Exchange
Income
Corporation

Third Quarter Report

For the nine months ended September 30, 2021

CEO's Message

The general economy continued to strengthen in the third quarter as the percentage of the population that is fully vaccinated increased. This was particularly evident in the results of our Aerospace & Aviation segment as passenger loads continued to improve while aircraft and engines sales exceeded pre-COVID-19 levels. Our Manufacturing segment continues to perform well, despite dealing with labour shortages and higher costs caused by the pandemic.

EIC has performed well during the pandemic, relying on our diverse operations to generate cash flow to maintain our dividend while we invested in our future by winning new contracts, funding Growth Capital Expenditures in our existing companies, completing acquisitions and strengthening our balance sheet. While we are currently dealing with the impact of the pandemic's fourth wave, it appears the almost two-year impact of the pandemic is waning and perhaps coming to a close. Unfortunately, some of the side effects of the pandemic and the related support programs are still very strong, and in certain cases, worsening. Inflation, labour shortages, and supply chain issues will be the norm for the balance of this year and well into 2022. I will address these issues later in my remarks, but first I would like to address the exceptional financial performance EIC delivered in the third quarter.

The third quarter marks the second quarter in which the comparable period was also impacted by the pandemic. The results clearly show an across-the-board improvement in all financial metrics. In fact, most metrics (for example, Revenue, EBITDA, and Free Cash Flow less Maintenance Capital Expenditures payout ratio) have met or surpassed the third quarter of 2019, the last third quarter before the onset of the pandemic.

Highlights from EIC's third quarter financial performance.

- Revenue hit an all-time high of $400 million, up 35%
- EBITDA increased by 14% to a new EIC record of $95 million
- Net Earnings per share increased by 18% to $0.58
- Adjusted Net Earnings per share grew by 24% to $0.73
- Free Cash Flow less Maintenance Capital Expenditures hit a new all-time high of $48 million or $1.27 on a per share basis
- The trailing twelve-month Free Cash Flow less Maintenance Capital Expenditure payout ratio improved to 57% at September 30, 2021, from 73% at September 30, 2020

The improvement is even more significant when one considers the decline in Government support. Aggregate support from all levels of government totaled $5 million in the third quarter. This is a decline of 79% from the third quarter of 2020 and a sequential decline of 69% over the second quarter of 2021. I would also point out that this $5 million related to support in respect to previous periods that could not be quantified until this reporting period. Barring a significant increase in the impact of the pandemic on our operations, EIC does not expect to receive additional Government support in future periods.

The record revenue level was driven by a number of factors, the largest of which was the strong performance at Regional One. The efficacy of Regional One's focus on the Regional Jet and Turbo-prop market was very evident in the strong recovery in demand for parts, engines and aircraft. Revenue from these areas was an all-time high at US $52 million, driven by higher-than-normal sales of engines and aircraft. We have always stated the revenue from aircraft and engine sales is variable from quarter to quarter and although we would consider this performance to be abnormally high, the outlook for the near term remains very strong. Parts sales were also very strong during the quarter, approaching pre-pandemic levels, and we expect this performance to continue for the foreseeable future. The leasing portfolio also improved, generating US dollar increases in revenue of 64% year over year and 20% sequentially from the second quarter. Leasing revenue is still down approximately 60% from pre-pandemic levels. The leasing market is improving, and we expect leasing revenues to normalize by mid-2022.

We continued to see improvement in passenger revenue in our airlines throughout the third quarter. While there was considerable variation by geographic market, all regions saw improvement through the quarter. Our maritime market reached pre-pandemic levels while the central Canadian market approached 75% of normal and Nunavut was slightly below that level. The fourth wave of COVID-19 experienced early in the fourth quarter slowed this improvement, and in some cases caused a slight reversal. We remain confident the final portion of the recovery in our passenger volumes will be seen in the near term. Exactly when this will occur will be driven by three factors: first, the strength of the fourth wave of COVID-19; second, the vaccination of children in northern communities; and third, the capacity of the medical systems in southern regions of Canada to accept patients. The entire medical system has been pushed to its limits during the pandemic and as a result, elective and diagnostic procedures have been postponed creating a huge backlog of patients waiting for appointments. As the stress of COVID-19 subsides, the supply of these procedures will normalize and drive up passenger volumes. The exact timing of this resurgence is difficult to determine but will ensure demand for air transport is at higher-than-normal levels for the foreseeable future as the medical system deals with the backlog of patients.

Our non-passenger flying, including maritime surveillance, medevac, charter, and freight, all remained very strong in the third quarter. The diversification of our aviation revenue streams is a major factor in the profitability of our operations. We expect this performance to continue into the fourth quarter and 2022. We added Carson Air to the EIC family in July, and its performance exceeded our high expectations.

The Manufacturing segment continued to experience strong demand throughout the quarter, as they have during the entire pandemic. Quest has had to deal with delayed and cancelled projects which have created holes in the production schedule. We expect this to normalize over 2022 as demand remains strong and opportunities for new business are abundant.

Like most other manufacturers, we have dealt with the effects of supply chain problems and raw material price inflation. Through the third, and early fourth quarters, the impact of these challenges has impacted margins, but has been manageable. We will continue to keep a close eye on pricing and scheduling as these challenges show no sign of abating. There has also been a dramatic increase in the price of jet fuel. We will also keep focused on this cost and, where appropriate, impose fuel price surcharges to recoup these costs.

While we are pleased with our short-term results, it is our focus on the long term that enables us to maintain this success in the future. To that end, we have remained active on both the M&A front as well as maintaining our strong liquid balance sheet to support our growth. We closed the acquisition of Carson Air in July, which expanded the geographic coverage, and the management depth of our medevac operations, which have been very resilient during the pandemic. We closed the acquisition of Macfab during the third quarter, thereby adding profitable growth to our Ben Machine business in Ontario. In November, we completed the acquisition of Telcon, a small tuck-in to our WesTower operation. It will enhance our ability to combine underground work with tower work and thereby enable WesTower to provide an integrated solution to the telecommunications companies. The acquisition pipeline remains strong. When reporting our second quarter results, we stated that we had two transactions with signed LOI's that we expected to complete during the third quarter. The Telcon acquisition was one of those LOI's and we have decided not to proceed with the other transaction due to issues uncovered during diligence. We have however entered into two additional LOI's with an aggregate purchase price of approximately $70 million which, subject to completion of due diligence, are expected to close late in the fourth quarter or early in the first quarter of 2022.

We completed a bought deal offering of convertible debentures with a face value of $144 million in July. The debentures bear interest at 5.25% and have a conversion price of $52.70 per share. A portion of the proceeds was utilized to redeem another series of convertible debentures which were due in June 2023. The balance of the funds was temporarily used to reduce our revolving term facility until such time as they are required to redeem other debenture series.

We also extended our Syndicated Bank Credit Facility on similar terms, conditions, and pricing until August of 2025. With the extension of the Syndicated Bank Credit Facility, we have only one debt instrument which matures before 2025. The $100 million debenture is due in December of 2022 and the company anticipates retiring it on or likely before that date. With these steps, our balance sheet is strong and liquid with very little refinancing risk, which allows us to execute on our growth model.

Before we close, I would like to highlight noteworthy events driven by our sustainability strategy. At EIC, we have always prioritized making the right choice for the long term over the easy choice for the short term. In that respect, strong ESG strategies have been woven into EIC's entrepreneurial DNA from the very beginning and in many of our subsidiaries long before that. We view ESG principles as consistent with our core values, key to long-term success and essential to defining EIC's future. We believe in doing the right thing because it's the right thing to do.

EIC will be publishing more details of our sustainability strategy including our most recent materiality assessment in conjunction with our annual report in May. For now, however, I will direct my discussion to social responsibility.

We had the privilege of helping shine a light on the Truth and Reconciliation action in Canada and Every Child Matters movement in October. Working with the Winnipeg Blue Bombers of the CFL, and the Association of Manitoba Chiefs at the football game on October 8th against the Edmonton Elks, we were able to bring approximately 1,000 First Nations and Indigenous people from all over Manitoba, Northwestern Ontario, and Nunavut to the game. It was a massive commitment, and I owe a huge debt of gratitude to our employees who pulled off the logistics seamlessly from flying the people in, to sourcing accommodations, ensuring everyone had the necessary proof of vaccination to get them into the game, and transportation to and from the game and then back home to their communities. As part of the event, we provided all attendees with a bright orange hoodie with a Bomber logo emblazoned on it. You could not miss them in the stadium or on the TSN broadcast of the game.

The teams also warmed up in matching orange jerseys to draw attention to this matter and the jerseys were auctioned off to raise money for Indigenous support organizations. It will likely be the last time you ever see the Elks and Bombers dressed in orange, but what a great statement. I want to thank the Elks and the Bombers for making this event a reality. We were able to provide a great spotlight for these very important issues, while providing 1,000 people an opportunity to participate in an event they may not have been able to attend on their own. Many of the children in attendance had never left their small Northern communities because of the cost, and the sheer joy in their eyes as they entered the game reinforced the need to improve the lives of our Indigenous people.

The concept of bringing children from northern remote communities to professional sporting activities in Winnipeg is not new for EIC. We have been bringing people to Bomber games since 2017, and in more recent years, to Winnipeg Jets NHL games. The pandemic made it impossible to bring groups of children without parents to the game, so we had to change the program. This year's event brought the equivalent of two years of participants in EIC's previous programs to a single game.

We were also very proud to congratulate Timothy Atik "Tik" Mason, the first recipient of the Bill Wehrle Memorial Scholarship in 2017, as he completed his first flight as a licensed pilot to his home community of St. Therese Point. Tik completed his pilot training at MFC Training and is the role model for our Life in Flight Program where we are looking to assist Indigenous men and women into a career in aviation, whether as a pilot or a maintenance engineer. We are excited to have been a part of Tik's journey to fulfilling his dream to become a commercial pilot and look forward to supporting his career in the future.

Both of these initiatives have been detailed in press articles. Links to two of them are below.

https://www.winnipegfreepress.com/sports/football/bombers/orange-jerseys-raise-awareness-575468152.html

https://www.winnipegfreepress.com/business/northern-manitobas-top-gun-575588532.html

Social responsibility is a key focus for EIC, and we are proud of it. We do it because it is the right thing to do.

Thank you to all of our stakeholders for your support over a very difficult period. I owe a debt of gratitude to our management team and our employees who have consistently gone above and beyond expectations to enable us to meet the needs of our customers, keep everyone safe, and deliver the financial results necessary to maintain our dividend uninterrupted for over 17 years. I also want to thank our Board of Directors for their counsel and guidance which has been fundamental to our success. We are bullish about the future, and I look forward to speaking to you again in February with our year end results.

Mike Pyle
Chief Executive Officer

November 11, 2021

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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 nine months ended September 30, 2021 ("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 nine months ended September 30, 2021, its annual financial statements for the year ended December 31, 2020, and its annual MD&A for the year ended December 31, 2020. 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; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; current 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, and Nova Scotia 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. 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. **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 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	2021	per share basic	per share fully diluted	2020	per share basic	per share fully diluted
For the three months ended September 30						
Revenue	$ 400,003			$ 297,286		
EBITDA(1)	95,276			83,235		
Net Earnings	21,899	$ 0.58	$ 0.56	17,244	$ 0.49	$ 0.48
Adjusted Net Earnings(1)	27,653	0.73	0.71	20,626	0.59	0.57
Adjusted Net Earnings payout ratio(1)		78%	80%		97%	100%
Free Cash Flow(1)	72,811	1.91	1.69	57,886	1.64	1.45
Free Cash Flow less Maintenance Capital Expenditures(1)	48,164	1.27	1.17	44,350	1.26	1.23
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)		45%	49%		45%	46%
Dividends declared	21,696	0.57		20,144	0.57	
For the nine months ended September 30						
Revenue	1,022,819			$ 847,919		
EBITDA(1)	240,459			202,564		
Net Earnings (Loss)	45,532	1.23	1.20	14,576	$ 0.42	$ 0.41
Adjusted Net Earnings(1)	57,985	1.57	1.53	28,329	0.81	0.79
Adjusted Net Earnings payout ratio(1)		109%	112%		211%	216%
Free Cash Flow(1)	171,736	4.65	4.14	138,903	3.98	3.55
Free Cash Flow less Maintenance Capital Expenditures(1)	104,259	2.82	2.65	72,061	2.06	2.01
Free Cash Flow less Maintenance Capital Expenditures payout ratio(1)		61%	65%		83%	85%
Dividends declared	63,476	1.71		59,812	1.71	
FINANCIAL POSITION	**September 30, 2021**			December 31, 2020		
Working capital	$ 312,221			$ 323,625		
Capital assets	1,044,708			950,037		
Total assets	2,497,506			2,294,184		
Senior debt	757,528			794,194		
Equity	778,538			685,946		
SHARE INFORMATION	**September 30, 2021**			December 31, 2020		
Common shares outstanding	38,142,632			35,471,758		
	September 30, 2021			September 30, 2020		
Weighted average shares outstanding during the period - basic	36,906,402			34,923,069		

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 imposing severe travel restrictions and social distancing measures to limit the spread of the virus. Compared to the pre-pandemic operating environment, travel restrictions have materially impacted the subsidiaries within the Aerospace & Aviation segment, and both social distancing requirements 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 22, 2021, the Corporation renewed its NCIB for common shares and received approval for a new NCIB for certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on February

24, 2021, and ending on February 23, 2022. The Corporation can purchase a maximum of 3,253,765 shares and daily purchases will be limited to 27,845 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 new NCIB for certain series of convertible debentures, purchases can be made during the period commencing on February 24, 2021, and ending on February 23, 2022. The Corporation can purchase a maximum of $6,897,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures, $10,000,000 principal amount of 5 year 5.25% convertible unsecured subordinated debentures, $8,050,000 principal amount of 7 year 5.35% convertible unsecured subordinated debentures, and $8,625,000 principal amount of 7 year 5.75% convertible unsecured subordinated debentures, with daily purchases of principal amount, other than block purchase exceptions, limited to $10,207, $11,001, $19,392, and $19,338, 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.

Government Financial Aid

The Corporation availed itself of the Canada Emergency Wage Subsidy ("CEWS") in 2021. The amounts received under the program have decreased compared to 2020 and the Corporation has not received support under the program since the second quarter of 2021. In addition, certain of the Corporation's airlines have received support from Federal, Provincial, and Territorial governments to ensure critical routes into remote communities are able to continue operation. Consistent with the CEWS, these amounts have declined throughout the 2021 year. Total support from all levels of government has decreased by 79% and 25% in the three and nine month periods ending September 30, 2021, compared to the same periods in 2020. Without a significant change in operations brought on by changes in the current state of the COVID-19 pandemic, the Corporation does not expect to receive government support in the fourth quarter of 2021 or thereafter.

Bought Deal Financing of Common Shares

On April 26, 2021, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 2,236,000 shares of the Corporation at $39.40 per share, for gross proceeds of approximately $88.1 million. The net proceeds of the offering was used to repay debt under the Corporation's credit facility during the second quarter and created further availability under the credit facility until required for future acquisitions or other growth opportunities. During the third quarter, a large portion was used to fund the acquisitions of Carson Air and Macfab Manufacturing. The Corporation is experiencing increased acquisition opportunities and wishes to be able to act quickly to take advantage of opportunities should the situation warrant.

Acquisition of Carson Air

On July 5, 2021, the Corporation acquired Carson Air ("Carson") for $58.2 million. The purchase price was funded through the issuance of $2.9 million of the Corporation's common shares to the vendor and cash in the amount of $55.3 million that was available from the Corporation's credit facility. Carson was established in 1990 and has a long history of being the primary provider of fixed wing air ambulance services in British Columbia. In addition to air ambulance services, which is Carson Air's primary business, it provides dedicated cargo services in British Columbia and Alberta and operates a flight school, Southern Interior Flight Centre.

Bought Deal Financing of Convertible Debentures

On July 30, 2021, the Corporation closed a bought deal offering of convertible debentures. At the closing of the offering, the Corporation issued $143.75 million principal amount of debentures including the exercise of the full $18.75 million overallotment option that was granted to the underwriters. The debentures bear interest at 5.25% per annum, payable semi-annually. The debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of $52.70 per share. The maturity of the debentures is July 31, 2028.

Credit Facility Extension

On August 6, 2021, the Corporation completed the extension of the maturity of its credit facility to August 6, 2025. The remaining terms included within the facility were virtually unchanged from the Corporation's previous credit facility.

Acquisition of Macfab Manufacturing

On August 11, 2021, the Corporation acquired Macfab Manufacturing Inc. ("Macfab") for $11.6 million. The purchase price was funded through the issuance of $1.6 million of the Corporation's common shares to the vendor and cash in the amount of $10.0 million that was available from the Corporation's credit facility. Macfab was founded in 1987 and is a contract manufacturer of precision custom components and sub-assemblies for medical, life sciences, aviation security, avionics, and space instruments. Serving customers across Canada, the US, and the UK, Macfab provides prototype and production volumes, and offers a complete suite of precision machining, finishing, cleaning, and assembly solutions.

Early Redemption of Convertible Debentures

On July 30, 2021, the Corporation provided notice of its intent to call the 7 year 5.25% convertible debentures which are due on June 30, 2023. The redemption of the debentures was completed with cash on hand from the Corporation's issuance of its July 2021 5.25% convertible debenture offering. Prior to the redemption date of September 2, 2021, $1.1 million principal amount of debentures were converted into 24,446 common shares at a price of $44.75 per share. On September 2, 2021, the remaining outstanding debentures in the principal amount of $67.9 million were redeemed by the Corporation.

SUBSEQUENT EVENTS

Acquisition of Telcon Datvox Inc.

On November 9, 2021, the Corporation acquired Telcon Datvox Inc. ("Telcon") for $10 million. The purchase price was funded through the issuance of $2 million of the Corporation's common shares to the vendor and cash in the amount of $8 million that was available from the Corporation's credit facility. Telcon was founded in 1982 and provides wireline installation and maintenance services, including both underground and aerial, as well as related services such as indoor network cabling. Located outside of St. Catharines, Ontario, Telcon services are focused in the southern Ontario region. The acquisition combined with WesTower's leading presence in the wireless tower industry, will further our ability to provide a fully integrated service to the telecommunication companies across Canada.

2. RESULTS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Corporation for the three months ended September 30, 2021, and the comparative 2020 period.

	Three Months Ended September 30, 2021			
	Aerospace & Aviation	**Manufacturing**	**Head Office (2)**	**Consolidated**
Revenue	**$ 274,852**	**$ 125,151**	**$ -**	**$ 400,003**
Expenses (1)	**186,173**	**109,325**	**9,229**	**304,727**
EBITDA	**88,679**	**15,826**	**(9,229)**	**95,276**
Depreciation of capital assets				**38,798**
Amortization of intangible assets				**3,790**
Finance costs - interest				**14,815**
Depreciation of right of use assets				**5,980**
Interest expense on right of use liabilities				**804**
Acquisition costs				**1,025**
Earnings before taxes				**30,064**
Current income tax expense				**5,353**
Deferred income tax expense				**2,812**
Net Earnings				**$ 21,899**
Net Earnings per share (basic)				**$ 0.58**
Adjusted Net Earnings				**$ 27,653**
Adjusted Net Earnings per share (basic)				**$ 0.73**

	Three Months Ended September 30, 2020			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 170,846	$ 126,440	$ -	$ 297,286
Expenses (1)	109,406	99,240	5,405	214,051
EBITDA	61,440	27,200	(5,405)	83,235
Depreciation of capital assets				35,144
Amortization of intangible assets				3,166
Finance costs - interest				10,769
Depreciation of right of use assets				6,314
Interest expense on right of use lease liabilities				963
Acquisition costs				1,002
Earnings before taxes				25,877
Current income tax expense				8,319
Deferred income tax expense				314
Net Earnings				$ 17,244
Net Earnings per share (basic)				$ 0.49
Adjusted Net Earnings				$ 20,626
Adjusted Net Earnings per share (basic)				$ 0.59

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 EBITDA

On a consolidated basis, the Corporation generated revenue of $400.0 million, an increase of $102.7 million, or 35% over the comparative period. The Aerospace & Aviation segment increased by $104.0 million and the Manufacturing segment decreased by $1.3 million.

EBITDA of $95.3 million was generated by the Corporation during the quarter, an increase of $12.0 million or 14% over the comparative period. The increase was attributable to the Aerospace & Aviation segment, partially offset by a decrease in the Manufacturing segment and higher head office costs. The consolidated increase was achieved despite overall government funding in the third quarter of 2021 decreasing by $19.7 million compared to the prior period. When government subsidies are excluded from both periods, EBITDA increased by 55%.

During the period, the Corporation's head office costs increased by $3.8 million over the prior period primarily due to increased compensation and increased costs associated with information technology. Compensation reductions in the prior period, including voluntary salary reductions and significantly reduced performance-based compensation, resulted in comparatively higher head office costs in 2021.

The Corporation's results continued to be impacted by the COVID-19 pandemic during the three months ended September 30, 2021, although to a lesser extent than in the prior period. Travel restrictions, required quarantine periods, and a backlog of elective and diagnostic medical procedures in southern Canada, reduced the demand for some of the Aerospace & Aviation segment's products and services compared to the pre-pandemic operating environment. In addition to reductions in efficiency due to COVID-19 in our Manufacturing segment, the segment experienced margin pressure compared to the prior period as the cost of raw materials and transportation increased during the third quarter. In both the Aerospace & Aviation segment and the Manufacturing segment, increased costs associated with keeping our employees and customers safe negatively impacted margins in the current and prior periods. The financial impact in our airline operations was partially offset with the support from the Manitoba and Ontario Provincial governments during the third quarter of 2021, although the amounts recorded in the third quarter are in respect to previous periods where the amount the Corporation would ultimately receive could not be quantified at that time. Total support received from all levels of government, including amounts received under the CEWS program in 2020, declined by 79% compared to the prior period.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $104.0 million to $274.9 million.

Revenue in the Legacy Airlines and Provincial increased by $57.4 million or 40% over the comparative period. Passenger and charter revenue drove the most significant increases in revenue from the prior period as the impact of the pandemic on the airlines lessened during the third quarter of 2021. As the vaccination rate in Canada has accelerated and the percentage of the population fully vaccinated increased in the third quarter, passenger volumes have rebounded, although the improvement varied across geographical markets. Our maritime market reached pre-pandemic levels, while the central Canadian markets approached 75% levels and the Nunavut region was slightly below that level. Medevac and cargo revenue, which remained strong throughout the pandemic also contributed to the increases in revenue during the third quarter. The Corporation's rotary wing operations experienced revenue improvement over the prior period driven by strong forest fire and exploration activity. Additionally, the third quarter benefited from the acquisition of Carson Air. Demand for Provincial's ISR assets remained strong, contributing to revenue growth over the prior period.

Regional One's revenue for the current period increased by $46.6 million or 174%. 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 September 30,	**2021**	2020
Sales and service revenue		**$ 65,029**	$ 21,118
Lease revenue		**8,406**	5,704
		$ 73,435	$ 26,822

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.

Regional One's operations have been significantly impacted by COVID-19. Regional One's business is dependent on the volume of passengers at traditional regional air carriers and therefore lower travel volumes throughout the world has put pressure on all of its lines of business, including part sales, aircraft and engine sales, and lease revenues. The overall industry has improved from its lows and travel in certain jurisdictions, most notably in the United States, has significantly increased from pandemic levels. This has resulted in a sequential improvement in revenue compared to the second quarter of 2021 and the highest quarterly revenue since the onset of the pandemic.

Sales and service revenue increased by $43.9 million or 208% over the comparative period, which includes the impact of increased parts sales and a significant increase in sales of larger assets. Regional One's part sales are nearing pre-pandemic levels, which is a significant milestone towards recovery as part sales are historically the most predictable portion of the sales and service revenue stream. The third quarter was a particularly high period for large assets sales compared to the prior period and compared to pre-covid operations. The sale of large assets varies on a period to period basis, but are generally higher dollar value transactions. As airlines around the world are either resuming flights or are preparing to resume operations, Regional One has seen increased activity in its sales and service revenue stream. A large portion of these types of sales are historically made in the United States, and the acceleration of the return of air travel in the United States compared to the rest of the world has been a positive development for Regional One.

Lease revenue increased by $2.7 million or 47% over the prior period. This increase is reflective of increased lease activity as restrictions have continued to lessen around the world. The Corporation's lease customers are generally located in regions that are still experiencing some form of travel restrictions, and therefore a return of lease revenue to historical levels is still several quarters away. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, EBITDA increased by $27.2 million or 44% to $88.7 million.

EBITDA contributed by the Legacy Airlines and Provincial increased by $14.8 million or 27%. While scheduled passenger operations in certain markets remained lower compared to the pre-pandemic operating environment, a strong increase compared to 2020, as described above, drove the improved EBITDA. In addition, robust cargo, charter, and rotary wing operations also contributed to the increased EBITDA compared to 2020. Our rotary wing operations benefitted from a particularly busy fire suppression season as well as strong mining exploration activity, which increased EBITDA compared to the prior period. The acquisition of Carson Air in July 2021 also contributed to the improvement. Provincial's aerospace operations benefitted from contract scope escalators and increased on demand ISR aircraft utilization. Additionally, cost reduction measures through scheduled frequency reductions, labour rationalization, and various other strategies that took some time to implement in 2020 were meaningfully realized in 2021. The Corporation provides essential services to the communities it serves as air transportation is the only way that people and goods can get to or from many of these remote regions. From this perspective, it is imperative the Corporation continues to maintain regular, albeit reduced, scheduled flights to these communities during the pandemic. The Corporation worked collaboratively with the Federal Government, the Government of Nunavut, and the Provincial governments of Manitoba and Ontario to help support the scheduled passenger operation to ensure continued regular essential services to their remote communities. Total government support received during the quarter is modest compared to the prior period in 2020, down 70%, and relates to support in respect of previous periods that could not be quantified until the current quarter. These factors collectively helped to mitigate the impact of pandemic induced reductions in demand compared to the pre-pandemic operating environment.

Regional One's EBITDA increased by $12.4 million or 197% over the prior period. The percentage increase in EBITDA is consistent with the percentage increase in Revenue, and was driven by increased contribution from all lines of business compared to the prior period. Regional One's whole aircraft and engine sales increased significantly compared to the prior period, which drove the increase in EBITDA. An increase in parts sales also contributed to the increase in EBITDA. In addition, the impact of cost reduction initiatives undertaken throughout the pandemic that took time to fully realize, including headcount reductions, improved EBITDA compared to the prior period.

Manufacturing Segment

The Manufacturing segment revenue decreased by $1.3 million or 1% to $125.2 million from the prior period and EBITDA decreased by $11.4 million or 42% to $15.8 million. More than half of the decrease in EBITDA from the prior period is caused by decreased CEWS received by the segment in 2021.

During the third quarter, the Manufacturing segment was impacted by increased raw materials and transportation costs and labour shortages, which decreased margins during the quarter. The entities within the segment are leveraging their collective expertise and supply chains to help access materials and labour required in their operations, but this is becoming more of a challenge as supply chains around the world struggle to adjust to increased demand.

EBITDA at Quest was lower than the prior period reflecting the impact of project delays, changes in product mix in its installation businesses where lower margin projects were completed in the current period, the impact of the current strain on the global supply chain, including increased raw material and transportation costs, and a $2.0 million reduction in amounts received under the CEWS program. At the onset of the pandemic, projects were delayed, which created openings in Quest's production schedule that could not be filled on short notice due to the longer-term procurement cycle of the construction projects in which Quest's windows are used. Quest's projects are usually booked by the customers more than a year in advance, and while these projects were not cancelled, they impacted short term results. The revenue shortfalls from these delayed projects were mostly replaced with lower margin work in its installation businesses, and the impact of owning WIS for the full quarter, but the margin difference negatively impacted EBITDA. In addition, for projects that were still moving forward in the short term, job-site delays and inefficiencies as a result of social distancing protocols implemented to mitigate the effects of COVID-19 compared to the pre-pandemic operating environment negatively impacted margins during the current period.

The balance of the segment collectively experienced an increase in EBITDA excluding the impact of the CEWS program in both periods, as support received in the current period declined by $5.5 million compared to the prior period. Demand continues to be strong, and the Corporation continues to look to add capacity to the segment to meet the demands of our customers, as illustrated with our recent tuck in acquisitions of Macfab and Telcon.

NET EARNINGS

Three Months Ended September 30,		2021		2020
Net Earnings	**$**	**21,899**	$	17,244
Net Earnings per share	**$**	**0.58**	$	0.49

Net Earnings was $21.9 million, an increase of $4.7 million or 27% over the prior period. The $12.0 million increase in EBITDA during the current period increased Net Earnings. This increase was partially offset by two items. First, depreciation on capital assets increased by $3.7 million during the period as Regional One expanded the number of assets in its lease portfolio and our airlines increase their flying hours as the impact of the pandemic lessened compared to 2020. In addition, the acquisition of Carson Air increased depreciation during the period. Second, non-cash accelerated interest accretion in 2021 as a result of the early redemption of the Corporation's debentures maturing in June 2023 increased interest costs by $2.6 million, which reduced Net Earnings.

Income tax expense decreased by $0.5 million compared to the prior period. The Corporation's effective rate of tax decreased compared to the prior period primarily because the Corporation generated a larger proportion of its 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 18% over the prior period to $0.58 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)*

Three Months Ended September 30,		2021		2020
Net Earnings	**$**	**21,899**	$	17,244
Acquisition costs, net of tax		**1,025**		1,002
Amortization of intangible assets, net of tax		**2,767**		2,311
Interest accretion on acquisition contingent consideration		**71**		69
Accelerated interest accretion on redeemed debentures, net of tax		**1,891**		-
Adjusted Net Earnings	**$**	**27,653**	$	20,626
per share - Basic	**$**	**0.73**	$	0.59
per share - Diluted	**$**	**0.71**	$	0.57

Adjusted Net Earnings was $27.7 million, an increase of $7.0 million or 34% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $2.8 million in intangible asset amortization, $1.0 million in acquisition costs, and $0.1 million in interest accretion on contingent consideration, and the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $1.9 million (all net of tax).

Adjusted Net Earnings per share increased by 24% over the prior period to $0.73 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 Three Months Ended September 30		2021		2020
Cash flows from operations	**$**	**98,435**	$	81,017
Change in non-cash working capital		**(20,607)**		(17,780)
Acquisition costs, net of tax		**1,025**		1,002
Principal payments on right of use lease liabilities		**(6,042)**		(6,353)
	$	**72,811**	$	57,886
per share - Basic	**$**	**1.91**	$	1.64
per share - Fully Diluted	**$**	**1.69**	$	1.45

The Free Cash Flow generated by the Corporation during the period was $72.8 million, an increase of $14.9 million, or 26% over the comparative period. The main reason for this increase is the $12.0 million increase in EBITDA and a $3.0 million decrease in current taxes. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Because of the increase in Free Cash Flow described above, Free Cash Flow on a basic per share basis increased by 16% to $1.91. 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*.

Nine Month Results

The following section analyzes the financial results of the Corporation for the nine months ended September 30, 2021, and the comparative 2020 period.

	Nine Months Ended September 30, 2021			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 655,929	$ 366,890	$ -	$ 1,022,819
Expenses (1)	445,865	313,244	23,251	782,360
EBITDA	210,064	53,646	(23,251)	240,459
Depreciation of capital assets				104,480
Amortization of intangible assets				12,109
Finance costs - interest				37,384
Depreciation of right of use assets				18,202
Interest expense on right of use liabilities				2,488
Acquisition costs				1,508
Earnings before taxes				64,288
Current income tax expense				16,422
Deferred income tax expense				2,334
Net Earnings				$ 45,532
Net Earnings per share (basic)				$ 1.23
Adjusted Net Earnings				$ 57,985
Adjusted Net Earnings per share (basic)				$ 1.57

	Nine Months Ended September 30, 2020			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 511,431	$ 336,488	$ -	$ 847,919
Expenses (1)	354,565	273,418	17,372	645,355
EBITDA	156,866	63,070	(17,372)	202,564
Depreciation of capital assets				104,038
Amortization of intangible assets				10,949
Finance costs - interest				35,855
Depreciation of right of use assets				18,978
Interest expense on right of use lease liabilities				3,010
Acquisition costs				1,082
Impairment loss				6,117
Other				(177)
Earnings before taxes				22,712
Current income tax expense				11,951
Deferred income tax recovery				(3,815)
Net Earnings				$ 14,576
Net Earnings per share (basic)				$ 0.42
Adjusted Net Earnings				$ 28,329
Adjusted Net Earnings per share (basic)				$ 0.81

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 EBITDA

On a consolidated basis, the Corporation generated revenue of $1.0 billion, an increase of $174.9 million, or 21% over the prior period. The Aerospace & Aviation segment revenue increased by $144.5 million and the Manufacturing segment revenue increased by $30.4 million.

EBITDA of $240.5 million was generated by the Corporation during the period, an increase of $37.9 million over the prior period. The increase in EBITDA is attributed to the lessening impact of COVID-19 compared to the prior period on the Corporation's Aerospace & Aviation segment subsidiaries and the impact of both Growth Capital Expenditures and acquisitions, partially offset by a reduction in EBITDA in the Manufacturing segment and higher head office costs.

During the period, the Corporation's head office costs increased by $5.9 million over the prior period primarily due to increased compensation and increased costs associated with information technology. Compensation reductions in the prior period, including voluntary salary reductions and significantly reduced performance-based compensation, resulted in comparatively higher head office costs in 2021.

The Corporation's results for the nine months ended September 30, 2021, compared to the prior period vary significantly depending on the period identified, owing to the timing of the onset of the COVID-19 pandemic. In the first two and a half months in 2020, the Corporation experienced normal operations and therefore the results for the first two and a half months of 2021 are much lower than in 2020. Starting in mid-March 2021, the Corporation experienced a return in demand, particularly within its Aerospace & Aviation segment, generating significantly improved results compared to the prior period.

The Corporation availed itself of the CEWS offered by the Government of Canada and received $16.2 million under this program during the period. The Corporation has not received support under the program since the second quarter of 2021. The Corporation continued to use the proceeds from the CEWS to offset salary costs that would have otherwise been reduced without the CEWS program, and to help offset increased health and safety costs across both segments and costs associated with inefficiencies in the Manufacturing segment. The Corporation's airline operations also received support for essential air services to remote northern communities from the Manitoba and Ontario Provincial governments during 2021 and from the Nunavut Territorial government. Total funding received from all levels of government in 2021, including amounts received under the CEWS program, is down 25% compared to the same period in 2020.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $144.5 million to $655.9 million.

Revenue in the Legacy Airlines and Provincial increased by $105.2 million or 26% over the prior period. The increase reflects the combination of improved demand for air travel in the second and third quarters of 2021 compared to the prior period, where the pandemic continued to have a material impact on operations. Partially offsetting this was the normal pre-pandemic results for most of the first quarter in the prior period, whereas operations in the first quarter of 2021 experienced material negative COVID-19 impacts throughout the quarter. Passenger and charter levels continued to strengthen in the second and third quarters of 2021 thereby more than offsetting decreases experienced early in 2021. The Corporation continued to see strong demand in its cargo, medevac, and rotary wing operations including strong EMS and fire suppression activity which contributed strong period over period growth while increases in mining exploration also contributed to the improvement. Our on-demand ISR platform contributed positively to our results as the Corporation continues to benefit from previous investments in that area. Finally, government financial assistance supporting the continuation of essential service into remote northern communities served to offset areas where service has not been economical throughout the pandemic.

Regional One's revenues for the current year increased by $39.3 million or 37%. As seen in the table below, this was driven by an increase in sales and service revenue over the prior period, partially offset by a decrease in lease revenue from the prior period.

Regional One Revenue Nine Months Ended September 30		**2021**		2020
Sales and service revenue	**$**	**123,565**	$	78,406
Lease revenue		**22,599**		28,494
	$	**146,164**	$	106,900

Sales and service revenue increased by 58% over the prior period. The prior period includes approximately two and a half months of normal operations, including part sales, which historically are the most predictable portion of Regional One's sales and service revenue and make up the largest proportion of this revenue stream. The reduced revenue experienced in the first quarter of 2021 was more than offset by improvements in the second and third quarters compared to 2020. The sales of whole aircraft and engines were materially impacted during the prior period due to COVID-19, as many sales that were expected to occur after the onset of the pandemic were cancelled or postponed. Regional One saw a material recovery in these larger sales during the third quarter, which is driving the increase in sales and service revenue over the prior period. The sale of large assets varies on a period to period basis, but are generally higher dollar value transactions. Regional One's business has been materially 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 has experienced growth compared to prior quarters impacted by the pandemic.

Lease revenue decreased by $5.9 million or 21% in the current period. Lease revenues in 2020 included approximately two and a half months of pre-pandemic utilization by the lessees, resulting in decreases in lease revenue in 2021 compared to that period. Lease revenues in the second and third quarters of 2021 on a combined basis increased compared to 2020. The leasing portfolio experienced lower utilization of aircraft by customers starting in March of 2020 and many of the regions where our lessees operate continue to experience varying degrees of travel restrictions and quarantine requirements, all of which continued to depress lease revenue compared to the pre-pandemic operating environment. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, EBITDA increased $53.2 million or 34% to $210.1 million.

EBITDA in the Legacy Airlines and Provincial increased by $48.7 million or 39% over the comparative period. The Corporation experienced an increase in demand during the second and third quarters, driving both revenue and EBITDA increases compared to the prior period. EBITDA shortfalls experienced in the first quarter were more than offset during the second and third quarters of 2021, as demand was much stronger compared to the prior period. The acquisition of Carson Air in July 2021 also contributed to the improvement. Consistent with the three-month discussion, cost reduction measures through scheduled frequency reductions, labour rationalization, and various other strategies that took some time to implement in 2020 were meaningfully realized in 2021 and continue to benefit our operations. The Corporation provides essential services to the communities it serves as air transportation is the only way that people and goods can get to or from many of these remote regions. From this perspective, it was imperative to maintain regular, albeit reduced, scheduled flights to these communities during the pandemic. The Corporation worked collaboratively with the Federal Government, the Government of Nunavut, and the Provincial governments of Manitoba and Ontario to help support the scheduled passenger operation to ensure continued regular essential services to their remote communities. The Corporation was also able to access funds under the CEWS program which helped offset higher health and safety costs and to offset salary costs that would have otherwise been reduced without the CEWS program. The total support received from all levels of government decreased by 9% compared to the same period in 2020. These factors collectively helped to mitigate the impact of pandemic induced reductions in demand compared to the pre-pandemic operating environment.

Regional One's EBITDA increased by $4.5 million or 14% over the prior period. The EBITDA generated from a significant increase in aircraft and engine sales more than offset a reduction in EBITDA contributed from leasing. The margin on the sale of larger assets sales is typically lower than other revenue streams, including leasing, and therefore the significant increase in the revenue percentage translates to a lower percentage increase in EBITDA.

Manufacturing Segment

The Manufacturing segment revenue increased by $30.4 million or 9% to $366.9 million and EBITDA decreased by $9.4 million or 15% from the prior year to $53.6 million. Excluding the impact of reduced CEWS received during 2021, EBITDA increased by 2% over 2020.

All of the Corporation's subsidiaries within the Manufacturing segment have been deemed essential businesses during the COVID-19 pandemic and have continued to operate. Social distancing and required COVID-19 related employee absenteeism have reduced the efficiency and throughput in the short-term despite robust demand. Increased employee screening and increased frequency of cleaning and sanitization of the facilities are all realities the manufacturing subsidiaries are facing as a result COVID-19. The segment has seen a decline in these impacts in the latter part of 2021.

For the first two quarters of 2021, EBITDA at Quest was higher than the prior period reflecting the acquisition of WIS in the third quarter of 2020 with no comparative in the prior period. During the third quarter, as discussed above, the COVID-19 pandemic had a more significant negative impact on Quest's operations, resulting in reduced EBITDA. The inability to fill Quest's production schedule on a short term basis for delayed projects impacted the operations in a meaningful way starting in the third quarter of 2021. COVID-19 and weather-related interruptions to production impacted Quest and its installation businesses. This included an interruption at the Quest plant in Texas for several days due to a devastating snowstorm that resulted in the declaration of a state of emergency in Texas. This reduced output from the facility and reduced efficiencies for a period of time, which negatively impacted EBITDA during the period. Finally, during the third quarter, increased raw materials and transportation costs negatively impacted Quest's EBITDA.

Consistent with the three month discussion above, the balance of the segment collectively experienced an increase in EBITDA excluding the impact of the CEWS program in both periods, as support received in the current period declined 85% compared to the prior period. Demand continues to be strong, and while the benefit of CEWS is lower than the prior period, it helped to offset higher safety costs and inefficiencies associated with COVID-19.

NET EARNINGS

Nine Months Ended September 30,	2021	2020
Net Earnings	$ 45,532	$ 14,576
Net Earnings per share	$ 1.23	$ 0.42

Net Earnings was $45.5 million, an increase of $31.0 million or 212% over the prior period. The $37.9 million increase in EBITDA during the current period increased Net Earnings. This increase was partially offset by increases in amortization of intangible assets and interest costs. The increase in amortization was primarily driven by the acquisition of WIS in the third quarter of 2020. The increase in interest costs is driven by $2.6 million of non-cash accelerated interest accretion in 2021 as a result of the early redemption of the Corporation's debentures maturing in June 2023. In the prior period, a non-recurring $6.1 million impairment loss on certain intangible assets decreased Net Earnings.

Income tax expense increased by $10.6 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 193% over the prior period to $1.23 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)*

Nine Months Ended September 30,	2021	2020
Net Earnings	$ 45,532	$ 14,576
Acquisition costs, net of tax	1,508	1,082
Amortization of intangible assets, net of tax	8,840	7,993
Interest accretion on acquisition contingent consideration	214	205
Accelerated interest accretion on redeemed debentures, net of tax	1,891	-
Impairment loss, net of tax	-	4,473
Adjusted Net Earnings	$ 57,985	$ 28,329
per share - Basic	$ 1.57	$ 0.81
per share - Diluted	$ 1.53	$ 0.79

Adjusted Net Earnings was $58.0 million, an increase of $29.7 million or 105% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $8.8 million in intangible asset amortization, $1.5 million in acquisition costs, and $0.2 million in interest accretion on contingent consideration, and the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $1.9 million (all net of tax).

Adjusted Net Earnings per share increased by 94% to $1.57 over the prior period 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 Nine Months Ended September 30,	2021	2020
Cash flows from operations	$ 206,046	$ 196,086
Change in non-cash working capital items	(18,240)	(40,825)
Acquisition costs, net of tax	1,508	1,082
Principal payments on right of use lease liabilities	(17,578)	(17,440)
	$ 171,736	$ 138,903
per share - Basic	$ 4.65	$ 3.98
per share - Fully Diluted	$ 4.14	$ 3.55

The Free Cash Flow generated by the Corporation during the period was $171.7 million, an increase of $32.8 million, or 24% over the comparative period. The main reason for this increase is the $37.9 million increase in EBITDA, partially offset by higher current taxes. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Because of the increase in Free Cash Flow described above, Free Cash Flow on a basic per share basis increased by 17% to $4.65. 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*.

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

On July 5, 2021, the Corporation acquired the shares of Carson. Carson was established in 1990 and has a long history of being the primary provider of fixed wing air ambulance services in British Columbia. In addition to air ambulance services, which is Carson's primary business, it provides dedicated cargo services in British Columbia and Alberta and operates a flight school, Southern Interior Flight Centre.

The components of the consideration paid to acquired Carson are outlined in the table below.

Consideration given:		
Cash purchase price net of preliminary working capital settlement at close	**$**	**54,198**
Issuance of 73,906 shares of the Corporation at $39.40 per share		**2,912**
Estimated final working capital settlement		**1,100**
Total purchase consideration	**$**	**58,210**

On August 11, 2021, the Corporation acquired the shares of Macfab. Macfab was founded in 1987 and is a contract manufacturer of precision custom components and sub-assemblies for medical, life sciences, aviation security, avionics, and space instruments. Serving customers across Canada, the US, and the UK, Macfab provides prototype and production volumes, and offers a complete suite of precision machining, finishing, cleaning, and assembly solutions.

The components of the consideration paid to acquired Macfab are outlined in the table below.

Consideration given:		
Cash	**$**	**9,116**
Issuance of 39,145 shares of the Corporation at $41.10 per share		**1,609**
Estimated working capital settlement		**853**
Total purchase consideration	**$**	**11,578**

CAPITAL EXPENDITURES

	Three Months Ended September 30, 2021							
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	**$**	**23,422**	**$**	**1,225**	**$**	**-**	**$**	**24,647**
Growth Capital Expenditures		**39,859**		**83**		**-**		**39,942**
	$	**63,281**	**$**	**1,308**	**$**	**-**	**$**	**64,589**
	Three Months Ended September 30, 2020							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	12,559	$	624	$	353	$	13,536
Growth Capital Expenditures		6,263		544		-		6,807
	$	18,822	$	1,168	$	353	$	20,343

	Nine Months Ended September 30, 2021			
CAPITAL EXPENDITURES	**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$ 64,269**	**$ 3,156**	**$ 52**	**$ 67,477**
Growth Capital Expenditures	**95,187**	**1,283**	**-**	**96,470**
	$ 159,456	**$ 4,439**	**$ 52**	**$ 163,947**

	Nine Months Ended September 30, 2020			
CAPITAL EXPENDITURES	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$ 63,642	$ 1,793	$ 1,407	$ 66,842
Growth Capital Expenditures	30,673	2,816	-	33,489
	$ 94,315	$ 4,609	$ 1,407	$ 100,331

Maintenance Capital Expenditures for the nine months ended September 30, 2021, were flat compared to the prior period. Maintenance Capital Expenditures are generally weighted more towards the first quarter as heavy overhauls and engine maintenance events are scheduled at a time when demand is lowest in the airline subsidiaries. During the prior period, Maintenance Capital Expenditures for the first two and a half months reflected a pre-pandemic reality, whereas in the current period Maintenance Capital Expenditures reflect current levels of flying, which were slower for the first two and a half months of 2021 comparatively but increased thereafter in 2021 compared to 2020. As flight hours increased in the second and third quarters of 2021, so did the Maintenance Capital Expenditures for our air operators. The second and third quarters of 2021 saw a significant increase in Maintenance Capital Expenditures as the airlines were significantly busier than in the prior period, where COVID-19 had a more material impact on operations. The Corporation expects Maintenance Capital Expenditures in the fourth quarter of 2021 to be higher than historical norms and also expects increased investment requirements into 2022 as operations move towards normalized pre-pandemic levels. Further discussion of future Maintenance Capital Expenditures is included in *Section 5 – Outlook*.

<u>Aerospace & Aviation Segment</u>

Maintenance Capital Expenditures for the Legacy Airlines and Provincial for the three and nine months ended September 30, 2021, were $18.1 million and $55.8 million, respectively, an increase of 50% and 14%, respectively over the prior period. As previously indicated, the Corporation expects that as flying hours increase, Maintenance Capital Expenditures will also increase, which is what occurred during the second and third quarters of 2021. During the three and nine months ended September 30, 2021, the Legacy Airlines and Provincial invested $15.6 million and $38.5 million, respectively, in Growth Capital Expenditures. Substantially all the investments made on a year-to-date basis relate to aircraft modifications in preparation for the Netherlands Coast Guard ISR contract for Provincial and investment in additional capacity in the Legacy Airlines to meet increasing customer demand, particularly for charter and cargo services.

Regional One's Maintenance Capital Expenditures for the three and nine months ended September 30, 2021, were $5.4 million and $8.4 million, respectively, an increase of $4.9 million in the three month period and a decrease of $6.0 million in the nine month period. The timing of required reinvestments in the third quarter drove the increase compared to the prior period. In the first quarter of the prior period, depreciation was used as a proxy for Maintenance Capital Expenditures, and depreciation materially exceeded the Maintenance Capital Expenditures as described below, which is causing the decrease in the nine month period. The COVID-19 pandemic has left its fleet of aircraft and engines underutilized, and as a result, the available green time on those aircraft is not being consumed at the same rate as in prior periods. Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. As the fleet is currently underutilized, the historical approach is not appropriate. The actual costs of maintaining the fleet were significantly lower than the depreciation expense recorded during the period. 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	**September 30, 2021**		December 31, 2020	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**65** (1)	**70**	58 (1)	51

Note 1) The aircraft total above includes 10 airframes (December 31, 2020 – 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. Regional One does not acquire assets with the intention of owning them for a long duration and deriving earnings solely from the financing spread. Regional One typically acquires assets with the intent of leasing them for a shorter duration, consuming available green time and producing cash flows, and then generating further profits once the aircraft have been retired from the active fleet and parted out. 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 nine months ended September 30, 2021, Regional One invested $24.3 million and $56.7 million, respectively, in Growth Capital Expenditures. Regional One took an opportunity to purchase some larger assets at attractive prices due to the impact COVID-19 has had on the aviation industry. These assets are currently being marketed for lease and will contribute to lease revenue in future periods when the impacts of the pandemic on the aviation industry wane.

In the first quarter of the prior period, 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.

The Corporation has been actively searching for opportunities arising from the impact of the COVID-19 pandemic on the aviation industry and made some purchases during the period. The Corporation will continue to diligently manage ongoing capital expenditures at Regional One during these uncertain times while at the same time looking for opportunities that may arise from distressed sellers. More information on future capital expenditures is available in *Section 5 – Outlook*.

<u>Manufacturing Segment</u>

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

For the three and nine months ended September 30, 2021, Maintenance Capital Expenditures of $1.2 million and $3.2 million, respectively, were made by the Manufacturing segment, an increase of $0.6 million and $1.4 million, respectively, over the prior period.

For the three and nine months ended September 30, 2021, Growth Capital Expenditures of $0.1 million and $1.3 million, respectively, were made by the Manufacturing segment. The investments were made to increase capacity within the segment to support the growth in demand currently experienced by the segment subsidiaries.

INVESTMENT IN WORKING CAPITAL

During the period ended September 30, 2021, the Corporation generated $18.2 million in cash flow from working capital. 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 period, the Corporation has seen investment required in some areas of working capital to support increased business volumes, most notably in Accounts Receivable. Those investments were offset through management in other areas. Since the onset of the pandemic, the Corporation has enhanced processes surrounding its working capital management. The Corporation will continue to manage its working capital to reflect its current level of operations.

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	2021 Dividends Amount	Record date	Per Share	2020 Dividends Amount
January	January 29, 2021	$ 0.19	$ 6,744	January 31, 2020	$ 0.19	$ 6,596
February	February 26, 2021	0.19	6,748	February 28, 2020	0.19	6,599
March	March 31, 2021	0.19	6,755	March 31, 2020	0.19	6,606
April	April 30, 2021	0.19	7,146	April 30, 2020	0.19	6,612
May	May 31, 2021	0.19	7,189	May 29, 2020	0.19	6,621
June	June 30, 2021	0.19	7,198	June 30, 2020	0.19	6,634
July	July 30, 2021	0.19	7,218	July 31, 2020	0.19	6,707
August	August 31, 2021	0.19	7,231	August 31, 2020	0.19	6,715
September	September 30, 2021	0.19	7,247	September 30, 2020	0.19	6,722
Total		$ 1.71	$ 63,476		$ 1.71	$ 59,812

Dividends declared for the nine months ended September 30, 2021, increased over the comparative period. The increase was primarily driven by the issuance of shares under the Corporation's equity offering in the second quarter of 2021 and shares issued as part of the acquisitions of WIS, Carson, and Macfab. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

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.

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. The Adjusted Net Earnings payout ratio is negatively impacted starting in 2019 as a result of the adoption of IFRS 16 and the comparability to ratios before the 2019 period is impacted.

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 adoption of IFRS 16 on January 1, 2019, has no impact on this payout ratio, and therefore results in 2019 and beyond are directly comparable to prior periods.

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

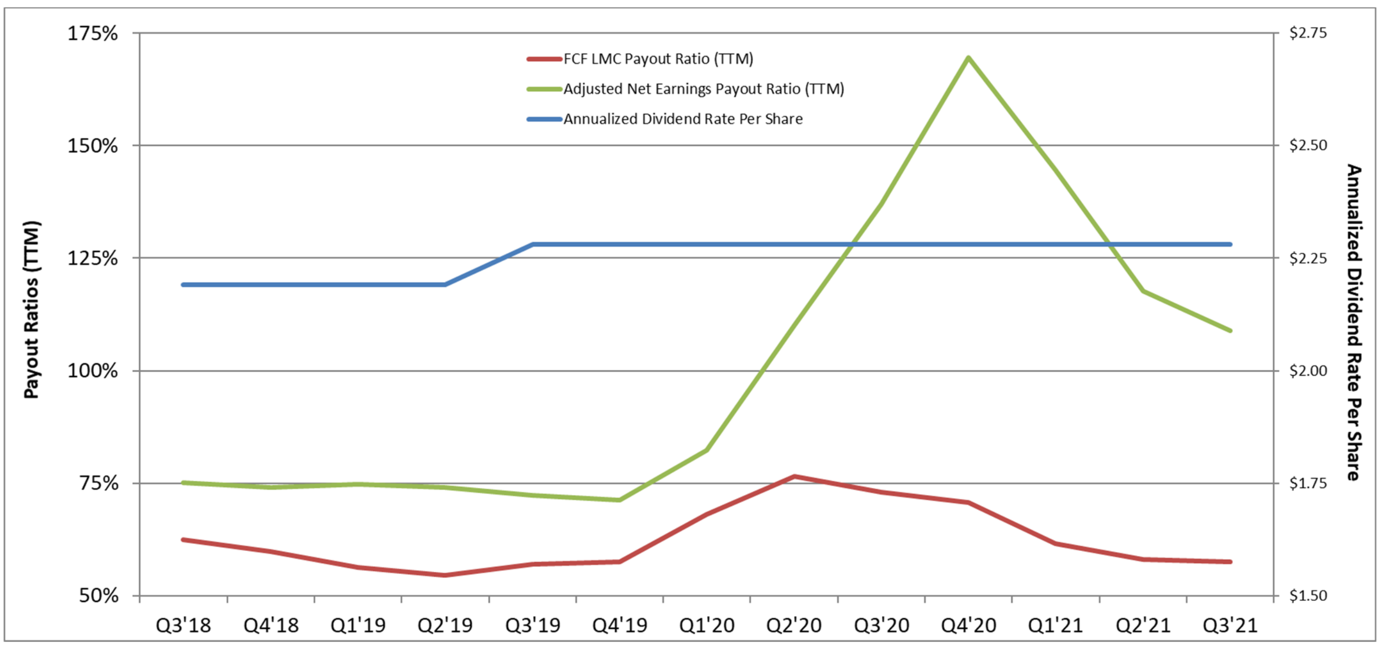
Payout Ratios

Basic per Share Payout Ratios for the Corporation	**2021**		2020	
Periods Ended September 30	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**78%**	**109%**	97%	137%
Free Cash Flow less Maintenance Capital Expenditures	**45%**	**57%**	45%	73%

The Corporation's payout ratios were impacted by COVID-19 to differing degrees, where management's efforts to manage capital expenditures are more immediately reflected in the Free Cash Flow less Maintenance Capital Expenditures payout ratio. The trailing twelve month Adjusted Net Earnings payout ratio improved over the prior period to 109% from 137% at September 30, 2020, but is still above pre-pandemic levels due to the impacts of COVID-19. Since September 30, 2020, the trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved from 73% to 57% at September 30, 2021, and was achieved through the diligent management of capital expenditures during the pandemic. The payout ratio at this level is a significant achievement as it is consistent with the payout ratio at December 31, 2019.

The nature of Maintenance Capital Expenditures means it can fluctuate 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

The key tenets of EIC's business model, including diversification, a prudent balance sheet, investing in our businesses, and strong subsidiary management, has produced resilient and strong performance throughout the pandemic. This is evident in our latest quarter which generated a record $95.3 million of EBITDA. We are still dealing with the impacts of the pandemic in many of our operations and are well aware of the potential for further uncertainty, however we are more confident than ever that our business model will enable us to deal with these challenges and carry EIC to new heights.

The demand in our Manufacturing segment remains strong and demand in our Aerospace & Aviation segment continues to improve. There has been a noticeable increase in passenger traffic throughout our Canadian operations as vaccination rates have increased throughout the country. The passenger levels plateaued or pulled back in certain regions in the fourth quarter with the onset of the fourth wave of COVID-19 in various regions. As the medical system in the south stabilizes, we expect the passenger levels to increase as a greater number of medical passengers travel for elective and diagnostic services that were deferred during the pandemic. When passenger demand returns to pre-pandemic levels, we will have higher revenue in our northern aviation operations than before the pandemic as growth in other areas will persist. Specifically, we expect cargo and charter levels to remain higher than pre-pandemic levels, as remote communities have increased their ecommerce levels, northern resource activity has increased, and we have increased the breadth of customers for our charter service. Demand for parts, engines and aircraft has resulted in increasing demand for Regional One's services and we expect this to continue based on increased passenger travel in the US and slowly increasing numbers in other areas of the world, including Europe, Africa, and Asia. Engine and aircraft sales can be more variable than parts sales as they are larger, more intermittent transactions. The third quarter represented a higher engine and aircraft sales quarter as airlines prepared their fleets for increased levels of flying. This higher level of engine and aircraft sales is expected to continue for the remainder of the year but not into 2022. As passenger travel outside of the US increases, we expect lease revenue at Regional One to move towards pre-pandemic levels. This trend was evident in the third quarter results as lease revenue in US dollars increased sequentially over second quarter by 20%, however lease revenue is still 60% lower than pre-pandemic levels. There is plenty of capacity in Regional One's current fleet to grow its lease revenue, as customers are moved off power by the hour programs and overall utilization increases.

The increasing demand is leading to many opportunities for EIC to invest and grow our operations, which are discussed further below, however it is also creating new challenges. Supply chain issues, commodity and materials inflation, and labour shortages have started to affect EIC's operations. These current challenges impact both of our segments, but will have a greater effect on our Manufacturing segment. In particular, the complications from supply chain logistics and inflation are likely to impact margins in the short term. This will have an outsized effect on Quest, where the longer duration of their projects results in a greater exposure to inflation. Other manufacturers in this industry face the same challenges. This margin pressure will subside as newer projects are added to the backlog, however we expect it to impact results in the fourth quarter and well into 2022. Within the Aerospace & Aviation segment, we are experiencing increased fuel prices. Our operators have always focused on fuel cost and have shown the ability to impose fuel surcharges as required. Our diversified operations, and in particular the expected strong performance from our Aerospace & Aviation segment, affords the Manufacturing segment the ability to deal with these cost increases in a manner that is most effective for the long-term health of their business.

The labour shortages present unique challenges to each one of our companies, which require specific solutions for their operations. The solutions have ranged from cross training employees, bringing in labour from other countries, retention strategies across the breadth of our companies to provide unique opportunities for career advancement, our Life In Flight program, and many other strategies. What's important is that each subsidiary is responsible for their own unique strategy while seeking collaboration and opportunity from the collective group of companies. Likewise, the supply chain issues has resulted in collaboration across our companies to source material based on the collective reach of EIC. The ability to succeed and find these solutions rests with the management team at each subsidiary, while EIC provides them the access and opportunity for collaboration within its family of companies. This is the cornerstone of our business model, acquire companies with great management teams and enable them to continue to execute. Managements' intricate knowledge of their operations, employees, and customers enables them to make the right decisions for their business. These same leadership teams found solutions and prospered throughout the pandemic and they will do the same for the current set of challenges.

Recently, there have been new regulations introduced which impact our aviation operations in particular. This includes the reopening of the Canada/US border to non-essential travel, requirements for passengers to be fully vaccinated, and new regulations for federal regulated industries, including the requirement for employees to be fully vaccinated. Many of these regulations will benefit our operators as they will continue to drive demand across the industry, however the regulations will also create some new challenges, which our operators will manage through. The regulations will have a major impact on the lives of our remote customers, and it is critically important for these remote communities to have as much flexibility as possible, as air travel is often the only way to access essential services, including medical treatment. As such, EIC is working to ensure our Indigenous communities' needs and concerns are heard by the federal government. We are able to have this impact because of the breadth of our operations, our relationship with our customers, and our history of being a resource for the regulators. This has resulted in the regulations for travel to remote communities being more flexible and includes the ability to travel if the passenger is fully vaccinated, has a medical exemption, or tests negative using a government supplied PCR test.

The diversification of our operations, our strong balance sheet, and subsidiary management resulted in exceptional performance throughout the pandemic. Another key pillar of our business model, investing in our operations, will continue to push our growth moving forward. This includes both organic investment and acquisitions.

EIC has invested $96.5 million in Growth Capital Expenditures this year. Our aviation operations added new aircraft types, including the Q400 and ATR 72-500, which enables us to meet more customer needs. In our cargo operations, we modified aircraft into combi aircraft providing a more efficient way to move both passengers and cargo into our northern communities. The pandemic has provided sourcing opportunities with attractive pricing enabling Regional One to grow additional asset classes, including the Q400, ERJ-190, and the CF34-10 engines, as well as their CRJ fleet. We are also modifying aircraft for the Netherlands Coast Guard contract that was awarded to Provincial in late 2020.

We also invested time and resources into pursuing growth. This includes Provincial's recent partnerships with De Havilland Canada to develop and support a Dash 8 P-4 Special Mission Aircraft for the ISR space and with Viking to support the Twin Otter Fire Attack System.

In addition, time has been invested into supporting proposals to grow our ISR operations. We await the decision from Curacao on the ISR contract we bid as the incumbent and the decision from Malaysia on a new ISR opportunity bid in late 2020.

EIC has acquired three companies so far in 2021 for $80 million and has an additional two transactions valued at $70 million which should close in the next three months. The first of these acquisitions was Carson Air, which expanded our leading position as the largest air ambulance operator in Canada. The second was Macfab, a precision machine operation that will serve to expand our growing business at Ben Machine. The third acquisition was Telcon, which is a tuck-in acquisition for WesTower, providing them increased wireline capability. The combined offering of wireline and WesTower's traditional wireless work will enable them to offer a fully integrated offering to their customers. The two acquisitions we expect to close in the next three months are also strategic as we seek to advance the scope of operations.

The pandemic has highlighted the resiliency of our business model. The third quarter produced record EBITDA. Throughout the pandemic we have continued to invest and the demand for our services is strong. With the benefit of our diversified model and our strong subsidiary management teams, we are managing the current challenges that are having more of an impact on our Manufacturing segment. The future for EIC is bright and we look forward to managing the challenges the future may hold.

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 has also steadily increased. This trend is expected to continue as both passenger volumes and Maintenance Capital Expenditures return towards pre-pandemic levels together.

As discussed in the 2020 annual report, Regional One's leased aircraft are not flying as much as a result of the pandemic. Therefore, the green time is not being consumed at the same rate on these aircraft. As a result, the actual capital expenditures on assets already owned are being used as the costs of maintaining the fleet starting in the second quarter of 2020. 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 in the remainder of 2021 will be focussed on the new Netherlands ISR contract and a new hangar in Winnipeg for the FWSAR contract. The modifications for the Netherlands contract started in the fourth quarter of 2020 and are expected to be finished in the second quarter of 2022. The site preparation for the new hangar started in the third quarter of this year.

As expected, Regional One's pace of acquisition accelerated in the third quarter as their pipeline provided sourcing opportunities at attractive prices. We expect asset purchases to continue at an increased cadence for the remainder of the year. The current environment is creating interesting opportunities for Regional One's leadership team with EIC's ability to support them with capital. Regional One's aptitude to be opportunistic is a vital aspect of their business model and our long-term investment strategy.

A key tenet to EIC's business model is to continue to invest in our subsidiaries. As such, EIC will continue to assess prospects to grow through additional investment as opportunities are developed by our subsidiaries throughout the year. Regional One is the most fluid example as their business opportunities can arise and be acted upon in short order.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong and the Corporation has no long-term debt coming due until December 2022. During the second quarter, the Corporation completed a bought deal equity offering, which increased the Corporation's access to capital to make acquisitions, invest in its operating subsidiaries, and provides the ability to weather economic downturns. In addition, during the third quarter, the Corporation completed a convertible debenture offering. A portion of the proceeds from this offering was used to exercise its right to call its June 2016 debentures that were set to mature in June 2023. The balance of the proceeds from the convertible debenture offering will be utilized to repay indebtedness under its credit facility, and subsequently provide the financial flexibility to redeem, when permitted, other upcoming convertible debenture maturities, specifically those maturing on December 31, 2022. Finally, during the third quarter, the Corporation extended its credit facility to August 6, 2025. The overall result, after considering our expectation of using the remaining net proceeds of the July 2021 convertible debenture offering to redeem the convertible debentures maturing in December 2022, is that the Corporation will not have any long term debt due until June 30, 2025. This provides exceptional flexibility while giving the Corporation the capital to invest for future growth.

Since the onset of COVID-19, the Corporation has taken several steps to manage its liquidity through the pandemic and continued to successfully execute on plans put in place in 2020. The Corporation's diligent management of both capital expenditures and working capital has left the Corporation in an excellent position. During 2021, the Corporation has generated sufficient cash flow to cover its Maintenance Capital Expenditures, its dividend to shareholders, and a portion of its Growth Capital Expenditures, which will contribute to future growth in Free Cash Flow. The Corporation's management of working capital has resulted in cash generation of $18.2 million during the quarter, even as revenues have increased from pandemic lows. As the recovery continues, there may be investment required to support the growth in revenues. These results continue to demonstrate the ability to manage cash flow during the pandemic to meet current demand and invest in the future growth of the Corporation. This is in stark contrast to other entities with exposure to the airline industry and speaks volumes to the effectiveness of EIC's diversified operations and balance sheet management during even the most trying business environments.

At September 30, 2021, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 5.0x. Due to the initial uncertainty surrounding the impacts of COVID-19, the Corporation proactively approached its syndicate of lenders in the prior period. An amendment to the Corporation's credit facility increased its allowable senior leverage ratio from 4.0x to 5.0x for the quarters ending December 31, 2020, through September 30, 2021, and was precautionary as there was no expectation of exceeding the 4.0x covenant at the time. The Corporation has not required the additional flexibility permitted under this amendment. Although the Corporation's leverage is near the top end of its historical norms caused by the reduction in EBITDA compared to 2019 due to the impact of COVID-19 (senior debt to EBITDA has historically ranged from 1.5-2.5x), the Corporation's current leverage ratio is 2.25x and has improved since the onset of the pandemic, when it was 2.44x. Consistent with EIC's historical balance sheet management, the Corporation was proactive in managing its liquidity so that should an opportunity present itself, EIC has the capability and financial resources to execute where others may not be able.

At September 30, 2021, the Corporation has liquidity of approximately $910 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 September 30, 2021, the Corporation had a cash position of $76.9 million (December 31, 2020 - $69.9 million) and a net working capital position of $312.2 million (December 31, 2020 - $323.6 million) which represents a current ratio of 1.82 to 1 (December 31, 2020 – 2.10 to 1).

Overview of Capital Structure

The Corporation's capital structure is summarized below.

		September 30 2021		December 31 2020
Total senior debt outstanding (principal value)	**$**	**760,878**	$	797,444
Convertible debentures outstanding (par value)		**410,500**		335,725
Common shares		**832,979**		731,343
Total capital	**$**	**2,004,357**	$	1,864,512

Credit facility

The size of the Corporation's credit facility as at September 30, 2021, is approximately $1.3 billion, with $1.1 billion allocated to the Corporation's Canadian head office and US $150 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of September 30, 2021, the Corporation had drawn $199.0 million and US $441.0 million (December 31, 2020 - $190.0 million and US $477.1 million). On August 6, 2021, the Corporation completed the extension of the maturity of its credit facility to August 6, 2025. The remaining terms included within the facility were virtually unchanged from the Corporation's previous credit facility.

The Corporation's long-term debt, net of cash, decreased by $43.7 million since December 31, 2020. The Corporation used the net proceeds from its bought deal equity offering initially to repay its credit facility, until being deployed to acquire Carson, Macfab and make organic growth investments. The net proceeds from the bought deal convertible debenture offering was used to fund the redemption of the convertible debentures that originally matured in June 2023 and make a repayment on the Corporation's credit facility until those funds can be used to redeem other debenture series.

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. At September 30, 2021, US $193.2 million (December 31, 2020 – US $257.2 million) of the Corporation's US denominated borrowings are hedged with these swaps.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at September 30, 2021, and changes in the amounts of convertible debentures outstanding during the nine months ended September 30, 2021:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2017	EIF.DB.I	December 31, 2022	5.25%	$ 51.50
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 - 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures - June 2016	$ 68,975	$ -	$ (1,094)	$ (67,881)	$ -
Unsecured Debentures - December 2017	100,000	-	-	-	100,000
Unsecured Debentures - June 2018	80,500	-	-	-	80,500
Unsecured Debentures - March 2019	86,250	-	-	-	86,250
Unsecured Debentures - July 2021	-	143,750	-	-	143,750
Total	$ 335,725	$ 143,750	$ (1,094)	$ (67,881)	$ 410,500

On July 30, 2021, the Corporation closed a bought deal offering of convertible debentures. At the closing of the offering, the Corporation issued $143.75 million principal amount of debentures including the exercise of the full $18.75 million overallotment option that was granted to the underwriters. The debentures bear interest at 5.25% per annum, payable semi-annually. The debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of $52.70 per share. The maturity of the debentures is July 31, 2028.

On September 2, 2021, the Corporation exercised its right to call the 7 year 5.25% convertible debentures which were due on June 30, 2023. The redemption of the debentures was completed with the net proceeds from the Corporation's issuance of its July 2021 5.25% convertible debenture offering. Prior to the redemption date of September 2, 2021, $1.1 million principal amount of debentures were converted into 24,446 common shares at a price of $44.75 per share. On September 2, 2021, the remaining outstanding debentures in the principal amount of $67.9 million were redeemed by the Corporation.

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the nine months ended September 30, 2021:

	Date issued (redeemed)	Number of shares
Shares outstanding, beginning of period		35,471,758
Issued upon conversion of convertible debentures	various	24,446
Issued under dividend reinvestment plan (DRIP)	various	237,022
Issued under employee share purchase plan	various	38,309
Issued under deferred share plan	various	20,046
Issued under First Nations community partnership agreements	various	2,000
Issued to Carson vendors on closing	July 5, 2021	73,906
Issued to Macfab vendors on closing	August 11, 2021	39,145
Prospectus offering, including over-allotment	various	2,236,000
Shares outstanding, end of period		38,142,632

On April 26, 2021, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 2,236,000 shares of the Corporation at $39.40 per share, for gross proceeds of approximately $88.1 million.

The Corporation issued 237,022 shares under its dividend reinvestment plan during the period and received $9.2 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued shares to the vendors of Carson and Macfab as part of the consideration paid on completion of the acquisition. In total, 113,051 shares were issued, representing purchase price consideration of $4.5 million.

The Corporation issued 38,309 shares under its Employee Share Purchase Plan during the period and received $1.6 million for those shares in accordance with the Employee Share Purchase Plan.

The weighted average shares outstanding during the three and nine months ended September 30, 2021, increased by 8% and 6%, respectively, compared to the prior period. The increase is primarily attributable to shares issued under the Corporation's bought deal financing of common shares, shares issued under the dividend reinvestment plan, and shares issued as part of the recent acquisitions completed by the Corporation.

Normal Course Issuer Bid

On February 22, 2021, the Corporation renewed its NCIB for common shares and received approval for a new NCIB for certain series of convertible debentures of EIC. Under the renewed NCIB for common shares, purchases can be made during the period commencing on February 24, 2021, and ending on February 23, 2022. The Corporation can purchase a maximum of 3,253,765 shares and daily purchases will be limited to 27,845 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 new NCIB for certain series of convertible debentures, purchases can be made during the period commencing on February 24, 2021, and ending on February 23, 2022. The Corporation can purchase a maximum of $6,897,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures, $10,000,000 principal amount of 5 year 5.25% convertible unsecured subordinated debentures, $8,050,000 principal amount of 7 year 5.35% convertible unsecured subordinated debentures, and $8,625,000 principal amount of 7 year 5.75% convertible unsecured subordinated debentures, with daily purchases of principal amount, other than block purchase exceptions, limited to $10,207, $11,001, $19,392, and $19,338, 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 nine months ended September 30, 2021, 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 nine months ended September 30, 2021, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2020.

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, 2020.

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 nine months ended September 30, 2021, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2020 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three and nine months ended September 30, 2021.

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 September 30, 2021, and has concluded that the design of internal controls over financial reporting is effective.

Carson Air was acquired on July 5, 2021, and Macfab was acquired on August 11, 2021. In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design of internal controls over financial reporting to exclude the controls at Carson Air and Macfab. These entities had revenue of $9.6 million included in the consolidated results of the Corporation for the period ended September 30, 2021. As at September 30, 2021, these entities had current assets of $9.1 million, non-current assets of $79.1 million, current liabilities of $8.0 million, and non-current liabilities of $10.0 million.

There have been no material changes to the Corporation's internal controls during the 2021 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 designed effectively as at September 30, 2021.

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, 2020.

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

<u>EBITDA</u>: 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. 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.

Adjusted Net Earnings: is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration, 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.

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.

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 and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation.

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

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

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

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

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

	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Revenue	**$ 400,003**	**$ 322,070**	**$ 300,746**	$ 301,710	$ 297,286	$ 243,657	$ 306,976	$ 363,287	$ 355,164
EBITDA	**95,276**	**81,061**	**64,122**	81,971	83,235	62,075	57,254	88,748	89,002
Net Earnings (Loss)	**21,899**	**16,506**	**7,127**	13,479	17,244	2,630	(5,298)	25,283	28,990
Basic	**0.58**	**0.44**	**0.20**	0.38	0.49	0.08	(0.15)	0.74	0.90
Diluted	**0.56**	**0.43**	**0.20**	0.37	0.48	0.07	(0.15)	0.71	0.83
Adjusted Net Earnings	**27,653**	**19,781**	**10,551**	18,847	20,626	5,645	2,058	29,757	33,073
Basic	**0.73**	**0.53**	**0.30**	0.53	0.59	0.16	0.06	0.88	1.03
Diluted	**0.71**	**0.52**	**0.29**	0.52	0.57	0.16	0.06	0.81	0.93
Free Cash Flow ("FCF")	**72,811**	**57,283**	**41,642**	59,497	57,886	42,268	38,749	68,631	67,166
Basic	**1.91**	**1.54**	**1.17**	1.68	1.64	1.21	1.12	2.02	2.08
Diluted	**1.69**	**1.37**	**1.06**	1.48	1.45	1.09	1.01	1.75	1.78
FCF less Maintenance Capital Expenditures	**48,164**	**36,517**	**19,578**	41,270	44,350	25,412	2,299	36,935	36,885
Basic	**1.27**	**0.98**	**0.55**	1.17	1.26	0.73	0.07	1.09	1.14
Diluted	**1.17**	**0.91**	**0.54**	1.05	1.23	0.71	0.06	0.99	1.03
Maintenance Capital Expenditures	**24,647**	**20,766**	**22,064**	18,227	13,536	16,856	36,450	31,696	30,281
Growth Capital Expenditures	**39,942**	**33,996**	**22,532**	14,434	6,807	12,301	14,381	29,790	32,060

Note 1) On January 1, 2019 the Corporation adopted IFRS 16 using the modified retrospective method. Amounts prior to 2019 are not directly comparable to results after the adoption of IFRS 16.

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	September 30 2021	December 31 2020
ASSETS		
CURRENT		
Cash and cash equivalents	$ 76,931	$ 69,862
Accounts receivable	295,236	263,885
Amounts due from customers on construction contracts	27,080	21,372
Inventory	252,971	235,870
Prepaid expenses and deposits	40,071	27,967
	692,289	618,956
OTHER ASSETS (Note 7)	79,442	75,347
CAPITAL ASSETS	1,044,708	950,037
RIGHT OF USE ASSETS	81,244	90,483
INTANGIBLE ASSETS	152,591	161,772
GOODWILL	447,232	397,589
	$ 2,497,506	$ 2,294,184
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 273,787	$ 214,504
Income taxes payable	5,884	5,253
Deferred revenue	51,945	27,973
Amounts due to customers on construction contracts	26,840	24,997
Current portion of right of use lease liability	21,612	22,604
	380,068	295,331
DEFERRED REVENUE	2,730	-
OTHER LONG-TERM LIABILITIES	18,410	31,427
LONG-TERM DEBT (Note 8)	757,528	794,194
CONVERTIBLE DEBENTURES (Note 9)	384,885	315,830
LONG-TERM RIGHT OF USE LEASE LIABILITY	66,180	73,794
DEFERRED INCOME TAX LIABILITY	109,167	97,662
	1,718,968	1,608,238
EQUITY		
SHARE CAPITAL (Note 10)	832,979	731,343
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	14,194	13,214
CONTRIBUTED SURPLUS	13,046	9,837
DEFERRED SHARE PLAN	17,659	16,893
RETAINED EARNINGS		
Cumulative Earnings	545,156	499,624
Cumulative Dividends	(640,408)	(576,932)
Cumulative impact of share cancellation under the NCIB	(26,122)	(26,122)
	756,504	667,857
ACCUMULATED OTHER COMPREHENSIVE INCOME	22,034	18,089
	778,538	685,946
	$ 2,497,506	$ 2,294,184

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		Nine Months Ended	
For the periods ended September 30	**2021**	2020	**2021**	2020
REVENUE				
Aerospace & Aviation	**$ 274,852**	$ 170,846	**$ 655,929**	$ 511,431
Manufacturing	**125,151**	126,440	**366,890**	336,488
	400,003	297,286	**1,022,819**	847,919
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**156,224**	87,330	**366,805**	277,651
Manufacturing expenses - excluding depreciation and amortization	**96,714**	86,179	**277,046**	234,422
General and administrative	**51,789**	40,542	**138,509**	133,282
	304,727	214,051	**782,360**	645,355
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**95,276**	83,235	**240,459**	202,564
Depreciation of capital assets	**38,798**	35,144	**104,480**	104,038
Amortization of intangible assets	**3,790**	3,166	**12,109**	10,949
Finance costs - interest	**14,815**	10,769	**37,384**	35,855
Depreciation of right of use assets	**5,980**	6,314	**18,202**	18,978
Interest expense on right of use lease liabilities	**804**	963	**2,488**	3,010
Acquisition costs	**1,025**	1,002	**1,508**	1,082
Impairment loss	**-**	-	**-**	6,117
Other	**-**	-	**-**	(177)
EARNINGS BEFORE INCOME TAXES	**30,064**	25,877	**64,288**	22,712
INCOME TAX EXPENSE (RECOVERY)				
Current	**5,353**	8,319	**16,422**	11,951
Deferred	**2,812**	314	**2,334**	(3,815)
	8,165	8,633	**18,756**	8,136
NET EARNINGS	**$ 21,899**	$ 17,244	**$ 45,532**	$ 14,576
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 0.58**	$ 0.49	**$ 1.23**	$ 0.42
Diluted	**$ 0.56**	$ 0.48	**$ 1.20**	$ 0.41

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		Nine Months Ended	
For the periods ended September 30	**2021**	2020	**2021**	2020
NET EARNINGS	**$ 21,899**	$ 17,244	**$ 45,532**	$ 14,576
OTHER COMPREHENSIVE INCOME (LOSS)				
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 September 30 of $10 and $(8), respectively, and net of tax expense for the nine months ended September 30 of $1 and $10, respectively	**17,155**	(13,535)	**950**	16,960
Net gain (loss) on hedge of net investment in foreign operations net of tax expense (recovery) for the three months ended September 30 of $(240) and $nil, respectively and net of tax recovery for the nine months ended September 30 of $nil and $nil, respectively	**(5,347)**	4,008	**(573)**	(5,375)
Net gain (loss) on hedge of restricted share plan, net of tax expense for the three months ended September 30 of $169 and $177, respectively and net of tax expense (recovery) for the nine months ended September 30 of $225 and $(494), respectively	**459**	479	**611**	(1,336)
Net gain (loss) on interest rate swap, net of tax expense for the three months ended September 30 of $188 and $18, respectively and net of tax expense (recovery) for the nine months ended September 30 of $1,093 and $(1,609), respectively	**509**	49	**2,957**	(4,349)
	12,776	(8,999)	**3,945**	5,900
COMPREHENSIVE INCOME (LOSS)	**$ 34,675**	$ 8,245	**$ 49,477**	$ 20,476

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)

					Retained Earnings				
	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Cumulative Earnings	Cumulative Dividends	Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)	**Total**
Balance, January 1, 2020	$ 709,546	$ 13,214	$ 9,837	$ 15,854	$ 471,569	$ (496,920)	$ (26,122)	$ 32,865	$ 729,843
Shares issued to acquisition vendors	9,402	-	-	-	-	-	-	-	9,402
Shares issued under dividend reinvestment plan	6,980	-	-	-	-	-	-	-	6,980
Deferred share plan vesting (Note 14)	-	-	-	1,242	-	-	-	-	1,242
Deferred share plan issuance	606	-	-	(606)	-	-	-	-	-
Shares issued under ESPP	1,708	-	-	-	-	-	-	-	1,708
Comprehensive income (loss)	-	-	-	-	14,576	-	-	5,900	20,476
Dividends declared	-	-	-	-	-	(59,812)	-	-	(59,812)
Balance, September 30, 2020	**$ 728,242**	**$ 13,214**	**$ 9,837**	**$ 16,490**	**$ 486,145**	**$ (556,732)**	**$ (26,122)**	**$ 38,765**	**$ 709,839**
Balance, January 1, 2021	$ 731,343	$ 13,214	$ 9,837	$ 16,893	$ 499,624	$ (576,932)	$ (26,122)	$ 18,089	**$ 685,946**
Shares issued to acquisition vendors (Note 6)	4,521	-	-	-	-	-	-	-	**4,521**
Prospectus offering, April 2021 (Note 10)	84,946	-	-	-	-	-	-	-	**84,946**
Convertible debentures (Note 9)									
Converted into shares	1,119	(52)	-	-	-	-	-	-	**1,067**
Issued	-	4,241	-	-	-	-	-	-	**4,241**
Matured/Redeemed	-	(3,209)	3,209	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 10)	9,212	-	-	-	-	-	-	-	**9,212**
Shares issued under First Nations community partnership agreements	79	-	-	-	-	-	-	-	**79**
Deferred share plan vesting (Note 14)	-	-	-	971	-	-	-	-	**971**
Deferred share plan issuance	205	-	-	(205)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	1,554	-	-	-	-	-	-	-	**1,554**
Comprehensive income	-	-	-	-	45,532	-	-	3,945	**49,477**
Dividends declared (Note 11)	-	-	-	-	-	(63,476)	-	-	**(63,476)**
Balance, September 30, 2021	**$ 832,979**	**$ 14,194**	**$ 13,046**	**$ 17,659**	**$ 545,156**	**$ (640,408)**	**$ (26,122)**	**$ 22,034**	**$ 778,538**

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		Nine Months Ended	
For the periods ended September 30	**2021**	2020	**2021**	2020
OPERATING ACTIVITIES				
Net earnings for the period	**$ 21,899**	$ 17,244	**$ 45,532**	$ 14,576
Items not affecting cash:				
Depreciation of capital assets	**38,798**	35,144	**104,480**	104,038
Amortization of intangible assets	**3,790**	3,166	**12,109**	10,949
Depreciation of right of use assets	**5,980**	6,314	**18,202**	18,978
Accretion of interest	**4,355**	1,781	**7,903**	5,095
Long-term debt discount	**13**	(32)	**11**	114
Impairment loss	**-**	-	**-**	6,117
Gain on disposal of capital assets	**(120)**	(1,097)	**(3,736)**	(1,856)
Deferred income tax expense (recovery)	**2,812**	314	**2,334**	(3,815)
Deferred share program share-based vesting	**301**	403	**971**	1,242
Other	**-**	-	**-**	(177)
	77,828	63,237	**187,806**	155,261
Changes in non-cash current and long-term working capital (Note 16)	**20,607**	17,780	**18,240**	40,825
	98,435	81,017	**206,046**	196,086
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**160,084**	49,742	**182,932**	177,910
Repayment of long-term debt (Note 8)	**(137,000)**	(16,177)	**(226,151)**	(79,858)
Proceeds from issuance of convertible debentures, net of issuance costs (Note 9)	**137,131**	-	**137,131**	-
Payment of matured debentures	**(67,881)**	-	**(67,881)**	-
Principal payments on right of use lease liabilities	**(6,042)**	(6,353)	**(17,578)**	(17,440)
Issuance of shares, net of issuance costs	**4,141**	2,894	**94,626**	8,687
Cash dividends (Note 11)	**(21,696)**	(20,144)	**(63,476)**	(59,812)
	68,737	9,962	**39,603**	29,487
INVESTING ACTIVITIES				
Purchase of capital assets	**(94,121)**	(24,292)	**(204,618)**	(104,457)
Proceeds from disposal of capital assets	**30,193**	4,984	**43,676**	7,577
Purchase of intangible assets	**(661)**	(1,035)	**(3,005)**	(3,451)
Investment in other assets	**(2,169)**	(2,305)	**(5,570)**	(8,141)
Cash outflow for acquisitions, net of cash acquired	**(61,163)**	(51,046)	**(61,163)**	(51,046)
Payment of contingent acquisition consideration and working capital settlements	**(6,505)**	-	**(6,505)**	(7,255)
	(134,426)	(73,694)	**(237,185)**	(166,773)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**32,746**	17,285	**8,464**	58,800
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**43,464**	66,181	**69,862**	22,055
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**721**	(904)	**(1,395)**	1,707
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 76,931**	$ 82,562	**$ 76,931**	$ 82,562
Supplementary cash flow information				
Interest paid	**$ 5,494**	$ 8,022	**$ 24,652**	$ 29,483
Income taxes paid	**$ 6,552**	$ 6,524	**$ 19,631**	$ 7,216

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 September 30, 2021, 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, Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, Stainless Fabrication, Inc., LV Control Mfg. Ltd., Water Blast Manufacturing LP, and Overlanders Manufacturing LP. Regional One Inc., Quest USA Inc., and Stainless Fabrication, 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.

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 imposing severe travel restrictions and social distancing measures to limit the spread of the virus. The travel restrictions have materially impacted the subsidiaries within the Aerospace & Aviation segment and the social distancing requirements have negatively impacted the efficiency of the subsidiaries in the Manufacturing segment.

The Corporation is unable to predict with accuracy the duration of the virus, actions governments will take, and customer sentiment during and after the pandemic with any certainty. The recent development and deployment of vaccines could result in more travel around the world.

In the Aerospace & Aviation segment, travel restrictions and required quarantine periods have had a material impact on passenger traffic, and demand for the Corporation's aircraft and aftermarket parts at Regional One Inc. and EIC Aircraft Leasing Limited has lessened as the pandemic has spread throughout the world. In the Manufacturing segment, social distancing, additional actions to keep our employees safe and required COVID-19 employee absenteeism have reduced manufacturing efficiency and reduced throughput in the production facilities. The Corporation has also incurred additional costs associated with personal protective equipment, sanitization, and other health and safety costs across both segments as a result of COVID-19. 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.

The Corporation took several steps to ensure it had the liquidity required during the uncertain economic times created by the COVID-19 pandemic as discussed in Note 8 and Note 15.

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, 2020. 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 November 11, 2021.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements. Note 3 of the Corporation's 2020 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

Government Grants

During the nine months ended September 30, 2021, the Corporation availed itself of the Canada Emergency Wage Subsidy ("CEWS"). During this period, the Corporation recorded $16,192 (2020 - $53,967) related to the CEWS as a reduction to the expenses for which the grant is intended to cover. At September 30, 2021, the Corporation has $nil (December 31, 2020 - $3,998) accrued for amounts to be received under the CEWS program in Accounts Receivable.

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

6. ACQUISITIONS

Carson Air ("Carson")

On July 5, 2021, the Corporation acquired all the shares of Carson Air. Carson was established in 1990 and is a provider of fixed wing air ambulance services in British Columbia. In addition to air ambulance services, which is Carson Air's primary business, it provides dedicated cargo services in B.C. and Alberta and operates a flight school, Southern Interior Flight Centre.

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

Consideration given:		
Cash purchase price net of preliminary working capital settlement at close	$	54,198
Issuance of 73,906 shares of the Corporation at $39.40 per share		2,912
Estimated final working capital settlement		1,100
Total purchase consideration	$	58,210

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 are expected to occur. The purchase of Carson includes goodwill of approximately $39.0 million which will be finalized in the fourth quarter.

Macfab Manufacturing Inc. ("Macfab")

On August 11, 2021, the Corporation acquired all the shares of Macfab. Macfab was founded in 1987 and is a contract manufacturer of precision custom components and sub-assemblies for medical, life sciences, aviation security, avionics, and space instruments. Serving customers across Canada, US, and the UK, Macfab provides prototype and production volumes, and offers a complete suite of precision machining, finishing, cleaning, and assembly solutions.

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

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

Consideration given:		
Cash	**$**	**9,116**
Issuance of 39,145 shares of the Corporation at $41.10 per share		**1,609**
Estimated working capital settlement		**853**
Total purchase consideration	**$**	**11,578**

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 are expected to occur. The purchase of Macfab includes goodwill of approximately $3.9 million which will be finalized in the fourth quarter.

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		September 30 2021		December 31 2020
Long-term prepaid expenses and security deposits	**$**	**1,916**	$	1,929
Long-term receivables		**4,310**		5,458
Long-term holdback receivables		**1,005**		5,060
Equity method investments		**51,083**		41,019
Other investments - Fair value through OCI (Note 14)		**6,476**		7,975
Derivative financial instruments - Fair value through profit and loss (Note 14)		**2,631**		-
Loan to Wasaya		**11,467**		12,363
Loan to Nunatsiavut Group of Companies ("NGC")		**554**		1,543
Total other assets	**$**	**79,442**	$	75,347

Subsequent to the end of the third quarter, the loan to Wasaya was repaid in full.

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at September 30, 2021, and December 31, 2020:

		September 30 2021		December 31 2020
Revolving term facility:				
Canadian dollar amounts drawn	**$**	**199,000**	$	190,000
United States dollar amounts drawn (US$441,000 and US$477,100 respectively)		**561,878**		607,444
Total credit facility debt outstanding, principal value		**760,878**		797,444
less: unamortized transaction costs		**(3,198)**		(3,087)
less: unamortized discount on outstanding Banker's Acceptances		**(152)**		(163)
Long-term debt	**$**	**757,528**	$	794,194

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 September 30, 2021.

During the prior period, the Corporation amended its credit facility. The amendment increased the senior leverage ratio maximum from 4.0x to 5.0x for the fiscal quarters ending December 31, 2020, through September 30, 2021. This amendment was sought by the Corporation as a precautionary measure to ensure that the Corporation had access to capital and additional flexibility during the uncertain times brought on by the COVID-19 pandemic. The Corporation's current leverage ratio as calculated under the terms of the credit facility is 2.25x, well within the 4.0x covenant going forward.

On August 6, 2021, the Corporation completed the extension of the maturity of its credit facility to August 6, 2025. The remaining terms included within the facility were virtually unchanged from the Corporation's previous credit facility.

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Interest expense recorded by the Corporation during the three and nine months ended September 30, 2021, for long-term debt was $5,278 and $15,918 respectively (2020 – $5,124 and $18,157).

Credit Facility

The following is the continuity of long-term debt for the nine months ended September 30, 2021:

						Nine Months Ended September 30, 2021				
		Opening		Withdrawals		Repayments		Exchange Differences		Ending
Credit facility amounts drawn										
Canadian dollar amounts	$	190,000	$	67,000	$	(58,000)	$	-	$	199,000
United States dollar amounts		607,444		117,059		(168,151)		5,526		561,878
	$	797,444							$	760,878

9. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2017	EIF.DB.I	December 31, 2022	5.25%	$ 51.50
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 - 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70

Summary of the debt component of the convertible debentures:

		2021 Balance, Beginning of Period		Debentures Issued		Accretion Charges		Debentures Converted		Redeemed / Matured		2021 Balance, End of Period
Unsecured Debentures - 2016	$	67,014	$	-	$	1,941	$	(1,074)	$	(67,881)	$	-
Unsecured Debentures - 2017		97,692		-		834		-		-		98,526
Unsecured Debentures - 2018		76,638		-		570		-		-		77,208
Unsecured Debentures - 2019		83,413		-		347		-		-		83,760
Unsecured Debentures - 2021		-		137,661		119		-		-		137,780
												397,274
less: unamortized transaction costs												(12,389)
Convertible Debentures - Debt Component, end of period											$	384,885

During the nine months ended September 20, 2021, convertible debentures totaling a face value of $1,094 were converted by the holders at various times into 24,446 shares of the Corporation (2020 - $nil and nil shares).

On July 30, 2021, the Corporation closed a bought deal offering of convertible unsecured subordinated debentures. At the closing of the offering, the Corporation issued $143,750 principal amount of debentures which included the full exercise of the over allotment option granted to the underwriters. The debentures bear interest at 5.25% per annum, payable semi-annually. The debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of $52.70 per share. The maturity date of the debentures is July 31, 2028.

On September 2, 2021, the Corporation redeemed its 7 year 5.25% convertible debentures which were to mature on June 30, 2023. On the redemption date, the remaining outstanding debentures in the principal amount of $67,881 were redeemed by the Corporation.

Interest expense recorded during the three and nine months ended September 30, 2021, for the convertible debentures was $9,469 and $21,255, respectively (2020 – $5,867 and $17,493, respectively).

July 2021 Unsecured Convertible Debenture Offering

The Corporation issued the $143,750 Seven Year 5.25% Convertible Unsecured Subordinated Debentures on July 30, 2021. These debentures bear interest at the rate of 5.25% per annum payable semi-annually in arrears, in cash, on July 31 and January 31 of each year with the first payment occurring on January 31, 2022, and will have a maturity date of July 31, 2028. Each debenture is convertible, at the debentureholder's option into shares of the Corporation at any time prior to the close of business on the day prior to the maturity date at the conversion price of $52.70.

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At the Corporation's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into shares at the Corporation's forced conversion price equal to 95% of the weighted average trading price of the shares for the 20 trading days ending five days prior to the maturity date. The debentures are not redeemable until after July 31, 2024. After July 31, 2024, but prior to July 31, 2026, the Corporation has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the shares at that time. On and after July 31, 2026, but prior to the maturity date the Corporation has the option to redeem these debentures without any weighted average market price thresholds. If the Corporation elects to redeem the debentures, the debentureholders have the option to convert the debentures into shares of the Corporation at the conversion price.

Transaction costs of $6,619 were incurred in relation to the issuance of these debentures.

The July 2021 convertible unsecured debentures have $143,750 of principal outstanding at September 30, 2021, and mature in July 2028.

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:

		September 30 2021		December 31 2020
Unsecured Debentures - 2016	**$**	**-**	$	3,261
Unsecured Debentures - 2017		**3,590**		3,590
Unsecured Debentures - 2018		**3,866**		3,866
Unsecured Debentures - 2019		**2,497**		2,497
Unsecured Debentures - 2021		**4,241**		-
Convertible Debentures - Equity Component, end of period	**$**	**14,194**	$	13,214

All convertible debentures outstanding at September 30, 2021, represent direct unsecured debt obligations of the Corporation.

On February 22, 2021, the Corporation received approval from the TSX for its Normal Course Issuers Bid ("NCIB") to purchase up to $6,897,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC ("Debentures (June 2016)"), $10,000,000 principal amount of 5 year 5.25% convertible unsecured subordinated debentures of EIC ("Debentures (December 2017)"), $8,050,000 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC ("Debentures (June 2018)") and $8,625,000 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC ("Debentures (March 2019)"), representing 10% of the public float of each series of Securities at January 31, 2021. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on February 24, 2021, and ending on February 23, 2022. Daily purchases will be limited to $10,207 principal amount of Debentures (June 2016), $11,001 principal amount of Debentures (December 2017), $19,392 principal amount of Debentures (June 2018), and $19,338 principal amount of Debentures (March 2019), other than block purchase exemptions.

During the nine months ended September 30, 2021, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

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

10. SHARE CAPITAL

Changes in the shares issued and outstanding during the nine months ended September 30, 2021, are as follows:

		2021
	Number of Shares	Amount
Share capital, beginning of period	35,471,758	$ 731,343
Issued upon conversion of convertible debentures	24,446	1,119
Issued under dividend reinvestment plan	237,022	9,212
Issued under employee share purchase plan	38,309	1,554
Issued under deferred share plan	20,046	205
Issued under First Nations community partnership agreements	2,000	79
Shares issued to Carson Air vendors on closing (Note 6)	73,906	2,912
Shares issued to Macfab vendors on closing (Note 6)	39,145	1,609
Prospectus offering, including over-allotment	2,236,000	84,946
Share capital, end of period	38,142,632	$ 832,979

On February 22, 2021, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 3,253,765 Common Shares, representing 10% of the issued and outstanding shares at January 31, 2021. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on February 24, 2021, and ending on February 23, 2022. The maximum number of shares that can be purchased by the Corporation daily is limited to 27,845 shares, other than block purchase exemptions.

During the nine months ended September 30, 2021, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,253,765 shares available for repurchase.

On April 26, 2021, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 2,236,000 shares of the Corporation at $39.40 per share, for gross proceeds of approximately $88,098.

During the third quarter, the Corporation issued shares to the vendors of Carson and Macfab. On July 5, 2021, the Corporation issued 73,906 shares with a value of $2,912 as part of the acquisition of Carson Air (Note 6). On August 11, 2021, the Corporation issued 39,145 shares with a value of $1,609 as part of the acquisition of Macfab (Note 6).

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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 nine months ended September 30, 2021, and the comparative 2020 period are as follows:

Month	Record date	Per Share	2021 Dividends Amount	Record date	Per Share	2020 Dividends Amount
January	January 29, 2021	$ **0.19**	$ **6,744**	January 31, 2020	$ 0.19	$ 6,596
February	February 26, 2021	**0.19**	**6,748**	February 28, 2020	0.19	6,599
March	March 31, 2021	**0.19**	**6,755**	March 31, 2020	0.19	6,606
April	April 30, 2021	**0.19**	**7,146**	April 30, 2020	0.19	6,612
May	May 31, 2021	**0.19**	**7,189**	May 29, 2020	0.19	6,621
June	June 30, 2021	**0.19**	**7,198**	June 30, 2020	0.19	6,634
July	July 30, 2021	**0.19**	**7,218**	July 31, 2020	0.19	6,707
August	August 31, 2021	**0.19**	**7,231**	August 31, 2020	0.19	6,715
September	September 30, 2021	**0.19**	**7,247**	September 30, 2020	0.19	6,722
Total		**$ 1.71**	**$ 63,476**		$ 1.71	$ 59,812

After September 30, 2021, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.19 per share for October 2021.

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. Moncton Flight College provides pilot training services. The Manufacturing segment consists of niche specialty manufacturers in markets throughout Canada and the United States.

The Corporation evaluates each segment's performance based on Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA"). The Corporation's method of calculating 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 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 EBITDA, certain statement of financial position amounts, and capital asset additions. It includes expenses incurred at the head office of the Corporation.

Notes to the Interim Condensed Consolidated Financial Statements

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

								Three Months Ended September 30, 2021
		Aerospace & Aviation		**Manufacturing**		**Head Office**		**Consolidated**
Revenue	**$**	**274,852**	**$**	**125,151**	**$**	**-**	**$**	**400,003**
Expenses		**186,173**		**109,325**		**9,229**		**304,727**
EBITDA		**88,679**		**15,826**		**(9,229)**		**95,276**
Depreciation of capital assets								**38,798**
Amortization of intangible assets								**3,790**
Finance costs - interest								**14,815**
Depreciation of right of use assets								**5,980**
Interest expense on right of use lease liabilities								**804**
Acquisition costs								**1,025**
Earnings before income taxes								**30,064**
Current income tax expense								**5,353**
Deferred income tax expense								**2,812**
Net Earnings							**$**	**21,899**

								Three Months Ended September 30, 2020
		Aerospace & Aviation		Manufacturing		Head Office		Consolidated
Revenue	$	170,846	$	126,440	$	-	$	297,286
Expenses		109,406		99,240		5,405		214,051
EBITDA		61,440		27,200		(5,405)		83,235
Depreciation of capital assets								35,144
Amortization of intangible assets								3,166
Finance costs - interest								10,769
Depreciation of right of use assets								6,314
Interest expense on right of use lease liabilities								963
Acquisition costs								1,002
Earnings before income taxes								25,877
Current income tax expense								8,319
Deferred income tax expense								314
Net Earnings							$	17,244

								Nine Months Ended September 30, 2021
		Aerospace & Aviation		**Manufacturing**		**Head Office**		**Consolidated**
Revenue	**$**	**655,929**	**$**	**366,890**	**$**	**-**	**$**	**1,022,819**
Expenses		**445,865**		**313,244**		**23,251**		**782,360**
EBITDA		**210,064**		**53,646**		**(23,251)**		**240,459**
Depreciation of capital assets								**104,480**
Amortization of intangible assets								**12,109**
Finance costs - interest								**37,384**
Depreciation of right of use assets								**18,202**
Interest expense on right of use lease liabilities								**2,488**
Acquisition costs								**1,508**
Earnings before income taxes								**64,288**
Current income tax expense								**16,422**
Deferred income tax expense								**2,334**
Net Earnings							**$**	**45,532**

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	Nine Months Ended September 30, 2020			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 511,431	$ 336,488	$ -	$ 847,919
Expenses	354,565	273,418	17,372	645,355
EBITDA	156,866	63,070	(17,372)	202,564
Depreciation of capital assets				104,038
Amortization of intangible assets				10,949
Finance costs - interest				35,855
Depreciation of right of use assets				18,978
Interest expense on right of use lease liabilities				3,010
Acquisition costs				1,082
Impairment loss				6,117
Other				(177)
Earnings before income taxes				22,712
Current income tax expense				11,951
Deferred income tax recovery				(3,815)
Net Earnings				$ 14,576

	For the period September 30, 2021			
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 1,832,427**	**$ 554,104**	**$ 110,975**	**$ 2,497,506**
Net capital asset additions	**156,878**	**4,006**	**58**	**160,942**

	For the year ended December 31, 2020			
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 1,623,340	$ 548,476	$ 122,368	$ 2,294,184
Net capital asset additions	122,310	5,037	1,040	128,387

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		**Nine Months Ended**	
Revenue Streams	Periods ended September 30	**2021**	2020	**2021**	2020
Aerospace & Aviation Segment					
Sale of goods - point in time		**$ 69,409**	$ 24,589	**$ 135,615**	$ 92,173
Sale of services - point in time		**204,886**	145,474	**518,064**	417,406
Sale of services - over time		**557**	783	**2,250**	1,852
Manufacturing Segment					
Sale of goods - point in time		**24,358**	23,823	**72,245**	68,078
Sale of goods and services - over time		**100,793**	102,617	**294,645**	268,410
Total revenue		**$ 400,003**	$ 297,286	**$ 1,022,819**	$ 847,919

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

The computation for basic and diluted earnings per share for the three and nine months ended September 30, 2021, and the comparative for the 2020 period are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2021**	2020	**2021**	2020
Net earnings	**$ 21,899**	$ 17,244	**$ 45,532**	$ 14,576
Effect of dilutive securities				
Convertible debenture interest	**-**	-	**-**	-
Diluted Net Earnings	**$ 21,899**	$ 17,244	**$ 45,532**	$ 14,576
Basic weighted average number of shares	**38,034,523**	35,207,065	**36,906,402**	34,923,069
Effect of dilutive securities				
Deferred Shares	**980,191**	913,713	**980,191**	913,713
Convertible debentures	**-**	-	**-**	-
Diluted basis weighted average number of shares	**39,014,714**	36,120,778	**37,886,593**	35,836,782
Net Earnings per share:				
Basic	**$ 0.58**	$ 0.49	**$ 1.23**	$ 0.42
Diluted	**$ 0.56**	$ 0.48	**$ 1.20**	$ 0.41

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the nine months ended September 30, 2021, the Corporation granted 30,607 (2020 – 18,749) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,214 (2020 - $811) 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 nine months ended September 30, 2021, the Corporation recorded a compensation expense of $301 and $971, respectively, for the Corporation's Deferred Share Plan within the general and administrative expenses of head office (2020 - $403 and $1,242, respectively).

Restricted Share Plan

During the nine months ended September 30, 2021, the Corporation granted 121,408 (2020 – 104,543) restricted shares to certain personnel. The fair value of the restricted share units granted was $4,881 (2020 - $4,236) 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 nine months ended September 30, 2021, the Corporation recorded compensation expense of $1,641 and $4,030, respectively for the Corporation's Restricted Share Plan within the general and administrative expenses of head office (2020 - $558 and $1,354, 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 nine months ended September 30, 2021, employees acquired 38,309 shares from treasury at a weighted average price of $40.57 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 $539 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, 2020, consolidated financial statements.

During the prior period, the Corporation amended its credit facility to provide additional flexibility during the uncertain times brought on by the COVID-19 pandemic. The amendment increased the senior leverage ratio maximum from 4.0x to 5.0x for fiscal quarters through September 30, 2021. This amendment was sought as a precautionary measure. Since the onset of the pandemic, the Corporation has enhanced processes surrounding its working capital management. The Corporation will continue to manage its working capital to reflect its current level of operations. The Corporation has also managed capital investments during the 2021 period where appropriate as part of its overall cash management due to the ongoing impact of COVID-19.

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 $441,000 or $561,878 (December 31, 2020 - US $477,100 or $607,444) 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 $91,400 (December 31, 2020 - US $82,500) 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 $156,400 (December 31, 2020 - US $137,400) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the quarter, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar LIBOR borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at September 30, 2021, was a financial asset of $557 (2020 - financial liability of $4,433). At September 30, 2021, the notional value of the swaps outstanding is US $193,200 (2020 - US $257,200). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $557 was reclassified from other comprehensive income (2020 - $4,433).

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 London Inter-Bank Offer Rate ("LIBOR"). At September 30, 2021:

- US $441,000 (December 31, 2020 – US $477,100) was outstanding under US LIBOR and,
- $199,000 (December 31, 2020 – $190,000) was outstanding under Banker's Acceptances.

The interest rates of the convertible debentures (Note 9) have fixed interest rates.

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

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 liability of $3,356 (December 31, 2020 - other long-term financial liability of $7,407) 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 2019, 2020, and 2021 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 2019, 2020, and 2021 programs was $12,583. The instruments are classified as a long-term financial asset of $2,075 (2020 - long-term financial liability of $43) and are recorded as a separate line within other comprehensive income.

Fair Value of Financial Instruments

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

		Fair Value		
Recurring fair value measurements	**Carrying Value September 30, 2021**	**Quoted prices in an active market Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss	$ 557	$ -	$ 557	$ -
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	2,075	-	2,075	-
Other assets - Fair value through OCI (Note 7)	6,476	-	-	6,476
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(5,928)	-	-	(5,928)
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(3,356)	-	(3,356)	-
Fair Value Disclosures				
Other assets - Amortized cost	19,252	-	19,252	-
Long-term debt - Amortized cost	(757,528)	-	-	(760,878)
Convertible debt - Amortized cost	(384,885)	(424,920)	-	-

(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, 2020	Level 1	Level 2	Level 3
Financial Assets				
Other assets - Fair value through OCI (Note 7)	$ 7,975	$ -	$ -	$ 7,975
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(5,714)	-	-	(5,714)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(4,433)	-	(4,433)	-
Other long term liabilities - Restricted Share Plan Derivative - Financial liability at fair value through profit and loss	(43)	-	(43)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(7,407)	-	(7,407)	-
Fair Value Disclosures				
Other assets - Amortized cost	26,353	-	26,353	-
Long-term debt - Amortized cost	(794,194)	-	-	(797,444)
Convertible debt - Amortized cost	(315,830)	(335,454)	-	-

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 Moncton Flight College, Wings Over Kississing, LV Control, AWI and WIS including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary	**September 30**	December 31
For the periods ended	**2021**	2020
Opening balance	**$ 5,714**	**$** 12,411
Accretion	**214**	272
Change in estimate	**6,505**	(177)
Settled during the period	**(6,505)**	(7,255)
Acquisition of Advanced Window, including change in estimate	**-**	422
Translation loss	**-**	41
Ending balance	**$ 5,928**	**$** 5,714

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.

The $5,928 ending balance above represents the earn out liability for LV Control.

During the period, the Corporation settled its consideration liability related to the WIS acquisition, which included the impact of an asset step-up election made with the vendor as part of the sale to the Corporation. This resulted in a payment of $6,505 and finalized the purchase price allocation for the acquisition of WIS.

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

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 September 30, 2021, 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 1.95%. 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 September 30, 2021, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $424,920 (December 31, 2020 - $335,454) with a carrying value of $384,885 (December 31, 2020 - $315,830).

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 nine months ended September 30, 2021, and the comparative period in 2020 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2021**	2020	**2021**	2020
Accounts receivable, including long-term portion	**$ 2,070**	$ (22,376)	**$ (24,260)**	$ 28,060
Amounts due from customers on construction contracts	**(1,826)**	801	**(5,732)**	(865)
Inventory	**(8,187)**	356	**(13,227)**	(6,401)
Prepaid expenses and deposits, including long-term portion	**(3,344)**	(64)	**(11,488)**	535
Accounts payable and accrued expenses, including long-term portion	**25,902**	39,701	**48,714**	19,858
Income taxes receivable/payable	**(1,210)**	969	**(3,060)**	3,813
Deferred revenue, including long-term portion	**9,198**	4,579	**25,388**	2,038
Amounts due to customers on construction contracts	**(1,996)**	(6,186)	**1,905**	(6,213)
Net change in working capital	**$ 20,607**	$ 17,780	**$ 18,240**	$ 40,825

17. SUBSEQUENT EVENTS

Acquisition of Telcon Datvox Inc.

On November 9, 2021, the Corporation acquired Telcon Datvox Inc. ("Telcon") for $10 million. The purchase price was funded through the issuance of $2 million of the Corporation's common shares to the vendor and cash in the amount of $8 million that was available from the Corporation's credit facility. Telcon was founded in 1982 and provides wireline installation and maintenance services, including both underground and aerial, as well as related services such as indoor network cabling. Located outside of St. Catharines, Ontario, Telcon services are focused in the southern Ontario region.