Exchange Income Corporation

First Quarter Report

For the three months ended March 31, 2022

CEO's Message

It is very rare when a sequel to a movie is better than the original. As we head into the second quarter of 2022, I think EIC "Back to the Future 2" may join the Godfather sequel as the exception to the theory that the original is always better than the sequel. Our long-term shareholders will recall that we used the "Back to the Future" metaphor in 2015 to describe EIC's remarkable growth following its acquisition of PAL Aerospace. As the impacts of COVID-19 appear to be drawing to a close, we are on the precipice of an even greater return to expansion and growth. Solid first quarter results which exceeded expectations, combined with two acquisitions, one of which is the largest in our history, and an enhanced banking facility have all set us up for growth greater than we have seen in a decade. The strength of this outlook has enabled our first dividend increase since the onset of the pandemic.

EIC has always taken pride in our focus of giving back to the communities we service, and on our commitment to being socially responsible. Today, we have announced our largest acquisition to date, the $325 million purchase of Northern Mat and Bridge ("Northern Mat"). I will get into greater detail on the acquisition later in my message, particularly on the operating and the financial aspects of the purchase. Northern Mat provides temporary access solutions to a wide variety of third-party developments in a manner that protects the environment and minimizes the impact on the land and waterways. At EIC we are very cognizant of the fact that our Northern Aviation Operations have a significant carbon footprint, and will continue to until such point as an alternate means of propulsion for the aircraft is available. While we are very focused on doing whatever possible to reduce this footprint, we decided the best way to make contributions to the environment at this time is to make investments in companies focused on sustainability in general, and specifically on reducing the footprint of others. Northern Mat allows projects, whether they be in electrical distribution and transmission, pipelines, solar or oil and gas to limit their footprint on the land and quickly return it to its natural state when the project is complete.

Before getting into further detail about this exciting acquisition I will first discuss the first quarter results. Our results showed strong Revenue growth which in turn allowed for modest increases in Adjusted EBITDA, in spite of a dramatic decline in government support programs. There is no doubt that the onset of the Omicron variant had the fastest and most dramatic impact on our airline business of any variant, but fortunately it also abated quickest as well and we have seen a rapid improvement late in the quarter and into the second quarter. A few key metrics.

- Revenue increased by 33% to a record high of $400 million up from $301 million in the prior period
- Adjusted EBITDA grew 4% to a first quarter record high of $67 million from $64 million in the prior period
- Free Cash Flow rose 14% to $47 million from $42 million
- Free Cash Flow less Maintenance Capital Expenditures was essentially unchanged at $19 million while on a per share basis it declined to $0.50 from $0.55
- Net Earnings remained positive at $4 million or $0.10 per share declining from $7 million or $0.20 per share
- Adjusted Net Earnings were $8 million or $0.20 per share versus $11 million or $0.30 per share in the prior period
- The trailing twelve-month payout ratio improved modestly to 59% from 62% in the prior period

Our Aerospace & Aviation segment dealt with a sharp turndown of demand early in the quarter which affected the passenger and the aircraft leasing businesses, but this improved towards the end of the quarter and into the second quarter. Revenues were remarkably resilient hitting an all-time high of $282 million. This was driven by strong medevac and maritime surveillance revenue, continued very strong sales of aircraft, aircraft components and parts, and the addition of our new CTI training business. Adjusted EBITDA also improved growing to $63 million, but did not grow at the same rate as revenue. The lower growth rate in Adjusted EBITDA than was experienced in revenue was not driven by a decline in profitability, but rather was the result of three factors. Firstly, government support declined by 37% in the Aerospace & Aviation segment. Secondly there was a significant change in product mix. The addition of CTI changed our revenue make up. CTI has significant revenues but does not have the same level of capital assets as our airlines and as such generates lower margins, which is in turn offset by lower capital reinvestment requirements. This change in product mix was offset somewhat by the addition of our British Columbia medevac provider Carson Air in mid 2021, which has higher Adjusted EBITDA margins. Finally, the rapid increase in fuel prices in the quarter temporarily reduces margins. While we have the capability to pass these on to our customers through automatic changes to contract prices or through fuel price surcharges, there is a lag between when we experience the fuel price increases and when the new pricing is realized from the customer. In short, our aviation segment was remarkably resilient during the first quarter which was heavily impacted by Omicron. Passenger levels as at the time of writing are approaching 90% of pre-pandemic levels and set us up well for continued improvement in results. I will come back to our outlook later in this message.

Manufacturing segment revenues remained flat in the first quarter, up 1% over the preceding year, while Adjusted EBITDA fell 40% to $11 million. This decline was not unexpected, and was driven by two items. Firstly, all government support realized by the segment came to an end in 2021. Secondly, challenges at Quest with delayed projects created scheduling inefficiency while supply chain disruptions and inflation significantly reduced near term profitability. The balance of our operations performed in line with the previous period. We expect Quest to continue to deal with these challenges through the balance of 2022 until the production schedule normalizes and efficiencies return to the business. Demand remains strong and new orders are growing the order book for future periods.

We were busy on the acquisition front in the second quarter, completing two acquisitions. We have seen the resilience and strong results of our medevac business throughout the pandemic. In July of last year we completed the acquisition of Carson Air in British Columbia which significantly increased our geographic coverage in Western Canada. On May 10 we continued this expansion of our market presence with the acquisition Advanced Paramedic Ltd. ("APL") headquartered in Peace River, Alberta, for $15 million, $2 million of which was paid in EIC shares. APL is the leading provider of outsourced medical personnel for air and ground ambulance services for the Federal and Alberta Provincial Governments, First Nations and industrial customers throughout Alberta. They do not currently operate their own aircraft, but rather provide the medical component of medevac services to other medevac operators.

On May 10, we completed our largest acquisition to date with the purchase of Northern Mat for $325 million, including $290 million in cash and $35 million in common shares. The management, led by President and CEO Darren Francis, is proven, experienced and very deep. Key members of the team have entered into long term contracts with common shares escrowed to their management contracts. Northern Mat provides environmentally responsible temporary access solutions to projects across Canada. These solutions are achieved through the rental or sale of timber matting and temporary bridges to ensure the minimum possible environmental footprint while the project is constructed and allows the area to be returned unharmed when the project is complete. Without their services, the projects would require significant remediation to remove gravel roads and culverts, both of which can create cross soil contamination and challenges for marine life or wetlands. The purchase of Northern Mat marks the first acquisition in EIC's strategy to acquire companies whose focus is on all forms of environmental stability and sustainability, rather than simply on carbon reduction. Our focus, however, on profitable companies with proven management teams in recognizable market niches is unchanged. Diversity has served EIC very well through our first 20 years and an additional focus going forward will only strengthen our performance. We expect that the Northern Mat acquisition will be accretive by over 10% to both Adjusted Net Earnings per share and Free Cash Flow less Maintenance Capital Expenditures per share. We calculate this accretion off of 2019, EIC's last full year non pandemic results and utilizing debt levels consistent with our existing balance sheet. This accretion includes no benefit from enhanced leverage. This excludes the weaker COVID-19 impacted results in 2020 and 2021.

The incredible volatility of demand created by the pandemic, particularly in our aviation businesses, made providing the market with forward looking guidance impossible. Late last year we provided the market with our estimate of a $400 million Adjusted EBITDA run rate for the company when we exit the pandemic, but the onset of the Omicron variant precluded us being able to say when that period would begin. There have been a number of events that have greatly increased our confidence in our ability to provide financial guidance to our stakeholders. The number of passengers has increased significantly and now is approaching 90% of pre-covid levels in all companies except Wasaya. New aviation contracts won in recent periods have begun or are about to begin generating revenue over the next two quarters. Government assistance is no longer required. Demand at Quest has accelerated and we have seen not only an increase of 12% in our order book since the end of 2021, but we have won contracts in Philadelphia and Nashville, two cities where the company had not done business in the past. Our recent acquisitions completed in 2021 have performed as we have expected and finally the recent purchases of APL and Northern Mat have grown our portfolio and will make solid contributions in future periods.

It is with this backdrop that we are now prepared to issue guidance for fiscal 2022 and 2023. This guidance is based on our companies and investments committed to date. Any future M&A or Growth Capital Investments would serve to increase this outlook. We expect Adjusted EBITDA for 2022 to be between $410 and $430 million, and Adjusted EBITDA for 2023 to be between $500 and $530 million. The 2023 guidance shows growth of over 50% since our pre-pandemic all-time high in 2019. This growth is remarkable given the tremendous dislocation created by the pandemic and shows the power of always keeping your eye to the horizon and investing for the future.

In order to continue to service certain of our northern markets during the pandemic we received support from provincial and territorial governments, together with funding under the CEWS program from the federal government (which ended in 2021). We stated throughout the pandemic that as long as we were beneficiaries under these programs we would not increase our dividend. The improvement of operations has meant that we no longer qualify for any such support after the first quarter. Our confidence in the future and our recent acquisitions has enabled us to re-examine our dividend and return to our history of providing regular reliable dividend increases to our shareholders. Effective with our May dividend, which is paid in June, our monthly dividend will increase by 5.3% to $0.20 per month for an annualized rate of $2.40.

In order to maintain our liquidity and strength of balance sheet we are also announcing an enlarged syndicated bank facility of approximately $1.75 billion, up from approximately $1.3 billion. This will ensure EIC has the necessary liquidity to continue with our business model of opportunistic accretive acquisition and investment.

We are ecstatic to shift gears from a constant focus on the pandemic and needing to pivot to deal with the challenges it created. EIC delivered a solid quarter with record first quarter revenue and Adjusted EBITDA. We executed on our biggest acquisition to date, which is not only materially accretive, but also enhances our environmental commitment and ensures growth in future periods. We maintained our 20-year track record of keeping a rock-solid balance sheet and we increased our dividend to our shareholders for the 15th time. To say we are excited about the future would be an understatement. I want to thank all of our shareholders, employees, and stakeholders for their unbelievable level of support over the last two challenging years. I am very happy to tell you that the best is yet to come.

Mike Pyle
Chief Executive Officer

May 10, 2022

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PREFACE

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2022 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Corporation"). All amounts are stated in thousands of Canadian dollars, except per share information and share data, unless otherwise stated.

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2022, its annual financial statements for the year ended December 31, 2021, and its annual MD&A for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim financial statements.

FORWARD-LOOKING STATEMENTS

This report and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical fact contained in this report and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, completed and potential acquisitions and the potential impact of such completed and/or potential acquisitions on the operations, financial condition, capital resources and business of the Corporation and/or its subsidiaries, the Corporation's policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its subsidiaries or any businesses to potentially be acquired by the Corporation. Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements, and developments of the Corporation and/or its subsidiaries to differ materially from anticipated results, performance, achievements, and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: COVID-19 related risks; economic and geopolitical conditions; competition; government funding for First Nations health care; access to capital; market trends and innovation; general uninsured loss; climate; acts of terrorism; pandemic; level and timing of defence spending; government funded defence and security programs; significant contracts and customers; operational performance and growth; laws, regulations and standards; acquisition risk; concentration and diversification risk; maintenance costs; access to parts and relationships with key suppliers; casualty losses; environmental liability risks; dependence on information systems and technology; international operations risks; fluctuations in sales prices of aviation related assets; fluctuations in purchase prices of aviation related assets; warranty risk; performance guarantees; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; credit facility and the trust indentures; dividends; unpredictability and volatility of prices of securities; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest. A further discussion of these risks is included in *Section 11 – Risk Factors*.

The information contained or incorporated by reference in this report identifies additional factors that could affect the operating results and performance of the Corporation and its subsidiaries. Assumptions about the performance of the businesses of the Corporation and its subsidiaries are considered in setting the business plan for the Corporation and its subsidiaries and in setting financial targets. Should one or more of the risks materialize or the assumptions prove incorrect, actual results, performance, or achievements of the Corporation and its subsidiaries may vary materially from those described in forward-looking statements.

The forward-looking statements contained herein or contained in a document incorporated by reference herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included or incorporated by reference in this report are made as of the date of this report or such other date specified in such statement. Except as required by law, the Corporation disclaims any obligation to update any forward-looking information, estimates or opinions, future events or results, or otherwise.

EXCHANGE INCOME CORPORATION

The Corporation is a diversified, acquisition-oriented corporation focused on opportunities in aerospace, aviation, and manufacturing. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The objectives of the Corporation are:

(i) to provide shareholders with stable and growing dividends;

(ii) to maximize shareholder value through ongoing active monitoring of and investment in its operating subsidiaries; and

(iii) to continue to acquire additional businesses or interests therein to expand and diversify the Corporation's investments.

Segment Summary

The Corporation's operating segments are strategic business units that offer different products and services. The Corporation has two operating segments: Aerospace & Aviation and Manufacturing.

(a) **Aerospace & Aviation** – includes a variety of operations within the aerospace and aviation industries. It includes providing scheduled airline, cargo, charter service, and emergency medical services to communities located in Manitoba, Nunavut, Ontario, British Columbia, and Alberta. These services are provided by: **Calm Air**, **Perimeter**, **Bearskin** (as a division of Perimeter), **Keewatin**, **Carson, Custom Helicopters**, the equity investment in **Wasaya**, and other aviation supporting businesses ("**the Legacy Airlines**"). **Regional One** is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts. **Provincial** (comprised of PAL Airlines, the equity investment in Air Borealis, PAL Aerospace, and MFC Training) provides scheduled airline, charter service, and emergency medical services in Newfoundland and Labrador, Quebec, New Brunswick, Nova Scotia, and Ontario and through its aerospace business Provincial designs, modifies, maintains and operates custom sensor-equipped aircraft. Provincial provides maritime surveillance and support operations in Canada, the Caribbean, and the Middle East. Through MFC Training, Provincial offers a full range of pilot flight training services, from private pilot licensing to commercial pilot programs. **Crew Training International ("CTI")**, which is consolidated as part of Provincial, delivers training solutions for its customers across an array of aviation platforms and has in-depth experience in training pilots and sensor operators on both manned and unmanned aircraft for the US Department of Defense. Together all these operations make up the Aerospace & Aviation segment. To assist in further explaining the results of the segment, the Corporation may refer to the Legacy Airlines, Regional One, and Provincial. Subsequent to the end of the quarter, the Corporation acquired Advanced Paramedic Ltd., which will be reported within the Aerospace & Aviation segment as of the date of its acquisition.

(b) **Manufacturing** – provides a variety of manufactured goods and related services in several industries and geographic markets throughout North America. **Quest** is a manufacturer and installer of an advanced unitized window wall system used primarily in high-rise multi-family residential projects in Canada and the United States. **WesTower** is focused on the engineering, design, manufacturing, and construction of communication infrastructure, wireless and wireline construction and maintenance services, and the provision of technical services. **Ben Machine** is a manufacturer of precision parts and components primarily used in the aerospace, defence, healthcare, and security sectors. **Stainless** manufactures specialized stainless steel tanks, vessels, and processing equipment. **LV Control** is an electrical and control systems integrator focused on the agricultural material handling segment. The **Alberta Operations** manufactures specialized heavy-duty pressure washing and steam systems, commercial water recycling systems, and custom tanks for the transportation of various products, primarily oil, gasoline, and water. **Overlanders** manufactures precision sheet metal and tubular products. Subsequent to the end of the quarter, the Corporation acquired Northern Mat & Bridge, which will be reported within the Manufacturing segment as of the date of its acquisition.

Management of the Corporation continuously monitors and provides support to the operating subsidiaries. The operating subsidiaries of the Corporation, however, operate autonomously and maintain their individual business identities.

1. FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

The financial highlights for the Corporation for the periods indicated are as follows:

FINANCIAL PERFORMANCE	2022	per share basic	per share fully diluted	2021	per share basic	per share fully diluted
For the three months ended March 31						
Revenue	$ 400,226			$ 300,746		
Adjusted EBITDA(1)	66,956			64,122		
Net Earnings	3,753	$ 0.10	$ 0.09	7,127	$ 0.20	$ 0.20
Adjusted Net Earnings(1)	7,835	0.20	0.20	10,551	0.30	0.29
Free Cash Flow(1)	47,409	1.22	1.10	41,638	1.17	1.06
Free Cash Flow less Maintenance Capital Expenditures(1)	19,496	0.50	0.49	19,574	0.55	0.54
Dividends declared	22,120	0.57		20,247	0.57	
For the Trailing Twelve months as at March 31						
Adjusted Net Earnings payout ratio(1)		105%			145%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)		59%			62%	
FINANCIAL POSITION	**March 31, 2022**			December 31, 2021		
Working capital	$ 347,668			$ 225,108		
Capital assets	1,064,832			1,070,573		
Total assets	2,626,342			2,588,667		
Long-term debt	835,072			707,611		
Equity	783,821			800,275		
SHARE INFORMATION	**March 31, 2022**			December 31, 2021		
Common shares outstanding	38,852,021			38,740,389		
	March 31, 2022			March 31, 2021		
Weighted average shares outstanding during the period - basic	38,789,084			35,508,213		

Note 1) As defined in *Section 12 – Non-IFRS Financial Measures and Glossary*.

SIGNIFICANT EVENTS

SARS-CoV-2 ("COVID-19")

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which has resulted in governments around the world at various times throughout the pandemic imposing severe travel restrictions and social distancing measures to limit the spread of the virus, including the recent impacts from the Omicron variant. Compared to the pre-pandemic operating environment, travel restrictions have materially impacted the subsidiaries within the Aerospace & Aviation segment, and both supply chain disruptions and required employee absenteeism have negatively impacted the efficiency of the subsidiaries in the Manufacturing segment. Additional information on the impacts of COVID-19 can be found in *Section 2 – Results of Operations* and *Section 5 – Outlook* of the MD&A.

Normal Course Issuers Bid ("NCIB")

On February 25, 2022, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of 3,580,512 shares and daily purchases will be limited to 20,179 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $7, $11, $70, and $60, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

Early Redemption of Convertible Debentures

On February 11, 2022, the Corporation redeemed its 5 year, 5.25% convertible debentures which were due on December 31, 2022. The redemption of the debentures was completed with cash on hand from the Corporation's issuance of its December 2021 5.25% convertible debenture offering. Prior to the redemption date, less than $1 million principal amount of debentures were converted into 155 common shares at a price of $51.50 per share. On February 11, 2022, the remaining outstanding debentures in the principal amount of $100 million were redeemed by the Corporation.

SUBSEQUENT EVENTS

Launch of Atik Mason Indigenous Pilot Pathway

On April 14, 2022, the Corporation announced the introduction of the Atik Mason Indigenous Pilot Pathway program ("the Pathway"). This fully funded program provides the opportunity for Indigenous community members to learn to fly and build careers as professional pilots. With the support and guidance of Manitoba Keewatinowi Okimakank Inc., the Pathway has been designed to remove significant barriers to flight training faced by Indigenous candidates, including cost and location, and honors the importance of retaining a deep connection to Indigenous culture while training. As part of the Pathway, EIC's subsidiary MFC Training, Canada's largest flight training school, is establishing a seasonal base in Thompson, Manitoba to reduce the barrier of location to accessing flight training.

Appointment of Chief Financial Officer

On April 14, 2022, the Corporation announced the appointment of Richard Wowryk to the position of Chief Financial Officer effective June 1, 2022. Richard has spent over 10 years with EIC, starting his career with the company in Financial Reporting and progressing through roles of increasing responsibility including Controller and Chief Accounting Officer. A graduate of the University of Manitoba, Richard is both a Chartered Professional Accountant and a Chartered Business Valuator. Concurrent with Richard's promotion, Darryl Bergman is leaving EIC at the end of May to pursue a new career opportunity.

Acquisition of Northern Mat & Bridge

On May 10, the Corporation announced the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares. On May 10, the Corporation announced the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares. Northern Mat is the leading provider of safe, environmentally friendly temporary access solutions to Canadian industrial sectors, including power transmission & distribution, pipeline, oil & gas, emergency response, renewable energy, forestry, mining, and general construction. Northern Mat & Bridge's products and services enable its customers to reduce their environmental footprint, while concurrently enhancing the safety and efficiency of operations. As the industry's leading service provider, Northern Mat & Bridge owns the largest fleet of access mats and portable bridges in Canada, with operations across Canada. Managing every aspect of a client's access requirements, Northern Mat's product and service line-up includes access mats, rig mats, crane mats, temporary bridges, planning and consultation, delivery, installation, maintenance, relocation, removal, reclamation, cleaning, and disposal. Leveraging the Company's internal manufacturing capabilities, extensive fleet of equipment and vast network of operations facilities and storage yards across Canada, NMB is Canada's best positioned temporary access solutions provider.

Dividend Increase

On May 10, 2022, the Corporation increased its monthly dividend by 5.3% or $0.12 per annum to $2.40 per annum. The increase is effective beginning with the May dividend, which will be paid to shareholders in June 2022.

Credit Facility Upsize and Extension

On May 10, 2022, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $1.75 billion and extended its term to May 9, 2026. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition.

Acquisition of Advanced Paramedics Ltd.

On May 10, the Corporation announced the acquisition of Advanced Paramedics Ltd. ("APL") for $15 million, including purchase price consideration of $2 million in EIC common shares. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, First Nations, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with the Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.

2. RESULTS OF OPERATIONS

The following section analyzes the financial results of the Corporation for the three months ended March 31, 2022, and the comparative 2021 period.

	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
				Three Months Ended March 31, 2022
Revenue	**$ 281,592**	**$ 118,634**	**$ -**	**$ 400,226**
Expenses (1)	**218,733**	**107,721**	**6,816**	**333,270**
Adjusted EBITDA	**62,859**	**10,913**	**(6,816)**	**66,956**
Depreciation of capital assets				**36,891**
Amortization of intangible assets				**2,841**
Finance costs - interest				**14,852**
Depreciation of right of use assets				**6,536**
Interest expense on right of use liabilities				**752**
Acquisition costs				**455**
Earnings before taxes				**4,629**
Current income tax expense				**1,237**
Deferred income tax recovery				**(361)**
Net Earnings				**$ 3,753**
Net Earnings per share (basic)				**$ 0.10**
Adjusted Net Earnings				**$ 7,835**
Adjusted Net Earnings per share (basic)				**$ 0.20**

	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
				Three Months Ended March 31, 2021
Revenue	$ 183,143	$ 117,603	$ -	$ 300,746
Expenses (1)	130,321	99,509	6,794	236,624
Adjusted EBITDA	52,822	18,094	(6,794)	64,122
Depreciation of capital assets				30,743
Amortization of intangible assets				4,451
Finance costs - interest				11,391
Depreciation of right of use assets				6,124
Interest expense on right of use lease liabilities				873
Acquisition costs				104
Earnings before taxes				10,436
Current income tax expense				6,094
Deferred income tax recovery				(2,785)
Net Earnings				$ 7,127
Net Earnings per share (basic)				$ 0.20
Adjusted Net Earnings				$ 10,551
Adjusted Net Earnings per share (basic)				$ 0.30

Note 1) Expenses include aerospace & aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization), and general and administrative expenses.
Note 2) Head Office is not a separate reportable segment. It includes expenses incurred at the head office of the Corporation and is presented for reconciliation purposes.

REVENUE AND ADJUSTED EBITDA *(Section 12 – Non-IFRS Financial Measures and Glossary)*

On a consolidated basis, the Corporation generated revenue of $400 million, an increase of $99 million, or 33% over the comparative period. The increase was driven by the Aerospace & Aviation segment, which increased by $98 million over the prior period.

Adjusted EBITDA of $67 million was generated by the Corporation during the period, an increase of $3 million or 4% over the comparative period. The increase was attributable to the Aerospace & Aviation segment and was partially offset by a decrease in the Manufacturing segment. Head Office costs were flat to the prior period. The amount of government assistance received during the period declined by $10 million. Excluding the impact of subsidies in both periods, Adjusted EBITDA increased by 28% over the prior period.

The Corporation's first quarter results, which is always the seasonally slowest quarter for the Corporation, were materially impacted by the emergence of the Omicron variant during the three months ended March 31, 2022. Travel restrictions into some communities served by our airlines and a slowdown in general passenger traffic around the world, impacting demand for Regional One's portfolio of assets, both negatively impacted results in the current period. The financial impact on our airline operations was partially offset with continued support from the Manitoba and Ontario Provincial governments and the Government of Nunavut. This support ensures continued service to remote communities that otherwise would not be economical. Given the nature of the Omicron variant, demand for the products and services in the Aerospace & Aviation segment rebounded quickly once the impacts from the variant waned.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $98 million to $282 million.

Revenue in the Legacy Airlines and Provincial increased by $60 million or 40% over the prior period. The acquisitions of Carson Air and CTI, acquired on July 5, 2021 and December 16, 2021, respectively, positively contributed to revenue in the current period as there is no comparative in the prior period. In addition, government financial assistance supporting the continuation of essential service into remote northern communities served to help offset areas where service has not been economical throughout the pandemic, albeit, to a lesser extent than the comparative period. Finally, improved demand for passenger services resulting from reduced travel restrictions, increased charter activity and continued strong demand for the Corporation's cargo operations also positively contributed to the revenue generated in the period.

Regional One's revenue for the current period increased by $38 million or 110%. This was driven by a significant increase in sales and service revenue and higher lease revenue from the prior period as seen in the table below.

Regional One Revenue	Three Months Ended March 31,		**2022**		2021
Sales and service revenue		**$**	**64,622**	$	27,643
Lease revenue			**8,869**		7,379
		$	**73,491**	$	35,022

Sales and service revenue increased by 134% over the prior period. The sales of whole aircraft and engines and part sales were materially impacted during the prior period due to COVID-19. Regional One saw a material recovery in larger asset sales during the first quarter of 2022, which, combined with a material increase in part sales, is driving the increase in sales and service revenue over the prior period. The sale of large assets varies on a period to period basis, but are generally higher dollar value transactions. Regional One's business has been significantly impacted by COVID-19 as its business is dependent on the volume of passengers at traditional regional air carriers. As travel has slowly started to pick up around the world, most notably in the United States, Regional One is experiencing continuing growth compared to prior quarters impacted by the pandemic.

Lease revenue increased by $1 million or 20% over the prior period. The leasing portfolio experienced lower utilization of aircraft by customers starting back in March of 2020, and many of the regions where our lessees operate continue to experience varying degrees of travel restrictions and quarantine requirements, all of which continued to depress lease revenue compared to the pre-pandemic operating environment. The impacts of the Omicron variant paused the pace of recovery in lease revenue that Regional One has experienced more recently as travel restrictions have eased around the world over the last year. As the impacts from the Omicron wave eased, the Corporation is seeing strong activity within its lease portfolio. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, Adjusted EBITDA increased by $10 million or 19% to $63 million.

Adjusted EBITDA in the Legacy Airlines and Provincial deceased by $3 million or 6% from the prior period. Increased revenues were outpaced by higher operating costs due to a combination of factors, including the impact of escalating fuel prices. Although certain contracts have embedded fuel cost escalation clauses, the contractual right to implement the fuel increase always lags in time compared to the initial increase in fuel prices. While the segment has seen passenger demand strengthen since pandemic lows, passenger demand experienced a sharp decline with the emergence of Omicron in late 2021, which continued early into the first quarter of 2022. Given the shorter anticipated cycle of the Omicron variant compared to earlier variants and the long-term strategy of retaining employees in a difficult labour market, infrastructure and labour costs were largely kept at pre-Omicron levels to accommodate for the anticipated rebound in passenger demand later in the first quarter. The Corporation also benefited from the addition of Carson in July 2021 and CTI in December 2021. The Legacy

Airlines and Provincial received $6 million less in government support in the first quarter of 2022 compared to the prior period, which negatively impacted Adjusted EBITDA.

Regional One's Adjusted EBITDA increased by $13 million or 170% over the prior period. The increase is largely related to the contributions from increased aircraft and engine sales and part sales over the prior period. In addition, the increase in lease revenue contributed to the increase in Adjusted EBITDA.

Adjusted EBITDA margins were impacted by three notable differences compared to the prior period. First, CTI, acquired in December 2021, generates lower margins than experienced at our other Aerospace & Aviation segment subsidiaries as the capital requirements for the business are minimal. Second, the rapid increase in fuel prices in the quarter temporarily reduces margins. While the Corporation has the capability to pass these on to customers through automatic changes to contract prices or through fuel price surcharges, there is a lag between when the Corporation experiences the fuel price increases and when the new pricing is realized from the customer. Finally, the $6 million reduction in government subsidies decreased Adjusted EBITDA margins as there were no associated costs with these subsidies. The combination of these three factors resulted in the percentage increase in revenue outpacing the percentage increase in Adjusted EBITDA.

Manufacturing Segment

The Manufacturing segment revenue increased by $1 million or 1% over the prior period to $119 million and Adjusted EBITDA decreased by $7 million or 40% to $11 million. Excluding the impact of decreased CEWS received, the Manufacturing segment Adjusted EBITDA decreased by $4 million or 26%.

The Corporation's subsidiaries within the Manufacturing segment have become accustomed to operating during the COVID-19 pandemic. Although the impacts from the COVID-19 pandemic continue to persist, the impact has shifted from production inefficiencies caused by COVID-19 related employee absenteeism to varying levels of supply chain related constraints, direct material price increases, delays in deliveries, and labour challenges. The segment has been impacted by global supply chain constraints resulting in increased raw material, transportation, and fuel costs which continue to put downward pressure on margins. In addition to rising costs, the availability of inputs can be uncertain at times, due to constraints further up the supply chain. The segment is also experiencing labour challenges which are negatively impacting margins due to increased competition, overall shortage of labor, and higher retention costs.

Adjusted EBITDA at Quest in the first quarter of 2021, which included the benefit of government support, was one of the strongest quarters in Quest's history with EIC. The benefit of the acquisitions of AWI and WIS and the ramp up of the Texas plant had contributed to increased Adjusted EBITDA during 2020 and into 2021. The impacts of the pandemic on Quest's business were delayed, as projects that were underway at the start of the pandemic were completed, with the second quarter of 2021 being the last quarter before pandemic induced gaps in Quest's production schedule began to appear in a significant way. Quest's projects are booked more than a year in advance, meaning that as the market began to react to COVID-19 and projects began to be put on hold or shifted out, production schedules could not be filled in the short term. These gaps were not the result of low long term demand, but rather short term decisions made by developers as part of the uncertainty surrounding the pandemic. To mitigate some of the impact, Quest's installation businesses executed on additional work in their markets to install non-Quest product. This work is at much lower margins than experienced for supply and install jobs and has a much shorter sales cycle. This change in product mix is driving the change in Adjusted EBITDA margins experienced by the segment. In addition, as noted above, the rapid escalation of raw materials costs negatively impacted Quest.

Quest has seen positive developments in 2022. First, Quest's order backlog has increased by 12% since December 31, 2021. Second, Quest has been contracted to complete projects in two new US markets where they have not completed a project in the past. Both of these support the demand for Quest's windows and installation services and will contribute to Quest's recovery in future periods.

The balance of the segment collectively experienced an increase in Adjusted EBITDA. Demand continues to be strong, and the Corporation will look to manage supply chains, labor challenges, and add capacity to the segment to meet the demands of our customers, as illustrated with our tuck-in acquisitions of Macfab, Telcon and Ryko in the prior year.

NET EARNINGS

Three Months Ended March 31,		**2022**		2021
Net Earnings	**$**	**3,753**	$	7,127
Net Earnings per share	**$**	**0.10**	$	0.20

Net Earnings was $4 million, a decrease of $3 million from the prior period. The $3 million increase in Adjusted EBITDA during the current period was offset by increased depreciation on capital assets and increased interest costs. Depreciation on capital assets increased as the Corporation invested in several new assets within its airlines to accommodate growing demand and increased the number of assets available for lease at Regional One over the past year. Also, depreciation on capital assets that were acquired as part of the acquisitions completed in the back half of 2021 increased depreciation over the prior period. Interest costs increased over the prior year most notably due to $2 million in non-cash accelerated interest accretion from the redemption of its December 2022 convertible debentures.

Income tax expense decreased by $2 million due to decreased earnings before tax compared to the prior period. The Corporation's effective tax rate decreased from 32% to 19% as the Corporation generated earnings in lower tax rate jurisdictions in the current period compared to losses in the prior period.

Net Earnings per share decreased by 50% from the prior period to $0.10 due to decreased Net Earnings generated in the period. The weighted average number of shares increased by 9%, which also decreased Net Earnings per share. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

ADJUSTED NET EARNINGS *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Three Months Ended March 31,		2022		2021
Net Earnings	**$**	**3,753**	$	7,127
Acquisition costs (net of tax $65 and nil)		**390**		104
Amortization of intangible assets (net of tax $767 and $1,202)		**2,074**		3,249
Interest accretion on acquisition contingent consideration (net of tax of nil and nil)		**-**		71
Accelerated interest accretion on redeemed debentures (net of tax $599 and nil)		**1,618**		-
Adjusted Net Earnings	**$**	**7,835**	$	10,551
per share - Basic	**$**	**0.20**	$	0.30
per share - Diluted	**$**	**0.20**	$	0.29

Adjusted Net Earnings was $8 million, a decrease of $3 million from the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $2 million in intangible asset amortization and less than $1 million in acquisition costs (all net of tax). Adjusted Net Earnings also includes the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $2 million and other items as defined in *Section 12 – Non-IFRS Financial Measures and Glossary* (all net of tax).

Adjusted Net Earnings per share decreased by 33% from the prior period to $0.20 due to lower Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 9%, which also decreased Adjusted Net Earnings per share. Details around the change in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

FREE CASH FLOW (*Section 12 – Non-IFRS Financial Measures and Glossary*)

Three Months Ended March 31,		2022		2021
Cash flows from operations	**$**	**25,054**	$	68,266
Change in non-cash working capital		**28,499**		(20,995)
Acquisition costs (net of tax $65 and $nil)		**390**		104
Principal payments on right of use lease liabilities		**(6,534)**		(5,737)
	$	**47,409**	$	41,638
per share - Basic	**$**	**1.22**	$	1.17
per share - Fully Diluted	**$**	**1.10**	$	1.06

The Free Cash Flow generated by the Corporation during the period was $47 million, an increase of $6 million, or 14% over the prior period. The main reason for this increase is the $3 million increase in Adjusted EBITDA and a decrease of $5 million in current taxes. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Because of the increase in Free Cash Flow described above, Free Cash Flow on a basic per share basis increased by 4% to $1.22. The weighted average number of shares increased by 9%, which partially offset the increased Free Cash Flow. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

Changes in non-cash working capital are included in cash flow from operations per the Statement of Cash Flow and are removed in the reconciliation to Free Cash Flow. As a result, it has no impact on the calculation of Free Cash Flow. A detailed discussion of changes in working capital is included in *Section 3 – Investing Activities*.

3. INVESTING ACTIVITIES

Investment through the acquisition of new businesses, the purchase of capital assets, and investment in working capital to maintain and grow our existing portfolio of subsidiaries is a primary objective of the Corporation.

CAPITAL EXPENDITURES *(Section 12 – Non-IFRS Financial Measures and Glossary)*

	Three Months Ended March 31, 2022			
CAPITAL EXPENDITURES	**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$ 27,244**	**$ 634**	**$ 35**	**$ 27,913**
Growth Capital Expenditures	**8,155**	**13**	**-**	**8,168**
	$ 35,399	**$ 647**	**$ 35**	**$ 36,081**

	Three Months Ended March 31, 2021			
CAPITAL EXPENDITURES	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$ 21,053	$ 983	$ 28	$ 22,064
Growth Capital Expenditures	22,178	354	-	22,532
	$ 43,231	$ 1,337	$ 28	$ 44,596

Maintenance Capital Expenditures for the period ended March 31, 2022, increased by 27% over the prior period. Maintenance Capital Expenditures for the Corporation's airlines are generally weighted more towards the first quarter as heavy overhauls and engine maintenance events are scheduled at a time when demand is lowest in the airline subsidiaries. During the first quarter of 2022, the Corporation's airline subsidiaries performed more Maintenance Capital Expenditures compared to the prior period in anticipation of a return to more normal passenger volumes in the summer of 2022.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for the Legacy Airlines and Provincial for the period ended March 31, 2022, were $22 million, an increase of 16% over 2021. Increased levels of flying and the trend towards more normal passenger volumes in the summer of 2022 necessitated a return to more normal maintenance schedules, where a disproportionate amount of maintenance events occur in the seasonally slower first quarter. During the period, the Legacy Airlines and Provincial invested $30 million in Growth Capital Expenditures. The investments made include aircraft modifications in preparation for the Netherlands Coast Guard ISR contract for Provincial, investment in increased capacity within our passenger, cargo, and medevac operations, and investments in expanding the capabilities within our rotary wing operations.

Regional One's Maintenance Capital Expenditures for the period ended March 31, 2022, were $5 million, an increase of 193% over the prior period. The increase in the current period reflects investments made to prepare certain engines within its portfolio for lease as demand for engines is recovering more quickly. The COVID-19 pandemic has left Regional One's fleet of aircraft and engines underutilized, and as a result, the available green time on those aircraft is not being consumed at the same rate as in prior periods. Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. As the fleet is currently underutilized, the historical approach is not yet appropriate. The actual costs of maintaining the fleet were significantly lower than the depreciation expense recorded during the year. Starting in the second quarter of 2020, the actual expenditures on assets already owned have been used as the costs of maintaining the fleet until such time the impact of COVID-19 wanes and the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. All purchases of new assets, net of disposals and transfers to inventory, will be reflected as Growth Capital Expenditures during this time.

The table below provides a summary of the fleet of assets in Regional One's lease portfolio.

Regional One Lease Portfolio	**March 31, 2022**		December 31, 2021	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**58 (1)**	**83**	64 (1)	81

Note 1) The aircraft total above includes nine airframes that do not have engines and will be leased out in conjunction with engines owned by Aero Engines LLC, the joint venture between the Corporation and SkyWest.

The Regional One lease portfolio is comprised of several different types of aircraft and engines, but the predominant platforms are the Bombardier CRJ aircraft, the GE CF34 engines that are used on those aircraft, the Embraer ERJ aircraft, and the Dash-8 Q400 aircraft. Regional One is not a traditional leasing company as its earnings are not derived solely from a financing spread. It generates cash flows from acquiring assets and leasing them out but once the available green time on the assets is consumed and the aircraft have been retired from the active fleet, the assets are sold or parted out to generate further cash flows. It is important to note not all the aircraft and engines in the portfolio will be on lease at any given time.

During the period ended March 31, 2022, Regional One had negative $22 million in Growth Capital Expenditures. During the quarter, Regional One saw demand for its aircraft and engines remain at near historic levels and took advantage by selling some assets within its portfolio. Due to the inherent nature of the timing of sales and purchases, Regional One has not yet replaced these assets in the lease portfolio. Partially offsetting the negative Growth Capital Expenditures, Regional One's inventory increased $8 million in the first quarter of 2022 and deposits have been made on capital asset purchases that are expected to close during the remainder of 2022, as discussed below.

Prior to the onset of the pandemic, Growth Capital Expenditures at Regional One represented the difference between net capital assets acquired (assets purchased less assets sold or transferred to inventory) and the amount of Maintenance Capital Expenditures, calculated using depreciation as a proxy. Starting in the second quarter of 2020, Growth Capital Expenditures represent the purchases of new assets, net of disposals and transfers to inventory. Because the timing between the removal of assets from the lease portfolio and the replacement of those assets can vary from quarter to quarter, it is possible that negative Growth Capital Expenditures may arise in a particular quarter. However, it is not expected that negative Growth Capital Expenditures would consistently occur over a longer period as it is the Corporation's intention to continue to maintain or grow the lease portfolio.

Manufacturing Segment

Maintenance Capital Expenditures in the Manufacturing segment primarily relate to the replacement of production equipment, or components of that equipment, and can vary significantly from year to year. Certain manufacturing assets have long useful lives and therefore can last for many years before requiring replacement or significant repair.

For the period ended March 31, 2022, Maintenance Capital Expenditures of $1 million were made by the Manufacturing segment, which was flat compared to the prior period.

During the period ended March 31, 2022, Growth Capital Expenditures were nominal and related to the continuation of a project started in a prior period.

INVESTMENT IN WORKING CAPITAL

During the period ended March 31, 2022, the Corporation invested $28 million into working capital. Details of the investment in working capital are included in Note 15 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements. The investment in working capital was caused principally by three factors.

Firstly, Regional One made numerous deposits on capital assets to add to its lease portfolio that are currently recorded in prepaid expenses and deposits. These deposits, assuming Regional One completes the transaction, will be recorded as capital assets at the time of the purchase and will serve to offset the negative Growth Capital Expenditures experienced in the first quarter of 2022. In addition to these deposits, Regional One also made investments in its inventory during the quarter to support increased part sales in the future.

Secondly, the Corporation's subsidiaries, most notably in the Manufacturing segment, have looked to mitigate supply chain disruptions where possible through the advance purchase of raw materials. These advance purchases resulted in increased inventory compared to December 31, 2021.

Thirdly, the Corporation's revenue has increased as discussed in *Section 2 – Results of Operations.* This increase in revenue has necessitated an investment in working capital during the quarter.

4. DIVIDENDS AND PAYOUT RATIOS

The payment of stable and growing dividends to shareholders is a cornerstone goal of the Corporation which is achieved through the consistent execution of our core strategy of diversification, disciplined investment in our subsidiaries, and disciplined acquisition of companies with defensible and steady cash flows.

Dividends

Month	Record date		Per Share		2022 Dividends Amount	Record date		Per Share		2021 Dividends Amount
January	January 31, 2022	$	0.19	$	7,366	January 29, 2021	$	0.19	$	6,744
February	February 28, 2022		0.19		7,372	February 26, 2021		0.19		6,748
March	March 31, 2022		0.19		7,382	March 31, 2021		0.19		6,755
Total		$	0.57	$	22,120		$	0.57	$	20,247

Dividends declared for the three months ended March 31, 2022, increased over the prior period. This increase was driven by the issuance of shares in the last twelve months, primarily through the Corporation's equity offering in the second quarter of 2021, the Corporation's dividend reinvestment plan and shares issued as part of the acquisitions of Carson, Macfab, Telcon, Ryko and CTI throughout 2021. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*. On May 10, 2022, subsequent to the end of the period, the Corporation increased its monthly dividend by 5.3% or $0.12 per annum to $2.40 per annum. The increase is effective beginning with the May dividend, which will be paid to shareholders in June 2022.

The Corporation uses both an earnings-based payout ratio (Adjusted Net Earnings) and a cash flow-based payout ratio (Free Cash Flow less Maintenance Capital Expenditures) to assess its ability to pay dividends to shareholders. Both methods of calculating the payout ratio provide an indication of the Corporation's ability to generate enough funds from its operations to pay dividends. See *Section 12 – Non-IFRS Financial Measures and Glossary* for more information on Non-IFRS measures.

Adjusted Net Earnings exclude acquisition costs, amortization of intangible assets, and unusual one-time items. Amortization of intangible assets results from intangible assets that are recorded when the Corporation completes an acquisition as part of the purchase price allocation for accounting purposes. There are no future capital expenditures associated with maintaining or replacing these intangible assets, therefore intangible asset amortization is not considered when assessing the ability to pay dividends. Acquisition costs are not required to maintain existing cash flows and therefore these costs are not considered in assessing the payment of dividends and include acquisition costs and pre-revenue ramp-up costs for significant expansions. Adjusted Net Earnings includes depreciation on all capital expenditures and is not impacted by the period to period variability in Maintenance Capital Expenditures.

Free Cash Flow less Maintenance Capital Expenditures is a measure that ensures the resulting payout ratio reflects the replacement of capital assets that is necessary to maintain the Corporation's existing revenue streams. Cash outflows associated with acquisitions and capital expenditures that will result in growth are not included in this payout ratio because they will generate future returns in excess of current cash flows.

The Corporation analyzes its payout ratios on a trailing twelve-month basis when assessing its ability to pay and increase dividends. The use of a longer period reduces the impact of seasonality on the analysis. The first quarter of the fiscal year is always the most seasonally challenging for the Corporation. Winter roads into northern communities lessen the demand for the Corporation's air services. Therefore, a single quarter can be impacted by seasonal variations that do not impact the Corporation's ability to pay dividends over a longer period.

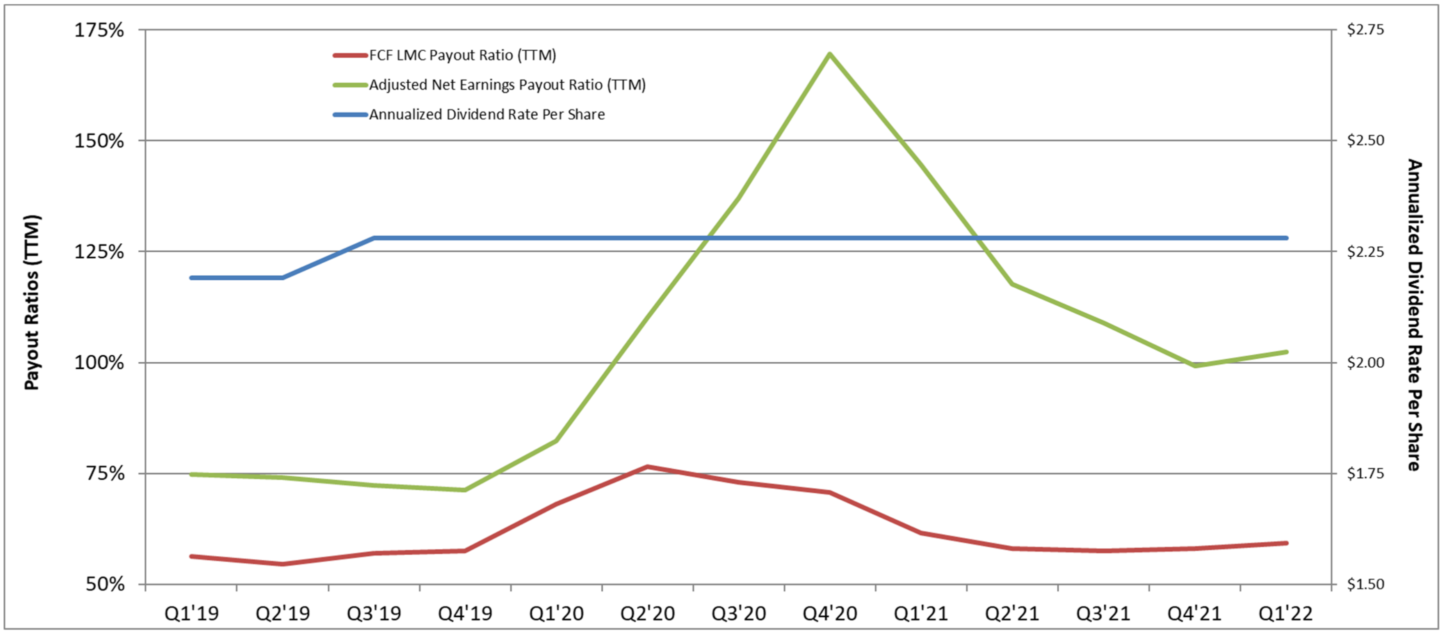
Payout Ratios *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Basic per Share Payout Ratios for the Corporation	**2022**		2021	
Periods Ended March 31	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**285%**	**105%**	190%	145%
Free Cash Flow less Maintenance Capital Expenditures	**114%**	**59%**	104%	62%

The Corporation's payout ratios were impacted by COVID-19, but the impact has waned over time, which is reflected most notably in the improvement in the Adjusted Net Earnings payout ratio. The trailing twelve month Adjusted Net Earnings payout ratio improved from 145% at March 31, 2021, to 105% at March 31, 2022, due to the lessening impacts of COVID-19. In addition, the trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved from 62% to 59% at March 31, 2022. The rate of improvement in the Adjusted Net Earnings payout ratio is higher than for the Free Cash Flow less Maintenance Capital Expenditures payout ratio because depreciation on capital assets has not increased at the same rate as Maintenance Capital Expenditures as the Corporation's lease fleet continued to be depreciated during the pandemic even as the green time on those assets was not being consumed. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures.

The nature of Maintenance Capital Expenditures is such that fluctuation can occur from period to period based on the timing of maintenance events, as discussed in *Section 3 – Investing Activities.* The Adjusted Net Earnings payout ratio is not impacted by the timing differences in Maintenance Capital Expenditures.

The graph that follows shows the Corporation's historical Free Cash Flow less Maintenance Capital Expenditures trailing twelve-month payout ratio and Adjusted Net Earnings trailing twelve-month payout ratio on the left axis. On the right axis, the annualized dividend rate per share is shown.



5. OUTLOOK

Confidence. If there is one word that summarizes our outlook, it is confidence.

The impacts of the pandemic continued to be felt throughout the first quarter of the year, but our operations managed the challenges deftly and delivered a record first quarter Adjusted EBITDA of $67 million. While COVID-19 is not likely to leave us completely, society is learning to adapt to the virus and a new normal is emerging. Passenger volumes, a key indicator in our Aerospace & Aviation segment, are on an upward trajectory. Manufacturing segment booking and backlogs are increasing, with jobs being won in new geographical markets and business segments. Indeed, the lasting impacts of the pandemic and the war in Ukraine have created a challenging economic climate, but our management teams have strategies and processes in place to mitigate these impacts as much as possible. These elements form the underpinnings of our confidence for the future.

When you have a solid foundation and sound plans for the future, you have the confidence to build off of that foundation to create something even greater. And that is exactly what EIC continues to do. The financial foundation EIC has built since its inception is the bedrock for our confidence and has given us the confidence to:

- Complete two acquisitions since the end of the first quarter, including the company's largest acquisition, Northern Mat for $325 million
- Negotiate an enhanced banking facility
- Increase our dividend for the first time since the pandemic, to a rate of $2.40 annually per share

As COVID-19 slowly fades into the background, restrictions are gradually being lifted around the world. For our Aerospace & Aviation segment, loosening restrictions related to travel means a return to more normal passenger volumes. Within the geographies that our airlines serve, passenger loads have returned to approximately 90% of pre-pandemic levels in the second quarter, with the exception of Wasaya's market in Northwestern Ontario. Charter revenue is also strong as rising commodity prices are driving increased activity in the mining and oil and gas sectors, necessitating more on-demand air services.

Our ISR operation continues to execute in accordance to plan on the Netherlands Coast Guard aircraft modifications, a contract which was won in 2020. The aircraft remain scheduled to commence operations in the third quarter of this year. On-demand ISR services have slowed somewhat as the war in Ukraine has shifted political and defence priorities. PAL continues to be in discussions for new surveillance work that will commence late in the second quarter or early in the third quarter. The status of the Malaysia Maritime Patrol Aircraft Program bid remains unchanged, with PAL being one of two parties that have been down selected. The contract is anticipated to be awarded sometime in the second half of this year. PAL was also successful in securing a seven year contract with the province of Nova Scotia's Emergency Health Services to provide air ambulance services across the province.

Globally, countries are lifting restrictions at different paces but, in general, travel restrictions are easing. This, in turn, is creating growing demand for Regional One's products and services. Sales of large assets and parts were materially higher this past quarter, evidencing the impact of the loosening restrictions. Sales of large assets tend to fluctuate from period to period and are generally higher dollar value transactions. Sales of parts form the foundation of the business, so seeing increasing volumes in both these areas is an important indicator. Leasing is also increasing but at a slower rate and will lag behind the increase in parts and large asset sales as volumes return to normal.

Within the Manufacturing segment, demand generally remains strong with several operations experiencing growth as a result of current economic and geo-political circumstances. High oil prices are triggering increased activity in Alberta's oil and gas sector, including increased pipeline activity. This, in turn, has driven volumes higher in our Alberta Operations and we expect this to continue to improve. The conflict in Ukraine is causing countries globally to increase defence spending, which has a positive impact on Ben Machine. Quest continues to be impacted by shifting project schedules, which will constrain volumes in the short-term but complete cancellations of projects remain rare. This is evidenced by the fact that Quest's backlog has increased more quickly during the last three months than during any quarter over the last two years. Another positive signal is that Quest has recently booked jobs for future years in Philadelphia and Nashville, two cities that Quest has not previously had a presence, expanding its exposure and its potential for long-term repeat business.

Like businesses throughout the globe, our operations are challenged by supply chain issues, inflation and labour shortages. Each of our companies is different and faces its own unique challenges. However, by sharing knowledge and ideas, our management teams are able to learn from each other and adapt these ideas to their own businesses. This is one distinct advantage our companies have as part of a diversified organization that prioritizes great management teams and strong businesses when acquiring companies.

Having said that, there is no doubt that these issues will compress our margins for the time being. General inflation, transportation costs and access to product inputs affect all the companies to one degree or another. Our management teams are continually analyzing supply chain risks not just to our suppliers, but to their suppliers as well and then making strategic buying decisions to assure inventory is on hand at the best possible cost. We are also working with customers to make sure we understand their needs, minimizing the length of time for quotes or contract pricing and ensuring pricing is as current as possible to reflect the actual costs of the products and services we deliver. In addition to these overarching issues, the Manufacturing and Aerospace & Aviation segments both face some challenges that are unique to them.

The Manufacturing segment continues to be hampered by shortages of both skilled and unskilled labour. This applies pressure on production schedules and increases labour costs because of additional overtime and the necessity to increase wages to attract and retain labour. Our companies are managing the labour shortages by ensuring compensation structures are fair, providing training, promoting apprenticeship programs and hiring students, with the goal of attracting employees and retaining them by showing them the long-term value of working at EIC. The Manufacturing segment subsidiary most impacted by these issues is Quest. The longer lead time between being awarded the contract and manufacturing and installing the product creates greater exposure to inflationary pressures. Delayed projects as a result of COVID-19 combined with these economic factors leave gaps in the production schedule. Management fills these gaps whenever possible, but often the substitute work is for smaller dollar values with lower margins. The vast majority of the postponed jobs will be completed in the future, so we see the current production issues as temporary in nature and are optimistic that the projects will eventually proceed.

Rising fuel costs are one of the most pressing short-term concerns for the companies in EIC's Aerospace & Aviation segment. Many of our customer contracts contain fuel cost escalation provisions. However, the terms of these escalators generally allow for price changes in the quarter following the change in fuel costs. There is always going to be a lag between initially incurring the increased costs and our ability to react to them, resulting in margin erosion during this lag period. Travel from northern communities to cities in the southern part of Canada for medical and diagnostic procedures continues to be impaired by the backlog at the medical centres in the cities. The rise of the Omicron variant in the first quarter increased the backlog and these medical facilities are not yet operating at full capacity, meaning that procedures continue to be delayed. Governments are working diligently to put processes in place to clear the backlog as quickly as they are able, and this will be a driver of the return to normal medical travel. Finally, pilot shortages have quickly re-emerged within the industry. As a result of COVID-19, many pilots who were laid off or furloughed throughout the industry during the pandemic have retired or decided not to return. Pilots who do return are receiving opportunities that previously were not available to them. Exacerbating this, many flight schools were shut down during the pandemic, stagnating the flow of new pilots into the system. These flight schools have reopened but the impact on the overall short term development of new pilots will not be alleviated for some time.

EIC has been a leader in developing and implementing new and distinctive strategies to deal with the impact of pilot shortages at our airlines. Our Life in Flight Program has been operational for a few years now, although training was put on hold when flight schools were closed during the pandemic. We have recently rolled out a new, innovative concept that not only helps address the pilot shortage but also provides opportunities to Indigenous members of the communities we serve. The Atik Mason Indigenous Pilot Pathway ("the Pathway") is a fully-funded opportunity for Indigenous community members to learn to fly and build careers as professional pilots. The Pathway has been designed to remove significant barriers to flight training faced by Indigenous candidates, including cost and location, and honors the importance of retaining a deep connection to Indigenous culture while training. As part of the Pathway, EIC's subsidiary MFC Training is establishing a seasonal base in Thompson, Manitoba to reduce the barrier of location to accessing flight training. Providing fully-funded training in the heart of northern Manitoba will allow Pathway members to maintain a strong connection to their homes and cultures while they challenge themselves to build the skills, confidence, and licences to fly professionally.

Investing for growth has always been, and will always be, a cornerstone of EIC. As has been noted on many occasions, EIC is an opportunistic investor, whether through investment in assets within our existing operations or through acquisitions. As long as the investments meet our internal investment criteria, we are agnostic as to whether they are acquisitions or Growth Capital Expenditures. During the first quarter, EIC's investment was primarily in the form of investing in inventory at Regional One, recalibrating its portfolio to have the optimal allocation of inventory and engines and large assets available for sale and lease. In the second quarter, so far, the Corporation has made significant growth investments via the acquisitions Northern Mat and APL. Going forward, Regional One has identified several large aircraft portfolios that are available for acquisition as the COVID-19 pandemic wanes and will be opportunistically looking to acquire assets. One contract has already been signed whereby Regional One will acquire more than 50 Embraer ERJ-140 aircraft over the next several quarters.

One of the benefits of the Northern Mat acquisition, beyond simply the financial impact it will have, is the significant influence it will have in defining the Corporation's ESG profile. Sustainability is one of the cornerstones of Northern Mat's business model. Northern Mat's mats and bridges provide access to remote areas in a more environmentally friendly way than the construction of temporary gravel roads and installation of culverts and water-diversion devices, which are difficult to remove and remediate and can cause cross-contamination of soil. Beyond simply being a provider of an environmentally friendly service, Northern Mat recognizes the need to operate themselves in a responsible manner. All of the wood purchased from Canadian suppliers by Northern Mat for their mats comes from sustainable forest management certified vendors. For every tree harvested, 3.5 seedlings are planted, ensuring renewable resources for future generations.

Like many other EIC companies, Northern Mat operates in many Indigenous communities across Canada. Northern Mat, again like EIC, has established numerous partnerships with Indigenous communities in which it operates. Northern Mat has also created an Indigenous Relations Policy based on mutual respect, fairness, understanding and open communication to understand land use concerns and minimize impacts to sensitive areas. Northern Mat wants to be the business partner and employer of choice for Indigenous communities and peoples.

<u>Capital Expenditures</u>

Maintenance Capital Expenditures are necessary to maintain the earning power of our subsidiaries. Maintenance Capital Expenditures have increased in line with the increased scope of our operations over the last number of years. As we experienced a decrease in our flight hours as a result of the pandemic, we also reduced Maintenance Capital Expenditures to match the level of flying. The decreased flight hours resulted in much lower Maintenance Capital Expenditures at the height of the pandemic. As flight hours have increased, Maintenance Capital Expenditures have also increased. This trend is expected to continue as both passenger volumes and Maintenance Capital Expenditures return towards pre-pandemic levels together.

Regional One's fleet of leased aircraft are not flying as much as they were prior to the pandemic. Therefore, green time is not being consumed at the same rate on these aircraft. As a result, starting with the second quarter of 2020, the actual capital expenditures on assets already owned are being used as the costs of maintaining the fleet. This will continue until such time as the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures.

Growth Capital Expenditures for the foreseeable future will primarily be directed toward opportunities that Regional One identifies to acquire large assets. PAL will also continue to invest to support its ongoing contract in the Netherlands and the completion of the hangar in Winnipeg for the FWSAR contract.

When you have a business model that has been as successful as EIC's has for nearly two decades, it gives you confidence. Confidence that when you make investments while sticking to your guiding principles, you will achieve your expected results. Confidence that when opportunities arise, capital access will not be a constraint to stop you from capitalizing on them, and that when you do invest, your balance sheet will remain strong. Confidence to state that we expect Adjusted EBITDA to range between $410 million and $430 million in fiscal 2022 and between $500 million and $530 million in 2023. Confidence that has driven an annual average dividend increase of 5% for nearly 20 years, including an increase to $2.40 per share at this time.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong. The Corporation completed several capital transactions in 2021, strengthening its balance sheet as the Corporation prepared for future growth. These transactions increased the Corporation's access to capital to make acquisitions, its ability to invest in its operating subsidiaries, and provides the ability to weather economic downturns. In addition, the structured timing of debt maturities provides additional financial flexibility. Subsequent to the end of the period, the Corporation completed an upsize and extension of its credit facility, which is discussed further below.

During the fourth quarter of 2021, the Corporation completed a convertible debenture offering, generating gross proceeds of $115 million. The net proceeds of this offering were temporarily used to repay indebtedness under its senior credit facility, and during the first quarter of 2022, were deployed to redeem its convertible debenture series maturing December 31, 2022. As a result of this redemption, the Corporation does not have any debt maturities until June 30, 2025. This provides exceptional flexibility while giving the Corporation the capital to invest for future growth.

As at March 31, 2022, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current leverage ratio is 2.41x and has improved since the onset of the pandemic. Consistent with EIC's historical balance sheet management, the Corporation has been proactive in managing its liquidity such that should an opportunity present itself, EIC has the capability and financial resources to execute.

As at March 31, 2022, the Corporation has liquidity of approximately $820 million through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position.

As at March 31, 2022, the Corporation had a cash position of $69 million (December 31, 2021 - $75 million) and a net working capital position of $348 million (December 31, 2021 - $225 million) which represents a current ratio of 1.89 to 1 (December 31, 2021 – 1.47 to 1). The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position. The current ratio in the prior year is impacted by the presentation of the convertible debentures due December 31, 2022, as a current liability, which were redeemed in the first quarter of 2022.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

		March 31 2022		December 31 2021
Total senior debt outstanding (principal value)	**$**	**837,793**	$	710,681
Convertible debentures outstanding (par value)		**425,500**		525,500
Common shares		**857,362**		852,821
Total capital	**$**	**2,120,655**	$	2,089,002

Credit facility

The size of the Corporation's credit facility as at March 31, 2022, is approximately $1.3 billion, with $1.1 billion allocated to the Corporation's Canadian head office and US $150 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of March 31, 2022, the Corporation had drawn $190 million and US $518 million (December 31, 2021 - $190 million and US $411 million).

On May 10, 2022, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $1.75 billion and extended its term to May 10, 2026. This includes $1.45 billion allocated to the Corporation's Canadian head office and US $250 million allocated to EIIF Management USA, Inc. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition.

The Corporation's long-term debt, net of cash, increased by $134 million since December 31, 2021. The increase is attributable mostly to the redemption of the convertible debentures that were set to mature in December 2022 in the principal amount of $100 million, which was funded using the Corporation's credit facility. The December 31, 2021 long-term debt, net of cash, was temporarily lower as the funds raised from a convertible debenture offering in December 2021 were used to repay the credit facility until being deployed in the first quarter of 2022 to redeem these debentures. The remaining increase is attributable to the investments in Growth Capital Expenditures and working capital as discussed in *Section 3 – Investing Activities.*

During the period, the Corporation used derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same term unless both parties agree to extend the swap for an additional month. By entering into the swap, the Corporation can take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the US dollar borrowings as it will be exchanged for the same Canadian equivalent in one month. As at March

31, 2022, US $231 million (December 31, 2021 – US $122 million) of the Corporation's US denominated borrowings are hedged with these swaps.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at March 31, 2022, and changes in the amounts of convertible debentures outstanding during the three months ended March 31, 2022:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2018	EIF.DB.J	June 30, 2025	5.35%	$ 49.00
Unsecured Debentures - 2019	EIF.DB.K	March 31, 2026	5.75%	$ 49.00
Unsecured Debentures - July 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70
Unsecured Debentures - December 2021	EIF.DB.M	January 15, 2029	5.25%	$ 60.00

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures - December 2017	100,000	-	(8)	(99,992)	-
Unsecured Debentures - June 2018	80,500	-	-	-	80,500
Unsecured Debentures - March 2019	86,250	-	-	-	86,250
Unsecured Debentures - July 2021	143,750	-	-	-	143,750
Unsecured Debentures - December 2021	115,000	-	-	-	115,000
Total	$ 525,500	$ -	$ (8)	$ (99,992)	$ 425,500

During the first quarter, the Corporation redeemed its 5 year 5.25% convertible debentures which were due on December 31, 2022. The redemption of the debentures was completed with funds raised from the Corporation's issuance of its December 2021 5.25% convertible debenture offering. Prior to the redemption date of February 11, 2022, less than $1 million principal amount of debentures were converted into 155 common shares at a price of $51.50 per share. On February 11, 2022, the remaining outstanding debentures in the principal amount of $100 million were redeemed by the Corporation.

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the three months ended March 31, 2022:

	Date issued	Number of shares
Shares outstanding, beginning of period		38,740,389
Issued upon conversion of convertible debentures	various	155
Issued under dividend reinvestment plan (DRIP)	various	90,406
Issued under employee share purchase plan	March 21, 2022	21,071
Shares outstanding, end of period		38,852,021

The Corporation issued 90,406 shares under its dividend reinvestment plan during the period and received $4 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 21,071 shares under its Employee Share Purchase Plan during the period and received $1 million for those shares in accordance with the Employee Share Purchase Plan.

The weighted average shares outstanding during the three months ended March 31, 2022, increased by 9% compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's equity offering in the second quarter of 2021, the Corporation's dividend reinvestment plan and shares issued as part of the acquisitions of Carson, Macfab, Telcon, Ryko and CTI throughout 2021.

Normal Course Issuer Bid

On February 25, 2022, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of 3,580,512 shares and daily purchases will be limited to 20,179 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC; and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, with daily purchases of principal amount, other than block purchase exceptions, limited to $7, $11, $70, and $60, respectively. The Corporation sought the NCIB for debentures to permit repurchase and cancellation of these securities during times of market instability where management believes the market price does not reflect the value of the debentures.

During the three months ended March 31, 2022, the Corporation did not make any purchases under either NCIB and therefore still has the full amounts detailed above available for repurchase.

7. RELATED PARTY TRANSACTIONS

The nature of related party transactions that the Corporation entered during the three months ended March 31, 2022, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2021.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the MD&A of the Corporation for the year ended December 31, 2021.

9. ACCOUNTING POLICIES

The accounting policies of the Corporation used in the determination of the results for the interim condensed consolidated financial statements for the three months ended March 31, 2022, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2021 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three months ended March 31, 2022.

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Corporation recognizes that all systems of internal controls, no matter how well designed, have inherent limitations. As such, the Corporation's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

An assessment of internal controls over financial reporting was conducted by the Corporation's management, under supervision by the Chief Executive Officer and Chief Financial Officer. Management has used the 2013 Internal Control – Integrated Framework to evaluate the Corporation's internal controls over financial reporting, which is recognized as a suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management has evaluated the design of the Corporation's internal controls over financial reporting as at March 31, 2022, and has concluded that the design of internal controls over financial reporting is effective.

Carson Air was acquired on July 5, 2021, Macfab was acquired on August 11, 2021, Telcon was acquired on November 9, 2021, Ryko was acquired on December 1, 2021, and CTI was acquired on December 16, 2021. In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design of internal controls over financial reporting to exclude the controls at each of these entities as management has not completed its review of internal controls over financial reporting for these newly acquired companies. These entities had revenue of $46 million included in the consolidated results of the Corporation for the first quarter of 2022. As at March 31, 2022, these entities had current assets of $37 million, non-current assets of $165 million, current liabilities of $24 million, and non-current liabilities of $22 million.

There have been no material changes to the Corporation's internal controls during the 2022 period that would have materially affected, or are likely to materially affect, the internal controls over financial reporting.

Subsequent to the end of the first quarter, the Corporation acquired both APL and Northern Mat on May 10, 2022. As at the date of this MD&A, management has not completed its review of internal controls over financial reporting for these newly acquired subsidiaries nor determined their impact, if any, on the Corporation's internal controls over financial reporting. An assessment of its impact will be completed for year-end 2022.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to management in a timely manner and that information required to be disclosed by the Corporation is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were effective as at March 31, 2022.

11. RISK FACTORS

The Corporation and its subsidiaries are subject to several business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entities. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's MD&A for the year ended December 31, 2021.

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance and Growth Capital Expenditures are not recognized measures under IFRS and are, therefore, defined below.

On May 27, 2021, the Canadian Securities Administrators issued National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure along with the companion policy for that instrument that came into effect for financial years ending after October 15, 2021. As a result of the requirements under this instrument, the Corporation presents "Adjusted EBITDA" which is determined in the exact same manner as "EBITDA" was presented in its prior MD&A reports. As such, all amounts presented as "Adjusted EBITDA" are directly comparable to amounts presented as "EBITDA" in prior MD&A reports.

Adjusted EBITDA: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment, and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. Adjusted EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures, and income taxes. The most comparable IFRS measure, presented in the Corporation's Statements of Income as an additional IFRS measure, is Operating profit before Depreciation, Amortization, Finance Costs, and Other.

Adjusted Net Earnings: is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration, accelerated interest accretion on convertible debentures, and non-recurring items. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less Maintenance Capital Expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders. The most comparable IFRS measure is Net Earnings. Interest accretion on contingent consideration is recorded in the period subsequent to an acquisition after the expected payment to the vendors is discounted. The value recorded on acquisition is accreted to the expected payment over the earn out period. Accelerated interest accretion on convertible debentures reflects the additional interest accretion recorded in a period that, but for the action to early redeem the debenture series, would have been recorded over the remaining term to maturity. This interest reflects the difference in the book value of the convertible debentures and the par value outstanding.

The Corporation presents Adjusted Net Earnings per share, which is calculated by dividing Adjusted Net Earnings, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents an Adjusted Net Earnings payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Adjusted Net Earnings, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

Free Cash Flow: for the year is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, acquisition costs, principal payments on right of use lease liabilities, and any unusual non-operating one-time items. Free Cash Flow is a performance measure used by management and investors to analyze the cash generated from operations before the seasonal impact of changes in working capital items or other unusual items. The most comparable IFRS measure is Cash Flow from Operating Activities. Adjustments made to Cash Flow from Operating Activities in the calculation of Free Cash Flow include other IFRS measures, including adjusting the impact of changes in working capital and deducting principal payments on right of use lease liabilities.

The Corporation presents Free Cash Flow per share, which is calculated by dividing Free Cash Flow, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

Free Cash Flow less Maintenance Capital Expenditures: for the year is equal to Free Cash Flow, as defined above, less Maintenance Capital Expenditures, as defined below.

The Corporation presents Free Cash Flow less Maintenance Capital Expenditures per share, which is calculated by dividing Free Cash Flow less Maintenance Capital Expenditures, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents a Free Cash Flow less Maintenance Capital Expenditures payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Free Cash Flow less Maintenance Capital Expenditures, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

<u>Maintenance and Growth Capital Expenditures</u>: Maintenance Capital Expenditures is defined as the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation. While there is no comparable IFRS measure for Maintenance Capital Expenditures or Growth Capital Expenditures, the total of Maintenance Capital Expenditures and Growth Capital Expenditures is equivalent to the total of capital asset and intangible asset purchases, net of disposals, on the Statement of Cash Flows.

The Corporation's Maintenance Capital Expenditures include aircraft engine overhauls and airframe heavy checks that are recognized when these events occur and can be significant. Each aircraft type has different requirements for its major components according to manufacturer standards and the timing of the event can be dependent on the extent that the aircraft is utilized. As a result, the extent and timing of these Maintenance Capital Expenditure events can vary significantly from period to period, both within the year and when analyzing to the comparative period in the prior year.

Regional One's purchases of operating aircraft within its lease portfolio are capital expenditures and, prior to the onset of COVID-19, the process used to classify those expenditures as either growth or maintenance is based on the depreciation of that portfolio. Aircraft that are leased to third parties are being consumed over time, therefore reinvestment is necessary to maintain the ability to generate future cash flows at existing levels. This depletion of the remaining green time of these aircraft was historically represented by depreciation. For the first quarter of 2020, an amount equal to Regional One's depreciation is included in the Corporation's consolidated Maintenance Capital Expenditures. Only net capital expenditures more than depreciation were classified as Growth Capital Expenditures. If there were no purchases of capital assets during the period by Regional One, Maintenance Capital Expenditures would still be equal to depreciation recorded on its leased assets and Growth Capital Expenditures would be negative, representing the depletion of potential future earnings and cash flows. The aggregate of Maintenance and Growth Capital Expenditures always equals the actual cash spent on capital assets during the period. This ensures that the payout ratio reflects the necessary replacement of Regional One's leased assets.

Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures at Regional One because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. Starting in the second quarter of 2020, the actual expenditures on assets already owned will be used as the costs of maintaining the fleet until such time the impact of COVID-19 wanes and the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. All purchases of new assets, net of disposals and transfers to inventory, will be reflected as Growth Capital Expenditures during this time.

Purchases of inventory are not reflected in either Growth or Maintenance Capital Expenditures. Aircraft purchased for part out or resale are recorded as inventory and are not capital expenditures. If a decision is made to take an aircraft out of the lease portfolio and either sell it or part it out, the net book value is transferred from capital assets to inventory. For Regional One, capital assets on the balance sheet include operating aircraft and engines that are either on lease or are available for lease. Individual parts are recorded within inventory and capital assets that become scheduled for part out have been transferred to inventory as at the balance sheet date.

Investors are cautioned that Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance Capital Expenditures and Growth Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as Net Earnings or cash from operating activities. The Corporation's method of calculating Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow, and Maintenance Capital Expenditures and Growth Capital Expenditures may differ from that of other entities and therefore may not be comparable to measures utilized by them.

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

	2022				2021				2020
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 400,226**	$ 390,327	$ 400,003	$ 322,070	$ 300,746	$ 301,710	$ 297,286	$ 243,657	$ 306,976
Adjusted EBITDA	**66,956**	89,421	95,276	81,061	64,122	81,971	83,235	62,075	57,254
Net Earnings (Loss)	**3,753**	23,056	21,899	16,506	7,127	13,479	17,244	2,630	(5,298)
Basic	**0.10**	0.61	0.58	0.44	0.20	0.38	0.49	0.08	(0.15)
Diluted	**0.09**	0.59	0.56	0.43	0.20	0.37	0.48	0.07	(0.15)
Adjusted Net Earnings	**7,835**	28,027	27,653	19,781	10,551	18,847	20,626	5,645	2,058
Basic	**0.20**	0.74	0.73	0.53	0.30	0.53	0.59	0.16	0.06
Diluted	**0.20**	0.71	0.71	0.52	0.29	0.52	0.57	0.16	0.06
Free Cash Flow ("FCF")	**47,409**	71,581	72,811	57,283	41,642	59,497	57,886	42,268	38,749
Basic	**1.22**	1.88	1.91	1.54	1.17	1.68	1.64	1.21	1.12
Diluted	**1.10**	1.62	1.69	1.37	1.06	1.48	1.45	1.09	1.01
FCF less Maintenance Capital Expenditures	**19,496**	42,895	48,164	36,517	19,578	41,270	44,350	25,412	2,299
Basic	**0.50**	1.13	1.27	0.98	0.55	1.17	1.26	0.73	0.07
Diluted	**0.49**	1.02	1.17	0.91	0.54	1.05	1.23	0.71	0.06
Maintenance Capital Expenditures	**27,913**	28,686	24,647	20,766	22,064	18,227	13,536	16,856	36,450
Growth Capital Expenditures	**8,168**	34,497	39,942	33,996	22,532	14,434	6,807	12,301	14,381

ADDITIONAL INFORMATION
Additional information relating to the Corporation is on SEDAR at www.sedar.com.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	March 31 2022	December 31 2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 69,319	$ 75,408
Accounts receivable	301,685	301,767
Amounts due from customers on construction contracts	27,300	27,705
Inventory	275,984	255,451
Prepaid expenses and deposits	58,084	40,127
Income taxes receivable	3,852	-
	736,224	700,458
OTHER ASSETS (Note 6)	78,488	66,658
CAPITAL ASSETS	1,064,832	1,070,573
RIGHT OF USE ASSETS	84,303	83,439
INTANGIBLE ASSETS	177,960	180,664
GOODWILL	484,535	486,875
	$ 2,626,342	$ 2,588,667
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 287,258	$ 267,635
Income taxes payable	-	4,577
Deferred revenue	57,425	53,171
Amounts due to customers on construction contracts	24,907	30,556
Current portion of convertible debentures	-	98,808
Current portion of right of use lease liability	18,966	20,603
	388,556	475,350
DEFERRED REVENUE	492	1,857
OTHER LONG-TERM LIABILITIES	25,538	16,271
LONG-TERM DEBT (Note 7)	835,072	707,611
CONVERTIBLE DEBENTURES (Note 8)	395,692	393,408
LONG-TERM RIGHT OF USE LEASE LIABILITY	71,842	69,397
DEFERRED INCOME TAX LIABILITY	125,329	124,498
	1,842,521	1,788,392
EQUITY		
SHARE CAPITAL (Note 9)	857,362	852,821
CONVERTIBLE DEBENTURES - Equity Component (Note 8)	14,017	17,607
CONTRIBUTED SURPLUS	16,635	13,046
DEFERRED SHARE PLAN	16,308	16,010
RETAINED EARNINGS		
Cumulative Earnings	571,965	568,212
Cumulative Dividends	(684,439)	(662,319)
Cumulative impact of share cancellation under the NCIB	(26,122)	(26,122)
	765,726	779,255
ACCUMULATED OTHER COMPREHENSIVE INCOME	18,095	21,020
	783,821	800,275
	$ 2,626,342	$ 2,588,667

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands of Canadian dollars, except for per share amounts)

For the periods ended March 31		2022		2021
REVENUE				
Aerospace & Aviation	$	281,592	$	183,143
Manufacturing		118,634		117,603
		400,226		300,746
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization		184,070		104,136
Manufacturing expenses - excluding depreciation and amortization		93,171		88,370
General and administrative		56,029		44,118
		333,270		236,624
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)		66,956		64,122
Depreciation of capital assets		36,891		30,743
Amortization of intangible assets		2,841		4,451
Finance costs - interest		14,852		11,391
Depreciation of right of use assets		6,536		6,124
Interest expense on right of use lease liabilities		752		873
Acquisition costs		455		104
EARNINGS BEFORE INCOME TAXES		4,629		10,436
INCOME TAX EXPENSE (RECOVERY)				
Current		1,237		6,094
Deferred		(361)		(2,785)
		876		3,309
NET EARNINGS	$	3,753	$	7,127
NET EARNINGS PER SHARE (Note 12)				
Basic	$	0.10	$	0.20
Diluted	$	0.09	$	0.20

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

Exchange Income Corporation
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders For the periods ended March 31		2022		2021
NET EARNINGS	$	3,753	$	7,127
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax recovery of $nil and $4, respectively.		(9,354)		(7,472)
Net gain on hedge of net investment in foreign operations, net of tax expense of $46 and $20, respectively.		2,802		2,198
Net gain on hedge of restricted share plan, net of tax expense of $112 and $91, respectively.		360		249
Net gain on interest rate swap, net of tax expense of $1,208 and $625, respectively.		3,267		1,691
		(2,925)		(3,334)
COMPREHENSIVE INCOME	$	828	$	3,793

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Retained Earnings: Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2021	$ 731,343	$ 13,214	$ 9,837	$ 16,893	$ 499,624	$ (576,932)	$ (26,122)	$ 18,089	$ 685,946
Shares issued under dividend reinvestment plan (Note 9)	2,463	-	-	-	-	-	-	-	2,463
Shares issued under First Nations community partnership agreements	40	-	-	-	-	-	-	-	40
Deferred share plan vesting (Note 13)	-	-	-	371	-	-	-	-	371
Shares issued under ESPP (Note 9)	706	-	-	-	-	-	-	-	706
Comprehensive income (loss)	-	-	-	-	7,127	-	-	(3,334)	3,793
Dividends declared	-	-	-	-	-	(20,247)	-	-	(20,247)
Balance, March 31, 2021	**$ 734,552**	**$ 13,214**	**$ 9,837**	**$ 17,264**	**$ 506,751**	**$ (597,179)**	**$ (26,122)**	**$ 14,755**	**$ 673,072**
Balance, January 1, 2022	$ 852,821	$ 17,607	$ 13,046	$ 16,010	$ 568,212	$ (662,319)	$ (26,122)	$ 21,020	**$ 800,275**
Convertible debentures (Note 8)									
Converted into shares	7	(1)	-	-	-	-	-	-	**6**
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 9)	3,690	-	-	-	-	-	-	-	**3,690**
Deferred share plan vesting (Note 13)	-	-	-	298	-	-	-	-	**298**
Shares issued under ESPP (Note 9)	844	-	-	-	-	-	-	-	**844**
Comprehensive income	-	-	-	-	3,753	-	-	(2,925)	**828**
Dividends declared (Note 10)	-	-	-	-	-	(22,120)	-	-	**(22,120)**
Balance, March 31, 2022	**$ 857,362**	**$ 14,017**	**$ 16,635**	**$ 16,308**	**$ 571,965**	**$ (684,439)**	**$ (26,122)**	**$ 18,095**	**$ 783,821**

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian Dollars)

For the periods ended March 31	**2022**	2021
OPERATING ACTIVITIES		
Net earnings for the period	**$ 3,753**	$ 7,127
Items not affecting cash:		
Depreciation of capital assets	**36,891**	30,743
Amortization of intangible assets	**2,841**	4,451
Depreciation of right of use assets	**6,536**	6,124
Accretion of interest	**3,844**	1,792
Gain on disposal of capital assets	**(249)**	(552)
Deferred income tax recovery	**(361)**	(2,785)
Deferred share program share-based vesting (Note 13)	**298**	371
	53,553	47,271
Changes in non-cash current and long-term working capital (Note 15)	**(28,499)**	20,995
	25,054	68,266
FINANCING ACTIVITIES		
Proceeds from long-term debt, net of issuance costs (Note 7)	**145,052**	18,498
Repayment of long-term debt (Note 7)	**(6,538)**	-
Long-term debt discount	**(33)**	4
Payment of matured debentures (Note 8)	**(99,992)**	-
Principal payments on right of use lease liabilities	**(6,534)**	(5,737)
Issuance of shares, net of issuance costs	**4,534**	3,209
Cash dividends (Note 10)	**(22,120)**	(20,247)
	14,369	(4,273)
INVESTING ACTIVITIES		
Purchase of capital assets	**(53,821)**	(56,490)
Proceeds from disposal of capital assets	**18,272**	12,897
Purchase of intangible assets	**(532)**	(1,003)
Investment in other assets	**(7,701)**	(4,204)
Payment of contingent acquisition consideration and working capital settlements (Note 14)	**(598)**	-
	(44,380)	(48,800)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,957)**	15,193
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**75,408**	69,862
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,132)**	(1,344)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 69,319**	$ 83,711
Supplementary cash flow information		
Interest paid	**$ 11,554**	$ 7,456
Income taxes paid	**$ 9,654**	$ 8,421

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

(unaudited, in thousands of Canadian dollars, unless otherwise noted, except per share information and share data)

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Corporation") is a diversified, acquisition-oriented corporation focused on opportunities in the aerospace, aviation, and manufacturing sectors. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The Corporation is incorporated in Canada and the address of the registered office is 101 – 990 Lorimer Boulevard, Winnipeg, Manitoba, Canada R3P 0Z9.

As at March 31, 2022, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd., Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, Stainless Fabrication, Inc., LV Control Mfg. Ltd., Water Blast Manufacturing LP, and Overlanders Manufacturing LP. Regional One Inc., Quest USA Inc., Stainless Fabrication Inc., and Crew Training International, Inc., are wholly owned subsidiaries of EIIF Management USA Inc. Through the Corporation's subsidiaries, products and services are provided in two business segments: Aerospace & Aviation and Manufacturing. Subsequent to the end of the quarter, the Corporation acquired Northern Mat & Bridge ("Northern Mat") and Advanced Paramedic Ltd. ("APL") (Note 16). Northern Mat will be reported within the Manufacturing segment and APL will be reported within the Aerospace & Aviation segment as of the date of their acquisition.

The Corporation's interim results are impacted by seasonality factors. The Aerospace & Aviation segment has historically had the strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. With the diversity of the Manufacturing segment, the seasonality of the segment is relatively flat throughout the fiscal period.

SARS-CoV-2 ("COVID-19")

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which resulted in governments around the world imposing severe travel restrictions and social distancing measures to limit the spread of the virus. At different times during the pandemic, travel restrictions and required quarantine periods materially impacted the subsidiaries within the Aerospace & Aviation segment, most notably passenger traffic and demand for the Corporation's leased aircraft and aftermarket parts. In the Manufacturing segment, social distancing, additional actions to keep our employees safe and required COVID-19 employee absenteeism reduced manufacturing efficiency and reduced throughput in the production facilities. These impacts, among others as a result of COVID-19, reduced Revenue, Cash Flows from Operations (before the impact of working capital), and Net Earnings.

In 2022, the continued lessening of restrictions and thus increase in travel around the world has reduced the negative impacts for the Aerospace & Aviation segment compared to previous periods impacted by the pandemic where the restrictions were more stringent. The impact on the Manufacturing segment has shifted from production inefficiencies due to employee absenteeism to varying levels of supply chain constraints, direct material price increases, delays in deliveries, and labour challenges. The Corporation is unable to predict with accuracy the duration of the virus, actions governments will take, or customer sentiment going forward. The development and deployment of vaccines and the lessening of restrictions could continue to result in more travel around the world.

2. BASIS OF PREPARATION

The Corporation prepares its interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") – Part I as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part I of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

In accordance with IFRS, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2021. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on May 10, 2022.

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements. Note 3 of the Corporation's 2021 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

4. OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS, AND OTHER

The Corporation presents, as an additional IFRS measure, operating profit before depreciation, amortization, finance costs, and other in the interim condensed consolidated statement of income to assist users in assessing financial performance. The Corporation's management and the Board use this measure to evaluate consolidated operating results and assess the ability of the Corporation to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of the performance of the business and how much cash is being generated by the Corporation and assists in determining the need for additional cost reductions, evaluation of personnel, and resource allocation decisions. Operating profit before depreciation, amortization, finance costs, and other is referred to as an additional IFRS measure and may not be comparable to similar measures presented by other companies.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Corporation's critical accounting estimates and judgments from those described in the most recent annual financial statements.

6. OTHER ASSETS

The other assets of the Corporation consist of the following:

		March 31 2022		December 31 2021
Long-term prepaid expenses and security deposits	**$**	**2,190**	$	2,193
Long-term receivables		**3,959**		3,953
Long-term holdback receivables		**1,195**		717
Equity method investments		**50,397**		47,798
Other investments - Fair value through OCI (Note 14)		**15,634**		11,029
Derivative financial instruments - Fair value through profit and loss (Note 14)		**4,559**		405
Loan to Nunatsiavut Group of Companies ("NGC")		**554**		563
Total other assets	**$**	**78,488**	$	66,658

7. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at March 31, 2022, and December 31, 2021:

		March 31 2022		December 31 2021
Revolving term facility:				
Canadian dollar amounts drawn	**$**	**190,000**	$	190,000
United States dollar amounts drawn (US$518,400 and US$410,697 respectively)		**647,793**		520,681
Total credit facility debt outstanding, principal value		**837,793**		710,681
less: unamortized transaction costs		**(2,525)**		(2,907)
less: unamortized discount on outstanding Banker's Acceptances		**(196)**		(163)
Long-term debt	**$**	**835,072**	$	707,611

The Corporation's credit facility is secured by a general security agreement over the assets of the Corporation, subject to customary terms, conditions, covenants, and other provisions, and includes both financial and negative covenants. The Corporation is in compliance with all financial and negative covenants as at March 31, 2022.

Interest expense recorded by the Corporation during the three months ended March 31, 2022, for long-term debt was $5,053 (2021 – $5,459).

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2022:

	Three Months Ended March 31, 2022				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	$ 190,000	$ 40,000	$ (40,000)	$ -	$ 190,000
United States dollar amounts	520,681	145,052	(6,538)	(11,402)	647,793
	$ 710,681				$ 837,793

In the table above, withdrawals and repayments include the impact of entering into cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 14.

8. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2018	EIF.DB.J	June 30, 2025	5.35%	$ 49.00
Unsecured Debentures - 2019	EIF.DB.K	March 31, 2026	5.75%	$ 49.00
Unsecured Debentures - July 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70
Unsecured Debentures - December 2021	EIF.DB.M	January 15, 2029	5.25%	$ 60.00

Summary of the debt component of the convertible debentures:

	2022 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2022 Balance, End of Period
Unsecured Debentures - 2017	98,810	-	1,190	(8)	(99,992)	-
Unsecured Debentures - 2018	77,402	-	199	-	-	77,601
Unsecured Debentures - 2019	83,883	-	120	-	-	84,003
Unsecured Debentures - July 2021	137,958	-	179	-	-	138,137
Unsecured Debentures - December 2021	110,161	-	116	-	-	110,277
						410,018
less: unamortized transaction costs						(14,326)
Convertible Debentures - Debt Component, end of period						$ 395,692

During the three months ended March 31, 2022, convertible debentures totaling a face value of $8 were converted by the holders at various times into 155 shares of the Corporation (2021 - $nil and nil shares).

On February 11, 2022, the Corporation redeemed its 5 year 5.25% convertible debentures which were to mature on December 31, 2022. On the redemption date, the remaining outstanding debentures in the principal amount of $99,992 were redeemed by the Corporation.

Interest expense recorded during the three months ended March 31, 2022, for the convertible debentures was $9,799 (2021 – $5,861).

Convertible Debentures Equity Component

Since all the outstanding convertible debentures contain a conversion feature available to the debenture-holder to convert debenture principal into shares of the Corporation, the debenture obligation is classified partly as debt and partly as shareholders' equity. The debt component represents the present value of interest and principal payments over the life of the convertible debentures discounted at a rate approximating the rate which would have applied to non-convertible debentures at the time the convertible debentures were issued. The difference between the principal amount of the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding.

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

Summary of the equity component of the convertible debentures:

	March 31 2022	December 31 2021
Unsecured Debentures - 2017	-	3,590
Unsecured Debentures - 2018	3,866	3,866
Unsecured Debentures - 2019	2,497	2,497
Unsecured Debentures - July 2021	4,241	4,241
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 14,017	$ 17,607

All convertible debentures outstanding at March 31, 2022, represent direct unsecured debt obligations of the Corporation.

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid (“NCIB”) to purchase up to $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at February 14, 2022. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022 and ending on February 28, 2023. Daily purchases will be limited to $7 principal amount of Debentures (June 2018), $11 principal amount of Debentures (March 2019), $70 principal amount of Debentures (July 2021) and $60 principal amount of Debentures (December 2021), other than block purchase exemptions.

During the three months ended March 31, 2022, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

9. SHARE CAPITAL

Changes in the shares issued and outstanding during the three months ended March 31, 2022, are as follows:

	Number of Shares	2022 Amount
Share capital, beginning of period	38,740,389	$ 852,821
Issued upon conversion of convertible debentures	155	7
Issued under dividend reinvestment plan	90,406	3,690
Issued under employee share purchase plan	21,071	844
Share capital, end of period	38,852,021	$ 857,362

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 3,580,512 Common Shares, representing 10% of the issued and outstanding shares at January 31, 2022. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022, and ending on February 28, 2023. The maximum number of shares that can be purchased by the Corporation daily is limited to 20,179 shares, other than block purchase exemptions.

During the three months ended March 31, 2022, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,580,512 shares available for repurchase.

10. DIVIDENDS DECLARED

The Corporation pays cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Corporation’s Board of Directors regularly examines the dividends paid to shareholders.

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

The amounts and record dates of the dividends during the three months ended March 31, 2022, and the comparative 2021 period are as follows:

Month	Record date	Per Share	2022 Dividends Amount	Record date	Per Share	2021 Dividends Amount
January	January 31, 2022	$ 0.19	$ 7,366	January 29, 2021	$ 0.19	$ 6,744
February	February 28, 2022	0.19	7,372	February 26, 2021	0.19	6,748
March	March 31, 2022	0.19	7,382	March 31, 2021	0.19	6,755
Total		**$ 0.57**	**$ 22,120**		$ 0.57	$ 20,247

After March 31, 2022, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.19 per share for April 2022.

11. SEGMENTED AND SUPPLEMENTAL INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

The Corporation's operating business segments include strategic business units that offer different products and services. The Corporation has two operating business segments: Aerospace & Aviation and Manufacturing. The Aerospace & Aviation segment provides airline services to communities across Canada and also sells aircraft, engines, and aftermarket parts to regional airline operators around the world. In addition, Provincial's aerospace business designs, modifies, maintains, and operates custom sensor-equipped aircraft. MFC Training and Southern Interior Flight Centre provide pilot training services. CTI delivers training solutions for governments across an array of aviation platforms and has in-depth experience in training pilots and sensor operators on both manned and unmanned aircraft. The Manufacturing segment consists of niche specialty manufacturers in markets throughout Canada and the United States.

The Corporation evaluates each segment's performance based on Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). The Corporation's method of calculating Adjusted EBITDA may differ from that of other corporations and therefore may not be comparable to measures utilized by them. The Corporation's method of calculating Adjusted EBITDA is consistent with the Corporation's Operating Profit before Depreciation, Amortization, Finance Costs, and Other presented in the interim condensed consolidated Statement of Income. All inter-segment and intra-segment transactions are eliminated, and all segment revenues presented in the tables below are from external customers.

"Head Office" used in the following segment tables is not a separate segment and is only presented to reconcile to the Corporation's total Adjusted EBITDA, certain statement of financial position amounts, and capital asset additions. It includes expenses incurred at the head office of the Corporation.

				Three Months Ended March 31, 2022
	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
Revenue	**$ 281,592**	**$ 118,634**	**$ -**	**$ 400,226**
Expenses	**218,733**	**107,721**	**6,816**	**333,270**
Adjusted EBITDA	**62,859**	**10,913**	**(6,816)**	**66,956**
Depreciation of capital assets				**36,891**
Amortization of intangible assets				**2,841**
Finance costs - interest				**14,852**
Depreciation of right of use assets				**6,536**
Interest expense on right of use lease liabilities				**752**
Acquisition costs				**455**
Earnings before income taxes				**4,629**
Current income tax expense				**1,237**
Deferred income tax recovery				**(361)**
Net Earnings				**$ 3,753**

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

				Three Months Ended March 31, 2021
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 183,143	$ 117,603	$ -	$ 300,746
Expenses	130,321	99,509	6,794	236,624
Adjusted EBITDA	52,822	18,094	(6,794)	64,122
Depreciation of capital assets				30,743
Amortization of intangible assets				4,451
Finance costs - interest				11,391
Depreciation of right of use assets				6,124
Interest expense on right of use lease liabilities				873
Acquisition costs				104
Earnings before income taxes				10,436
Current income tax expense				6,094
Deferred income tax recovery				(2,785)
Net Earnings				$ 7,127

				For the period ended March 31, 2022
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 1,936,935**	**$ 576,080**	**$ 113,327**	**$ 2,626,342**
Net capital asset additions	**34,881**	**633**	**35**	**35,549**

				For the year ended December 31, 2021
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 1,921,682	$ 580,841	$ 86,144	$ 2,588,667
Net capital asset additions	216,752	5,305	71	222,128

Note 1) Includes corporate assets not directly attributable to operating segments. Such unallocated assets include corporate cash that is part of the Corporation's mirror banking arrangements.

Revenues

The following table provides disaggregated information about revenue from contracts with customers. Management believes that disaggregation by type of sale is most appropriate. The purpose of this disclosure is to provide information about the nature of the Corporation's contracts and the timing, amount, and uncertainties associated with customer contracts.

Revenue Streams	**March 31 2022**	March 31 2021
Aerospace & Aviation Segment		
Sale of goods - point in time	**$ 69,348**	$ 30,350
Sale of services - point in time	**173,319**	146,110
Sale of services - over time	**38,925**	6,683
Manufacturing Segment		
Sale of goods - point in time	**27,242**	23,725
Sale of goods and services - over time	**91,392**	93,878
Total revenue	**$ 400,226**	$ 300,746

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

12. EARNINGS PER SHARE

Basic earnings per share for the Corporation is calculated by dividing the Net Earnings by the weighted average number of common shares outstanding during the period.

Diluted Net Earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume the conversion of all dilutive securities to common shares. The Corporation has two categories of dilutive potential common shares: deferred shares under the Corporation's Deferred Share Plan and convertible debentures. For the convertible debentures, the convertible debt is assumed to have been converted into common shares and Net Earnings is adjusted to eliminate the interest expense from the convertible debt less the tax effect.

The computation for basic and diluted earnings per share for the three months ended March 31, 2022, and the comparative for the 2021 period are as follows:

Three Months Ended March 31		2022		2021
Net earnings	$	3,753	$	7,127
Effect of dilutive securities				
Convertible debenture interest		-		-
Diluted Net Earnings	$	3,753	$	7,127
Basic weighted average number of shares		38,789,084		35,508,213
Effect of dilutive securities				
Deferred Shares		862,334		972,874
Convertible debentures		-		-
Diluted basis weighted average number of shares		39,651,418		36,481,087
Net Earnings per share:				
Basic	$	0.10	$	0.20
Diluted	$	0.09	$	0.20

13. EMPLOYEE BENEFITS

Deferred Share Plan

During the three months ended March 31, 2022, the Corporation granted 28,537 (2021 – 30,607) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,232 (2021 - $1,214) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three months ended March 31, 2022, the Corporation recorded a compensation expense of $298 for the Corporation's Deferred Share Plan within the general and administrative expenses of head office (2021 - $371).

Restricted Share Plan

During the three months ended March 31, 2022, the Corporation granted 145,661 (2021 – 120,518) restricted shares to certain personnel. The fair value of the restricted share units granted was $5,754 (2021 - $4,846) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three months ended March 31, 2022, the Corporation recorded compensation expense of $1,140 for the Corporation's Restricted Share Plan within the general and administrative expenses of head office (2021 - $1,043), with a corresponding liability recorded in Accounts Payable and Accrued Expenses.

Employee Share Purchase Plan

Certain employees of the Corporation participate in an Employee Share Purchase Plan ("ESPP"). Under the ESPP, employees make contributions of up to 5% of their base salaries to purchase Corporation shares out of treasury, and upon the employees remaining employed with the Corporation or its subsidiaries during an 18-month vesting period, they are entitled to receive an additional number of shares ("additional shares") equal to 33.3% of the number of shares they purchased and dividends declared on those additional shares over the vesting period. The cost of the award is recognized in head office expenses of the Corporation over the 18-month vesting period.

At the decision of the employee, any dividends paid on the additional shares over the vesting period are either paid to the employee in cash upon the shares vesting or shares are purchased using these dividend funds.

During the three months ended March 31, 2022, employees acquired 21,071 shares from treasury at a weighted average price of $40.06 per share. The grant date fair value of the shares that will be awarded upon the vesting conditions of the plan being attained is estimated at $293 based on the share price and monthly dividend rate at that time.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (primarily currency, interest rate risk, and other price risk), credit risk, and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that have significantly changed from those described in the audited December 31, 2021, consolidated financial statements.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate, and other price risk.

Currency Risk

The Corporation has US $518,400 or $647,793 (December 31, 2021 - US $410,697 or $520,681) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $133,900 (December 31, 2021 - US $134,997) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation's investment in those subsidiaries with US dollar functional currencies are hedged partially by US $153,900 (December 31, 2021 - US $153,900) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the quarter, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar LIBOR borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at March 31, 2022, was a financial liability of $6,742 (2021 - financial liability of $482). At March 31, 2022, the notional value of the swaps outstanding is US $230,600 (2021 - US $121,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $6,742 was reclassified from other comprehensive income (2021 - $482).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 7) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Corporation to choose the base interest rate between Prime, Bankers Acceptances, or the London Inter-Bank Offer Rate ("LIBOR"). At March 31, 2022:

- US $518,400 (December 31, 2021 – US $410,600) was outstanding under US LIBOR and,
- US $nil (December 31, 2021, - US $97) was outstanding under US Prime, and
- $190,000 (December 31, 2021 – $190,000) was outstanding under Banker's Acceptances.

The interest rates of the convertible debentures (Note 8) have fixed interest rates.

The Corporation continued the use of its interest rate swap with certain members of its lending syndicate whereby the Corporation has fixed interest rates on $190,000 of its Canadian credit facility debt until May 15, 2024. The derivative financial instrument hedges the exposure to variability in cash flow associated with the future payment of interest on Bankers' Acceptance debt that would impact profit or loss and therefore qualifies as a cash flow hedge. The interest rate swap is classified as an other long-term financial asset of $3,532 (December 31, 2021 - other long-term financial liability of $943) and is recorded as a separate line within other comprehensive income.

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

Other Price Risk

The Corporation's Restricted Share Plan is a cash settled plan. Participants are awarded restricted shares and the payment to the participants at the end of the vesting period fluctuates based on the change in the Corporation's share price from the grant date to the vesting date.

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into a derivative instrument for each of the 2020, 2021, and 2022 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value for the 2020, 2021, and 2022 programs was $14,831. The instruments are classified as a long-term financial asset of $1,027 (2021 - long-term financial asset of $405) and are recorded as a separate line within other comprehensive income.

Fair Value of Financial Instruments

The following table provides fair value information about financial assets and liabilities in the consolidated balance sheet and categorized by level according to the significance of the inputs used in making the measurements and their related classifications:

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	**March 31, 2022**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 6)	1,027	-	1,027	-
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 6)	3,532	-	3,532	-
Other assets - Fair value through OCI (Note 6)	15,634	-	-	15,634
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(7,400)	-	-	(7,400)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(6,742)	-	(6,742)	-
Fair Value Disclosures				
Other assets - Amortized cost	7,573	-	7,573	-
Long-term debt - Amortized cost	(835,072)	-	-	(837,793)
Convertible debt - Amortized cost	(395,692)	(428,962)	-	-

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

Recurring fair value measurements	Carrying Value December 31, 2021	Fair Value: Quoted prices in an active market Level 1	Fair Value: Significant other observable inputs Level 2	Fair Value: Significant unobservable inputs Level 3
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 6)	$ 405	$ -	$ 405	$ -
Other assets - Fair value through OCI (Note 6)	$ 11,029	$ -	$ -	$ 11,029
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(8,100)	-	-	(8,100)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(482)	-	(482)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(943)	-	(943)	-
Fair Value Disclosures				
Other assets - Amortized cost	7,144	-	7,144	-
Long-term debt - Amortized cost	(707,611)	-	-	(710,681)
Convertible debt - Amortized cost	(492,216)	(534,947)	-	-

The Corporation valued the level 3 consideration liabilities based on the present value of estimated cash outflows using probability weighted calculations, discount rates, and the observable fair market value of its equity, as applicable.

The following table summarizes the changes in the consideration liabilities recorded on the acquisitions of LV Control, AWI, WIS, Carson Air, Macfab, Ryko, and CTI including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary For the periods ended	**March 31 2022**	December 31 2021
Opening balance	**$ 8,100**	$ 5,714
Accretion	**-**	286
Change in estimate	**-**	(6,000)
Acquisition of Window Installation, including change in estimate	**-**	6,505
Acquisition of Carson	**-**	1,091
Acquisition of Macfab	**-**	598
Acquisition of Ryko	**-**	419
Acquisition of CTI	**-**	7,204
Settled during the period	**(598)**	(7,596)
Translation gain	**(102)**	(121)
Ending balance	**$ 7,400**	$ 8,100

The liabilities for contingent consideration recorded as part of the acquisitions are included in Other Long-Term Liabilities in the Statement of Financial Position unless they are expected to be settled within a year. The remaining consideration liabilities, primarily consisting of estimated working capital settlements, are recorded within Accounts Payable and Accrued Expenses in the interim condensed consolidated Statement of Financial Position. The fair value of each earn out liability is determined at the time of the acquisition and uses several estimates. At the end of each reporting period, the Corporation reviews these estimates for reasonableness and makes any required adjustments to the carrying value of the liability.

(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

Included in the $7,400 above is the working capital settlement for Ryko and CTI. During the first quarter, the Corporation settled its consideration liability related to the Macfab acquisition. This resulted in a payment of $598 and finalized the purchase price allocation for the acquisition of Macfab.

<u>Financial Instrument Fair Value Disclosures</u>

The fair values of cash and cash equivalents, accounts receivable, deposits, accounts payable, and accrued expenses approximate their carrying values due to their short-term nature.

As at March 31, 2022, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 2.75%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's credit-worthiness.

As at March 31, 2022, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $428,962 (December 31, 2021 - $534,947) with a carrying value of $395,692 (December 31, 2021 - $492,216).

The Corporation's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current period.

15. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three months ended March 31, 2022, and the comparative period in 2021 are as follows:

Three Months Ended March 31		**2022**		2021
Accounts receivable, including long-term portion	**$**	**(2,134)**	$	(2,849)
Amounts due from customers on construction contracts		**337**		402
Inventory		**(23,017)**		952
Prepaid expenses and deposits, including long-term portion		**(18,218)**		(7,159)
Accounts payable and accrued expenses, including long-term portion		**25,479**		22,949
Income taxes receivable/payable		**(8,412)**		(2,130)
Deferred revenue, including long-term portion		**2,898**		6,729
Amounts due to customers on construction contracts		**(5,432)**		2,101
Net change in working capital	**$**	**(28,499)**	$	20,995

16. SUBSEQUENT EVENTS

Acquisition of Northern Mat & Bridge

On May 10, the Corporation announced the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares. On May 10, the Corporation announced the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares. Northern Mat is the leading provider of safe, environmentally friendly temporary access solutions to Canadian industrial sectors, including power transmission & distribution, pipeline, oil & gas, emergency response, renewable energy, forestry, mining, and general construction. Northern Mat & Bridge's products and services enable its customers to reduce their environmental footprint, while concurrently enhancing the safety and efficiency of operations. As the industry's leading service provider, Northern Mat & Bridge owns the largest fleet of access mats and portable bridges in Canada, with operations across Canada. Managing every aspect of a client's access requirements, Northern Mat's product and service line-up includes access mats, rig mats, crane mats, temporary bridges, planning and consultation, delivery, installation, maintenance, relocation, removal, reclamation, cleaning, and disposal. Leveraging the Company's internal manufacturing capabilities, extensive fleet of equipment and vast network of operations facilities and storage yards across Canada, NMB is Canada's best positioned temporary access solutions provider.

Dividend Increase

On May 10, 2022, the Corporation increased its monthly dividend by 5.3% or $0.12 per annum to $2.40 per annum. The increase is effective beginning with the May dividend, which will be paid to shareholders in June 2022.

Credit Facility Upsize and Extension

On May 10, 2022, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $1.75 billion and extended its term to May 10, 2026. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition.

Acquisition of Advanced Paramedics Ltd.

On May 10, the Corporation announced the acquisition of Advanced Paramedics Ltd. ("APL") for $15 million, including purchase price consideration of $2 million in EIC common shares. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, First Nations, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with the Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.