



EXCO TECHNOLOGIES LIMITED

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Unaudited Condensed Interim Report
to the shareholders
for the three months ended
December 31, 2015

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 period ended December 31, 2015 and 2014 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

\$ (000)'s

	As at December 31, 2015	As at September 30, 2015
ASSETS		
Current		
Cash	\$37,582	\$34,996
Accounts receivable	84,819	98,823
Unbilled revenue	22,553	17,293
Inventories	53,903	55,401
Prepaid expenses and deposits	2,291	2,397
Total current assets	201,148	208,910
Property, plant and equipment, net (note 4)	112,332	104,251
Intangible assets, net (note 5)	3,459	3,769
Goodwill (note 5)	23,856	23,852
Deferred tax assets	2,121	2,034
Total assets	\$342,916	\$342,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$6,025	\$9,973
Trade accounts payable	40,749	46,421
Accrued payroll liabilities	5,460	9,083
Other accrued liabilities	11,187	12,484
Derivative instruments (note 6)	2,434	2,486
Provisions	1,649	1,810
Income taxes payable	7,901	6,559
Customer advance payments	2,344	3,013
Long-term debts - current portion	122	119
Total current liabilities	77,871	91,948
Long-term debts - long-term portion	414	409
Deferred tax liabilities	5,552	5,538
Total liabilities	83,837	97,895
Shareholders' equity		
Share capital	50,805	50,060
Contributed surplus	3,243	3,283
Accumulated other comprehensive income	18,541	14,369
Retained earnings	186,490	177,209
Total shareholders' equity	259,079	244,921
Total liabilities and shareholders' equity	\$342,916	\$342,816

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
(Unaudited)

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

	Three months ended December 31	
	2015	2014
Sales	\$130,901	\$119,897
Cost of sales	99,489	93,229
Selling, general and administrative	10,368	9,779
Depreciation (note 4)	3,322	3,106
Amortization	415	387
Loss (gain) on disposal of property, plant and equipment	34	(36)
Net interest expense	118	258
	113,746	106,723
Income before income taxes	17,155	13,174
Provision for income taxes	5,327	3,536
Net income for the period	11,828	9,638
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 (1)	38	(557)
Unrealized gain on foreign currency translation	4,134	987
	4,172	430
Total comprehensive income	\$16,000	\$10,068
Income per common share		
Basic	\$0.28	\$0.23
Diluted	\$0.28	\$0.23
Weighted average number of common shares outstanding		
Basic	42,457	42,172
Diluted	42,750	42,501

(1) Net of income tax payable of \$13 (2015 - net of income tax recoverable of \$193).

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						Total shareholders' equity
	Share capital	Contributed surplus	Retained earnings	Net unrealized (loss) gain on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income	
Balance, October 1, 2015	\$50,060	\$3,283	\$177,209	(\$1,844)	\$16,213	\$14,369	\$244,921
Net income for the period	-	-	11,828	-	-	-	11,828
Dividend paid (note 3)	-	-	(2,547)	-	-	-	(2,547)
Stock option expense	-	195	-	-	-	-	195
Issuance of share capital	745	(235)	-	-	-	-	510
Other comprehensive (loss) income	-	-	-	38	4,134	4,172	4,172
Balance, December 31, 2015	\$50,805	\$3,243	\$186,490	(\$1,806)	\$20,347	\$18,541	\$259,079

	Accumulated other comprehensive income (loss)						Total shareholders' equity
	Share capital	Contributed surplus	Retained earnings	Net unrealized (loss) gain on derivatives designated as cash flow hedges	Unrealized gain on foreign currency translation	Total accumulated other comprehensive income (loss)	
Balance, October 1, 2014	\$48,788	\$3,138	\$146,183	(\$487)	\$5,124	\$4,637	\$202,746
Net income for the period	-	-	9,638	-	-	-	9,638
Dividend paid (note 3)	-	-	(2,109)	-	-	-	(2,109)
Stock option expense	-	114	-	-	-	-	114
Issuance of share capital	223	(66)	-	-	-	-	157
Other comprehensive income	-	-	-	(557)	987	430	430
Balance, December 31, 2015	\$49,011	\$3,186	\$153,712	(\$1,044)	\$6,111	\$5,067	\$210,976

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

EXCO TECHNOLOGIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

\$ (000)'s

	Three months ended	
	December 31	
	2015	2014
OPERATING ACTIVITIES:		
Net income for the period	\$11,828	\$9,638
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 4)	3,322	3,106
Amortization	415	387
Stock-based compensation expense	465	232
Deferred income taxes	461	(653)
Loss (gain) on disposal of property, plant and equipment	34	(36)
	16,525	12,674
Net change in non-cash working capital (note 8)	626	(14,578)
Cash provided by (used in) operating activities	17,151	(1,904)
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	(3,948)	392
Financing from (repayment of) long-term debts	8	(357)
Dividend paid	(2,547)	(2,109)
Issuance of share capital	510	157
Cash used in financing activities	(5,977)	(1,917)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 4)	(9,596)	(3,520)
Purchase of intangible assets (note 5)	(104)	(114)
Proceeds from disposal of property, plant and equipment	-	120
Cash used in investing activities	(9,700)	(3,514)
Effect of exchange rate changes on cash	1,112	1,030
Net increase (decrease) in cash during the period	2,586	(6,305)
Cash, beginning of period	34,996	31,235
Cash, end of period	\$37,582	\$24,930

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

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 its 19 strategic manufacturing locations in 10 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. For more detailed corporate information, refer to the 2015 Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined below:

Basis of preparation

These unaudited condensed interim consolidated financial statements present the Company's financial results of operations and financial position as at and for the three month period ended December 31, 2015 and have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those used in preparation of the 2015 audited annual consolidated financial statements.

The Company preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the applying of the Company 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 consolidated financial statements as at and for the year ended September 30, 2015.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2015 audited annual consolidated financial statements. The unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended December 31, 2015 were authorized for issue by the Board of Directors on February, 3, 2016.

Basis of consolidation

The unaudited 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 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.

Accounting standards issued but not yet applied

The following standards are not yet effective for the period ended December 31, 2015. The Company is in the process of reviewing the standards to determine the impact on the consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected 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. 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, 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. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of the Revenue Standard to January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

3. CASH DIVIDEND

During the three-month period ended December 31, 2015, the Company paid quarterly cash dividends totaling \$2,547 (2015 - \$2,109). The quarterly dividend rate in the period was \$0.06 per common share (2014 - \$0.05).

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Tools	Buildings	Land	Assets under construction	Total
Cost						
Balance as at September 30, 2015	\$180,335	\$21,279	\$60,487	\$9,564	\$7,339	\$279,004
Additions						
Assets acquired	860	322	102	-	8,312	9,596
Reclassifications	1,549	5	173	-	(1,727)	-
Less: disposals	(3,237)	(36)	-	-	-	(3,273)
Foreign exchange movement	2,092	363	900	139	234	3,728
Balance as at December 31, 2015	\$181,599	\$21,933	\$61,662	\$9,703	\$14,158	\$289,055

	Machinery and equipment	Tools	Buildings	Land	Assets under construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2015	\$130,529	\$15,732	\$28,492	\$-	\$-	\$174,753
Depreciation for the period	2,280	457	585	-	-	3,322
Less: disposals	(3,203)	(36)	-	-	-	(3,239)
Foreign exchange movement	1,226	278	383	-	-	1,887
Balance as at December 31, 2015	\$130,832	\$16,431	\$29,460	\$-	\$-	\$176,723

Carrying amounts						
As at September 30, 2015	\$49,806	\$5,547	\$31,995	\$9,564	\$7,339	\$104,251
As at December 31, 2015	\$50,767	\$5,502	\$32,202	\$9,703	\$14,158	\$112,332

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

5. INTANGIBLE ASSETS

	Computer Software and Other	Customer Relationships	Total Intangible Assets	Goodwill
Cost				
Balance as at September 30, 2015	\$24,212	\$3,500	\$27,712	\$23,852
Additions				
Assets acquired	104	-	104	-
Reclassification	-	-	-	-
Less: disposals	(121)	-	(121)	-
Foreign exchange movement	89	-	89	4
Balance as at December 31, 2015	\$24,284	\$3,500	\$27,784	\$23,856

	Computer Software and other	Customer Relationships	Total Intangible assets	Goodwill
Accumulated amortization and impairment losses				
Balance as at September 30, 2015	\$22,829	\$1,114	\$23,943	\$-
Amortization for the period	240	175	415	-
Less: disposals	(121)	-	(121)	-
Foreign exchange movement	88	-	88	-
Balance as at December 30, 2015	\$23,036	\$1,289	\$24,325	\$-

Carrying amounts				
As at September 30, 2015	\$1,383	\$2,386	\$3,769	\$23,852
As at December 30, 2015	\$1,248	\$2,211	\$3,459	\$23,856

Computer software and other are mainly computer software and immaterial amount of patents.

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.

Due to their short-term nature, the fair value of cash and short-term deposits, trade accounts receivable, trade accounts payable and customer advance payments is assumed to approximate their carrying value.

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

During the three months ended December 31, 2015 there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The fair value of bank indebtedness and long term debt were determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on the Company's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

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

	December 31, 2015		September 30, 2015	
	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash	\$37,582	\$37,582	\$34,996	\$34,996
Trade accounts receivable	84,819	84,819	98,823	98,823
Prepaid expenses and deposits	2,291	2,291	2,397	2,397
Trade accounts payable	(40,749)	(40,749)	(46,421)	(46,421)
Bank indebtedness	(\$6,025)	(\$6,025)	(\$9,973)	(\$9,973)
Customer advance payments	(2,344)	(2,344)	(3,013)	(3,013)
Accrued liabilities	(16,647)	(16,647)	(21,567)	(21,567)
Derivative instruments	(\$2,434)	(\$2,434)	(\$2,486)	(\$2,486)
Long-term debt	(\$536)	(\$536)	(\$528)	(\$528)

7. SEGMENTED INFORMATION

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 annual 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 seat covers, interior components and assemblies primarily for cargo storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Three Months Ended December 31, 2015				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$54,774	\$77,908	\$-	\$132,682
Intercompany sales	(1,575)	(206)	-	(1,781)
Net sales	53,199	77,702	-	130,901
Depreciation	2,631	686	5	3,322
Amortization	200	215	-	415
Segment income	9,973	9,065	(1,765)	17,273
Net interest expense				(118)
Income before income taxes				17,155
Property, plant and equipment additions	8,571	1,006	19	9,596
Property, plant and equipment, net	91,380	19,845	1,107	112,332
Intangible asset additions	90	14	-	104
Intangible assets, net	1,105	2,354	-	3,459
Goodwill, net	285	23,571	-	23,856
Total assets	196,018	145,500	1,398	342,916
Total liabilities	\$22,667	\$50,991	\$10,179	\$83,837

Three Months Ended December 30, 2014				
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	\$48,678	\$72,662	\$0	\$121,340
Intercompany sales	(1,289)	(154)	-	(1,443)
Net sales	47,389	72,508	-	119,897
Depreciation	2,167	933	6	3,106
Amortization	120	267	0	387
Segment income (loss) before interest and income taxes	7,428	7,787	(1,783)	13,432
Net interest expense				(258)
Income before income taxes				13,174
Property, plant and equipment additions	2,897	582	41	3,520
Property, plant and equipment, net	75,656	19,815	1,167	96,638
Intangible assets acquired	114	-	-	114
Intangible assets, net	1,303	3,202	-	4,505
Goodwill, net	293	23,571	-	23,864
Total assets	164,250	128,471	3,000	295,721
Total liabilities	\$23,108	\$56,628	\$5,009	\$84,745

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

8. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital balances related to operations, including the impact of currency translation, consists of the following:

	Three Months Ended December 31	
	2015	2014
Accounts receivable	\$14,172	(\$7,598)
Unbilled revenue	(5,212)	(3,256)
Inventories	1,537	(401)
Prepaid expenses and deposits	519	664
Trade accounts payable	(5,631)	2,841
Accrued payroll and taxes	(3,645)	(2,614)
Other accrued liabilities	(1,595)	(4,347)
Provisions	(161)	(186)
Customer advance payments	(677)	454
Income taxes payable	1,319	(137)
	\$626	(\$14,578)

9. INCOME TAXES

Consolidated effective income tax rate for the three-months ended December 31, 2015 was 31.0% (three-month period ended December 31, 2014 – 26.8%). The effective tax rate in the current quarter was adversely impacted by a lower proportion of earnings from low tax jurisdictions and discontinuance of tax effecting losses in South Africa after the first quarter of 2015.

CORPORATE INFORMATION

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 19 strategic locations in 10 countries, we employ 5,362 people and service a diverse and broad customer base.

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