Reclassifications	66	-	(66)	-	-
Foreign exchange movement	(33)	(826)	1	(858)	(543)
Balance as at December 31, 2019	**$21,421**	**$46,398**	**$45**	**$67,864**	**$62,291**

	Computer Software and Other	Acquisition Intangibles*	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2019	19,974	14,791	-	34,765	-
Amortization for the period	198	801	-	999	-
Foreign exchange movement	(35)	(223)	-	(258)	-
Balance as at December 31, 2019	**$20,137**	**$15,369**	**$-**	**$35,506**	**$-**
Carrying amounts					
As at September 30, 2019	$1,352	$32,433	$106	$33,891	$62,834
As at December 31, 2019	**$1,284**	**$31,029**	**$45**	**$32,358**	**$62,291**

*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.

During the three-month period ended December 31, 2019 there were no transfers between Level 1 and Level 2 fair value measurements.

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

	December 31, 2019		September 30, 2019	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$22,565**	**$22,565**	$26,488	$26,488
Accounts receivable	**92,133**	**92,133**	93,552	93,552
Trade accounts payable	**(38,204)**	**(38,204)**	(44,183)	(44,183)
Bank indebtedness	**(4,931)**	**(4,931)**	(578)	(578)
Customer advance payments	**(2,894)**	**(2,894)**	(1,747)	(1,747)
Accrued liabilities	**(15,221)**	**(15,221)**	(20,684)	(20,684)
Derivative instruments	**1,242**	**1,242**	(278)	(278)
Long-term debt	**($12,182)**	**($12,182)**	($17,186)	($17,186)

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 $12,000 was utilized as at December 31, 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:

	December 31, 2019	September 30, 2019
Bank debt	**$12,000**	$17,000
Term notes	**-**	-
Promissory note	**182**	186
Subtotal	**12,182**	17,186
Less: current portion	**(91)**	(93)
Long-term debt, long-term portion	**$12,091**	$17,093

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, 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 338,000 common shares were repurchased (2018 - 360,500) for a total cost of $2,651 (2018 - $3,952). The cost to repurchase the common shares in the three-month period exceeded their stated value by $2,230 (2018 - $3,445) which was recorded against retained earnings.

As at December 31, 2019 the Company had 40,189,663 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). (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 December 31, 2019			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$53,375**	**$68,423**	**$-**	**$121,798**
Intercompany sales	**(1,260)**	**(115)**	**-**	**(1,375)**
Net sales	**52,115**	**68,308**	**-**	**120,423**
Depreciation	**3,338**	**1,017**	**23**	**4,378**
Amortization	**161**	**837**	**1**	**999**
Pre-tax income (loss) before interest and other expense	**4,320**	**8,048**	**(2,363)**	**10,005**
Net interest expense				**(179)**
Income before income taxes				**9,826**
Initial recognition IFRS 16 assets	**389**	**940**	**32**	**1,361**
Property, plant and equipment additions	**6,495**	**1,147**	**-**	**7,642**
Property, plant and equipment, net	**103,808**	**24,825**	**1,408**	**130,041**
Intangible asset additions	**66**	**-**	**-**	**66**
Intangible assets, net	**1,060**	**31,297**	**1**	**32,358**
Goodwill	**-**	**62,291**	**-**	**62,291**
Total assets	**207,996**	**212,943**	**(7,967)**	**412,972**
Total liabilities	**29,446**	**39,384**	**16,476**	**85,306**

$(000)'s except per share amounts

	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	98,046	26,329	1,459	125,834
Intangible asset additions	40	-	-	40
Intangible assets, net	1,224	36,275	3	37,502
Goodwill	-	65,871	-	65,871
Total assets	205,382	243,268	1,241	449,891
Total liabilities	26,460	58,474	30,559	115,493

10. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended December 31	
	2019	2018
Accounts receivable	**$1,027**	($2,962)
Inventories	**4,922**	(7,392)
Prepaid expenses and deposits	**136**	465
Trade accounts payable	**(5,832)**	2,446
Accrued payroll liabilities	**(4,634)**	(5,925)
Other accrued liabilities	**(2,150)**	3,024
Provisions	**(62)**	(97)
Customer advance payments	**1,153**	(1,694)
Income taxes payable	**1,656**	1,924
	($3,784)	($10,211)

11. INCOME TAXES

The consolidated effective income tax rate for the three-month period ended December 31, 2019 was 18.0% (three- month period ended December 31, 2018 – 48.7%).The income tax rate for the three-month period ended December 31, 2019 was favorably impacted by higher income in lower tax jurisdictions. The income tax rate for the three-month period ended December 31, 2018 was adversely impacted by the non-deductibility of Other Expense related to the de-consolidation of

ALC in the amount of $6,076 (note 12) as well as losses from operation 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%

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. As a result 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.

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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