Exchange Income Corporation Reports Record Financial Results for Q2 2015
- Increases dividend by 10% to $1.92 per share annualized -

WINNIPEG, Manitoba – August 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- and six-month periods ended June 30, 2015. All amounts are in Canadian currency and reflective of continuing operations[1].

Q2 2015 Highlights from Continuing Operations

- Consolidated revenue was $196.2 million, up 46%.
- Consolidated EBITDA was a record $48.1 million, up 116% and was also 55% greater than the Corporation's previous EBITDA record high of $31.1 million.
- Free Cash Flow was $37.6 million, up 99%.
- Free Cash Flow less maintenance capital expenditures was $19.9 million, up 126%.
- The dividend payout ratio[2] improved to 51% from 105%.
- Basic net earnings per share increased to $0.58 from $0.06.
- Adjusted Net Earnings were $16.5 million, or $0.71 per share, up from $3.0 million and $0.14, respectively.
- "Same store" increase in EBITDA of $12.1 million or 54% after removing Provincial Aerospace ("Provincial") results which have no comparative in the prior period.

Highlights Subsequent to Quarter End

- Completed the acquisition of Ben Machine Products Company Incorporated ("Ben Machine"), a manufacturer of precision-machined components and assemblies for the aerospace and defense sector, for $46.0 million.
- Calm Air, an EIC Legacy airlines subsidiary, completed the acquisition of First Air's Kivalliq operations. The acquisition improves Calm Air's flight schedule and load factor into the Kivalliq region of Nunavut.
- Early redemption of Series H convertible debentures valued at an aggregate principal amount of $21.8 million.
- Increased the Corporation's monthly dividend by 10% to $0.16 per share per month or $1.92 per share on an annualized basis. The dividend increase marks the Corporation's second in the past nine months and tenth over the past 11 years.

"Almost 12 months ago, we began to implement a multi-pronged strategy aimed at restoring more balance to our operations, deploying our available capital in a major acquisition, improving our profitability and investing in future growth opportunities," said Mike Pyle, CEO of Exchange Income Corporation. "Our record Q2 results, especially our EBITDA totaling $48.1 million, which is 55% greater than our previous high, validates the effectiveness of our strategy and its implementation."

Mr. Pyle added, "Our growth is due to a combination of factors, including contributions from Provincial, the acquisition we closed in January 2015, the strong performance of Regional One, which continues to experience strong demand for its after-market aviation equipment, and the

[1] On October 20, 2014 Exchange announced the sale of the US operations of WesTower ("WesTower US"). The Corporation'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 EIC's Free Cash Flow less maintenance capital expenditures on a basic per share basis.

improvement at our Legacy airlines[3]. We are confident, based on these factors, in our ability to sustain this performance in the periods ahead and we are increasing our dividend distributions by 10% to an annualized rate of $1.92 per share. This dividend increase, our tenth in the past 11 years, is a manifestation of the strength of our business model."

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

- from continuing operations	**Q2 2015**	**Q2 2014**	**% Change**	**FY2015 YTD**	**FY2014 YTD**	**% Change**
Revenue	$196,214	$134,219	+46%	$370,149	$260,278	+42%
EBITDA[4]	$48,053	$22,262	+116%	$79,133	$40,255	+97%
Net Earnings	$13,394	$1,282	+945%	$14,328	$932	+1437%
Adjusted Net Earnings[5]	$16,516	$2,990	+452%	$20,167	$2,821	+615%
Net Earnings per Share[6] (basic)	$0.58	$0.06	+867%	$0.62	$0.05	+1140%
Adjusted Net Earnings per Share (basic)	$0.71	$0.14	+407%	$0.87	$0.13	+569%
Free Cash Flow (FCF) per basic share	$1.63	$0.86	+90%	$2.67	$1.45	+84%
FCF less Maintenance CAPEX per basic share	$0.86	$0.40	+115%	$1.25	$0.47	+166%
FCF less Maintenance CAPEX payout ratio	51%	105%	NA	70%	179%	NA
Dividends declared	$10,064	$9,277	+8%	$20,102	$18,413	+9%

Review of Q2 Financial Results from Continuing Operations

Consolidated revenue for Q2 2015 was $196.2 million, up 46% from $134.2 million for Q2 2014. The increase was due to a combination of factors stemming from the Corporation's recent acquisitions and growth investment initiatives. The majority of the revenue increase was attributable to the $50.2 million in contributions made by Provincial, which was acquired in January of 2015. EIC's revenue growth was also due to the strong performance of Regional One, which increased its revenue by 66% to $26.7 million as a result of the strong demand for its portfolio of aircraft related assets. The Corporation's Legacy airlines increased revenue by 8% to $72.9 million, largely due to a return to normal seasonality factors. EIC's consolidated revenue growth was partially offset by the declines experienced by the Manufacturing segment, primarily driven by softening demand in the Alberta region due to weakness in the commodities sectors.

On a segmented basis, the Aviation segment generated revenue in Q2 2015 of $149.8 million, up 80% from Q2 2014. The growth was principally driven by the performance of Provincial and Regional One. In Q2 2015, the Aviation segment generated 76% of the Corporation's consolidated revenue compared to 62% in Q2 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 geographical and product revenue streams provided by the addition of Provincial.

The Manufacturing segment generated revenue of $46.4 million in Q2 2015, down 9% or $4.5 million from Q2 2014. The Alberta operations, in particular, were negatively impacted by uncertainty in the oil and gas sector, which reduced product demand. The acquisition of Ben Machine, which closed after the end of Q2 2015, is expected to mitigate some of the impact that the slowdown in the Alberta economy has on the Manufacturing segment's performance.

Consolidated EBITDA for Q2 2015 was a record $48.1 million, up 116% from Q2 2014. The improvement in the Aviation segment was driven by three factors, the largest being the acquisition of Provincial at the

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[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.

[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 23.2 million common shares outstanding at June 30, 2015, up from 22.1 million at June 30, 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.

beginning of fiscal 2015. The second factor was the strong performance of the Legacy airlines, increasing their collective EBITDA by 59% over the comparative period. This improvement was attributable to a culmination of factors including: the benefits of previously made growth capital expenditures; reduced fuel costs; 'normal' weather in central Canada; and targeted restructuring initiatives. The third factor was Regional One more than doubling its comparative period EBITDA which was the result of previous investments made towards increasing its lease portfolio of aircraft and engines as well as parts inventory available for sale.

On a segmented basis, the Aviation segment generated EBITDA of $47.2 million in Q2 2015, up 151% from Q2 2014. The Aviation segment's EBITDA margins for Q2 2015 were 31.5% compared to 22.6% in Q2 2014.

The Manufacturing segment generated EBITDA of $5.1 million in Q2 2015, down by $1.5 million from Q2 2014. The decline was due to market conditions already described, the most notable being the weakness in the Alberta economy. The Manufacturing segment's EBITDA margins for Q2 2015 were 10.9% compared to 12.8% in Q2 2014.

Excluding net costs relating to acquisition costs incurred by the Company and the amortization of intangible assets, the Corporation generated Adjusted Net Earnings from continuing operations of $16.5 million or $0.71 per basic share for Q2 2015. These compare to an Adjusted Net Earnings of $3.0 million or $0.14 per share for Q2 2014.

Review of Financial Results from Continuing Operations – Six Months

On a year-to-date basis, EIC's consolidated revenue for FY2015 was $370.1 million, up 42% from $260.3 million for FY2014. Consolidated EBITDA for FY2015 was $79.1 million, up 97% from $40.3 million for FY2014. Net earnings for FY2015 was $14.3 million or $0.62 per basic share compared to $0.9 million or $0.05 per basic share for FY2014. YTD results for FY2014 do not include any contributions from Provincial, which was acquired in January 2015.

Working Capital

As at June 30, 2015, the Corporation had a net cash position of $33.2 million and net working capital of $119.3 million, which represents a current ratio of 1.69 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 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	Q2 2015	Q2 2014	% Change	FY2015 YTD	FY2014 YTD	Change
Free Cash Flow[7]	$37,626	$18,884	+99%	$61,552	$31,681	+94%
Free Cash Flow per basic share	$1.63	$0.86	+90%	$2.67	$1.45	+84%
Total Maintenance Capex[8]	$17,756	$10,082	+76%	$32,573	$21,424	+52%
Free Cash Flow less Maintenance CAPEX[9]	$19,870	$8,802	+126%	$28,979	$10,257	+183%
Free Cash Flow less Maintenance CAPEX per basic share	$0.86	$0.40	+115%	$1.25	$0.47	+166%

Free Cash Flow for Q2 2015 totaled $37.6 million, up 99% from Q2 2014. On a basic per share basis Free Cash Flow was $1.63, up 90% from Q2 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.

Free Cash Flow less Maintenance Capex for Q2 2015 was $19.9 million, up 126% from Q2 2014. On a basic per share basis Free Cash Flow less Maintenance Capex was $0.86 compared to $0.40 per share in Q2 2014.

[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.

Maintenance Capex grew by 76% to $17.8 million in Q2 2015 over the comparative period mainly as a result of the addition of Provincial with no comparable in 2014.

The Corporation's Q2 2015 basic per share payout ratio was 51% for Free Cash Flow less maintenance capital expenditures, which represents one of the lowest ever in the Corporation's history. This payout ratio compares to 105% for Q2 2014. The improvement is attributable to a number of factors, including the accretive contributions resulting from the acquisition of Provincial, the profitability gains at the Corporation's Legacy airlines, and the continued strong performance by Regional One. On a year-to-date basis, the Corporation's basic per share payout ratio for FY2015 was 70% versus 179% in the comparable period.

Dividend Increase

As a result of its significant improvement in payout ratio and positive outlook in the near to mid-term for continued strong financial performance, EIC's Board of Directors has approved a dividend increase of 10% to $0.16 per share per month or $1.92 on an annualized basis. The dividend increase is the Corporation's second in nine months and tenth in the past 11 years. The dividend increase will take effect with the August 2015 dividend declared to be paid mid-September. The 10% or $0.015 per month dividend increase is the largest in the last ten years. Even with the dividend increase, the Corporation's dividend payout ratio has significantly strengthened and is now within our target range.

Change in Chief Financial Officer

The Corporation is also announcing that effective today Mr. Edward (Ted) Mahood has resigned as Chief Financial Officer of the Corporation to pursue other opportunities. We are pleased to announce that we have hired a CFO to replace Mr. Mahood who has extensive experience dealing with diversified international public companies. We will be announcing the individual and providing further details upon her completing certain commitments to her existing organization which is expected to occur next week. In the interim, Mr. David Patrick, Assistant Vice President Finance, who has worked under the Corporation's Chief Financial Officers since 2007, will act as Interim Chief Financial Officer of the Corporation.

Outlook

"We are excited by our momentum and our prospects for growth in the future periods ahead," said Mr. Pyle. "Our outlook for the Aviation segment is particularly encouraging. Consistent with previous years, we anticipate strong demand for cargo and scheduled passenger services within our Legacy airlines in the second half of the year. Custom Helicopters, in particular, is experiencing strong demand for its high margin fire suppression services given unseasonably dry weather in western Canada. We also expect Regional One to continue its strong performance as a result of its expanded portfolio of aviation after-market parts and equipment, including the fleet of CRJ700 aircraft being acquired from Luftansa CityLine. The outlook for Provincial's airline services, as well as its maritime surveillance solutions, are also encouraging."

"In the Manufacturing segment, we anticipate that Ben Machine, our most recent acquisition, will be immediately accretive to our third quarter results. The addition of Ben Machine, which is focused on the aerospace and defense sector, will further diversify our portfolio of assets into new markets, uncorrelated to our other manufacturing companies' product markets."

Mr. Pyle added, "Over the longer term we remain committed to growth through disciplined acquisitions. Our recent success with Provincial and our encouraging prospects with Ben Machine underscore the effectiveness of our approach that targets stable businesses in niche markets already generating steady cash flow. As well, we thank Ted for his time at the Corporation and look forward to our new addition to the executive management team."

EIC's complete interim financial statements and management's discussion and analysis for the three and six month periods ended June 30, 2015 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on August 13, 2015 at 9:00 a.m. ET with Michael Pyle, CEO, Ms. Carmele Peter, President, and Mr. David Patrick, Interim CFO to discuss the 2015 second 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 Thursday, August 20, 2015 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 83993901

A live audio webcast of the Q2 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, Water Blast, Stainless Fabrication, WesTower Communications in Canada and Ben Machine. 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).

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