Exchange Income Corporation

Exchange Income Corporation Reports Record Financial Results for Q1 2015
- Recent diversification and acquisition activities generate EBITDA growth of 73% and Free Cash Flow per share growth of 76% -

WINNIPEG, Manitoba – May 12, 2015 – Exchange Income Corporation (TSX:EIF) (the "Corporation," "EIC," or "Exchange"), a diversified, acquisition-oriented company focused on opportunities in the aviation and manufacturing sectors, reported its financial results for the three-month period ended March 31, 2015. All amounts are in Canadian currency and reflective of continuing operations[1].

Q1 2015 Highlights from Continuing Operations

- Consolidated revenue was $173.9 million, up 38%.
- Consolidated EBITDA was a record $31.1 million, up 73%. This is not only the highest EIC has ever generated for a first quarter, it is also a record high for any quarter in EIC's history. Traditionally, the first quarter is the weakest quarter for EIC given seasonality factors.
- Free Cash Flow was $23.9 million, up 87%.
- Free Cash Flow less maintenance capital expenditures was $9.1 million, up 526%.
- Dividend payout ratio[2] improved to 109% from 600% and from an average 215% for the first quarters of the 2011-2014 fiscal years.
- Adjusted net earnings from continuing operations was $3.7 million, up from a loss of $0.2 million.
- Completed the acquisition of Provincial Aerospace Ltd. ("Provincial") with a purchase price of $244.4 million. The transaction represents the Corporation's largest acquisition to date and further diversifies operations given the three distinct lines of business that Provincial operates.
- Entered into a new long-term credit facility with the Corporation's banking syndicate that resulted in a $115 million increase in the facility to a total of $450 million available, providing the Corporation with approximately $200 million of available capital as at the end of Q1.
- Announced an agreement with the Canada Revenue Agency ("CRA") relating to the conversion transaction that the Company undertook in July 2009. This agreement resulted in no cash payment to the CRA for any prior taxation periods. All financial statement impacts from the CRA were reflected in the Corporation's 2014 year-end financial statements.

"Our strong Q1 results reflect the success of our recent efforts to further diversify our operations and improve profitability," said Mr. Mike Pyle, CEO of Exchange Income Corporation. "We generated record EBITDA of $31.1 million, experienced strong contributions from Regional One and from our newest acquisition, Provincial. Perhaps most encouraging, we saw significant profitability gains at our Legacy airlines[3] due to investments and efficiency initiatives we made over the past few years, a return to normal weather conditions in central Canada and reduced fuel costs."

Mr. Pyle added, "While seasonality factors and soft market conditions in the manufacturing sector had a bearing on our performance in Q1, we are better positioned than ever before to withstand such challenges and respond to new opportunities thanks to the strength of our business model. The

---

[1] On October 20, 2014 Exchange announced the sale of the US operations of WesTower ("WesTower US"). The Company's results are, therefore, presented with Discontinued Operations, which include the operational results of WesTower US, the allocation of certain costs incurred by the Company to support WesTower US and the net gain on disposition (Q4 2014). Both the current and comparative period results have been presented in a consistent manner.

[2] Based on the Company's Free Cash Flow less maintenance capital expenditures on a basic per share basis.

[3] The Legacy airlines are part of the Aviation segment including Calm Air, Perimeter, Keewatin, Bearskin, Custom Helicopters, and other aviation supporting businesses that provide scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario, Nunavut and Alberta.

effectiveness of being diversified, making disciplined acquisitions and generating results that support our dividend distributions continues to prove itself as we now enter our second decade of operations."

Selected Financial Highlights from Continuing Operations
(All amounts in thousands except % and share data)

	Q1 2015	Q1 2014	Net Change	% Change
Revenue	$173,935	$126,059	+47,876	+38%
EBITDA[4]	$31,080	$17,993	+13,087	+73%
Net Earnings from continuing operations	$934	($350)	+$1,284	N/A
Adjusted Net Earnings from continuing operations[5]	$3,651	($169)	+$3,820	N/A
Net Earnings per Share[6] (fully diluted)	$0.04	($0.01)	+$0.05	N/A
Adjusted Net Earnings from continuing operations per Share (fully diluted)	$0.16	($0.01)	+$0.17	N/A
Free Cash Flow (FCF) per basic share	$1.04	$0.59	+$0.45	+76%
FCF less Maintenance Capex per basic share	$0.40	$0.07	+$0.33	+471%
FCF less Maintenance Capex payout ratio	109%	600%		
Dividends declared	$10,038	$9,136	+$902	+10%

Review of Q1 Financial Results from Continuing Operations
Consolidated revenue for Q1 2015 was $173.9 million, up 38% from Q1 2014. The increase was largely attributable to the $48.3 million revenue contributions made by Provincial. EIC also experienced revenue growth as a result of the strong performance by Regional One, which increased its revenue by 57% to $23.0 million due to the strong demand for its after-market aviation parts and engines. EIC's revenue growth was partially offset by the declines experienced by the Corporation's Manufacturing segment entities.

On a segmented basis, the Aviation segment generated revenue in Q1 2015 of $133.5 million, up 70% from Q1 2014. The growth was driven by the performances of Provincial and Regional One. Revenue contribution from the Legacy airlines was effectively flat. In Q1 2015, the Aviation segment generated 77% of the Corporation's consolidated revenue compared to 62% in Q1 2014. The growth of the Aviation segment's revenue contributions is consistent with EIC's efforts to become more diversified given the growing revenue stream from after-market aircraft and parts sales and leases, and the new geographically and operationally revenue streams coming from the addition of Provincial, including its aerospace operations.

The Manufacturing segment generated revenue of $40.5 million in Q1 2015, down $7.2 million from 2014. The Alberta operations were negatively impacted by the continued low oil and natural gas prices reducing demand in Alberta. WesTower CDA revenues decreased primarily due to third party OEM supply issues impacting the delivery of equipment for its telecommunication customers.

Consolidated EBITDA for Q1 2015 was a record $31.1 million, up 73% from Q1 2014. EBITDA gains were driven largely by the contributions from Provincial and the strong performances by the Corporation's Legacy airlines, which realized the benefit of previously made growth capital expenditures, reduced fuel costs, improved weather in central Canada from the same period last year, and restructuring initiatives at Bearskin. The Legacy airlines grew its EBITDA by 58% to $12.4 million. The Corporation's US subsidiaries, including Regional One, benefited from higher conversion rates of US dollar results into the Corporation's Canadian reporting currency.

---

[4] EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. EBITDA is not a defined performance measure under International Financial Reporting Standards (IFRS) but it is used by Management to assess the performance of the Company and its segments.

[5] Adjusted Net Earnings: is defined as net earnings from continuing operations adjusted for acquisition costs expensed, asset impairment and restructuring costs, gains or losses recognized on the fair value of contingent consideration items, and amortization of intangible assets that are purchased at the time of acquisition.

[6] The Company had 23.1 million common shares outstanding at March 31, 2015, up from 21.8 million at March 31, 2014. The growth is due to an increase in the conversion of debentures, shares issued under the dividend reinvestment plan, and the issuance of shares in support of financing acquisition activities and other.

On a segmented basis, the Aviation segment generated EBITDA of $31.2 million in Q1 2015, up 109% from Q1 2014. The Aviation segment's EBITDA margins for Q1 2015 were 23.4% compared to 19.0% in Q1 2014.

The Manufacturing segment generated EBITDA of $2.8 million in Q1 2015, down from $5.3 million in Q1 2014. The decline was due to market conditions already cited, including the decline in commodity prices.

Excluding net costs of $2.8 million related to the purchase of Provincial and the amortization of asset intangibles, the Corporation generated adjusted net earnings from continuing operations of $3.7 million or $0.16 per share for Q1 2015. This compares to an adjusted net loss of $0.2 million or $0.01 per share for Q1 2014.

Working Capital

As at March 31, 2015, EIC has a net cash position of $68.3 million and net working capital of $142.4 million, which represents a current ratio of 1.92 to 1. These compare to a net cash position of $15.0 million and net working capital of $95.8 million, or a current ratio at of 1.93 to 1, at December 31, 2014.

Selected Key Performance Indicators from Continuing Operations

(All amounts in thousands except % and share data)

- from continuing operations	Q1 2015	Q1 2014	Net Change	% Change
Free Cash Flow[7]	$23,926	$12,797	+$11,129	+87%
Free Cash Flow per basic share	$1.04	$0.59	+$0.45	+76%
Total Maintenance Capex[8]	$14,817	$11,342	+$3,475	+31%
Free Cash Flow less Maintenance Capex[9]	$9,109	$1,455	+$7,654	+526%
Free Cash Flow less Maintenance Capex per basic share	$0.40	$0.07	+$0.33	+471%

Free Cash Flow for Q1 2015 totaled $23.9 million, up 87% from Q1 2014. Free Cash Flow on a per share basis in Q1 2015 was $1.04 (basic), up 76% from Q1 2014. The growth in Free Cash Flow was the result of increased EBITDA, but was partially offset by higher cash interest charges and higher cash taxes. The Corporation settled with the CRA relating to its conversion transaction and as a result do not have certain tax loss carryforwards available in the current period, increasing cash taxes.

Free Cash Flow less Maintenance Capex was $9.1 million, up $7.7 million or 526% from the comparative period. On a basic per share basis it was $0.40 per share for Q1 2015, an increase of $0.33 per share or 471% from the comparative period. Maintenance Capex grew by 31% over the comparative period mainly as a result of the addition of Provincial with no comparable in 2014.

The basic per share payout ratio for Q1 2015 is 109% for Free Cash Flow less maintenance capital expenditures (Q1 2014 – 600%).The improvement is attributable primarily to profitability gains at the Corporation's Legacy airlines due to factors already cited as well as to the accretive contributions stemming from the acquisition of Provincial. From 2011 to 2014, the average first quarter payout ratio for Free Cash Flow less maintenance capital expenditures was 215% (consolidated results including Discontinued Operations). Therefore the current period's payout ratio is a dramatic improvement over prior years combined with the expectation that the payout ratio will improve through the balance of the year as seasonality factors have less of an impact on the Corporation's performance. Traditionally, the first quarter is the weakest quarter for EIC as a result of reduced demand in the Legacy airlines and harsh weather.

Outlook

"We are very bullish in our near-term outlook," said Mr. Pyle. "In the Aviation segment, winter seasonality factors are largely behind us and this should result in higher demand for cargo and scheduled passenger services. We also expect Regional One to sustain its momentum. No returns have been realized from the

[7] Free Cash Flow is a financial metric used by Management to assess the Company's performance and assess its ability to sustain its dividend policy. Free Cash Flow for the period is equal to the cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital and any unusual non-operating one-time items. It is not a recognized measure under IFRS.

[8] Maintenance Capex is not an IFRS measure. Capital expenditures are characterized as either maintenance or growth capital expenditures. Maintenance capital expenditures are those required to maintain the operations of the Company at its current level and includes principal payments made on finance leases.

[9] Free Cash Flow less Maintenance Capex is not an IFRS measure.

five CRJ 700 aircraft acquired as at the end of the quarter but are expected to commence in the second quarter and continue going forward for several quarters. The prospects for Provincial are also encouraging given the number of opportunities around the world for its maritime surveillance as well as search and rescue services."

"In the Manufacturing segment, our prospects are improving but will likely be moderate through the balance of the year given the current instability of resource prices. WesTower, which is largely unaffected by oil prices and currency fluctuations, continues to see strong demand for cell tower construction and installations across Canada due to increased use of mobile devices."

Mr. Pyle added, "Over the longer term we remain very committed to growth through disciplined acquisitions. With access to approximately $200 million in deployable capital, we will take advantage of acquisition opportunities that meet our criteria and allow us to further diversify our operations. If nothing that meets our criteria is found we will not do a deal for the sake of doing a deal. We have organic growth opportunities within our existing portfolio to fuel our growth."

The Company's complete interim financial statements and management's discussion and analysis for the three month period ended March 31, 2015 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on May 13, 2015 at 9:00 a.m. ET with key members of senior management to discuss the 2015 first quarter financial results.

All interested parties can join the conference call by dialing 1-888-231-8191 or 647-427-7450. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until Wednesday, May 20, 2015 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation code 26433199.

A live audio webcast of the Q1 conference call will be available at www.ExchangeIncomeCorp.ca and www.newswire.ca. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available for 365 days.

About Exchange Income Corporation

Exchange Income Corporation is a diversified acquisition-oriented company, focused in two sectors: aviation services and equipment, and manufacturing. The Corporation uses a disciplined acquisition strategy to identify already profitable, well-established companies that have strong management teams, generate steady cash flow, operate in niche markets and have opportunities for organic growth.

The Corporation currently operates two segments: Aviation and Manufacturing. The Aviation segment consists of the operations by Perimeter Aviation, Keewatin Air, Calm Air International, Bearskin Lake Air Service, Custom Helicopters, Regional One and Provincial Aerospace. The Manufacturing segment consists of the operations by Jasper Tank, Overlanders Manufacturing, Water Blast Manufacturing, Stainless Fabrication and WesTower Communications in Canada. For more information on the Corporation, please visit www.ExchangeIncomeCorp.ca. Additional information relating to the Corporation, including all public filings, is available on SEDAR (www.sedar.com).

Additional information relating to the Company, including all public filings, is available on SEDAR (www.sedar.com).

For further information, please contact:

Mike Pyle
CEO
Exchange Income Corporation
(204) 982-1850
MPyle@eig.ca

Joe Racanelli
Investor Relations
TMX Equicom
(416) 815-0700 Ext. 243
JRacanelli@tmexequicom.com