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# Unaudited Condensed Interim Report to the shareholders for the three and nine months ended June 30, 2018

**CONTENTS**



| | Three Months Ended June 30 | | Nine Months Ended June 30 | |
|---|---|---|---|---|
| *(in $ thousands except per share amounts)* | | | | |
| | **2018** | 2017 | **2018** | 2017 |
| Sales | **$152,755** | $145,909 | **$436,016** | $452,789 |
| Net income | **$11,211** | $10,933 | **$30,683** | $34,998 |
| Basic earnings per share | **$0.27** | $0.26 | **$0.73** | $0.82 |
| Diluted earnings per share | **$0.27** | $0.26 | **$0.72** | $0.82 |
| Weighted avg basic common shares o/s (000's) | **42,268** | 42,617 | **42,313** | 42,610 |

*The following management's interim discussion and analysis of operations and financial position are prepared as at August 1, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements and Management's Discussion and Analysis ("MD&A") in the Company's 2017 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 EBITDA, EBITDA Margin, adjusted EPS and free cash flow which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before other income/expense, interest, taxes, depreciation and amortization and EBITDA Margin as EBITDA divided by sales. Exco calculates adjusted EPS as earnings before other income/expense and free cash flow as cash provided by operating activities less interest paid less investment in fixed assets net of proceeds of disposal. Some of these terms 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 third quarter ended June 30, 2018 were $152.8 million compared to $145.9 million in the same quarter last year – an increase of $6.8 million or 5%. Year-to-date sales were $436.0 million compared to $452.8 million – a decrease of $16.8 million or 4%. Over the quarter the average USD/CAD exchange rate was 3% lower ($1.30 versus $1.34 last year) reducing revenue by $2.6 million while the year-to-date average USD/CAD exchange rate was 4% lower ($1.28 versus $1.33 last year), reducing sales by $10.5 million. The average EUR/CAD exchange rate was 2% higher in the quarter ($1.53 versus $1.50 last year) and 6% higher year-to-date ($1.54 versus $1.45 last year) increasing sales by $1.2 million and $7.4 million in the respective periods.

During the quarter, management continued to direct significant efforts towards improving the operating and financial performance of ALC's operations in Bulgaria. The performance of these operations has been increasingly challenged in recent quarters by a concentration of activity with one large labor-intensive program coupled with falling unemployment rates, rising wages and fixed-price program pricing that was established when labor conditions were materially more favorable. In managements view, these labor pressures will likely continue for the foreseeable future, warranting a change to ALC's strategy of growing and diversifying its operations in Bulgaria. Consequently, management has determined that the best course of action for ALC at this time is to shrink, rather than grow its operations. To that end ALC began voluntarily winding down certain programs with its customers consent and has started shifting a portion of its production volumes to Polydesign in Morocco. These efforts are expected to leave ALC with a smaller, more focused business and enable the development of a workforce that is more reliable and motivated. As well, ALC has engaged customers to improve program economics and received a temporary price increase during the quarter. ALC will continue these customer discussions with an objective of receiving a permanent price increase in order to restore ALC to sustained profitability. More generally, management remains focused on exiting or repricing business with inadequate profitability in both of its business segments. While this initiative may dampen future sales, it is expected to have a positive impact on profitability and margins.

The Automotive Solutions segment reported sales of $99.9 million in the third quarter – an increase of $0.5 million or 0% from the same quarter last year. Year-to-date, the segment reported sales of $286.6 million – a decrease of $27.3 million or 9% compared to last year. Foreign exchange movements decreased segment sales by $0.4 million in the quarter and increased segment sales by $0.6 million year-to-date, representing the net impact of a stronger Euro and weaker USD relative to the CAD. Sales were lower at the company's North American based operations (Polytech, Neocon and AFX) by 15% during the quarter due to modestly lower overall vehicle production volumes including an ongoing weakness in demand for passenger cars, a focus on higher margin business, the timing of product launches, adverse foreign currency movements, and isolated pricing pressures. Reduced demand for certain accessory products continued to negatively affect sales modestly during the quarter although the pipeline for new order activity for both new and existing products remains robust. Year-to-date, sales were lower by 16% within the segment's North American businesses due to lower overall vehicle production volumes, adverse currency movements, unrepeated pipeline fill orders, a focus on higher margin business, isolated pricing pressures and, to a lesser extent, reduced demand for certain accessory products. Sales were higher at the segment's European operations (ALC and Polydesign) by 24% during the quarter due to the temporary pricing adjustment discussed above, favorable foreign exchange rate movements and net new program launches - predominately at Polydesign. Year-to-date, sales within the segment's European operations were 2% higher than the prior year due to much of the same factors as the quarter, but partially offset by the permanent closure of ALC's operations in Lesotho and the end of a large program at ALC last year. As indicated above, management has retreated from its efforts of seeking new business for ALC. Efforts on this front at Polydesign however continue unabated and quoting activity in this regard remains extremely robust.

The Casting and Extrusion segment reported sales of $52.8 million for the third quarter – an increase of $6.4 million or 14% from the same quarter last year. Year-to-date, the segment reported sales of $149.4 million – an increase of $10.5 million or 8% compared to last year. Foreign exchange movements reduced segment sales by $1.0 million in the quarter and $3.7 million in the year-to-date periods. Within the segment, sales were higher in each of the Extrusion, Large Mould and Castool group's during the quarter. Factors behind these increases include higher volumes in the Large Mould group as activity has picked up following recent program awards, market share gains associated with the continued seasoning of Extrusion group greenfield plants and enhanced quality initiatives, a rebound in capital equipment sales at the Castool group, selective price increases and generally firm overall market conditions. These factors were partially offset by adverse foreign exchange rate movements as well as continuing pockets of competitive pressures. Year-to-date sales were higher in each of the segment's groups for similar reasons as the most recent quarter. New order activity remained relatively robust throughout the quarter across most of the segment's businesses. In anticipation that these trends will continue, management continues to invest significant capital to further improve its market share potential and the efficiency of its operations.

Consolidated net income for the third quarter was $11.2 million or basic earnings of $0.27 per share compared to $10.9 million or $0.26 per share in the same quarter last year – an increase in net income of 3%. Year-to-date, consolidated net income was $30.7 million or $0.73 per basic share compared to $35.0 million or $0.82 per basic share last year – a decrease in net income of 12%. The effective consolidated income tax rate was 23% in the current quarter compared to 28% in the same quarter last year. Year-to-date, the consolidated income tax rate was 24% compared to 30% in the prior year period. The current period and year-to-date tax rates were favorably impacted by a reduction to the corporate income tax rate in the US and shift in profitability towards lower tax-rate jurisdictions. In addition, the effective income tax rate year-to-date is favorably impacted by the remeasurement of US deferred income tax liabilities, offset by the transition taxes accrued related to foreign earnings of certain of the Mexican subsidiaries which have not been repatriated to the United States. Lastly, year-to-date net income and tax rate were also negatively affected in the prior year period by $1.2 million ($0.03 per share) in closure costs related to ALC's operations in Lesotho in the first quarter of fiscal 2017 which were not tax effected.

The Automotive Solutions segment reported pretax profit of $11.4 million in the third quarter – a decrease of $1.2 million or 10% compared to the same quarter last year. Year-to-date, the segment reported pretax profit of $31.5 million compared to $42.2 million – a decrease of $10.7 million or 25%. In North America, pretax profits were lower due to lost contribution from lower sales as well as a net reduction in segment margins. Pre-tax profit margins were lower at Polytech, Neocon and AFX by 180 basis points on a combined basis during the quarter arising from reduced overhead absorption, unfavorable product mix variance, adverse foreign exchange rate movements as well as isolated competitive pricing pressures and isolated raw material cost inflation. The combined pressure from these factors continued to recede from the prior sequential quarters through the implementation of various initiatives. Similar initiatives continue to be employed to support further margin improvement, although there is some lag before the associated benefits materialize. In Europe, temporary pricing improvements helped ALC essentially achieve breakeven profitability compared to a loss of $1.3 million ($0.03 per share) for the prior year period and a loss of $2.0 million ($0.05 per share) in the second quarter of fiscal 2018. Profitability and margins also improved at Polydesign which benefited from stronger revenues and reduced operational disruption following a period of exceptional sales growth through most of fiscal 2017. Year-to-date results of the segment were impacted by similar factors as the quarter but also due to the wind-down of a relatively large program at ALC, which was mostly concluded by the end of the first quarter of fiscal 2017.

The Casting and Extrusion segment reported pretax profit of $5.2 million in the third quarter – an increase of $0.4 million or 8% from the same quarter last year. Year-to-date, the segment reported pretax profits of $14.8 million or 2% lower compared to the same period last year. Most of the profitability improvement during the quarter was driven by the Castool group, which benefited from selective price increases, efficiency initiatives, continued seasoning of its operations in Thailand and a favorable product mix shift. Profitability within the Extrusion group was stable year over year notwithstanding higher revenue due to ongoing operational investments to harmonize manufacturing processes among the group's various plants in support of further efficiency improvement. As well, raw material cost inflation has become increasingly pronounced in recent months. While a good portion of these higher costs (including recently introduced steel tariffs in the US) are being passed on through effective price increases within the Extrusion group, the net effect is a modest drag on profitability and pretax profit margin. The Large Mould group realized mostly stable profitability year over year despite higher revenues associated with the ramp up of activity related to recent program awards. Efficiency benefits from its prior capex project at the group's plant in Newmarket, Ontario continue to be harnessed and similar equipment is now operational at the group's two other plants. Management notes that margin compression has occurred within the Large Mold group due to higher input costs and unfavorable product mix associated with customer timing requirements. Segment profitability during the year-to-date period was influenced by similar factors as the quarter but also lower overhead absorption rates within the Large Mould group in the first quarter of fiscal 2018.

Corporate segment expenses totaled $1.8 million in the current quarter compared to $1.9 million the prior year quarter. Year-to-date, corporate segment expenses totaled $5.2 million compared to $5.6 million the prior year. Differences between the respective periods are mainly attributable to foreign exchange rate movements and reduced stock-based compensation.

Consolidated EBITDA for the third quarter totaled $20.1 million compared to $20.7 million in the same quarter last year – a decrease of 3%. Year-to-date, consolidated EBITDA totaled $56.5 million compared to $67.4 million – a decrease of 16%. The consolidated EBITDA margin declined to 13.2% during the quarter and 12.9% during the year-to-date periods from 14.2% and 14.9% in the prior year periods respectively driven mainly by a lower EBITDA margin at each of the company's two operating segments partially offset by relatively greater contribution of EBITDA from the Casting and Extrusion segment towards the consolidated total.

**Financial Resources, Liquidity and Capital Resources**

Operating cash flow before net change in non-cash working capital totaled $16.9 million in the current quarter and $48.0 million year-to-date compared to $15.5 million and $52.9 million in the same periods last year. The change was mostly driven by higher net income in the current quarter and lower net income year-to-date. As well, the prior year quarter was negatively impacted by $0.9 million of deferred taxes and year-to-date results were positively impacted by $0.7 million of non-cash costs associated with the plant closure in Lesotho in the first quarter of fiscal 2017. Non-cash working capital provided $6.3 million of cash in the current quarter and consumed $4.6 million of cash year-to-date compared to a source of $3.2 million and use of $0.3 million in the respective prior year periods. The difference is primarily attributable to the timing of accounts receivable collection, inventory movements, and trade payments. Consequently, net cash provided by operating activities amounted to $23.2 million in the current quarter and $43.4 million year-to-date compared to $18.7 million and $52.5 million the same periods last year.

Cash used in financing activities in the current quarter and year-to-date periods totaled $15.8 million and $24.0 million compared to a use of $14.6 million and $38.9 million in the prior year periods respectively. In all periods, the majority of cash use reflects the net repayment of debt in line with cash flow generated while additional differences are mainly attributable to increased dividend payments and cash used for share repurchase activity, which amounted to $1.1 million in the quarter and $3.3 million year-to-date compared to no such activity the prior year periods.

Cash used in investing activities totaled $4.4 million and $18.6 million in the third quarter and year-to-date periods compared to $4.2 million and $11.3 million in the same respective periods last year. The difference is mostly due to higher spending on machinery and equipment, which is attributable to both timing differences and a higher level of planned capital spending in fiscal 2018 relative to fiscal 2017, including the use of $5.1 million of cash to purchase the building where AFX's operations are located in the first quarter of fiscal 2018.

The Company's financial position and liquidity remain very 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 strong cash flow during the third quarter strengthened its balance sheet to a net cash position of $1.5 million compared to a net debt position of $10.9 million at September 30, 2017 and net debt of $14.0 million at June 30, 2017. Exco's principal sources of liquidity include free cash flow, $38.7 million of balance sheet cash, and $25.0 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 June 30, 2018.

In addition to the obligations disclosed on the balance sheet, Exco also enters into operating lease arrangements from time to time. Exco owns 14 of its 17 manufacturing facilities and essentially all of its production equipment. Leased facilities include those of ALC in Bulgaria. The Company also leases sales and support centers in Troy, Michigan and Port Huron, Michigan and a warehouse in Brownsville, Texas. The following table summarizes all short-term and long-term commitments Exco has entered.

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Total | < 1 year | 1-3 years | 4-5 years |
| Bank indebtedness | $7,850 | $7,850 | - | - |
| Long-term debts | 29,362 | 4,178 | 25,184 | - |
| Operating leases* | 3,299 | 1,295 | 1,825 | 179 |
| Purchase commitments | 53,374 | 53,374 | - | - |
| Capital expenditures | 1,069 | 1,069 | | |
| | $94,954 | $67,766 | $27,009 | $179 |

*∗ Exco leases facilities, automobiles, 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 favourable. 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 third quarter ended June 30, 2018:

| *($ thousands except per share amounts)* | June 30, 2018 | March 31, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|---|
| Sales | $152,755 | $148,390 | $134,871 | $131,416 |
| Net income | $11,211 | $10,556 | $8,916 | $7,521 |
| Earnings per share | | | | |
| Basic | $0.27 | $0.25 | $0.21 | $0.18 |
| Diluted | $0.27 | $0.25 | $0.21 | $0.18 |

| *($ thousands except per share amounts)* | June 30, 2017 | March 31, 2017 | December 31, 2016[1] | September 30, 2016 |
|---|---|---|---|---|
| Sales | $145,909 | $153,783 | $153,097 | $163,034 |
| Net income | $10,933 | $12,602 | $11,463 | $10,514 |
| Earnings per share | | | | |
| Basic | $0.26 | $0.30 | $0.27 | $0.25 |
| Diluted | $0.26 | $0.30 | $0.27 | $0.25 |

*[1] Net income in the first quarter of fiscal 2017 was reduced by $1.2 million ($0.03 per share) due to charges associated with the closure of ALC's operations in Lesotho.*

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North American OEMs typically invoke partial shutdown during periods of the December holiday season and summer months to manage vehicle production levels. These trends were mostly absent in the quarters ended September 30, 2016 and December 31, 2016 but were evident in the quarters ended September 30, 2017 and December 31, 2017. European customers also typically curtail releases during the month of August and December to accommodate vacations. Sales and net income in the four quarters ending December 31, 2017 were also negatively impacted by the closure of certain of ALC's operations.

**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 June 30, 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 June 30, 2018 Exco had 42,201,181 common shares issued and outstanding and stock options outstanding to purchase up to 880,150 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, currency fluctuations, trade restrictions and tariffs, our ability to 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 Bulgaria 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 2017 Annual Report, our 2017 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 and nine- month periods ended June 30, 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 June 30, 2018** | As at September 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **$38,700** | $35,876 |
| Accounts receivable | **104,441** | 94,332 |
| Unbilled revenue | **21,097** | 20,207 |
| Inventories | **58,473** | 59,782 |
| Prepaid expenses and deposits | **3,518** | 2,532 |
| Income taxes recoverable | **2,607** | 3,646 |
| Total current assets | **228,836** | 216,375 |
| | | |
| Property, plant and equipment, net (note 4) | **119,205** | 111,524 |
| Intangible assets, net (note 5) | **38,689** | 39,849 |
| Goodwill (note 5) | **64,328** | 62,091 |
| Deferred tax assets | **1,315** | 1,382 |
| Total assets | **$452,373** | $431,221 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Bank indebtedness | **$7,850** | $15,717 |
| Trade accounts payable | **50,640** | 48,369 |
| Accrued payroll liabilities | **12,434** | 12,720 |
| Other accrued liabilities | **11,865** | 10,088 |
| Derivative instruments | **1,323** | 314 |
| Provisions | **1,310** | 1,339 |
| Customer advance payments | **1,535** | 3,223 |
| Long-term debt - current portion (note 7) | **4,178** | 3,959 |
| Total current liabilities | **91,135** | 95,729 |
| | | |
| Long-term debt - long-term portion (note 7) | **25,184** | 27,134 |
| Deferred tax liabilities | **7,403** | 7,100 |
| Total liabilities | **123,722** | 129,963 |
| | | |
| **Shareholders' equity** | | |
| Share capital (note 8) | **51,669** | 51,707 |
| Contributed surplus | **4,267** | 3,998 |
| Accumulated other comprehensive income | **14,158** | 4,232 |
| Retained earnings | **258,557** | 241,321 |
| Total shareholders' equity | **328,651** | 301,258 |
| Total liabilities and shareholders' equity | **$452,373** | $431,221 |

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

**EXCO TECHNOLOGIES LIMITED**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**
**(Unaudited)**
$ (000)'s except for income per common share

| | Three months ended June 30 | | Nine months ended June 30 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **Sales** | **$152,755** | $145,909 | **$436,016** | $452,789 |
| Cost of sales | **121,356** | 113,255 | **346,450** | 348,933 |
| Selling, general and administrative expenses | **11,318** | 12,043 | **32,353** | 36,458 |
| Depreciation (note 4) | **4,037** | 3,906 | **11,583** | 11,864 |
| Amortization (note 5) | **1,230** | 1,220 | **3,688** | 3,651 |
| Loss (gain) on disposal of property, plant and equipment | **(32)** | (39) | **755** | 7 |
| Interest expense, net | **246** | 253 | **823** | 983 |
| Other expense (note 12) | **-** | - | **-** | 1,223 |
| | **138,155** | 130,638 | **395,652** | 403,119 |
| Income before income taxes | **14,600** | 15,271 | **40,364** | 49,670 |
| Provision for income taxes (note 11) | **3,389** | 4,338 | **9,681** | 14,672 |
| **Net income for the period** | **11,211** | 10,933 | **30,683** | 34,998 |
| Other comprehensive income | | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | |
| Net unrealized gain (loss) on derivatives designated as cash flow hedges (a) | **(561)** | 1,238 | **(744)** | 2,667 |
| Unrealized gain (loss) on foreign currency translation | **476** | (3,921) | **10,670** | (1,933) |
| | **(85)** | (2,683) | **9,926** | 734 |
| **Comprehensive income** | **$11,126** | $8,250 | **$40,609** | $35,732 |
| **Income per common share** | | | | |
| Basic | **$0.27** | $0.26 | **$0.73** | $0.82 |
| Diluted | **$0.27** | $0.26 | **$0.72** | $0.82 |
| **Weighted average number of common shares outstanding** | | | | |
| Basic | **42,268** | 42,617 | **42,313** | 42,610 |
| Diluted | **42,295** | 42,691 | **42,346** | 42,695 |

(a) Net of income tax recoverable of $200 and $265 for the three- and nine- month periods ended June 30,2018 (2017 - net of income tax payable of $431 and $929 for the three and nine month periods ended June 30,2017)

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

| | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income: 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** |
| Exercise of stock options | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Repurchase of Share Capital (note 8) | **(66)** | **-** | **(475)** | **-** | **-** | **-** | **(541)** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **(1,629)** | **521** | **(1,108)** | **(1,108)** |
| **Balance, December 31, 2017** | **$51,641** | **$4,124** | **$246,366** | **($1,862)** | **$4,986** | **$3,124** | **$305,255** |
| Net income for the period | **-** | **-** | **10,556** | **-** | **-** | **-** | **10,556** |
| Dividend paid (note 3) | **-** | **-** | **(3,597)** | **-** | **-** | **-** | **(3,597)** |
| Stock option grants | **-** | **127** | **-** | **-** | **-** | **-** | **127** |
| Exercise of stock options | **370** | **(111)** | **-** | **-** | **-** | **-** | **259** |
| Repurchase of Share Capital (note 8) | **(198)** | **-** | **(1,406)** | **-** | **-** | **-** | **(1,604)** |
| Other comprehensive income | **-** | **-** | **-** | **1,446** | **9,673** | **11,119** | **11,119** |
| **Balance, March 31, 2018** | **$51,813** | **$4,140** | **$251,919** | **($416)** | **$14,659** | **$14,243** | **$322,115** |
| Net income for the quarter | **-** | **-** | **11,211** | **-** | **-** | **-** | **11,211** |
| Dividends paid (note 3) | **-** | **-** | **(3,587)** | **-** | **-** | **-** | **(3,587)** |
| Stock option grants | **-** | **127** | **-** | **-** | **-** | **-** | **127** |
| Exercise of stock options | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Repurchase of Share Capital (note 8) | **(144)** | **-** | **(986)** | **-** | **-** | **-** | **(1,130)** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **(561)** | **476** | **(85)** | **(85)** |
| **Balance, June 30, 2018** | **$51,669** | **$4,267** | **$258,557** | **($977)** | **$15,135** | **$14,158** | **$328,651** |

| | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income: 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, 2016 | **$51,366** | **$3,566** | **$213,283** | **($3,017)** | **$14,207** | **$11,190** | **$279,405** |
| Net income for the period | **-** | **-** | **11,463** | **-** | **-** | **-** | **11,463** |
| Dividend paid (note 3) | **-** | **-** | **(2,981)** | **-** | **-** | **-** | **(2,981)** |
| Stock option grants | **-** | **134** | **-** | **-** | **-** | **-** | **134** |
| Exercise of stock options | **105** | **(30)** | **-** | **-** | **-** | **-** | **75** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **(1,499)** | **2,661** | **1,162** | **1,162** |
| **Balance, December 31, 2016** | **$51,471** | **$3,670** | **$221,765** | **($4,516)** | **$16,868** | **$12,352** | **$289,258** |
| Net income for the period | **-** | **-** | **12,602** | **-** | **-** | **-** | **12,602** |
| Dividend paid (note 3) | **-** | **-** | **(3,408)** | **-** | **-** | **-** | **(3,408)** |
| Stock option grants | **-** | **154** | **-** | **-** | **-** | **-** | **154** |
| Exercise of stock options | **92** | **(28)** | **-** | **-** | **-** | **-** | **64** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **2,928** | **(673)** | **2,255** | **2,255** |
| **Balance, March 31, 2017** | **$51,563** | **$3,796** | **$230,959** | **($1,588)** | **$16,195** | **$14,607** | **$300,925** |
| Net income for the quarter | **-** | **-** | **10,933** | **-** | **-** | **-** | **10,933** |
| Dividends paid (note 3) | **-** | **-** | **(3,412)** | **-** | **-** | **-** | **(3,412)** |
| Stock option grants | **-** | **155** | **-** | **-** | **-** | **-** | **155** |
| Exercise of stock options | **328** | **(101)** | **-** | **-** | **-** | **-** | **227** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **1,238** | **(3,921)** | **(2,683)** | **(2,683)** |
| **Balance, June 30, 2017** | **$51,891** | **$3,850** | **$238,480** | **($350)** | **$12,274** | **$11,924** | **$306,145** |

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

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

| | Three months ended June 30 | | Nine months ended June 30 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **OPERATING ACTIVITIES:** | | | | |
| Net income for the period | **$11,211** | $10,933 | **$30,683** | $34,998 |
| Add non-operating and items not involving a current outlay of cash | | | | |
| Depreciation (note 4) | **4,037** | 3,906 | **11,583** | 11,864 |
| Amortization (note 5) | **1,230** | 1,220 | **3,688** | 3,651 |
| Stock-based compensation expense | **141** | 113 | **391** | 420 |
| Deferred income taxes | **38** | (906) | **55** | 203 |
| Net interest expense | **246** | 253 | **823** | 983 |
| Non-cash costs of ALC plant closures (note 12) | **-** | - | **-** | 730 |
| Loss (gain) on disposal of property, plant and equipment | **(32)** | (39) | **755** | 7 |
| | **16,871** | 15,480 | **47,978** | 52,856 |
| Net change in non-cash working capital (note 10) | **6,319** | 3,246 | **(4,610)** | (308) |
| **Cash provided by operating activities** | **23,190** | 18,726 | **43,368** | 52,548 |
| **FINANCING ACTIVITIES:** | | | | |
| Increase (decrease) in bank indebtedness | **(5,931)** | 2,044 | **(7,867)** | (215) |
| Repayment of long-term debt | **(4,906)** | (13,206) | **(1,731)** | (28,269) |
| Interest paid, net | **(246)** | (253) | **(823)** | (983) |
| Dividends paid (note 3) | **(3,587)** | (3,412) | **(10,580)** | (9,801) |
| Repurchase of share capital | **(1,130)** | - | **(3,275)** | - |
| Issuance of share capital | **-** | 227 | **259** | 366 |
| **Cash used in financing activities** | **(15,800)** | (14,600) | **(24,017)** | (38,902) |
| **INVESTING ACTIVITIES:** | | | | |
| Purchase of property, plant and equipment (note 4) | **(4,326)** | (3,996) | **(18,549)** | (10,769) |
| Purchase of intangible assets (note 5) | **(130)** | (228) | **(541)** | (690) |
| Proceeds from liquidation of ALC capital assets | **-** | - | **-** | 93 |
| Proceeds from disposal of property, plant and equipment | **77** | 62 | **512** | 111 |
| **Cash used in investing activities** | **(4,379)** | (4,162) | **(18,578)** | (11,255) |
| **Effect of exchange rate changes on cash and cash equivalents** | **430** | 2,182 | **2,051** | (204) |
| **Net increase in cash and cash equivalents during the period** | **3,441** | 2,146 | **2,824** | 2,187 |
| Cash and cash equivalents, beginning of period | **35,259** | 27,550 | **35,876** | 27,509 |
| **Cash and cash equivalents, end of period** | **$38,700** | $29,696 | **$38,700** | $29,696 |

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 17 strategic locations in 8 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

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- and nine- month periods ended June 30, 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 2017 audited annual consolidated financial statements.

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, 2017.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2017 audited annual consolidated financial statements, which are available at www.sedar.com and on the Corporation's website at www.excocorp.com. The unaudited condensed interim consolidated financial statements and accompanying notes for the three- and nine-month periods ended June 30, 2018 were authorized for issue by the Board of Directors on August 1, 2018.

**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 issued but not yet applied**
The following standards are not yet effective for the year ending September 30, 2018. The Company is in the process of reviewing the standards to determine the impact on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9")
IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities selected to be measured at fair value. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which will be October 1, 2018 for the Company. Earlier application is permitted and the Company does not plan to early adopt IFRS 9.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has established a cross-functional team to implement the guidance related to the recognition of revenue from contracts with customers. The Company is in the process of evaluating its customer contracts and identifying contractual provisions that may result in a change in the timing, or the amount of revenue recognized in comparison with current guidance. In addition, the Company is assessing the enhanced disclosure requirements of the new guidance and the design of new controls and processes designed to comply with IFRS 15. The Company has not yet selected a transition method and will adopt the new revenue standard effective October 1, 2018.

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.

## 3. CASH DIVIDEND

During the three- and nine- month periods ended June 30, 2018, the Company paid quarterly cash dividends totaling $3,587 and $10,580 (2017 - $3,412 and $9,801). The quarterly dividend rate in the second quarter of 2018 was $0.085 per common share (2017 - $0.08).

*$(000)'s except per share amounts*

## 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 | 2,617 | 873 | 3,433 | 1,839 | 9,787 | 18,549 |
| Reclassification | 8,277 | 723 | 141 | - | (9,141) | - |
| Less: disposals | (3,869) | (359) | - | - | - | (4,228) |
| Foreign exchange movement | 3,232 | 502 | 1,298 | 88 | 161 | 5,281 |
| **Balance as at June 30, 2018** | **$202,806** | **$22,851** | **$72,436** | **$12,004** | **$4,462** | **$314,559** |

| | 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 | 8,039 | 1,408 | 2,136 | - | - | 11,583 |
| Less: disposals | (2,650) | (310) | - | - | - | (2,960) |
| Reclassification | (21) | 21 | - | - | - | - |
| Foreign exchange movement | 2,184 | 435 | 679 | - | - | 3,298 |
| **Balance as at June 30, 2018** | **$142,102** | **$17,741** | **$35,511** | **$-** | **$-** | **$195,354** |
| **Carrying amounts** | | | | | | |
| As at September 30, 2017 | $57,999 | $4,925 | $34,868 | $10,077 | $3,655 | $111,524 |
| **As at June 30, 2018** | **$60,704** | **$5,110** | **$36,925** | **$12,004** | **$4,462** | **$119,205** |

*$(000)'s except per share amounts*

## 5. INTANGIBLE ASSETS AND GOODWILL

| | Computer Software and other | Acquisition Intangibles* | Assets under Development (Software) | Total intangible assets | Goodwill |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as at September 30, 2017 | $20,614 | $44,713 | $427 | $65,754 | $62,091 |
| Additions | | | | | |
| Assets acquired | 345 | - | 196 | 541 | - |
| Reclassification | 541 | - | (541) | - | - |
| Less: disposals | (165) | - | - | (165) | - |
| Foreign exchange movement | 167 | 2,278 | 2 | 2,447 | 2,237 |
| **Balance as at June 30, 2018** | **$21,502** | **$46,991** | **$84** | **$68,577** | **$64,328** |

| | Computer Software and other | Acquisition Intangibles* | Assets under Development (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 | 822 | 2,866 | - | 3,688 | - |
| Less: disposals | (165) | - | - | (165) | - |
| Foreign exchange movement | 142 | 318 | - | 460 | - |
| **Balance as at June 30, 2018** | **$19,628** | **$10,260** | **$-** | **$29,888** | **$-** |
| | | | | | |
| **Carrying amounts** | | | | | |
| As at September 30, 2017 | $1,785 | $37,637 | $427 | $39,849 | $62,091 |
| **As at June 30, 2018** | **$1,874** | **$36,731** | **$84** | **$38,689** | **$64,328** |

*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 six-month period ended June 30, 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:

| | **June 30, 2018** | | September 30, 2017 | |
|---|---|---|---|---|
| | **Carrying Amount of Asset (Liability)** | **Fair Value of Asset (Liability)** | Carrying Amount of Asset (Liability) | Fair Value of Asset (Liability) |
| Cash and cash equivalents | **$38,700** | **$38,700** | $35,876 | $35,876 |
| Accounts receivable | **104,441** | **104,441** | 94,332 | 94,332 |
| Trade accounts payable | **(50,640)** | **(50,640)** | (48,369) | (48,369) |
| Bank indebtedness | **(7,850)** | **(7,850)** | (15,717) | (15,717) |
| Customer advance payments | **(1,535)** | **(1,535)** | (3,223) | (3,223) |
| Accrued liabilities | **(24,299)** | **(24,299)** | (22,808) | (22,808) |
| Derivative instruments | **(1,323)** | **(1,323)** | (314) | (314) |
| Long-term debt | **($29,362)** | **($29,362)** | ($31,093) | ($31,093) |

## 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 $25,000 was utilized as at June 30, 2018. The facility has a 3 year term and is collateralized by a general security agreement covering all assets of the Company's Canadian and US subsidiaries with the exception of real property. There are no specific repayment terms prior to maturity.

The components of long-term debt are as follows:

| | **June 30, 2018** | September 30, 2017 |
|---|---|---|
| Bank debt | **$25,000** | $23,000 |
| Term notes | **4,086** | 7,744 |
| Promissory note | **276** | 349 |
| Subtotal | **29,362** | 31,093 |
| Less: current portion | **(4,178)** | (3,959) |
| Long-term debt, long-term portion | **$25,184** | $27,134 |

## 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 and year-to-date 118,600 and 335,900 common shares were repurchased (2017 – nil) for a total cost of $1,130 and $3,275 respectively. The cost to repurchase the common shares in the year exceeded their stated value by $2,867 which was charged against retained earnings.

As at June 30, 2018 the Company had 42,201,181 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 June 30, 2018 | | | |
|---|---|---|---|---|
| | **Casting and Extrusion** | **Automotive Solutions** | **Corporate** | **Total** |
| Sales | **$54,712** | **$100,093** | **$-** | **$154,805** |
| Intercompany sales | **(1,872)** | **(178)** | **-** | **(2,050)** |
| Net sales | **52,840** | **99,915** | **-** | **152,755** |
| Depreciation | **3,200** | **831** | **6** | **4,037** |
| Amortization | **217** | **1,013** | **-** | **1,230** |
| Pre-tax income (loss) before interest and other expense | **5,212** | **11,385** | **(1,751)** | **14,846** |
| Net interest expense | | | | **(246)** |
| Income before income taxes | | | | **14,600** |
| Property, plant and equipment additions | **3,603** | **712** | **11** | **4,326** |
| Property, plant and equipment, net | **90,765** | **27,175** | **1,265** | **119,205** |
| Intangible asset additions | **106** | **24** | **-** | **130** |
| Intangible assets, net | **1,515** | **37,171** | **3** | **38,689** |
| Goodwill | **287** | **64,041** | **-** | **64,328** |
| Total assets | **196,873** | **251,520** | **3,980** | **452,373** |
| Total liabilities | **29,928** | **59,321** | **34,473** | **123,722** |

*$(000)'s except per share amounts*

| | Three Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Casting and Extrusion | Automotive Solutions | Corporate | Total |
| Sales | $48,131 | $99,597 | $- | $147,728 |
| Intercompany sales | (1,670) | (149) | - | (1,819) |
| Net sales | 46,461 | 99,448 | - | 145,909 |
| Depreciation | 3,070 | 825 | 11 | 3,906 |
| Amortization | 195 | 1,025 | - | 1,220 |
| Pre-tax income (loss) before interest and other expense | 4,827 | 12,629 | (1,932) | 15,524 |
| Net interest expense | | | | (253) |
| Income before income taxes | | | | 15,271 |
| Property, plant and equipment additions | 2,974 | 1,022 | - | 3,996 |
| Property, plant and equipment, net | 90,984 | 20,626 | 1,292 | 112,902 |
| Intangible asset additions | 200 | 28 | - | 228 |
| Intangible assets, net | 1,792 | 40,446 | 5 | 42,243 |
| Goodwill | 282 | 63,352 | - | 63,634 |
| Total assets | 180,342 | 247,491 | 1,786 | 429,619 |
| Total liabilities | $26,455 | $62,476 | $34,543 | $123,474 |

| | **Nine Months Ended June 30, 2018** | | | |
|---|---|---|---|---|
| | **Casting and Extrusion** | **Automotive Solutions** | **Corporate** | **Total** |
| Sales | **$154,300** | **$287,048** | **$-** | **$441,348** |
| Intercompany sales | **(4,875)** | **(457)** | **-** | **(5,332)** |
| Net sales | **149,425** | **286,591** | **-** | **436,016** |
| Depreciation | **9,088** | **2,466** | **29** | **11,583** |
| Amortization | **678** | **3,009** | **1** | **3,688** |
| Pre-tax income (loss) before interest and other expense | **14,826** | **31,533** | **(5,172)** | **41,187** |
| Net interest expense | | | | **(823)** |
| Income before income taxes | | | | **40,364** |
| Property, plant and equipment additions | **11,494** | **7,042** | **13** | **18,549** |
| Property, plant and equipment, net | **90,765** | **27,175** | **1,265** | **119,205** |
| Intangible asset additions | **409** | **132** | **-** | **541** |
| Intangible assets, net | **1,515** | **37,171** | **3** | **38,689** |
| Goodwill | **287** | **64,041** | **-** | **64,328** |
| Total assets | **196,873** | **251,520** | **3,980** | **452,373** |
| Total liabilities | **29,928** | **59,321** | **34,473** | **123,722** |

*$(000)'s except per share amounts*

| | Nine Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Casting and Extrusion | Automotive Solutions | Corporate | Total |
| Sales | $143,460 | $314,648 | $- | $458,108 |
| Intercompany sales | (4,559) | (760) | - | (5,319) |
| Net sales | 138,901 | 313,888 | - | 452,789 |
| Depreciation | 9,342 | 2,488 | 34 | 11,864 |
| Amortization | 581 | 3,070 | - | 3,651 |
| Pre-tax income (loss) before interest and other expense | 15,204 | 42,222 | (5,550) | 51,876 |
| Other expense (note 12) | - | (1,223) | - | (1,223) |
| Net interest expense | | | | (983) |
| Income before income taxes | | | | 49,670 |
| Property, plant and equipment additions | 8,251 | 2,471 | 47 | 10,769 |
| Property, plant and equipment, net | 90,984 | 20,626 | 1,292 | 112,902 |
| Intangible asset additions | 641 | 49 | - | 690 |
| Intangible assets, net | 1,792 | 40,446 | 5 | 42,243 |
| Goodwill | 282 | 63,352 | - | 63,634 |
| Total assets | 180,342 | 247,491 | 1,786 | 429,619 |
| Total liabilities | $26,455 | $62,476 | $34,543 | $123,474 |

## 10. NET CHANGE IN NON-CASH WORKING CAPITAL

| | Nine Months Ended June 30 | |
|---|---|---|
| | **2018** | 2017 |
| Accounts receivable | **($7,009)** | $10,909 |
| Unbilled revenue | **(493)** | 1,193 |
| Inventories | **3,708** | 7,170 |
| Prepaid expenses and deposits | **(935)** | 392 |
| Trade accounts payable | **(19)** | (17,288) |
| Accrued payroll and taxes | **(691)** | (2,059) |
| Other accrued liabilities | **1,336** | (350) |
| Provisions | **(29)** | (77) |
| Customer advance payments | **(1,706)** | 933 |
| Income taxes payable | **1,228** | (1,131) |
| | **($4,610)** | ($308) |

## 11. INCOME TAXES

The consolidated effective income tax rate for the three- and nine-month periods ended June 30, 2018 was 23.2% and 24.0% (three- and nine-month periods ended June 30, 2017 – 28.4% and 29.5%). The effective tax rate for the three- and nine-month periods is favourably impacted by the reduction in the US federal income tax rate that will apply to annual US earnings. In addition, the effective income tax rate is favourably impacted by the remeasurement of US deferred income tax liabilities, offset by the transition taxes accrued related to foreign earnings of certain of the Mexican subsidiaries which have not been repatriated to the United States. The comparative nine-month period was adversely impacted by the non-deductibility of post-production costs in the amount of $1,223 incurred in South Africa and Lesotho (note 12). Further, the effective tax rate in the three- and nine- periods benefitted from improved proportion of earnings generated in lower tax jurisdictions.

The impacts of the US Tax Act on the consolidated tax provision of the Company for the nine-month period 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

On November 12, 2016 of the previous fiscal year, the Company ceased production in Lesotho and commenced the process of liquidating and has subsequently wound-up the ALC legal entities in Lesotho and South Africa.

During the first quarter of the 2017 fiscal year, the Company incurred post-production non-operating expenses of $1,223 which included non-cash asset write-downs of $707 and a loss on disposal of capital assets of $23.

## CORPORATE INFORMATION

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 17 strategic locations in 8 countries, we employ 6,755 people and service a diverse and broad customer base.

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## TORONTO STOCK EXCHANGE LISTING

XTC

## DIRECTORS

Laurie T.F. Bennett, Chairman
Edward H. Kernaghan
Nicole A. Kirk
Robert B. Magee
Philip B. Matthews
Colleen M. McMorrow
Paul E. Riganelli
Brian A. Robbins, President and CEO

## CORPORATE OFFICERS

Brian A. Robbins, PEng
President and CEO

Darren M. Kirk, CFA, MBA
Executive Vice President and COO

R. Drew Knight, CPA, CA
Vice President Finance, CFO and Secretary

Paul E. Riganelli, MA, MBA, LLB
Executive Vice President

## TRANSFER AGENT

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