Exchange
Income
Corporation

Second Quarter Report

For the six months ended June 30, 2022

CEO's Message

Throughout the pandemic, while managing the multitude of short-term issues that arose as a result of COVID-19, we remained focused on the long-term health of EIC. As the impact of the pandemic has continued to fade and life has normalized, we have begun to see the benefit of the investments made for future growth. Since the pandemic began, we have completed eight acquisitions, including two in this quarter, and the combined impact of these investments is evident in our financial results. I will speak later in this message about how Northern Mat and Bridge, our largest acquisition to date, has performed in its first period under EIC ownership, but first I would like to focus on our overall results. The second quarter of 2022 as detailed below was, on virtually all financial metrics, a record level of performance, despite only including a partial period for our most recent acquisitions which closed half-way through the quarter. Revenue, Adjusted EBITDA, Net Earnings and Free Cash Flow less Maintenance Capital Expenditures all improved dramatically over the previous year. In fact, the Free Cash Flow less Maintenance Capital Expenditures payout ratio fell to 56% on a trailing twelve-month basis, amongst the strongest levels in our history. This has enabled the company to announce an increase in our annualized dividend for the second consecutive quarter by $0.12 per annum to a new level of $2.52 per share.

Highlights from EIC's Second Quarter Financial Performance

- Revenue increased by 64% to a record high of $529 million up from $322 million last year. Revenue increased 32% from the first quarter of this year, the previous all-time quarterly high.
- Adjusted EBITDA grew by 42% to a quarterly record high of $115 million from $81 million last year; the $115 million exceeded the previous quarterly high achieved in the third quarter of 2021 of $95 million by 21%.
- Free Cash Flow less Maintenance Capital Expenditures increased 30% to $47 million from $37 million in 2021. This was also an all-time second quarter high. On a per share basis, it rose to $1.20 from $0.98 last year and was also a second quarter record.
- Net Earnings reached an all-time quarterly high, increasing 82% to $30 million from $17 million last year. Net Earnings per share increased to $0.76 from $0.44.
- Adjusted Net Earnings reached an all-time quarterly high of $39 million, up 95% from last year. The results exceeded the previous high by 16%. Adjusted Net Earnings per share was $0.98, up 85% from 2021 and was also a second quarter record.
- The Free Cash Flow less Maintenance Capital Expenditure trailing twelve-month payout ratio improved to 56% from 58%. The trailing twelve-month payout ratio on an Adjusted Net Earnings basis improved significantly to 87% from 118%.

The improvement in the results was achieved despite a decline in government support from $17 million in the second quarter of 2021 to zero in the second quarter of 2022.

Our Aerospace & Aviation segment continued to strengthen in the second quarter with revenue and Adjusted EBITDA improving by 78% and 25% respectively. The differential between the rates of improvement is largely driven by the end of government subsidies which have a much larger impact on Adjusted EBITDA than on revenue. Subsidies in the segment declined by $14 million versus last year.

The improvement was driven by strong demand across the segment. In our Legacy Airlines and Provincial operations we saw significant increases in our passenger volumes as pandemic restrictions in northern communities were lessened or eliminated and access to medical resources in the south improved. Passenger levels now exceed pre-pandemic levels in the Maritimes and vary between 75% and 95% in Central and Northern Canada. Freight revenue has proven to be remarkably resilient. We expected declines from pandemic highs as passenger movements normalized. To date that has not been our experience as it has stayed at elevated levels. Medevac operations have continued to perform robustly.

The global aviation industry continues to deal with labour shortages which are exacerbated as travel demand accelerates. While pilot shortages are reasonably well known, similar challenges exist with maintenance engineers and to a lesser extent flight attendants. While EIC airlines were expecting this challenge and are somewhat protected through our investments in flight schools (MFC Training and Carson Air's Flight School) and our Life in Flight Program, access to experienced personnel adds additional challenges to ramping up flight schedules, even where the appropriate investment in aircraft have been made.

We are proud of thinking outside of the box in solving challenges and the pilot shortage is no different. Early this year we announced we would be operating a pop-up pilot school in Thompson, Manitoba aimed at developing First Nation Pilots. Flight school is very expensive and is beyond the reach of many people. This initiative has 11 Indigenous candidates participating in The Atik Mason Pilot Pathway, at absolutely no cost to the individual. Tik Mason was awarded the Bill Wehrle Scholarship and has become a highly successful pilot at Perimeter. The goal is to have Tik serve as a role model to potential Indigenous pilots and build a stream of incoming individuals looking for a career in aviation. Those of you who are familiar with the EIC story know that we have been very active in Reconciliation with Canada's First Nations. Last year we hosted over 1,000 people at the Winnipeg Blue Bomber game in orange "Every Child Matters" sweaters to bring attention to this issue and to provide an opportunity for youth who may not otherwise have the opportunity to travel from their home community and attend a professional sporting event. We will again be holding this event in 2022 at the Winnipeg Blue Bombers vs Saskatchewan Roughriders game on September 30. The pilot school moves our Reconciliation efforts a step forward, from simply acknowledging the problem and discussing it, to contributing towards economic reconciliation, by creating a path that will enable Indigenous participation in the economy, particularly in their own communities where economic opportunity may be limited.

Regional One's performance continues to improve. Demand for parts, aircraft components and complete aircraft is strong. Leasing demand is improving, but the rate of this improvement has been slowed by the shortage of pilots, which has in turn slowed the ability for airlines to bring additional aircraft into service. Engine leasing is improving more quickly than whole aircraft leasing. Notwithstanding the lease portfolio challenge, Regional One is well on its way towards surpassing pre-covid levels.

Provincial continued the work preparing the equipment required for the Netherlands maritime surveillance contract which goes into service in the third quarter. This is an exciting milestone for Provincial as it marks our first surveillance contract in Europe and further establishes the company as a worldwide leader in this specialty.

The Manufacturing segment continued its strong performance in the second quarter. Our existing companies generated consistent Adjusted EBITDA to the prior year despite the elimination of approximately $3 million in government support. Quest continues to be the hardest hit by inflation and supply chain issues of our manufacturing companies because of the long order cycle and contracts that were signed up to 30 months ago. While the balance of 2022 will be bumpy at Quest because of delayed projects, the outlook continues to strengthen. Demand is strong and our order book grew by approximately $100 million in the second quarter.

We closed the acquisition of Northern Mat and Bridge on May 10, and as such this is the first quarter in which it is included in our results. Northern Mat has performed exceptionally well and has seen several macroeconomic events which have resulted in performance at the highest end of our expectations. We disclosed at the time of purchase that based on historical averages that the acquisition was expected to meet our 15% return expectation. Actual results in the second quarter, and those for the balance of the year are expected to significantly exceed this threshold. Strong demand from long linear projects including pipeline work in British Columbia, electrical distribution line work in Ontario and strengthening of oil field work in Alberta have all served to drive demand for rental mats. Management's decision earlier in the year to focus on rental revenue and limit mat sales enabled the company to utilize all production of new product in the rental fleet thereby maximizing rental income. This decision, combined with tight supply for the industry as a whole resulting from limited investment by many companies during the pandemic, has driven rental prices higher. We remain very bullish on the temporary road access business. It is very environmentally friendly and has significant opportunity for long term growth. We are currently examining both organic growth and acquisition opportunities across North America in this space.

The recent dramatic increase in interest rates has resulted in a change to the acquisition market for a couple of reasons. Firstly, the higher interest rates for strong secured credits has driven the rates for high yield market up even further and secondly has made it much more difficult to access this type of financing. In turn, as a result of the more expensive, tighter debt markets we have seen moderation in the price of acquisitions and have found ourselves competitive on more transactions than we have for several years. The change has been more apparent in deals that are on the larger size for EIC, of approximately $100 million and beyond. While we are very active on the acquisition front and are looking at a number of high-quality opportunities, we are not at a stage where we are certain any of the transactions will proceed. We are, however, optimistic about the number and quality of transactions on which we appear to be competitive on, and this should ultimately result in further growth through acquisition.

At the beginning of the pandemic, we withdrew our forward-looking financial guidance because of the incredible uncertainty there was about how it would affect EIC in particular and the economy and overall society as a whole. As the pandemic began to wane late in 2021, we were able to quantify the impact of the investments we had made and provide guidance for a run rate Adjusted EBITDA when we exited the pandemic of $400 million. When we reported in the first quarter we felt confident enough to provide guidance for fiscal 2022 and 2023. We expected 2022 to be between $410 and $430 million and 2023 to be between $500 and $530 million. I am pleased to announce that the strength of our operations in the second quarter and the third quarter to date together with the outlook for the balance of the year have enabled us to revisit the 2022 guidance and to increase it to between $435 and $445 million. We will revisit our 2023 guidance when we report our third quarter results in November.

We are ecstatic with our progress in the second quarter. We completed our largest acquisition to date, enhanced our liquidity with a larger, more flexible debt facility with our Bank syndicate partners, and most importantly delivered the strongest financial performance in our 20-year history. Increasing our dividend in consecutive quarters is not something we have regularly done in the past, nor is it expected to be the norm in the future, but it shows the strength of our results and our confidence in the future. We demonstrated the resilience of our model during the pandemic when we were able to maintain our dividend when most companies with significant aviation exposure were forced to cut or cancel it. Now, we are able to demonstrate the impact of the investments made over the last three years and reward our shareholders with a second increase to our dividend. While there is no way to predict what COVID-19 has left in store for us in the future, we are very confident that as in the past we will manage whatever it brings and that this is only the beginning of delivering exceptional results to our shareholders. I want to thank all of our shareholders, employees, and stakeholders for their remarkable support over the last three years, and as I concluded last quarters message with, "the best is yet to come."

Mike Pyle
Chief Executive Officer

August 11, 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 and six months ended June 30, 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 and six months ended June 30, 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.

(b) **Manufacturing** – provides a variety of manufactured goods and related services in several industries and geographic markets throughout North America. **Northern Mat** is a manufacturer of environmentally responsible temporary access mats, and sells and rents those mats as well as temporary access bridges to provide complete access solutions. **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.

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 diluted		2021		per share basic		per share diluted
For the three months ended June 30											
Revenue	$	529,017				$	322,070				
Adjusted EBITDA(1)		115,055					81,061				
Net Earnings		29,990	$ 0.76	$	0.73		16,506	$	0.44	$	0.43
Adjusted Net Earnings(1)		38,501	0.98		0.90		19,781		0.53		0.52
Free Cash Flow(1)		89,251	2.26		1.95		57,289		1.54		1.37
Free Cash Flow less Maintenance Capital Expenditures(1)		47,356	1.20		1.09		36,523		0.98		0.91
Dividends declared		23,334	0.59				21,533		0.57		
For the six months ended June 30											
Revenue		929,243				$	622,816				
Adjusted EBITDA(1)		182,011					145,183				
Net Earnings		33,743	0.86		0.84		23,633	$	0.65	$	0.63
Adjusted Net Earnings(1)		46,336	1.18		1.16		30,332		0.83		0.81
Free Cash Flow(1)		136,660	3.49		3.05		98,927		2.72		2.43
Free Cash Flow less Maintenance Capital Expenditures(1)		66,852	1.71		1.61		56,097		1.54		1.46
Dividends declared		45,454	1.16				41,780		1.14		
Trailing Twelve months as at June 30											
Adjusted Net Earnings payout ratio(1)			87%						118%		
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)			56%						58%		
FINANCIAL POSITION		**June 30, 2022**					December 31, 2021				
Working capital	$	441,775				$	225,108				
Capital assets		1,198,291					1,070,573				
Total assets		3,246,246					2,588,667				
Long-term debt		1,256,738					707,611				
Equity		847,483					800,275				
SHARE INFORMATION		**June 30, 2022**					December 31, 2021				
Common shares outstanding		39,907,390					38,740,389				
		June 30, 2022					June 30, 2021				
Weighted average shares outstanding during the period - basic		39,112,144					36,332,992				

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, although to a lesser extent as 2022 has progressed, 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.

Launch of the 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 June 1, 2022, Richard Wowryk was appointed to the position of Chief Financial Officer. 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 departed EIC at the end of May to pursue a new career opportunity.

Acquisition of Northern Mat & Bridge

On May 10, 2022, the Corporation completed the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares, subject to normal post-closing adjustments. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to the same condition as before the project began construction.

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 was effective beginning with the May dividend, which was 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, 2022, the Corporation completed the acquisition of Advanced Paramedics Ltd. ("APL") for $15 million, including purchase price consideration of $2 million in EIC common shares, subject to normal post-closing adjustments. 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 Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.

SUBSEQUENT EVENT

Dividend Increase

On August 11, 2022, the Corporation increased its monthly dividend by 5% or $0.12 per annum to $2.52 per annum. The increase is effective beginning with the August dividend, which will be paid to shareholders in September 2022.

2. RESULTS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Corporation for the three months ended June 30, 2022, and the comparative 2021 period.

	Three Months Ended June 30, 2022			
	Aerospace & Aviation	Manufacturing	Head Office [2]	Consolidated
Revenue	$ 352,354	$ 176,663	$ -	$ 529,017
Expenses [1]	266,774	137,697	9,491	413,962
Adjusted EBITDA	85,580	38,966	(9,491)	115,055
Depreciation of capital assets				39,476
Amortization of intangible assets				5,776
Finance costs - interest				15,211
Depreciation of right of use assets				7,411
Interest expense on right of use liabilities				935
Acquisition costs				4,449
Earnings before taxes				41,797
Current income tax expense				3,508
Deferred income tax expense				8,299
Net Earnings				$ 29,990
Net Earnings per share (basic)				$ 0.76
Adjusted Net Earnings				$ 38,501
Adjusted Net Earnings per share (basic)				$ 0.98

				Three Months Ended June 30, 2021
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 197,934	$ 124,136	$ -	$ 322,070
Expenses (1)	129,371	104,410	7,228	241,009
Adjusted EBITDA	68,563	19,726	(7,228)	81,061
Depreciation of capital assets				34,939
Amortization of intangible assets				3,868
Finance costs - interest				11,178
Depreciation of right of use assets				6,098
Interest expense on right of use lease liabilities				811
Acquisition costs				379
Earnings before taxes				23,788
Current income tax expense				4,975
Deferred income tax expense				2,307
Net Earnings				$ 16,506
Net Earnings per share (basic)				$ 0.44
Adjusted Net Earnings				$ 19,781
Adjusted Net Earnings per share (basic)				$ 0.53

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 $529 million, an increase of $207 million, or 64% over the comparative period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $154 million over the prior period and the Manufacturing segment increasing by $53 million over the prior period.

Adjusted EBITDA of $115 million was generated by the Corporation during the period, an increase of $34 million or 42% over the prior period. The increase was attributable to both segments, as the Aerospace & Aviation segment increased by $17 million over the prior period and the Manufacturing segment increased by $19 million over the prior period. Head Office costs increased over the prior period as the Corporation invested additional resources in information technology and performance-based compensation increased. The amount of government assistance received during the period declined by $17 million and the Corporation did not receive government subsidies during the second quarter. Excluding the impact of subsidies in the prior period, Adjusted EBITDA increased by 80% over the prior period.

The Corporation's second quarter results were impacted by the Omicron variant as travel within the north was slow to start in the quarter, and an industry wide pilot shortage resulted in various airlines around the world parking regional aircraft as they did not have enough crew to operate those aircraft, resulting in a slower recovery in demand for Regional One's leased aircraft. 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, while the pilot shortage continues to impact demand for Regional One's lease assets.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $154 million to $352 million.

Revenue in the Legacy Airlines and Provincial increased by $90 million or 56% over the prior period. The acquisitions of Carson Air and CTI were completed on July 5, 2021, and December 16, 2021, respectively, and positively contributed to revenue in the current period as there is no comparative in the prior period. 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. Lastly, higher fuel surcharges to offset escalating fuel prices contributed to the increase in revenue over the prior period. The improvements were partly offset by a reduction in government financial assistance supporting the continuation of essential service into remote northern communities which was received in the prior period with no corresponding funding in the current period.

Regional One's revenue for the current period increased by $65 million or 172%. The improvement was driven by a significant increase in sales and service revenue over the prior period as seen in the table below.

Regional One Revenue	Three Months Ended June 30,		**2022**		2021
Sales and service revenue		**$**	**93,932**	$	30,893
Lease revenue			**8,592**		6,814
		$	**102,524**	$	37,707

The revenue generated by Regional One is comprised of two main streams – sales and service revenue and lease revenue. Sales and service revenue is derived from the sales of aircraft parts, aircraft engines, and whole aircraft, as well as from the provision of services such as asset management. Lease income is generated through the leasing of aircraft engines or whole aircraft.

Sales and service revenue increased by 204% over the prior period. The sales of whole aircraft, engines and parts were materially impacted during the prior period due to COVID-19. Regional One saw a material recovery in larger asset sales during the period, which, combined with a material increase in part sales, drove 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 $2 million or 26% over the prior period. The COVID-19 pandemic continues to have an impact on the regional jet marketplace and therefore on Regional One's lease revenue business. The onset of the Omicron variant pushed out the recovery of lease asset utilization into future quarters and the capacity constraints at air carriers and at airports around the world are continuing to negatively impact lease revenue. A shortage of air crews, pilots and airport staff is resulting in cancelled flights and in some cases regional routes have been temporarily replaced with alternate means of transport in an attempt to ease the constraints. Aircraft around the world are sitting idle due to a shortage of pilots, which has temporarily reduced demand for the lease of whole aircraft. Regional One has pivoted in the face of these market dynamics to deliver strong growth in revenue and Adjusted EBITDA, driven by large asset and part sales while management prepares for demand for its lease assets to return. As the impacts from the Omicron wave have eased, the Corporation experienced an increase of 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 $17 million or 25% to $86 million.

Adjusted EBITDA in the Legacy Airlines and Provincial increased by $5 million or 8% over the prior period. The increase in Adjusted EBITDA was primarily driven by the 56% increase in revenue. Capacity sharing across airline subsidiaries and cost savings associated with operational efficiencies also contributed to the improvement and helped mitigate cost pressures stemming from the industry wide tight labour market. Higher operating costs due to a combination of factors, including the impact of escalating fuel prices, negatively impacted Adjusted EBITDA during the period. The impact of rapid fuel price escalation was partly offset by the implementation of fuel surcharges. 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 second quarter of 2022. Given the shorter 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 second quarter. The Corporation also benefited from the addition of Carson in July 2021 and CTI in December 2021. Adjusted EBITDA in the Legacy Airlines and Provincial improved despite receiving $14 million less in government support in the second quarter of 2022 compared to the prior period.

Regional One's Adjusted EBITDA increased by $12 million or 107% 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 for the segment were impacted by three notable differences compared to the prior period. First, CTI, acquired in December 2021, generated 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 reduced 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. Also, as fuel price surcharges are a flow through to the customer to cover additional fuel costs experienced, Adjusted EBITDA margins will be lower until these newly implemented fuel price surcharges are no longer necessary. Finally, the $14 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 $53 million or 42% over the prior period to $177 million and Adjusted EBITDA increased by $19 million or 98% to $39 million. Excluding the impact of CEWS received in the prior period, the Manufacturing segment Adjusted EBITDA increased by 130%.

The Manufacturing segment achieved this performance as a result of our existing companies' consistent performance and the addition of Northern Mat during the quarter. The benefits of diversification enabled our existing manufacturing companies to produce results consistent with the comparative period despite receiving no government subsidies in the current period and significant macroeconomic headwinds for manufacturing companies throughout North America. Lower results at Quest were offset by strength in the remainder of the segment, including growth in the telecommunications industry from 5G investment and increased projects in Alberta buoyed by increased oil prices. These positively impacted results in the current period and are expected to continue to positively impact results as the year progresses.

All of our entities were impacted by the macroeconomic variables which are impacting businesses throughout the globe, including material price increases, supply chain deliveries, and labour challenges. This has resulted in increased raw material, transportation, and fuel costs which put downward pressure on margins. Consistent with the solution orientated approach to the early impact of COVID-19, as a whole our subsidiaries have been able to manage through these issues. The entity most impacted has been Quest, as their long lead production schedule is difficult to pivot on short notice. 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 lower margins than experienced for supply and install jobs and has a much shorter sales cycle.

Quest has seen a return of strong demand in 2022. Quest's order backlog has increased by approximately $100 million since March 31, 2022. Additionally, 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 growth in future periods.

During the period, the Corporation completed its acquisition of Northern Mat, increasing revenue and Adjusted EBITDA compared to the prior period. Northern Mat, driven by several large projects, is experiencing well above historical demand for its rental mats and bridges and the utilization of these rental assets was nearing practical capacity as the quarter ended. The performance of Northern Mat was materially above its historical performance and in line with our high expectations based on our diligence performed. Sales of used and new mats was below historical norms as Northern Mat chose to deploy its assets in rental opportunities instead of selling them outright. Northern Mat continues to produce as many mats as possible within their integrated manufacturing facilities to meet growing customer demand that is expected to persist well above historical levels in the short to medium term.

NET EARNINGS

Three Months Ended June 30,		**2022**		2021
Net Earnings	**$**	**29,990**	$	16,506
Net Earnings per share	**$**	**0.76**	$	0.44

Net Earnings was $30 million, an increase of $13 million or 82% over the prior period. The $34 million increase in Adjusted EBITDA during the current period increased Net Earnings. This increase was partially offset by four items. Depreciation on capital assets increased by $5 million over the prior period due to assets acquired through the Corporations seven acquisitions over the last 12 months, investments made in Growth Capital Expenditures over the same period, and increased flying by the Corporations airlines. Interest costs and acquisition costs increased over the prior period by $4 million and $4 million, respectively, due to the acquisitions of Northern Mat and APL. In addition, interest costs have increased over the prior period due to the increases in benchmark borrowing rates. Finally, intangible asset amortization increased by $2 million over the prior period as a result of recent acquisition activity.

Income tax expense increased by $5 million over the comparative period as the Corporation generated higher earnings before taxes. The Corporation's effective rate of tax decreased compared to the prior period primarily because the Corporation generated a larger proportion of earnings before tax in lower tax rate jurisdictions in the current period compared to the prior period where it had incurred losses in its lower tax rate jurisdictions.

Net Earnings per share increased by 73% over the prior period to $0.76 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 6%, which partially offset the increased Net Earnings. 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 June 30,		2022		2021
Net Earnings	**$**	**29,990**	$	16,506
Acquisition costs (net of tax $154 and nil)		**4,295**		379
Amortization of intangible assets (net of tax $1,560 and $1,044)		**4,216**		2,824
Interest accretion on acquisition contingent consideration		**-**		72
Adjusted Net Earnings	**$**	**38,501**	$	19,781
per share - Basic	**$**	**0.98**	$	0.53
per share - Diluted	**$**	**0.90**	$	0.52

Adjusted Net Earnings was $39 million, an increase of $19 million or 95% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $4 million in intangible asset amortization and $4 million in acquisition costs (all net of tax).

Adjusted Net Earnings per share increased by 85% over the prior period to $0.98 due to higher Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 6%, which partially offset the increased Adjusted Net Earnings. 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)*

FREE CASH FLOW Three Months Ended June 30,		2022		2021
Cash flows from operations	**$**	**35,281**	$	39,347
Change in non-cash working capital		**57,290**		23,362
Acquisition costs (net of tax $154 and nil)		**4,295**		379
Principal payments on right of use lease liabilities		**(7,615)**		(5,799)
	$	**89,251**	$	57,289
per share - Basic	**$**	**2.26**	$	1.54
per share - Diluted	**$**	**1.95**	$	1.37

The Free Cash Flow generated by the Corporation during the period was $89 million, an increase of $32 million or 56% over the prior period. The reasons for this increase are the $34 million increase in Adjusted EBITDA and a $1 million decrease in current taxes, slightly offset by increased interest costs and principal payments on right of use lease liabilities. 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 47% to $2.26. The weighted average number of shares increased by 6%, 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*.

Six Month Results

The following section analyzes the financial results of the Corporation for the six months ended June 30, 2022, and the comparative 2021 period.

				Six Months Ended June 30, 2022
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 633,946	$ 295,297	$ -	$ 929,243
Expenses (1)	485,507	245,418	16,307	747,232
Adjusted EBITDA	148,439	49,879	(16,307)	182,011
Depreciation of capital assets				76,367
Amortization of intangible assets				8,617
Finance costs - interest				30,063
Depreciation of right of use assets				13,947
Interest expense on right of use liabilities				1,687
Acquisition costs				4,904
Earnings before taxes				46,426
Current income tax expense				4,745
Deferred income tax expense				7,938
Net Earnings				$ 33,743
Net Earnings per share (basic)				$ 0.86
Adjusted Net Earnings				$ 46,336
Adjusted Net Earnings per share (basic)				$ 1.18

				Six Months Ended June 30, 2021
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 381,077	$ 241,739	$ -	$ 622,816
Expenses (1)	259,692	203,919	14,022	477,633
Adjusted EBITDA	121,385	37,820	(14,022)	145,183
Depreciation of capital assets				65,682
Amortization of intangible assets				8,319
Finance costs - interest				22,569
Depreciation of right of use assets				12,222
Interest expense on right of use lease liabilities				1,684
Acquisition costs				483
Earnings before taxes				34,224
Current income tax expense				11,069
Deferred income tax recovery				(478)
Net Earnings				$ 23,633
Net Earnings per share (basic)				$ 0.65
Adjusted Net Earnings				$ 30,332
Adjusted Net Earnings per share (basic)				$ 0.83

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 $929 million, an increase of $306 million, or 49% over the comparative period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $253 million over the prior period and the Manufacturing segment increasing by $54 million over the prior period.

Adjusted EBITDA of $182 million was generated by the Corporation during the period, an increase of $37 million or 25% over the prior period. The increase was attributable to both segments, as the Aerospace & Aviation segment increased by $27 million over the prior period and the Manufacturing segment increased by $12 million over the prior period. Head Office costs increased over the prior period as the Corporation invested additional resources in information technology, and performance-based compensation increased. The amount of government assistance received during the period declined by $27 million and the Corporation did not receive government subsidies during the second quarter. Excluding the impact of subsidies in both periods, Adjusted EBITDA increased by 59% over the prior period.

The Corporation's results for the first quarter, which is always the seasonally slowest quarter for the Corporation, were materially impacted by the emergence of the Omicron variant, and were also impacted to a lesser extent at the beginning of the second quarter. 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. In addition, as discussed in the three-month section above, a worldwide shortage of pilots is resulting in a slower return of demand for Regional One's aircraft lease portfolio. 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 during the first three months of the period. This support ensured 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 $253 million to $634 million.

Revenue in the Legacy Airlines and Provincial increased by $150 million or 49% over the prior period. The acquisitions of Carson Air and CTI in the prior year, and to a lesser extent the acquisition of APL partway through the second quarter of 2022, positively contributed to revenue in the current period as there is no comparative in the prior period. Demand for passenger services resulting from reduced travel restrictions in the second quarter of 2022, increased charter activity, and strong rotary wing operations positively contributed to the revenue generated in the period. This increase was partly offset by significantly lower government financial assistance compared to the prior period, which supported the continuation of essential service into remote northern communities where service was not economical throughout the pandemic.

Regional One's revenues for the current year increased by $103 million or 142%. As seen in the table below, this was driven by an increase in sales and service revenue and an increase in lease revenue over the prior period.

Regional One Revenue	Six Months Ended June 30		**2022**		2021
Sales and service revenue		**$**	**158,553**	$	58,536
Lease revenue			**17,460**		14,193
		$	**176,013**	$	72,729

Sales and service revenue increased by 171% over the prior period. The sales of whole aircraft, engines, and parts were materially impacted during the prior period due to COVID-19, and Regional One has taken advantage of current market conditions to generate record levels of asset sales. Regional One saw a material recovery in larger asset sales during the period, which, combined with a material increase in part sales, drove 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 $3 million or 23% over the prior period. The increase over the prior period reflects increased utilization of the Corporation's lease pool engines as Regional One deployed more engines from its portfolio as it saw increasing demand from customers. Consistent with the three-month discussion above, Regional One's lease revenues have been impacted by both the Omicron variant and the temporary capacity disruptions within the aviation industry, most notably a worldwide shortage of pilots. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, Adjusted EBITDA increased $27 million or 22% to $148 million.

Adjusted EBITDA in the Legacy Airlines and Provincial increased by $2 million or 2% over the comparative period. In the first quarter, increased revenues were outpaced by higher operating costs due to a combination of factors. Throughout 2021 the segment experienced strengthening of passenger demand since pandemic lows; however, passenger demand experienced a sharp decline with the emergence of Omicron in late 2021, which continued into the first quarter of 2022. Given the shorter 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 year. As passenger volumes recovered later in the first quarter and continued to trend upward in the second quarter, the cost structure became more aligned with volumes. The impact of escalating fuel prices in the first and second quarters and other inflationary cost pressures placed downward pressure on Adjusted EBITDA. 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. The Corporation benefited from the acquisitions of Carson and CTI in July 2021 and December 2021, respectively, and to a lesser extent the acquisition of APL partway through the second quarter of 2022. Adjusted EBITDA in the Legacy Airlines and Provincial improved despite receiving $21 million less in government support in the first half of 2022 compared to the prior period.

Adjusted EBITDA at Regional One increased by $25 million or 132% over the prior period. Consistent with the three-month discussion above, the increase in Adjusted EBITDA was generated from a significant increase in aircraft, engine, and part sales, and an increase in leasing revenue.

Adjusted EBITDA margins for the segment were impacted by three notable differences compared to the prior period. First, CTI, acquired in December 2021, generated 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 period temporarily reduced 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. Also, as fuel price surcharges are a flow through to the customer to cover additional fuel costs experienced, Adjusted EBITDA margins will be lower until these newly implemented fuel price surcharges are no longer necessary. Finally, the $21 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 $54 million or 22% over the prior period to $295 million and Adjusted EBITDA increased by $12 million or 32% to $50 million. Excluding the impact of CEWS received in the prior period, the Manufacturing segment Adjusted EBITDA increased by 57%.

All our entities were impacted by the macroeconomic variables which are impacting businesses throughout the globe, including material price increases, supply chain deliveries, and labour challenges. The impacts for the six-month period are consistent with those described in the three-month section above.

During the period, the Corporation completed its acquisition of Northern Mat, which increased revenue and Adjusted EBITDA compared to the prior period. Northern Mat, driven by several large projects, is experiencing well above historical demand for its leased mats and bridges and the utilization of these leased assets was nearing practical capacity as the quarter ended. Factors driving this performance are consistent with the three-month section above.

Consistent with the three-month section above, Quest has experienced temporary gaps in their production schedules that has resulted in lower results compared to the prior period, which included two of the strongest quarters in Quest's history. During the year, however, Quest has seen a return to strong demand for its products and services as its order backlog increased approximately $100 million in the second quarter.

The balance of the segment collectively experienced an increase in revenue and Adjusted EBITDA for the same reasons described in the three-month section above.

NET EARNINGS

Six Months Ended June 30,	**2022**	2021
Net Earnings	**$ 33,743**	$ 23,633
Net Earnings per share	**$ 0.86**	$ 0.65

Net Earnings was $34 million, an increase of $10 million or 43% over the prior period. The $37 million increase in Adjusted EBITDA during the current period increased Net Earnings. This increase was partially offset by three items. Depreciation on capital assets increased by $11 million over the prior period due to assets acquired through the Corporations seven acquisitions over the last 12 months, investments made in Growth Capital Expenditures over the same period, and increased flying by the Corporation's airlines. Interest costs and acquisition costs increased over the prior period by $7 million and $4 million, respectively, due to the acquisitions of Northern Mat and APL. In addition, interest costs have increased over the prior period due to the increases in benchmark borrowing rates and $2 million of non-cash accelerated interest accretion in the first quarter as a result of the early redemption of the Corporation's debentures that were to mature in December 2022.

Income tax expense increased by $2 million due to increased earnings before tax compared to the prior period. The Corporation's effective rate of tax decreased compared to the prior period as losses in lower tax rate jurisdictions were a lower proportion of the Corporation's earnings before tax in the current period.

Net Earnings per share increased by 32% over the prior period to $0.86 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 8%, which partially offset the increased Net Earnings. 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)*

Six Months Ended June 30,		2022		2021
Net Earnings	**$**	**33,743**	$	23,633
Acquisition costs (net of tax $219 and nil)		**4,685**		483
Amortization of intangible assets (net of tax $2,327 and $2,246)		**6,290**		6,073
Interest accretion on acquisition contingent consideration		**-**		143
Accelerated interest accretion on redeemed debentures (net of tax $599 and nil)		**1,618**		-
Adjusted Net Earnings	**$**	**46,336**	$	30,332
per share - Basic	**$**	**1.18**	$	0.83
per share - Diluted	**$**	**1.16**	$	0.81

Adjusted Net Earnings was $46 million, an increase of $16 million or 53% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $6 million in intangible asset amortization and $5 million in acquisition costs, and the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $2 million (all net of tax).

Adjusted Net Earnings per share increased by 42% to $1.18 over the prior period due to higher Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 8%, which partially offset the increased Adjusted Net Earnings. 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)*

FREE CASH FLOW Six Months Ended June 30,		2022		2021
Cash flows from operations	**$**	**60,335**	$	107,613
Change in non-cash working capital items		**85,789**		2,367
Acquisition costs (net of tax $219 and nil)		**4,685**		483
Principal payments on right of use lease liabilities		**(14,149)**		(11,536)
	$	**136,660**	$	98,927
per share - Basic	**$**	**3.49**	$	2.72
per share - Diluted	**$**	**3.05**	$	2.43

The Free Cash Flow generated by the Corporation during the period was $137 million, an increase of $38 million, or 38% over the prior period. The main reason for this increase is the $37 million increase in Adjusted EBITDA and lower current taxes slightly offset by increased borrowing costs and increased principal payments on right of use lease liabilities. 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 28% to $3.49. The weighted average number of shares increased by 8%, 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.

ACQUISITIONS

Northern Mat and Bridge

On May 10, 2022, the Corporation acquired the shares of Northern Mat. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to the same condition as before the project began construction.

The components of the consideration paid to acquire Northern Mat are outlined in the table below.

Consideration given:		
Cash, including initial working capital settlement	**$**	**302,565**
Issuance of 863,256 shares of the Corporation at $40.54 per share		**35,000**
Contingent consideration - earn out		**4,465**
Total purchase consideration	**$**	**342,030**

Advanced Paramedic Ltd.

On May 10, 2022, the Corporation acquired the shares of APL. 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 Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.

The components of the consideration paid to acquire APL are outlined in the table below.

Consideration given:		
Cash	**$**	**13,000**
Issuance of 49,326 shares of the Corporation at $40.54 per share		**2,000**
Estimated working capital settlement		**662**
Total purchase consideration	**$**	**15,662**

CAPITAL EXPENDITURES

	Three Months Ended June 30, 2022			
CAPITAL EXPENDITURES	**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$ 36,848**	**$ 4,947**	**$ 100**	**$ 41,895**
Growth Capital Expenditures	**34,366**	**6,144**	**798**	**41,308**
	$ 71,214	**$ 11,091**	**$ 898**	**$ 83,203**

	Three Months Ended June 30, 2021			
CAPITAL EXPENDITURES	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$ 19,793	$ 949	$ 24	$ 20,766
Growth Capital Expenditures	33,150	846	-	33,996
	$ 52,943	$ 1,795	$ 24	$ 54,762

		Six Months Ended June 30, 2022			
CAPITAL EXPENDITURES		**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$**	**64,092 $**	**5,581 $**	**135 $**	**69,808**
Growth Capital Expenditures		**42,521**	**6,157**	**798**	**49,476**
	$	**106,613 $**	**11,738 $**	**933 $**	**119,284**

		Six Months Ended June 30, 2021			
CAPITAL EXPENDITURES		Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$	40,847 $	1,931 $	52 $	42,830
Growth Capital Expenditures		55,328	1,200	-	56,528
	$	96,175 $	3,131 $	52 $	99,358

Maintenance Capital Expenditures for the six month period ended June 30, 2022, increased by 63% over the prior period. Maintenance Capital Expenditures for the Corporation's airlines are generally weighted more towards the first half of the year as heavy overhauls and engine maintenance events are scheduled at a time when demand is lowest in the airline subsidiaries. During the period, the Corporation's airline subsidiaries performed more Maintenance Capital Expenditures as our flight hours increased over the prior period as we continue to trend towards more normal passenger volumes. In addition, the recent acquisition activity both in the second half of 2021 and the first half of 2022 has added to Maintenance Capital Expenditures as there is no comparative in the prior period.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for the Legacy Airlines and Provincial for the three and six months ended June 30, 2022, were $27 million and $50 million, respectively, an increase of 47% and 31%, respectively, over the prior period. 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 and continued into the second quarter of 2022. During the three and six months ended June 30, 2022, the Legacy Airlines and Provincial invested $22 million and $51 million, respectively, 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 three and six months ended June 30, 2022, were $10 million and $15 million, respectively, an increase of $8 million and $11 million, respectively. 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. While the impacts of COVID-19 have lessened, the lease fleet remains underutilized due to a worldwide flight crew shortage, most notably pilots. 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 currently 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	**June 30, 2022**		December 31, 2021	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**58** (1)	**86**	64 (1)	81

Note 1) The aircraft total above includes 9 airframes (December 31, 2021 – 10 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 three and six months ended June 30, 2022, Regional One had Growth Capital Expenditures of $13 million in the three month period and negative Growth Capital Expenditures of $9 million in the six month period. During the period, 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. More than offsetting the negative Growth Capital Expenditures, Regional One's inventory increased $21 million in the first half 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 investment in Northern Mat's pool of rental mats and bridges, and the replacement of production equipment, or components of that equipment. Continued reinvestment in the rental mats and bridges at Northern Mat is required to maintain cash flows at current levels, represented by depreciation, as the useful life of the assets are consumed by lessees. Certain manufacturing assets have long useful lives and therefore can last for many years before requiring replacement or significant repair, which can result in significant variability from year to year.

For the three and six months ended June 30, 2022, Maintenance Capital Expenditures of $5 million and $6 million, respectively, were made by the Manufacturing segment, an increase of $4 million and $4 million, respectively, over the prior period. The increase over the prior period is mostly attributable to the acquisition of Northern Mat and to a lesser extent the acquisitions made in the second half of 2021, for which there is no comparative in the prior period.

For the three and six months ended June 30, 2022, Growth Capital Expenditures of $6 million and $6 million, respectively, were made by the Manufacturing segment. The investments were almost entirely made at Northern Mat to increase its fleet of rental mats and bridges to support a surge in customer demand.

INVESTMENT IN WORKING CAPITAL

During the six months ended June 30, 2022, the Corporation invested $86 million into working capital to support several growth initiatives and increased revenues, as discussed further below. Details of the investment in working capital are included in Note 16 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

During the second quarter, the Corporation's rotary wing operations made a deposit on an order of helicopters that are tied to the Corporation's bid on a significant 10-year rotary wing medical contract in Canada. If the Corporation is unsuccessful in its bid for this contract, the deposit will be returned to the Corporation in a future period. This deposit increased prepaid expenses and deposits by $26 million.

Regional One made deposits on a number of capital assets to add to its lease portfolio that are currently recorded in prepaid expenses and deposits. This resulted in an investment in working capital during the period of $22 million. These deposits, assuming Regional One completes the transactions, will be recorded as capital assets at the time of the purchase. If the transactions are not completed, the funds will be returned in future periods.

In addition to the deposits at Regional One, Regional One also made investments in its inventory during the period in two ways. First, several whole aircraft and engines were purchased for resale as Regional One continues to take advantage of current market conditions that has seen large asset sales significantly increase compared to prior periods. Second, several assets have been removed from the lease portfolio and parted out, which will serve to increase part sales in the future. The combined impact of these two factors resulted in an investment in working capital of $21 million.

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 and will be rightsized over time as the supply chains normalize and the Corporation manages its inventory to a level that reflects its business volumes at that time. In the Manufacturing segment, where the majority of this advanced purchasing is occurring, inventory increased by $16 million to mitigate the impact of supply chain disruptions.

The Corporation's revenue has increased as discussed in *Section 2 – Results of Operations*. The Corporation's revenue in the fourth quarter of 2021 was $390 million compared to $529 million in the second quarter of 2022. This increase in revenue has necessitated an investment in working capital during the quarter to support the increase in business volumes, which was mostly offset by cash management strategies in other areas, such as Accounts Payable. Throughout 2020 and 2021, as business volumes decreased because of the pandemic, the

Corporation generated a combined $59 million in cash from working capital. The Corporation's revenue in the second quarter of 2022 exceeded that of any quarter pre-pandemic, and the current investments required to support the increased business volumes reflect a fraction of what was realized in the last two years.

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
April	April 29, 2022	0.19	7,387	April 30, 2021	0.19	7,146
May	May 31, 2022	0.20	7,965	May 31, 2021	0.19	7,189
June	June 30, 2022	0.20	7,982	June 30, 2021	0.19	7,198
Total		$ 1.16	$ 45,454		$ 1.14	$ 41,780

Dividends declared for the six months ended June 30, 2022, increased over the prior period. The increase was primarily driven by three items. First, the issuance of shares as part of the acquisitions in the second half of 2021 as well as the acquisition of Northern Mat and APL in 2022. Second, the Corporation's equity offering in the second quarter of 2021 increased dividends. Third, the Corporation increased its dividend rate by 5.3% or $0.12 per annum for the May 2022 dividend to $0.20 per share. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*. On August 11, 2022, subsequent to the end of the period, the Corporation increased its monthly dividend by 5% or $0.12 per annum to $2.52 per annum. The increase is effective beginning with the August dividend, which will be paid to shareholders in September 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. Northern Mat's business is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest.

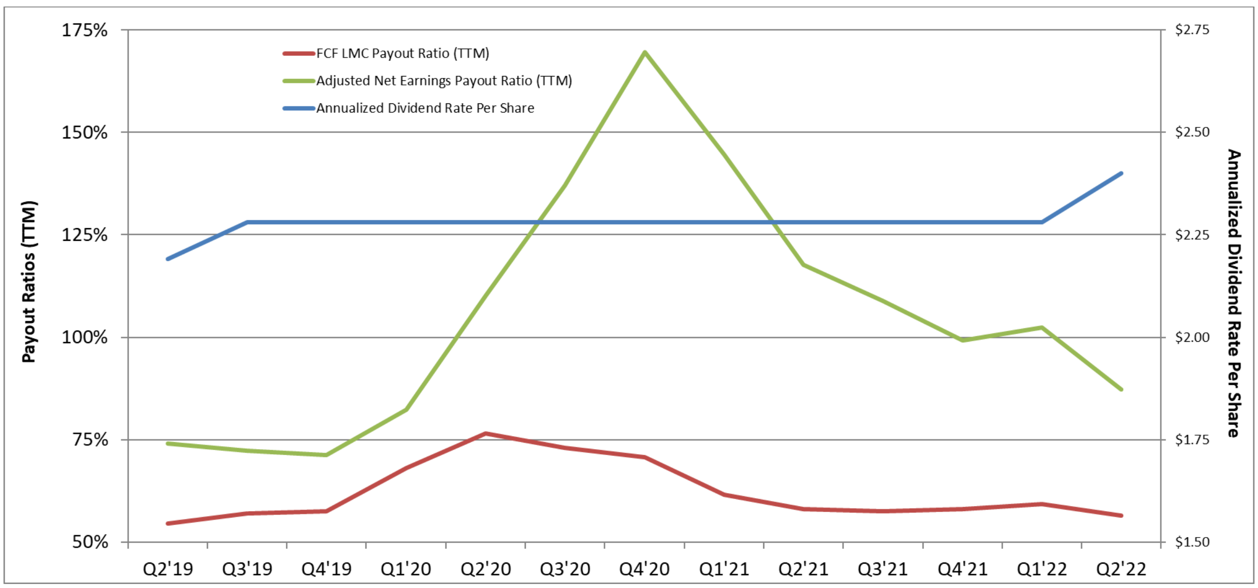
Payout Ratios

Basic per Share Payout Ratios for the Corporation	**2022**		2021	
Periods Ended June 30	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**60%**	**87%**	108%	118%
Free Cash Flow less Maintenance Capital Expenditures	**49%**	**56%**	58%	58%

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 118% at June 30, 2021, to 87% at June 30, 2022, due to improved performance from executing on investments made in previous periods. In addition, the trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved from 58% to 56% at June 30, 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

Prior to the pandemic, EIC was producing new quarterly highs on a regular basis. Throughout the pandemic, as others struggled to maintain their operations, EIC continued to grow and generate positive cash flow. Now, exiting the pandemic, the Company's growth has accelerated as we produced the best quarterly financial results in the Company's history.

Benjamin Disraeli, the 19th century British statesman and two-time Prime Minister of the United Kingdom, once said, "The secret of success is constancy of purpose."

These words hold as true today as they did 150 years ago. They could just as easily be used to explain EIC's progress and achievements over the past two decades. Since its inception, EIC has exercised extreme discipline in adhering to its simple recipe that has lead to this success: acquire proven companies with great management teams that have a demonstrated a maintainable market niche, invest in them and nurture growth over time to provide sustainable and growing dividends to its investors.

EIC's most recent acquisition, Northern Mat, is the embodiment of this philosophy. The company is the national leader in a unique industry and has advantages in sourcing materials and manufacturing mats that no other competitor can match. Northern Mat also has an exceptional management team that has developed this company into a dominant player. When we acquired the company, the valuation was based on Northern Mat's historical results and we were confident that, going forward, they would be able to exceed them.

Northern Mat's results have matched the high end of our expectations, and we anticipate this performance continuing for the duration of the year and into next year. The company is benefitting from the dual macroeconomic events that we need to find and develop renewable sources of energy quickly to battle climate change and, while this is occurring, we still require secure domestic sources of petroleum and natural gas. The former has generated increased work building hydroelectric power stations and transmission lines, which require Northern Mat's services. The latter has sparked renewed activity in the oil patch, which also generates business for the company. The confluence of these two seemingly opposite factors has driven Northern Mat's demand beyond its historical levels.

Our Aerospace & Aviation segment continues its rebound from the pandemic. Passenger levels are returning to historical norms, with the exception being in Northwestern Ontario where COVID-19 variants continue to disrupt the flow of people between communities. We are also experiencing significant charter demand in all markets, moving both passengers and cargo to destinations in the North, coinciding with the increase in mining, hydroelectric and other business activity. At Provincial, all areas of the airline operations experienced strong results. Provincial extended its charter contract with Vale for an additional five years during the quarter. From a social responsibility perspective, a highlight for the organization was coordinating all logistical movement of three charters of Ukrainian refugees from Warsaw to Moncton and St. John's, at the request of the provincial governments.

The ISR operation continues to run at a steady state. The planning and aircraft modifications for the Netherlands Coast Guard contract are nearly complete and the contract revenue is expected to begin during the third quarter. The ongoing war in Ukraine is still impacting the need for on-demand ISR services as a result of shifting political and defence priorities. We are pursuing a number of potential opportunities for the back half of the year. Site visits at Provincial and the other competitor for the Malaysia Maritime Patrol Aircraft contract were completed in the second quarter and we anticipate the contract will be awarded later this year.

Regional One is experiencing strong and growing demand for its products and services, but the return to higher business volumes looks quite different than it was before the pandemic. The demand for leased aircraft has not yet returned to historical levels primarily because the global aviation industry is experiencing unprecedented levels of pilot and crew shortages. In reaction to these crewing shortages, airlines have attempted to move more people on fewer flights by utilizing larger gauge aircraft. They have also cut back the number of flights to smaller destinations, sometimes removing them from the schedule completely. These moves have, in turn, reduced the demand for leased aircraft at Regional One. Offsetting this to some degree, certain customers are looking to own aircraft rather than lease them, presenting an opportunity. Regional One has monetized some of its leasable assets by selling them to these customers. Strategically, Regional One is well-positioned to capitalize on the return to a more normalized regional aircraft market once geo-political situation in Europe stabilizes and pilot re-training helps to ameliorate the pilot shortage situation.

Aside from Northern Mat, the outlook for the Manufacturing segment remain relatively stable. High oil prices continue to drive activity in the oil and gas sector, which will continue to positively impact our Alberta Operations. The recent Rogers system failure once again highlighted the importance of Canada's telecommunications infrastructure. The industry is heavily invested in rolling out 5G projects across the country and ensuring that their networks are stable, generating demand for WesTower's products and services. Global defense spending continues to rise, creating an environment in which we expect to see continued strong, stable demand at Ben Machine. During the last quarter, Quest's backlog grew at the highest level since before the pandemic, signaling renewed interest in commencing projects and reflecting increased pricing in new contracts that aligns with current inflation trends. The shifting of project schedules on existing projects has seemed to stabilize over the last three months, but Quest is still experiencing delays in the start dates for new projects. The outlook for our other manufacturing operations remains strong and stable.

Inflation, supply chain and labour shortfalls remain the primary issues facing our operations. This is certainly not new to any of our management teams and each of them continue to adapt their businesses to circumstances as they change. During the last quarter, both the Bank of Canada and the Federal Reserve in the U.S. began to aggressively increase interest rates, which adds another layer of complexity to manage. For our subsidiaries, the rising interest rates will no doubt cause some challenges, but they also have the potential to create opportunities. Our management teams are continually communicating with their customers and suppliers to monitor the potential impacts, be it upstream supply concerns or downstream collectability issues. At the same time, they are surveying the competitive landscape to identify opportunities that could present themselves should other companies find themselves unable to meet their commitments.

The combined impacts of inflation and rising transportation costs are continuing to impact our companies' margins. In some cases, however, we are beginning to see a stabilization in costs. Futures markets on some commodities, aluminum in particular, appear to be trending downward for the remainder of the year. This is a positive development for Quest and our other metal fabrication companies. Labour markets also remain tight for our manufacturing companies. Recruitment of employees, both skilled and unskilled, continues to be difficult. Wage rate increases required to attract and retain employees add to the cost of manufacturing and overhead.

Within the Aerospace and Aviation segment, rising costs and supply chain issues have made themselves evident in a couple of ways. The cost and supply of parts have both become more pressing issues for the airlines. We have seen parts costs increase during the last quarter, and upstream supply chain issues have made the parts harder to come by. Fortunately, with Regional One as a member of the EIC family of companies, we have a competitive advantage over others in terms of being able to source parts for our own use, which helps to blunt some of the impact of the supply chain issues. The impact of high fuel costs is somewhat blunted by having fuel escalation clauses in most of our customer contracts. As we have mentioned on many occasions, the primary concern associated with the rising costs is that there is a lag between when the costs increase and when the price escalators go into effect, which results in margin erosion during this intervening period.

EIC's aviation companies are not immune to the impacts of the global aviation labour shortage. EIC is experiencing challenges in recruiting and retaining employees in all aspects of the business – pilots, maintenance technicians and medical professionals for our medevac operations. The actual issues extend beyond merely sourcing employees, as once a pilot or other professional is recruited, that person must also be trained on the specific platforms they will be flying and/or working with. So, the costs go far beyond simply attracting new employees. Our management teams have been creative, resourceful and proactive in addressing these concerns and have enacted a number of measures. In order to attract and retain pilots, specifically focused strategies have been put in place. Pilot training facilities are filled to capacity as airlines around the world attempt to bring on new pilots, so we have pre-booked simulator training slots for the remainder of the year and into early 2023. Graduating advanced care paramedics and graduates of other medical disciplines are being recruited to help alleviate staffing shortages in this area. We are also hiring apprentice technicians and are developing training programs with approved certification institutions to provide experience and enhance their skills to partially offset the tight maintenance technician labour market.

As we mentioned in our last quarterly report, the Atik Mason Indigenous Pilot Pathway Program (the "Pathway") was introduced to help provide a partial solution to the pilot shortage and to provide opportunities to Indigenous members of the communities we serve. We could not be more pleased with the overwhelming response and start we have had to the program. More than 170 applications were received and, from that pool, a total of 11 members, four women and seven men representing seven different First Nations communities, were selected to participate in the inaugural season. MFC Training has provided three full-time flight instructors who provide training along with Tik Mason, our first Indigenous pilot from one of the communities we serve, who is a leader and mentor to the students, as well as a flight instructor and ground school educator. While training commenced in early June and is scheduled to wrap up at the end of September, several students have expressed an interest in continuing their training at MFC Training. All students have successfully completed their initial classroom exams, which are required to achieve their Student Pilot Permit. One student has already marked an important rite of passage for every student pilot and completed her first solo flight. This student is a single mother who wants to be an example for her daughter, which personifies what this program is all about and delivers a very powerful message to us all.

The acquisitions of Northern Mat and APL accounted for the majority of EIC's investment dollars spent during the quarter. Already, we are seeing the positive impact of the Northern Mat acquisition as even in its first month and a half of ownership it is making a significant contribution to our Manufacturing segment. Acquisitions are only one part of our strategic investment philosophy, however. Reinvestment in our companies to take advantage of growth opportunities is fundamental to our success and we continued to do just this in the second quarter, investing in assets that will generate revenue now and into the future. Custom continues to successfully diversify its fleet and operational capabilities, further entrenching its operations in Western Canada. Calm Air acquired additional freight capacity, utilizing the expertise of Regional One, to expand its cargo capabilities. Perimeter acquired an additional aircraft to support a multi-year crew rotation contract with a large mining company and Carson Air also purchased an aircraft to expand its BCEHS contract. Regional One's focus during the quarter was on ensuring it has the proper mix of assets and inventory during the industry's ongoing recovery from the pandemic and in preparation for the expected coming growth in engine leasing demand.

We currently have a very robust pipeline of acquisition opportunities in both the Aerospace & Aviation and Manufacturing segments. We have seen further opportunities arise in the temporary road access industry, and we are bullish on these opportunities as it is very environmentally friendly business and has significant opportunity for long term growth. Rising interest rates have impacted the competition for acquisitions, decreasing prices and making EIC more competitive for a broader range of transactions. We are optimistic about the prospect of future acquisitions, although most of the acquisition activity is in the early stages of diligence.

Serving the Indigenous communities of Western Canada, Northwestern Ontario and Canada's North as a provider of an essential service is a responsibility we will never take lightly. This sense of responsibility goes beyond just the communities we serve, extending to all Indigenous communities in our geographies. When Peguis First Nation, 200 kilometres north of Winnipeg, was struck by floods caused by the wettest spring in a century, the Province of Manitoba was unable to provide a helicopter to assist in the evacuation of stranded resident. Custom pulled one of its helicopters out of its normal service rotation and placed it at Peguis solely to evacuate the residents. Peguis is close enough to Winnipeg that it has year-round road access and is not serviced by any of our aviation companies but providing the emergency helicopter service was simply the right thing to do when the government could not assist them. Custom also provided helicopter services to assist in the evacuation of another community, the Mathias Colomb First Nation, after a forest fire threatened the community and dense smoke made it impossible for aircraft to land. Again, this is not a community to which we provide regular scheduled service.

Last year, EIC brought 1,000 First Nations people to Winnipeg to watch the CFL's Winnipeg Blue Bombers play the Edmonton Elks in honour of Canada's National Day for Truth and Reconciliation. We are in the planning stages for this year's event, which will also include bringing people from Indigenous communities from throughout our geographies, including First Nations communities to which we do not fly, to Winnipeg to see the Winnipeg Blue Bombers play the Saskatchewan Roughriders in one of the league's great rivalries on September 30, the actual National Day for Truth and Reconciliation. We hope to build on this foundation and make this an annual event that becomes a tradition for us and our Indigenous partners.

EIC is also committed to broadening the understanding of Truth and Reconciliation within our own organization and how we, as a corporate partner with Indigenous peoples, can work towards meaningful change. To that end, a program has been developed through the First Nations University of Canada and will be provided to employees throughout the organization. The rollout of this multimedia program, called 4 Seasons of Reconciliation, has begun with all Directors, Executives, head office personnel and CEO's, Presidents, and CFO's of our Canadian subsidiaries receiving the curriculum.

The impacts of the investments we have made over the past three years and during the pandemic are now just coming to be realized and the momentum EIC has generated is palpable. In the second quarter of 2022, these developments allowed us to deliver the strongest quarterly financial performance in our 20 year history while also completing our largest ever acquisition and enhancing our liquidity with a larger, more flexible debt facility with our Bank syndicate partners. The culmination of all this is that we are able revise our 2022 guidance and increase our Adjusted EBITDA estimate to between $435 million and $445 million. We will revisit our 2023 guidance when we report our third quarter results in November. Furthermore, we are pleased to announce an increase in our annualized dividend for the second consecutive quarter by $0.12 per annum to a new level of $2.52 per share.

Capital Expenditures

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. In addition, the significant level of acquisition activity over the last 12 months, especially the Northern Mat acquisition, will necessitate higher Maintenance Capital Expenditures in the future.

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 remainder of the year will primarily be directed towards opportunities to acquire large assets that Regional One identifies. Provincial will continue to invest to support its ongoing contracts in the Netherlands and for FWSAR, which includes the construction of a new hangar in Winnipeg. Provincial also expects to acquire additional Q400 capacity in the latter half of the year to support its passenger and charter operations. In addition to these investments, should EIC be successful in winning the contract opportunities currently in front of it, further Growth Capital Expenditures will be required to support the contracts.

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. During 2022, the Corporation completed an upsize and extension of its credit facility. 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. 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.

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 June 30, 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 2.79x, with the increase compared to prior periods attributable to the acquisition of Northern Mat, as the cash portion of the consideration was funded using the Corporation's credit facility.

As at June 30, 2022, the Corporation has liquidity of approximately $875 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 June 30, 2022, the Corporation had a cash position of $60 million (December 31, 2021 - $75 million) and a net working capital position of $442 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 year working capital has been impacted primarily by two factors. First, the Corporation made investments in working capital during the year as discussed in *Section 3 – Investing Activities.* Second, the acquisitions of Northern Mat and APL increased working capital during 2022. 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.

		June 30 2022		December 31 2021
Total senior debt outstanding (principal value)	$	1,260,778	$	710,681
Convertible debentures outstanding (par value)		425,500		525,500
Common shares		899,404		852,821
Total capital	$	2,585,682	$	2,089,002

Credit facility

The size of the Corporation's credit facility as at June 30, 2022, is approximately $1.75 billion, with $1.45 billion allocated to the Corporation's Canadian head office and US $250 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of June 30, 2022, the Corporation had drawn $250 million and US $784 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 from approximately $1.3 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.

The Corporation's long-term debt, net of cash, increased by $564 million since December 31, 2021. The increase is primarily attributable to the acquisitions of Northern Mat and APL, which combined included cash purchase consideration of $316 million, and the redemption of the convertible debentures that were set to mature in December 2022 in the principal amount of $100 million. 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 June 30, 2022, US $473 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 June 30, 2022, and changes in the amounts of convertible debentures outstanding during the six months ended June 30, 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 period, 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 six months ended June 30, 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	177,815
Issued under employee share purchase plan	various	31,096
Issued under deferred share plan	various	45,353
Issued to Northern Mat vendors on closing	May 10, 2022	863,256
Issued to APL vendors on closing	May 10, 2022	49,326
Shares outstanding, end of period		39,907,390

The Corporation issued 177,815 shares under its dividend reinvestment plan during the period and received $7 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 31,096 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 Corporation issued shares to the vendors of Northern Mat and APL as part of the consideration paid on completion of the acquisitions. In total, 912,582 shares were issued, representing purchase price consideration of $37 million.

The weighted average shares outstanding during the three and six months ended June 30, 2022, increased by 6% and 8%, respectively, 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, CTI, Northern Mat, and APL throughout 2021 and 2022.

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 six months ended June 30, 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 six months ended June 30, 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, except as noted below.

Measurement and Presentation of Capital Assets and Inventory

The Corporation manufactures access mats at Northern Mat. In addition, Northern Mat purchases bridges from third parties. Upon completion of the mats, or acquisition of the bridges, management must assess the intended use of those assets. If the asset will be rented to third parties, the asset is included within capital assets and depreciated over its useful life. If the asset will be sold to a third party, the asset is recorded in inventory. If management's intention for use of the mats and bridges changes from the initial classification, those assets are reclassified based on management's new intended use of the asset.

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 and six months ended June 30, 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 and six months ended June 30, 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 June 30, 2022, and has concluded that the design of internal controls over financial reporting is effective.

CTI was acquired on December 16, 2021, APL was acquired on May 10, 2022, and Northern Mat was acquired on May 10, 2022. 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 $99 million included in the consolidated results of the Corporation for the first six months of 2022. As at June 30, 2022, these entities had current assets of $125 million, non-current assets of $393 million, current liabilities of $72 million, and non-current liabilities of $26 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.

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 June 30, 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.

Maintenance and Growth Capital Expenditures: Maintenance Capital Expenditures is defined as the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level, depreciation on the Corporation's mat and bridge rental portfolio assets, and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's aircraft and engine 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 and engines 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 was 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. 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 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. While the impact of COVID-19 has lessened, the lease fleet remains underutilized due to a worldwide shortage of flight crews, most notably pilots. All purchases of new assets, net of disposals and transfers to inventory, will be reflected as Growth Capital Expenditures during this time.

Northern Mat has a portfolio of access mats and bridges that it rents to third parties. The utility of those assets to the lessees is consumed over its useful life, represented by depreciation, and therefore depreciation on these assets reflects the reinvestment required to maintain Free Cash Flow at current levels. Any capital expenditures in the access mat and bridge lease portfolio in excess of the depreciation will result in Growth Capital Expenditures as this increased investment will generate additional cash flows in the future. It is possible to have negative Growth Capital Expenditures during a given period where total reinvestment is less than depreciation recorded on its leasing portfolio.

Purchases of inventory are not reflected in either Growth or Maintenance Capital Expenditures. Aircraft purchased for part out or resale or access mats constructed for resale are recorded as inventory and are not capital expenditures. If a decision is made to take an asset out of either 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 or access mats that intended to be sold to a third party 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 flow 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		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$ 529,017**	**$ 400,226**	$ 390,327	$ 400,003	$ 322,070	$ 300,746	$ 301,710	$ 297,286	$ 243,657
Adjusted EBITDA	**115,055**	**66,956**	89,421	95,276	81,061	64,122	81,971	83,235	62,075
Net Earnings	**29,990**	**3,753**	23,056	21,899	16,506	7,127	13,479	17,244	2,630
Basic	**0.76**	**0.10**	0.61	0.58	0.44	0.20	0.38	0.49	0.08
Diluted	**0.73**	**0.09**	0.59	0.56	0.43	0.20	0.37	0.48	0.07
Adjusted Net Earnings	**38,501**	**7,835**	28,027	27,653	19,781	10,551	18,847	20,626	5,645
Basic	**0.98**	**0.20**	0.74	0.73	0.53	0.30	0.53	0.59	0.16
Diluted	**0.90**	**0.20**	0.71	0.71	0.52	0.29	0.52	0.57	0.16
Free Cash Flow ("FCF")	**89,251**	**47,409**	71,592	72,798	57,289	41,638	59,497	57,886	42,268
Basic	**2.26**	**1.22**	1.88	1.91	1.54	1.17	1.68	1.64	1.21
Diluted	**1.95**	**1.10**	1.62	1.69	1.37	1.06	1.48	1.45	1.09
FCF less Maintenance Capital Expenditures	**47,356**	**19,496**	42,906	48,151	36,523	19,574	41,270	44,350	25,412
Basic	**1.20**	**0.50**	1.13	1.27	0.98	0.55	1.17	1.26	0.73
Diluted	**1.09**	**0.49**	1.02	1.17	0.91	0.54	1.05	1.23	0.71
Maintenance Capital Expenditures	**41,895**	**27,913**	28,686	24,647	20,766	22,064	18,227	13,536	16,856
Growth Capital Expenditures	**41,308**	**8,168**	34,497	39,942	33,996	22,532	14,434	6,807	12,301

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	June 30 2022	December 31 2021
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 60,270**	$ 75,408
Accounts receivable	**415,331**	301,767
Amounts due from customers on construction contracts	**29,943**	27,705
Inventory	**325,682**	255,451
Prepaid expenses and deposits	**98,370**	40,127
Income taxes receivable	**9,387**	-
	938,983	700,458
OTHER ASSETS (Note 7)	**108,201**	66,658
CAPITAL ASSETS	**1,198,291**	1,070,573
RIGHT OF USE ASSETS	**100,809**	83,439
INTANGIBLE ASSETS	**173,538**	180,664
GOODWILL	**726,424**	486,875
	$ 3,246,246	$ 2,588,667
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	**$ 374,733**	$ 267,635
Income taxes payable	**-**	4,577
Deferred revenue	**71,850**	53,171
Amounts due to customers on construction contracts	**28,617**	30,556
Current portion of convertible debentures	**-**	98,808
Current portion of right of use lease liability	**22,008**	20,603
	497,208	475,350
DEFERRED REVENUE	**508**	1,857
OTHER LONG-TERM LIABILITIES	**18,016**	16,271
LONG-TERM DEBT (Note 8)	**1,256,738**	707,611
CONVERTIBLE DEBENTURES (Note 9)	**396,906**	393,408
LONG-TERM RIGHT OF USE LEASE LIABILITY	**82,395**	69,397
DEFERRED INCOME TAX LIABILITY	**146,992**	124,498
	2,398,763	1,788,392
EQUITY		
SHARE CAPITAL (Note 10)	**899,404**	852,821
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	**14,017**	17,607
CONTRIBUTED SURPLUS	**16,635**	13,046
DEFERRED SHARE PLAN	**15,589**	16,010
RETAINED EARNINGS		
Cumulative Earnings	**601,955**	568,212
Cumulative Dividends	**(707,773)**	(662,319)
Cumulative impact of share cancellation under the NCIB	**(26,122)**	(26,122)
	813,705	779,255
ACCUMULATED OTHER COMPREHENSIVE INCOME	**33,778**	21,020
	847,483	800,275
	$ 3,246,246	$ 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)

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
REVENUE				
Aerospace & Aviation	**$ 352,354**	$ 197,934	**$ 633,946**	$ 381,077
Manufacturing	**176,663**	124,136	**295,297**	241,739
	529,017	322,070	**929,243**	622,816
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**234,239**	106,445	**418,309**	210,581
Manufacturing expenses - excluding depreciation and amortization	**121,060**	91,962	**214,231**	180,332
General and administrative	**58,663**	42,602	**114,692**	86,720
	413,962	241,009	**747,232**	477,633
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**115,055**	81,061	**182,011**	145,183
Depreciation of capital assets	**39,476**	34,939	**76,367**	65,682
Amortization of intangible assets	**5,776**	3,868	**8,617**	8,319
Finance costs - interest	**15,211**	11,178	**30,063**	22,569
Depreciation of right of use assets	**7,411**	6,098	**13,947**	12,222
Interest expense on right of use lease liabilities	**935**	811	**1,687**	1,684
Acquisition costs	**4,449**	379	**4,904**	483
EARNINGS BEFORE INCOME TAXES	**41,797**	23,788	**46,426**	34,224
INCOME TAX EXPENSE (RECOVERY)				
Current	**3,508**	4,975	**4,745**	11,069
Deferred	**8,299**	2,307	**7,938**	(478)
	11,807	7,282	**12,683**	10,591
NET EARNINGS	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 0.76**	$ 0.44	**$ 0.86**	$ 0.65
Diluted	**$ 0.73**	$ 0.43	**$ 0.84**	$ 0.63

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

Exchange Income Corporation

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
NET EARNINGS	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax expense (recovery) for the three months ended June 30 of nil and $(5), respectively, and net of tax expense (recovery) for the six months ended June 30 of nil and $(9), respectively	**20,045**	(8,733)	**10,691**	(16,205)
Net gain (loss) on hedge of net investment in foreign operations net of tax expense (recovery) for the three months ended June 30 of $(46) and $220, respectively and net of tax expense (recovery) for the six months ended June 30 of $nil and $240, respectively	**(5,877)**	2,576	**(3,075)**	4,774
Net gain (loss) on hedge of restricted share plan, net of tax recovery for the three months ended June 30 of $(40) and $(35), respectively and net of tax expense for the six months ended June 30 of $72 and $56, respectively	**(164)**	(97)	**196**	152
Net gain on interest rate swap, net of tax expense for the three months ended June 30 of $621 and $280, respectively and net of tax expense for the six months ended June 30 of $1,829 and $905, respectively	**1,679**	757	**4,946**	2,448
	15,683	(5,497)	**12,758**	(8,831)
COMPREHENSIVE INCOME	**$ 45,673**	$ 11,009	**$ 46,501**	$ 14,802

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
Prospectus offering	84,946	-	-	-	-	-	-	-	84,946
Shares issued under dividend reinvestment plan (Note 10)	5,402	-	-	-	-	-	-	-	5,402
Shares issued under First Nations community partnership agreements	79	-	-	-	-	-	-	-	79
Deferred share plan vesting (Note 14)	-	-	-	670	-	-	-	-	670
Shares issued under ESPP (Note 10)	1,223	-	-	-	-	-	-	-	1,223
Comprehensive income (loss)	-	-	-	-	23,633	-	-	(8,831)	14,802
Dividends declared	-	-	-	-	-	(41,780)	-	-	(41,780)
Balance, June 30, 2021	**$ 822,993**	**$ 13,214**	**$ 9,837**	**$ 17,563**	**$ 523,257**	**$ (618,712)**	**$ (26,122)**	**$ 9,258**	**$ 751,288**
Balance, January 1, 2022	$ 852,821	$ 17,607	$ 13,046	$ 16,010	$ 568,212	$ (662,319)	$ (26,122)	$ 21,020	**$ 800,275**
Shares issued to acquisition vendors	36,921	-	-	-	-	-	-	-	**36,921**
Convertible debentures (Note 9)									
Converted into shares	7	(1)	-	-	-	-	-	-	**6**
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 10)	7,350	-	-	-	-	-	-	-	**7,350**
Deferred share plan vesting (Note 14)	-	-	-	606	-	-	-	-	**606**
Deferred share plan issuance	1,027	-	-	(1,027)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	1,278	-	-	-	-	-	-	-	**1,278**
Comprehensive income	-	-	-	-	33,743	-	-	12,758	**46,501**
Dividends declared (Note 11)	-	-	-	-	-	(45,454)	-	-	**(45,454)**
Balance, June 30, 2022	**$ 899,404**	**$ 14,017**	**$ 16,635**	**$ 15,589**	**$ 601,955**	**$ (707,773)**	**$ (26,122)**	**$ 33,778**	**$ 847,483**

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)

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
OPERATING ACTIVITIES				
Net earnings for the period	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
Items not affecting cash:				
Depreciation of capital assets	**39,476**	34,939	**76,367**	65,682
Amortization of intangible assets	**5,776**	3,868	**8,617**	8,319
Depreciation of right of use assets	**7,411**	6,098	**13,947**	12,222
Accretion of interest	**1,623**	1,756	**5,467**	3,548
Gain on disposal of capital assets	**(312)**	(3,064)	**(561)**	(3,616)
Deferred income tax expense (recovery)	**8,299**	2,307	**7,938**	(478)
Deferred share program share-based vesting	**308**	299	**606**	670
	92,571	62,709	**146,124**	109,980
Changes in non-cash current and long-term working capital (Note 16)	**(57,290)**	(23,362)	**(85,789)**	(2,367)
	35,281	39,347	**60,335**	107,613
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**391,893**	4,350	**536,945**	22,848
Repayment of long-term debt (Note 8)	**(5,535)**	(89,151)	**(12,073)**	(89,151)
Long-term debt discount	**(498)**	(6)	**(531)**	(2)
Payment of matured debentures	**-**	-	**(99,992)**	-
Principal payments on right of use lease liabilities	**(7,615)**	(5,799)	**(14,149)**	(11,536)
Issuance of shares, net of issuance costs	**4,094**	87,276	**8,628**	90,485
Cash dividends (Note 11)	**(23,334)**	(21,533)	**(45,454)**	(41,780)
	359,005	(24,863)	**373,374**	(29,136)
INVESTING ACTIVITIES				
Purchase of capital assets	**(118,344)**	(54,007)	**(172,165)**	(110,497)
Proceeds from disposal of capital assets	**35,648**	586	**53,920**	13,483
Purchase of intangible assets	**(507)**	(1,341)	**(1,039)**	(2,344)
Investment in other assets	**(9,645)**	803	**(17,346)**	(3,401)
Cash outflow for acquisitions, net of cash acquired	**(312,837)**	-	**(312,837)**	-
Payment of contingent acquisition consideration and working capital settlements	**-**	-	**(598)**	-
	(405,685)	(53,959)	**(450,065)**	(102,759)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,399)**	(39,475)	**(16,356)**	(24,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**69,319**	83,711	**75,408**	69,862
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,350**	(772)	**1,218**	(2,116)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 60,270**	$ 43,464	**$ 60,270**	$ 43,464
Supplementary cash flow information				
Interest paid	**$ 10,006**	$ 11,702	**$ 21,560**	$ 19,158
Income taxes paid	**$ 8,281**	$ 4,658	**$ 17,935**	$ 13,079

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 June 30, 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, Overlanders Manufacturing LP, and Northern Mat & Bridge. 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.

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 except for Northern Mat. Northern Mat's business is also subject to seasonable variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest.

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 August 11, 2022.

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 with the addition of those noted below. Note 3 of the Corporation's 2021 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

Revenue Recognition

Manufacturing Segment

i. Sales and Rentals of Mats and Bridges

Northern Mat earns revenues from mat and bridge sales and rentals, and equipment services, based on pre-determined rates. Revenue is recognized when the asset is delivered to the customer on sales of assets and for rentals is recognized based on the rental agreement with the customer, which usually calls for daily rental rates. Revenue is measured based on consideration specified in a contract with a customer. Contracts are generally short-term in nature and are not considered to have a significant financing component.

ii. Capital Assets

Capital Assets are recorded at historical cost less accumulated depreciation and include rental mats and bridges. Depreciation is recognized on a straight-line basis. New categories of assets as a result of the Northern Mat acquisition are detailed below.

Rental Mats	5 years
Rental Bridges	50 years

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 except as noted below.

Measurement and Presentation of Capital Assets and Inventory

The Corporation manufactures access mats at Northern Mat. In addition, Northern Mat purchases bridges from third parties. Upon completion of the mats, or acquisition of the bridges, management must assess the intended use of those assets. If the asset will be rented to third parties, the asset is included within capital assets and depreciated over its useful life. If the asset will be sold to a third party, the asset is recorded in inventory. If management's intention for use of the mats and bridges changes from the initial classification, those assets are reclassified based on management's new intended use of the asset.

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

6. ACQUISITIONS

Northern Mat & Bridge ("Northern Mat")

On May 10, 2022, the Corporation acquired the shares of Northern Mat. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to same the condition as before the project began construction.

The components of the consideration paid to acquire Northern Mat are outlined in the table below.

Consideration given:		
Cash, including initial working capital settlement	**$**	**302,565**
Issuance of 863,256 shares of the Corporation at $40.54 per share		**35,000**
Contingent consideration - earn out		**4,465**
Total purchase consideration	**$**	**342,030**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included net working capital of $41.1 million, capital assets of $78.6 million, and goodwill of $215.1 million.

Advanced Paramedics Ltd. ("APL")

On May 10, 2022, the Corporation acquired the shares of APL. 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 Alberta Health Services.

The components of the consideration paid to acquire APL are outlined in the table below.

Consideration given:		
Cash	**$**	**13,000**
Issuance of 49,326 shares of the Corporation at $40.54 per share		**2,000**
Estimated working capital settlement		**662**
Total purchase consideration	**$**	**15,662**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included capital assets of $1.2 million and goodwill of $13.7 million.

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		June 30 2022		December 31 2021
Long-term prepaid expenses and security deposits	**$**	**2,330**	$	2,193
Long-term receivables		**3,585**		3,953
Long-term holdback receivables		**1,792**		717
Equity method investments		**71,171**		47,798
Other investments - Fair value through OCI (Note 14)		**6,352**		11,029
Derivative financial instruments - Fair value through profit and loss (Note 14)		**22,971**		405
Loan to Nunatsiavut Group of Companies ("NGC")		**-**		563
Total other assets	**$**	**108,201**	$	66,658

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

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at June 30, 2022, and December 31, 2021:

		June 30 2022		December 31 2021
Revolving term facility:				
Canadian dollar amounts drawn	$	**250,000**	$	190,000
United States dollar amounts drawn (US$784,400 and US$410,697 respectively)		**1,010,778**		520,681
Total credit facility debt outstanding, principal value		**1,260,778**		710,681
less: unamortized transaction costs		**(3,656)**		(2,907)
less: unamortized discount on outstanding Banker's Acceptances		**(384)**		(163)
Long-term debt	$	**1,256,738**	$	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 June 30, 2022.

Interest expense recorded by the Corporation during the three and six months ended June 30, 2022, for long-term debt was $8,266 and $13,319 respectively (2021 – $5,181 and $10,640 respectively).

Credit Facility

The following is the continuity of long-term debt for the six months ended June 30, 2022:

	Six Months Ended June 30, 2022								
		Opening		Withdrawals		Repayments	Exchange Differences		Ending
Credit facility amounts drawn									
Canadian dollar amounts	$	190,000	$	398,000	$	(338,000)	$	-	$	250,000
United States dollar amounts		520,681		478,468		(12,073)		23,702		1,010,778
	$	710,681							$	1,260,778

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 15.

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

9. 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	-	401	-	-	77,803
Unsecured Debentures - 2019	83,883	-	245	-	-	84,128
Unsecured Debentures - July 2021	137,958	-	363	-	-	138,321
Unsecured Debentures - December 2021	110,161	-	233	-	-	110,394
						410,646
less: unamortized transaction costs						(13,740)
Convertible Debentures - Debt Component, end of period						$ 396,906

During the six months ended June 30, 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 and six months ended June 30, 2022, for the convertible debentures was $6,945 and $16,744 respectively (2021 – $5,925 and $11,786 respectively).

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.

Summary of the equity component of the convertible debentures:

	June 30 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 June 30, 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.

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

During the six months ended June 30, 2022, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

10. SHARE CAPITAL

Changes in the shares issued and outstanding during the six months ended June 30, 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	177,815		7,350
Issued under employee share purchase plan	31,096		1,278
Issued under deferred share plan	45,353		1,027
Shares issued to Northern Mat & Bridge vendors on closing (Note 6)	863,256		34,931
Shares issued to Advanced Paramedics Ltd vendors on closing (Note 6)	49,326		1,990
Share capital, end of period	39,907,390	$	899,404

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 six months ended June 30, 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.

On May 10, 2022, the Corporation issued 863,256 shares as part of the acquisition of Northern Mat (Note 6) and 49,326 shares as part of the acquisition of APL (Note 6).

11. 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.

The amounts and record dates of the dividends during the six months ended June 30, 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
April	April 29, 2022		0.19		7,387	April 30, 2021		0.19		7,146
May	May 31, 2022		0.20		7,965	May 31, 2021		0.19		7,189
June	June 30, 2022		0.20		7,982	June 30, 2021		0.19		7,198
Total		$	1.16	$	45,454		$	1.14	$	41,780

After June 30, 2022, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.20 per share for July 2022.

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

Subsequent to the end of the period, on August 11, 2022, the Corporation increased its dividend to 0.21 per month, a 5% increase. The increase is effective for the August dividend, which will be paid to shareholders in September.

12. 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 in Manitoba, Ontario, Nunavut, British Columbia, Alberta, and Eastern Canada and provides aircraft and engine 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 provides pilot training services. The Manufacturing segment consists of niche, specialty manufacturers in markets throughout Canada and the United States including Northern Mat, which in addition to its manufacturing capabilities, rents its fleet of mats and bridges to provide access solutions to its customers.

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 revenues 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 June 30, 2022
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 352,354	$ 176,663	$ -	$ 529,017
Expenses	266,774	137,697	9,491	413,962
Adjusted EBITDA	85,580	38,966	(9,491)	115,055
Depreciation of capital assets				39,476
Amortization of intangible assets				5,776
Finance costs - interest				15,211
Depreciation of right of use assets				7,411
Interest expense on right of use lease liabilities				935
Acquisition costs				4,449
Earnings before income taxes				41,797
Current income tax expense				3,508
Deferred income tax expense				8,299
Net Earnings				$ 29,990

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

	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
				Three Months Ended June 30, 2021
Revenue	$ 197,934	$ 124,136	$ -	$ 322,070
Expenses	129,371	104,410	7,228	241,009
Adjusted EBITDA	68,563	19,726	(7,228)	81,061
Depreciation of capital assets				34,939
Amortization of intangible assets				3,868
Finance costs - interest				11,178
Depreciation of right of use assets				6,098
Interest expense on right of use lease liabilities				811
Acquisition costs				379
Earnings before income taxes				23,788
Current income tax expense				4,975
Deferred income tax expense				2,307
Net Earnings				$ 16,506

	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
				Six Months Ended June 30, 2022
Revenue	**$ 633,946**	**$ 295,297**	**$ -**	**$ 929,243**
Expenses	**485,507**	**245,418**	**16,307**	**747,232**
Adjusted EBITDA	**148,439**	**49,879**	**(16,307)**	**182,011**
Depreciation of capital assets				**76,367**
Amortization of intangible assets				**8,617**
Finance costs - interest				**30,063**
Depreciation of right of use assets				**13,947**
Interest expense on right of use lease liabilities				**1,687**
Acquisition costs				**4,904**
Earnings before income taxes				**46,426**
Current income tax expense				**4,745**
Deferred income tax expense				**7,938**
Net Earnings				**$ 33,743**

	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
				Six Months Ended June 30, 2021
Revenue	$ 381,077	$ 241,739	$ -	$ 622,816
Expenses	259,692	203,919	14,022	477,633
Adjusted EBITDA	121,385	37,820	(14,022)	145,183
Depreciation of capital assets				65,682
Amortization of intangible assets				8,319
Finance costs - interest				22,569
Depreciation of right of use assets				12,222
Interest expense on right of use lease liabilities				1,684
Acquisition costs				483
Earnings before income taxes				34,224
Current income tax expense				11,069
Deferred income tax recovery				(478)
Net Earnings				$ 23,633

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

	For the period June 30, 2022			
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 2,128,447**	**$ 1,012,395**	**$ 105,404**	**$ 3,246,246**
Net capital asset additions	**105,587**	**11,725**	**933**	**118,245**

	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.

		Three Months Ended		Six Months Ended	
Revenue Streams	Periods ended June 30	**2022**	2021	**2022**	2021
Aerospace & Aviation Segment					
Sale of goods - point in time		**$ 101,971**	$ 35,856	**$ 171,319**	$ 66,206
Sale of services - point in time		**221,454**	160,673	**394,773**	313,178
Sale of services - over time		**28,929**	1,405	**67,854**	1,693
Manufacturing Segment					
Sale of goods and services - point in time		**68,240**	24,162	**95,482**	47,887
Sale of goods and services - over time		**108,423**	99,974	**199,815**	193,852
Total revenue		**$ 529,017**	$ 322,070	**$ 929,243**	$ 622,816

13. 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.

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

The computation for basic and diluted earnings per share for the three and six months ended June 30, 2022, and the comparative for the 2021 period are as follows:

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2022**	2021	**2022**	2021
Net earnings	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
Effect of dilutive securities				
Convertible debenture interest	**5,069**	-	**-**	-
Diluted Net Earnings	**$ 35,059**	$ 16,506	**$ 33,743**	$ 23,633
Basic weighted average number of shares	**39,431,654**	37,148,707	**39,112,144**	36,332,992
Effect of dilutive securities				
Deferred Shares	**830,613**	987,089	**830,613**	987,089
Convertible debentures	**8,047,432**	-	**-**	-
Diluted basis weighted average number of shares	**48,309,699**	38,135,796	**39,942,757**	37,320,081
Net Earnings per share:				
Basic	**$ 0.76**	$ 0.44	**$ 0.86**	$ 0.65
Diluted	**$ 0.73**	$ 0.43	**$ 0.84**	$ 0.63

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the six months ended June 30, 2022, the Corporation granted 30,765 (2021 – 30,607) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,296 (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 and six months ended June 30, 2022, the Corporation recorded a compensation expense of $308 and $606, respectively, for the Corporation's Deferred Share Plan within the general and administrative expenses of head office (2021 - $299 and $670, respectively).

Restricted Share Plan

During the six months ended June 30, 2022, the Corporation granted 152,924 (2021 – 121,408) restricted shares to certain personnel. The fair value of the restricted share units granted was $6,047 (2021 - $4,881) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and six months ended June 30, 2022, the Corporation recorded compensation expense of $1,500 and $2,640, respectively for the Corporation's Restricted Share Plan within the general and administrative expenses of head office (2021 - $1,347 and $2,389, respectively), 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 six months ended June 30, 2022, employees acquired 31,096 shares from treasury at a weighted average price of $41.09 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 $443 based on the share price and monthly dividend rate at that time.

15. 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 $784,400 or $1,010,778 (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 $142,300 (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 $149,500 (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 period, 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 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 June 30, 2022, was a financial asset of $16,350 (2021 - financial liability of $482). At June 30, 2022, the notional value of the swaps outstanding is US $472,800 (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, $16,350 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 8) 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 Secured Overnight Financing Rate ("SOFR"). At June 30, 2022:

- US $784,400 (December 31, 2021 – US $410,600) was outstanding under SOFR and,
- US $nil (December 31, 2021 - US $97) was outstanding under US Prime, and
- $250,000 (December 31, 2021 – $190,000) was outstanding under Banker's Acceptances.

The interest rates of the convertible debentures (Note 9) 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 $5,832 (December 31, 2021 - other long-term financial liability of $943) and is recorded as a separate line within other comprehensive income.

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 $15,536. The instruments are classified as a long-term financial asset of $789 (2021 - long-term financial asset of $405) and are 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)

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	**June 30, 2022**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss (Note 7)	$ 16,350	$ -	$ 16,350	$ -
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	789	-	789	-
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	5,832	-	5,832	-
Other assets - Fair value through OCI (Note 7)	6,352	-	-	6,352
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(12,745)	-	-	(12,745)
Fair Value Disclosures				
Other assets - Amortized cost	7,195	-	7,195	-
Long-term debt - Amortized cost	(1,256,738)	-	-	(1,260,778)
Convertible debt - Amortized cost	(396,906)	(425,241)	-	-

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

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	December 31, 2021	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 7)	$ 405	$ -	$ 405	$ -
Other assets - Fair value through OCI (Note 7)	$ 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, CTI, APL and Northern Mat including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary	**June 30**	December 31
For the periods ended	**2022**	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
Acquisition of Northern Mat	**4,465**	-
Acquisition of APL	**662**	-
Settled during the period	**(598)**	(7,596)
Translation loss (gain)	**116**	(121)
Ending balance	**$ 12,745**	$ 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 $12,745 above is the working capital settlement for Ryko, CTI, APL, and the contingent consideration associated with the Northern Mat acquisition. During the first quarter of 2022, 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.

Financial Instrument Fair Value Disclosures

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 June 30, 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 3.45%. 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 June 30, 2022, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $425,241 (December 31, 2021 - $534,947) with a carrying value of $396,906 (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.

16. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three and six months ended June 30, 2022, and the comparative period in 2021 are as follows:

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2022**	2021	**2022**	2021
Accounts receivable, including long-term portion	**$ (53,025)**	$ (23,481)	**$ (55,159)**	$ (26,330)
Amounts due from customers on construction contracts	**(2,456)**	(4,308)	**(2,119)**	(3,906)
Inventory	**(21,560)**	(5,992)	**(44,577)**	(5,040)
Prepaid expenses and deposits, including long-term portion	**(37,583)**	(985)	**(55,801)**	(8,144)
Accounts payable and accrued expenses, including long-term portion	**49,612**	(137)	**75,091**	22,812
Income taxes receivable/payable	**(3,824)**	280	**(12,236)**	(1,850)
Deferred revenue, including long-term portion	**8,342**	9,461	**11,240**	16,190
Amounts due to customers on construction contracts	**3,204**	1,800	**(2,228)**	3,901
Net change in working capital	**$ (57,290)**	$ (23,362)	**$ (85,789)**	$ (2,367)