



**EXCO TECHNOLOGIES LIMITED**  
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Unaudited Condensed Interim Report  
to the shareholders  
for the twelve months ended  
September 30, 2020

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## **NOTICE TO READER**

*The attached unaudited condensed interim consolidated financial statements have been prepared by management of the Company. The condensed interim consolidated financial statements for the three- and twelve- month periods ended September 30, 2020 and 2019 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 September 30, 2020	As at September 30, 2019 (note 2)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$33,124	\$26,488
Accounts receivable	82,222	93,552
Inventories	61,158	73,260
Prepaid expenses and deposits	2,787	2,874
Income taxes recoverable	2,761	1,875
Total current assets	182,052	198,049
Property, plant and equipment, net (note 4)	131,029	126,787
Intangible assets, net (note 5)	30,535	33,891
Goodwill (note 5)	64,980	62,834
Deferred tax assets	1,184	1,174
Total assets	\$409,780	\$422,735
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	\$3,418	\$578
Trade accounts payable	32,873	44,183
Accrued payroll liabilities	11,391	12,643
Other accrued liabilities	11,381	8,041
Derivative instruments	1,758	278
Provisions	2,902	2,672
Customer advance payments	3,557	1,747
Long-term debt - current portion (note 7)	93	93
Total current liabilities	67,373	70,235
Long-term debt - long-term portion (note 7)	3,000	17,093
Deferred tax liabilities	8,401	8,920
Total liabilities	78,774	96,248
<b>Shareholders' equity</b>		
Share capital (note 8)	48,968	50,538
Contributed surplus	4,718	4,349
Accumulated other comprehensive income	10,356	9,480
Retained earnings	266,964	262,120
Total shareholders' equity	331,006	326,487
Total liabilities and shareholders' equity	\$409,780	\$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 (LOSS) AND COMPREHENSIVE INCOME (LOSS)**
**(Unaudited)**

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

	Three months ended September 30		Twelve months ended September 30	
	2020	2019	2020	2019
<b>Sales</b>	<b>\$100,680</b>	<b>\$121,815</b>	<b>\$412,309</b>	<b>\$507,348</b>
Cost of sales	78,071	97,961	323,761	400,494
Selling, general and administrative expenses (note 13)	6,932	10,687	35,244	44,445
Depreciation (note 4)	4,337	4,095	17,424	15,398
Amortization (note 5)	985	998	4,032	4,062
Gain on disposal of property, plant and equipment	(115)	(101)	(192)	(226)
Interest expense, net	98	130	617	790
Other expense (note 12)	-	-	-	6,409
	<b>90,308</b>	<b>113,770</b>	<b>380,886</b>	<b>471,372</b>
Income (loss) before income taxes	<b>10,372</b>	<b>8,045</b>	<b>31,423</b>	<b>35,976</b>
Provision for income taxes (note 11)	(347)	1,272	3,999	9,344
<b>Net income (loss) for the period</b>	<b>10,719</b>	<b>6,773</b>	<b>27,424</b>	<b>26,632</b>
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)	1,261	(209)	(1,091)	(779)
Unrealized gain (loss) on foreign currency translation	(8,547)	(2,503)	1,967	(636)
	<b>(7,286)</b>	<b>(2,712)</b>	<b>876</b>	<b>(1,415)</b>
<b>Comprehensive income (loss)</b>	<b>\$3,433</b>	<b>\$4,061</b>	<b>\$28,300</b>	<b>\$25,217</b>
<b>Income (loss) per common share</b>				
Basic	<b>\$0.27</b>	<b>\$0.17</b>	<b>\$0.69</b>	<b>\$0.65</b>
Diluted	<b>\$0.27</b>	<b>\$0.17</b>	<b>\$0.69</b>	<b>\$0.65</b>
<b>Weighted average number of common shares outstanding</b>				
Basic	<b>39,748</b>	<b>41,017</b>	<b>39,943</b>	<b>41,245</b>
Diluted	<b>39,748</b>	<b>41,017</b>	<b>39,943</b>	<b>41,253</b>

(a) Net of income tax payable of \$253 and \$389 recoverable for the three- and twelve- month periods ended September 30, 2020 (2019 - net of income tax recoverable of \$75 and \$278 for the three- and twelve- month periods ended September 30, 2019)

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 expense	-	86	-	-	-	-	86
Repurchase of Share Capital (note 8)	(421)	-	(2,230)	-	-	-	(2,651)
Other comprehensive income (loss)	-	-	-	1,121	(1,818)	(697)	(697)
<b>Balance, December 31, 2019</b>	<b>\$50,117</b>	<b>\$4,435</b>	<b>\$264,331</b>	<b>\$914</b>	<b>\$7,869</b>	<b>\$8,783</b>	<b>\$327,666</b>
Net income for the period	-	-	9,495	-	-	-	9,495
Dividend paid (note 3)	-	-	(3,777)	-	-	-	(3,777)
Stock option expense	-	94	-	-	-	-	94
Repurchase of Share Capital (note 8)	(548)	-	(2,801)	-	-	-	(3,349)
Other comprehensive income (loss)	-	-	-	(4,182)	15,054	10,872	10,872
<b>Balance, March 31, 2020</b>	<b>\$49,569</b>	<b>\$4,529</b>	<b>\$267,248</b>	<b>(\$3,268)</b>	<b>\$22,923</b>	<b>\$19,655</b>	<b>\$341,001</b>
Net loss for the period	-	-	(848)	-	-	-	(848)
Dividends paid (note 3)	-	-	(3,776)	-	-	-	(3,776)
Stock option expense	-	95	-	-	-	-	95
Repurchase of Share Capital (note 8)	-	-	-	-	-	-	0
Other comprehensive income (loss)	-	-	-	1,261	(8,547)	(7,286)	(7,286)
<b>Balance, June 30, 2020</b>	<b>\$49,569</b>	<b>\$4,624</b>	<b>\$262,624</b>	<b>(\$2,007)</b>	<b>\$14,376</b>	<b>\$12,369</b>	<b>\$329,186</b>
Net income for the period	-	-	10,719	-	-	-	10,719
Dividends (note 3)	-	-	(3,776)	-	-	-	(3,776)
Stock option expense	-	94	-	-	-	-	94
Exercise of stock options	-	-	-	-	-	-	-
Repurchase of Share Capital (note 8)	(601)	-	(2,603)	-	-	-	(3,204)
Other comprehensive income (loss)	-	-	-	709	(2,722)	(2,013)	(2,013)
<b>Balance, September 30, 2020</b>	<b>\$48,968</b>	<b>\$4,718</b>	<b>\$266,964</b>	<b>(\$1,298)</b>	<b>\$11,654</b>	<b>\$10,356</b>	<b>\$331,006</b>

				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, 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 expense	-	110	-	-	-	-	110
Exercise of stock options	111	(34)	-	-	-	-	77
Repurchase of Share Capital (note 8)	(507)	-	(3,445)	-	-	-	(3,952)
Other comprehensive income (loss)	-	-	-	(1,376)	12,076	10,700	10,700
<b>Balance, December 31, 2018</b>	<b>\$50,834</b>	<b>\$4,467</b>	<b>\$257,502</b>	<b>(\$804)</b>	<b>\$22,399</b>	<b>\$21,595</b>	<b>\$334,398</b>
Net income for the period	-	-	8,564	-	-	-	8,564
Dividend paid (note 3)	-	-	(3,717)	-	-	-	(3,717)
Stock option expense	-	64	-	-	-	-	64
Exercise of stock options	849	(254)	-	-	-	-	595
Repurchase of Share Capital (note 8)	(236)	-	(1,629)	-	-	-	(1,865)
Other comprehensive income	-	-	-	585	(5,890)	(5,305)	(5,305)
<b>Balance, March 31, 2019</b>	<b>\$51,447</b>	<b>\$4,277</b>	<b>\$260,720</b>	<b>(\$219)</b>	<b>\$16,509</b>	<b>\$16,290</b>	<b>\$332,734</b>
Net income for the period	-	-	7,477	-	-	-	7,477
Dividends paid (note 3)	-	-	(3,702)	-	-	-	(3,702)
Stock option expense	-	13	-	-	-	-	13
Exercise of stock options	81	(24)	-	-	-	-	57
Repurchase of Share Capital (note 8)	(282)	-	(1,672)	-	-	-	(1,954)
Other comprehensive income (loss)	-	-	-	221	(4,319)	(4,098)	(4,098)
<b>Balance, June 30, 2019</b>	<b>\$51,246</b>	<b>\$4,266</b>	<b>\$262,823</b>	<b>\$2</b>	<b>\$12,190</b>	<b>\$12,192</b>	<b>\$330,527</b>
Net income for the period	-	-	6,773	-	-	-	6,773
Dividends (note 3)	-	-	(3,654)	-	-	-	(3,654)
Stock option expense	-	83	-	-	-	-	83
Exercise of stock options	-	-	-	-	-	-	0
Repurchase of Share Capital (note 8)	(708)	-	(3,822)	-	-	-	(4,530)
Other comprehensive income (loss)	-	-	-	(209)	(2,503)	(2,712)	(2,712)
<b>Balance, September 30, 2019</b>	<b>\$50,538</b>	<b>\$4,349</b>	<b>\$262,120</b>	<b>(\$207)</b>	<b>\$9,687</b>	<b>\$9,480</b>	<b>\$326,487</b>

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 September 30 2020	2019	Twelve months ended September 30 2020	2019
<b>OPERATING ACTIVITIES:</b>				
Net income (loss) for the period	<b>\$10,719</b>	\$6,773	<b>\$27,424</b>	\$26,632
Add non-operating and items not involving a current outlay of cash				
Depreciation (note 4)	<b>4,337</b>	4,095	<b>17,424</b>	15,398
Amortization (note 5)	<b>985</b>	998	<b>4,032</b>	4,062
Stock-based compensation expense	<b>121</b>	102	<b>453</b>	305
Deferred income taxes	<b>(149)</b>	670	<b>(221)</b>	1,746
Net interest expense	<b>98</b>	130	<b>617</b>	790
Non-cash provision for ALC and Other expense (note 12)	-	-	-	6,409
Gain on disposal of property, plant and equipment	<b>(115)</b>	(101)	<b>(192)</b>	(226)
	<b>15,996</b>	12,667	<b>49,537</b>	55,116
Net change in non-cash working capital (note 10)	<b>(514)</b>	16,770	<b>14,881</b>	9,700
<b>Cash provided by operating activities</b>	<b>15,482</b>	29,437	<b>64,418</b>	64,816
<b>FINANCING ACTIVITIES:</b>				
Increase (decrease) in bank indebtedness	<b>2,806</b>	(1,033)	<b>2,840</b>	(9,356)
Financing from long-term debt	-	-	<b>20,000</b>	-
Repayment of long-term debt	<b>(20,002)</b>	3,002	<b>(34,093)</b>	(5,103)
Interest paid, net	<b>(98)</b>	(130)	<b>(617)</b>	(790)
Dividends paid (note 3)	<b>(3,776)</b>	(3,654)	<b>(14,946)</b>	(14,597)
Repurchase of share capital	<b>(3,204)</b>	(4,530)	<b>(9,204)</b>	(12,301)
Exercise of stock options	-	-	-	729
<b>Cash used in financing activities</b>	<b>(24,274)</b>	(6,345)	<b>(36,020)</b>	(41,418)
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment (note 4)	<b>(5,422)</b>	(8,339)	<b>(23,092)</b>	(27,401)
Purchase of intangible assets (note 5)	<b>(125)</b>	(160)	<b>(403)</b>	(567)
Proceeds from disposal of property, plant and equipment	<b>133</b>	222	<b>1,386</b>	450
<b>Cash used in investing activities</b>	<b>(5,414)</b>	(8,277)	<b>(22,109)</b>	(27,518)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(112)</b>	57	<b>347</b>	229
<b>Net increase (decrease) in cash during the period</b>	<b>(14,318)</b>	14,872	<b>6,636</b>	(3,891)
<b>De-consolidation of ALC cash (note 12)</b>	-	-	-	(964)
Cash, beginning of period	<b>47,442</b>	11,616	<b>26,488</b>	31,343
<b>Cash, end of period</b>	<b>\$33,124</b>	\$26,488	<b>\$33,124</b>	\$26,488

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

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

**1. CORPORATE INFORMATION**

Exco Technologies Limited (the “Company”) is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 15 strategic locations in 7 countries, 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- and twelve- month periods ended September 30, 2020 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. These areas of critical accounting estimates were impacted when the World Health Organization characterized the COVID-19 virus as a global pandemic in March 2020. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our suppliers and customers. It is not possible to predict the impact COVID-19 will have on the Company, its financial position, and the results of operations in the future. The Company is monitoring the impact of the pandemic on all aspects of its business.

Effective October 1, 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers (“IFRS15”) 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 cancellation 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. 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](http://www.sedar.com) and on the Corporation’s website at [www.excocorp.com](http://www.excocorp.com). The unaudited condensed interim consolidated financial statements and accompanying notes for the three- and twelve- month periods ended September 30, 2020 were authorized for issue by the Board of Directors on December 2, 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

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

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

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, 2020 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 \$1,687 in Other Accrued Liabilities and right-of-use assets of \$1,687 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.



**EXCO TECHNOLOGIES LIMITED**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 US\$5,000). 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.

**EXCO TECHNOLOGIES LIMITED**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

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

**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.

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- and twelve - month periods ended September 30, 2020, the Company paid quarterly cash dividends totaling \$3,776 and \$14,946 (2019 -\$3,654 and \$14,597). The quarterly dividend rate in the fourth quarter of 2020 was \$0.095 per common share (2019 - \$0.09).

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Machinery and Equipment</b>	<b>Tools</b>	<b>Buildings</b>	<b>Land</b>	<b>Assets under Construction</b>	<b>Right of Use Assets</b>	<b>TOTAL</b>
<b>Cost</b>							
Balance as at September 30, 2019	203,928	24,407	75,263	11,978	6,552	-	322,128
Initial recognition IFRS16 assets (note 2)	-	-	-	-	-	1,687	1,687
Additions	5,101	916	691	896	15,407	81	23,092
Less: disposals	8,076	1,075	3,812	-	(12,963)	-	-
Reclassification	(9,899)	(3,685)	(37)	-	-	(29)	(13,650)
Foreign exchange movement	(1,362)	(172)	(366)	(290)	(40)	46	(2,184)
<b>Balance as at September 30, 2020</b>	<b>\$205,844</b>	<b>\$22,541</b>	<b>\$79,363</b>	<b>\$12,584</b>	<b>\$8,956</b>	<b>\$1,785</b>	<b>\$331,073</b>

	<b>Machinery and Equipment</b>	<b>Tools</b>	<b>Buildings</b>	<b>Land</b>	<b>Assets under Construction</b>	<b>Right of Use Assets</b>	<b>TOTAL</b>
<b>Accumulated depreciation and impairment losses</b>							
Balance as at September 30, 2019	140,567	18,294	36,480	-	-	-	195,341
Depreciation	11,708	1,979	3,172	-	-	565	17,424
Less: disposals	(8,754)	(3,661)	(14)	-	-	(28)	(12,457)
Foreign exchange movement	(286)	(66)	94	-	-	(6)	(264)
<b>Balance as at September 30, 2020</b>	<b>\$143,235</b>	<b>\$16,546</b>	<b>\$39,732</b>	<b>\$-</b>	<b>\$-</b>	<b>\$531</b>	<b>\$200,044</b>

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

Carrying amounts	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	TOTAL
As at September 30, 2019	\$63,361	\$6,113	\$38,783	\$11,978	\$6,552	\$-	\$126,787
<b>As at September 30, 2020</b>	<b>\$62,609</b>	<b>\$5,995</b>	<b>\$39,631</b>	<b>\$12,584</b>	<b>\$8,956</b>	<b>\$1,254</b>	<b>\$131,029</b>

**5. INTANGIBLE ASSETS AND GOODWILL**

	Computer Software and Other	Acquisition Intangibles*	Assets under Construction (Software)	Total Intangible Assets	Goodwill
<b>Cost</b>					
Balance as at September 30, 2019	\$21,326	\$47,224	\$106	\$68,656	\$62,834
Additions	275	-	128	403	-
Less: disposals	(13,471)	-	-	(13,471)	-
Reclassifications	192	-	(192)	-	-
Foreign exchange movement	(32)	330	4	302	2,146
<b>Balance as at September 30, 2020</b>	<b>\$8,290</b>	<b>\$47,554</b>	<b>\$46</b>	<b>\$55,890</b>	<b>\$64,980</b>

	Computer Software and Other	Acquisition Intangibles*	Assets under Construction (Software)	Total Intangible Assets	Goodwill
<b>Accumulated amortization and impairment losses</b>					
Balance as at September 30, 2019	19,974	14,791	-	34,765	-
Amortization for the period	755	3,277	-	4,032	-
Less: disposals	(13,471)	-	-	(13,471)	-
Foreign exchange movement	(30)	59	-	29	-
<b>Balance as at September 30, 2020</b>	<b>\$7,228</b>	<b>\$18,127</b>	<b>\$-</b>	<b>\$25,355</b>	<b>\$-</b>

**Carrying amounts**

As at September 30, 2019	\$1,352	\$32,433	\$106	\$33,891	\$62,834
<b>As at September 30, 2020</b>	<b>\$1,062</b>	<b>\$29,427</b>	<b>\$46</b>	<b>\$30,535</b>	<b>\$64,980</b>

\*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.

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

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 twelve-month period ended September 30, 2020 there were no transfers between Level 1 and Level 2 fair value measurements.

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

	September 30, 2020		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	\$33,124	\$33,124	\$26,488	\$26,488
Accounts receivable	82,222	82,222	93,552	93,552
Trade accounts payable	(32,873)	(32,873)	(44,183)	(44,183)
Bank indebtedness	(3,418)	(3,418)	(578)	(578)
Customer advance payments	(3,557)	(3,557)	(1,747)	(1,747)
Accrued liabilities	(22,772)	(22,772)	(20,684)	(20,684)
Derivative instruments	(1,758)	(1,758)	(278)	(278)
Long-term debt	(\$3,093)	(\$3,093)	(\$17,186)	(\$17,186)

## 7. LONG-TERM DEBT

On February 7, 2020, the Company renewed the \$50,000 Committed Revolving Credit Facility to extend the maturity date to February 28, 2023. As at September 30, 2020 \$3,000 was utilized (2019 - \$17,000). The facility 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:

	September 30, 2020	September 30, 2019
Bank debt	\$3,000	\$17,000
Term notes	-	-
Promissory note	93	186
Subtotal	3,093	17,186
Less: current portion	(93)	(93)
Long-term debt, long-term portion	\$3,000	\$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 September 30, 2020.

## 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, 2020. The Company's Board of Directors authorized the purchase of up to 2,000,000 common shares representing approximately 5% of the Company's outstanding common shares. During the quarter and year-to-date 481,600 and 1,258,666 common shares, respectively were repurchased (2019 - 578,318 and 1,416,018) for a total cost of \$1,259 and

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\$9,204 respectively (2019 - \$4,530 and \$12,301). The cost to repurchase the common shares in the year exceeded their stated value by \$7,634 (2019 - \$10,568) which was recorded against retained earnings.

As at September 30, 2020 the Company had 39,268,997 common shares issued and outstanding.

**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.

<b>Three Months Ended September 30, 2020</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
<b>Sales</b>	<b>\$42,502</b>	<b>\$61,390</b>	<b>\$-</b>	<b>\$103,892</b>
<b>Intercompany sales</b>	<b>(3,030)</b>	<b>(182)</b>	<b>-</b>	<b>(3,212)</b>
<b>Net sales</b>	<b>39,472</b>	<b>61,208</b>	<b>-</b>	<b>100,680</b>
<b>Depreciation</b>	<b>3,482</b>	<b>827</b>	<b>28</b>	<b>4,337</b>
<b>Amortization</b>	<b>142</b>	<b>844</b>	<b>(1)</b>	<b>985</b>
<b>Segment pre-tax income (loss) before interest and other income (expense)</b>	<b>4,247</b>	<b>7,317</b>	<b>(1,094)</b>	<b>10,470</b>
<b>Net interest expense</b>				<b>(98)</b>
<b>Income (loss) before income taxes</b>				<b>10,372</b>
<b>Property, plant and equipment additions</b>	<b>4,575</b>	<b>847</b>	<b>-</b>	<b>5,422</b>
<b>Property, plant and equipment, net</b>	<b>104,498</b>	<b>25,189</b>	<b>1,342</b>	<b>131,029</b>
<b>Intangible asset additions</b>	<b>124</b>	<b>1</b>	<b>-</b>	<b>125</b>
<b>Intangible assets, net</b>	<b>933</b>	<b>29,602</b>	<b>-</b>	<b>30,535</b>
<b>Goodwill</b>	<b>-</b>	<b>64,980</b>	<b>-</b>	<b>64,980</b>
<b>Total assets</b>	<b>200,228</b>	<b>219,600</b>	<b>(10,048)</b>	<b>409,780</b>
<b>Total liabilities</b>	<b>28,809</b>	<b>41,034</b>	<b>8,931</b>	<b>78,774</b>

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Three Months Ended September 30, 2019				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$54,843	\$69,584	\$-	\$124,427
Intercompany sales	(2,399)	(213)	-	(2,612)
Net sales	52,444	69,371	-	121,815
Depreciation	3,390	685	20	4,095
Amortization	158	840	-	998
Segment pre-tax income (loss) before interest and other income (expense)	4,039	5,015	(879)	8,175
Net interest expense				(130)
Income before income taxes				8,045
Property, plant and equipment additions	6,687	1,652	-	8,339
Property, plant and equipment, net	101,649	23,738	1,400	126,787
Intangible asset additions	109	51	-	160
Intangible assets, net	1,153	32,738	-	33,891
Goodwill	-	62,834	-	62,834
Total assets	212,240	214,734	(4,239)	422,735
Total liabilities	31,119	43,440	21,689	96,248

Twelve Months Ended September 30, 2020				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$189,489	\$231,613	\$-	\$421,102
Intercompany sales	(8,274)	(519)	-	(8,793)
Net sales	181,215	231,094	-	412,309
Depreciation	13,834	3,478	112	17,424
Amortization	607	3,424	1	4,032
Segment pre-tax income (loss) before interest and other income (expense)	17,998	20,970	(6,928)	32,040
Net interest expense				(617)
Income before income taxes				31,423
Initial recognition of right of use assets	389	1,266	32	1,687
Property, plant and equipment additions	20,371	2,721	-	23,092
Property, plant and equipment, net	104,498	25,189	1,342	131,029
Intangible asset additions	397	6	-	403
Intangible assets, net	933	29,602	-	30,535
Goodwill	-	64,980	-	64,980
Total assets	200,228	219,600	(10,048)	409,780
Total liabilities	28,809	41,034	8,931	78,774

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**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

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

Twelve Months Ended September 30, 2019				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$214,214	\$311,658	\$-	\$525,872
Intercompany sales	(9,922)	(8,602)	-	(18,524)
Net sales	204,292	303,056	-	507,348
Depreciation	12,511	2,813	74	15,398
Amortization	682	3,378	2	4,062
Segment pre-tax income (loss) before interest and other income (expense)	17,989	31,867	(6,681)	43,175
Other expense (note 17)	-	(6,409)	-	(6,409)
Net interest expense				(790)
Income before income taxes				35,976
Property, plant and equipment additions	23,475	3,818	108	27,401
Property, plant and equipment, net	101,649	23,738	1,400	126,787
Intangible asset additions	473	94	-	567
Intangible assets, net	1,153	32,738	-	33,891
Goodwill	-	62,834	-	62,834
Total assets	212,240	214,734	(4,239)	422,735
Total liabilities	31,119	43,440	21,689	96,248

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

Twelve months ended September 30		
	2020	2019
Accounts receivable	\$12,287	\$848
Inventories	12,894	5,496
Prepaid expenses and deposits	85	339
Trade accounts payable	(11,686)	3,300
Accrued payroll liabilities	(1,350)	(1,105)
Other accrued liabilities	1,453	695
Provisions	230	1,005
Customer advance payments	1,854	(1,855)
Income taxes payable	(886)	977
	\$14,881	\$9,770

**11. INCOME TAXES**

The consolidated effective income tax rate for the twelve-month period ended September 30, 2020 was 12.7% (twelve-month period ended September 30, 2019 – 26.0%). The income tax rate for the twelve-month period ended September 30, 2020 was favorably impacted by the reversal of a \$2,311 deferred tax liability related to ALC that was resolved in the fourth quarter and the recognition of research and development tax credits. The income tax rate for the twelve-month period ended

**EXCO TECHNOLOGIES LIMITED**  
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September 30, 2019 was adversely impacted by the non-deductibility of Other Expense related to the de-consolidation of ALC in the amount of \$6,409 (note 12). Excluding ALC, the effective income tax rate for the twelve-month period ended September 30, 2019 would have been 22.0%

**12. DECONSOLIDATION OF ALC AND OTHER EXPENSE**

On January 17, 2019, the Company's indirect wholly owned subsidiary ALC Bulgaria EOOD ("ALC") voluntarily filed a liquidation petition in Bulgaria. As a result, the Company lost control of and de-consolidated it from the Company's financial statements. The Company had recorded a \$6.4 million provision during the six months ended March 31, 2019 in respect of ALC.

**13. GOVERNMENT ASSISTANCE**

As a result of the impact of COVID-19, the Company has applied to multiple government assistance programs. During the three- and twelve- months ended September 30, 2020 the Company recorded \$4,040 and \$7,003 of assistance which was recorded as a reduction of selling, general and administrative expense. The amount of assistance receivable as at September 30, 2020 was \$648.



## **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 4,800 people and service a diverse and broad customer base.

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## **TORONTO STOCK EXCHANGE LISTING**

XTC

## **DIRECTORS**

Edward H. Kernaghan

Darren M. Kirk, President and CEO

Robert B. Magee, Lead Director

Colleen M. McMorrow

Paul E. Riganelli

Brian A. Robbins, Executive Chairman

Anne Marie Turnbull

## **CORPORATE OFFICERS**

Brian A. Robbins, PEng

Executive Chairman

Darren M. Kirk, CFA, MBA

President and CEO

Matthew Posno, CPA, CA, MBA

Vice President Finance, CFO and Secretary

Paul E. Riganelli, MA, MBA, LLB

Executive Vice President

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