Exchange Income Corporation Reports Record First Quarter Financial Results and announces a 5% Dividend Increase

WINNIPEG, Manitoba – May 10, 2016 – Exchange Income Corporation (TSX:EIF) (the "Corporation" or "EIC"), a diversified, acquisition-oriented company focused on opportunities in the aviation, aerospace and manufacturing sectors, reported its financial results for the three-month period ended March 31, 2016. All amounts are in Canadian currency.

"Our business model was designed to utilize diversification as a means of dealing with the cyclical challenges in the North American economy," said Mike Pyle, CEO of Exchange Income Corporation. "Never has the success of this strategy been more evident than in the first quarter of 2016. Seasonal factors have a significant impact on our northern aviation business and as a result the first quarter of the year is always our most challenging. In spite of these seasonal issues, a widely variable Canadian dollar exchange rate and low commodity prices we delivered remarkable results. In fact we delivered new highs in virtually every significant financial metric."

Mr. Pyle continued, "This performance was driven by the continued strong results at our Legacy Airlines and by the addition of Ben Machine halfway through 2015. The largest contributors however were Provincial and Regional One who took advantage of previous investments made by EIC to grow significantly and profitably."

"The record financial metrics are set out in detail below, but I would like to focus on one in particular, our dividend payout ratio. Seasonal factors have historically resulted in high payout ratios in the first quarter with a five year average ratio of 194%. We made a significant improvement last year when the ratio fell to 109% and we are very pleased to announce we have improved it even further this year to 79%, even after two dividend increases in the last 18 months. Our trailing 12 month payout ratio is also very strong, falling to 59%. It is this strength that has enabled us to increase our dividend for the 11th time in our history and the third time in the last 18 months to an annualized $2.01 per share, effective with the May dividend to be paid in June. This is a 5% increase and brings the 18 month total increase to 20% and reinforces our place in the top group of dividend paying companies on the TSX."

Q1 2016 Financial and Operating Highlights

- Consolidated revenue was $217.9 million, up 25%.
- Consolidated EBITDA increased 43% to $44.3 million.
- Organic EBITDA growth, that is excluding the addition of Ben Machine, was $11.3 million, an increase of 36%.
- Dividend payout ratio[1] was 79%, despite an increase in the number of shares and an increase in dividends paid.
- Free Cash Flow was $34.9 million, up 46%.
- Free Cash Flow less maintenance capital expenditures increased 84% to $16.8 million, or $0.61 per share up from $0.40 per share.
- Growth capital investments totaling $27.9 million were made largely to expand Regional One's portfolio of assets of aircraft and parts available for sale or lease.
- Net earnings totaled $9.9 million, up 957% from $0.9 million, or $0.36 per share up from $0.04 per share.
- Adjusted net earnings were $12 million, up 229% from $3.7 million, or $0.43 per share up from $0.16 per share.

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

Selected Financial Highlights

(All amounts in thousands except % and share data)

	Q1 2016	Q1 2015	Net Change	% Change
Revenue	$217,898	$173,935	+43,963	+25%
EBITDA[2]	$44,331	$31,080	+13,251	+43%
Net Earnings	$9,873	$934	+$8,939	+957%
per share (basic)[3]	$0.36	$0.04	+$0.32	+800%
Adjusted Net Earnings[4]	$12,008	$3,651	+$8,357	+229%
per share (basic)	$0.43	$0.16	+$0.27	+169%
Free Cash Flow[5]	$34,890	$23,926	+$10,964	+46%
per share (basic)	$1.26	$1.04	+$0.22	+21%
Maintenance Capital Expenditures	$18,089	$14,817	+$3,272	+22%
Free Cash Flow less Maintenance Capex	$16,801	$9,109	+$7,692	+84%
per share (basic)	$0.61	$0.40	+$0.21	+53%
Payout Ratio (basic)	79%	109%	-	-
Dividends declared	13,258	$10,038	+$3,220	+32%

Review of Q1 Financial Results

Consolidated revenue for Q1 2016 was $217.9 million, up 25% from Q1 2015. The increase was due to a number of factors, including the strong performances by Regional One, which continued to monetize its recently expanded portfolio of assets, and Provincial Aerospace, which won a significant new five-year contract in November 2015 for in-service support as well as the addition of Ben Machine, a provider of precision components for the defense and aerospace industries acquired in July 2015. EIC's revenue growth was partially offset, however, by declines experienced by the Manufacturing segment entities that were challenged by weak market conditions caused by low commodity prices, particularly in Alberta.

On a segmented basis, the Aviation segment, which consists of Legacy Airlines[6], Regional One and Provincial Aerospace, generated revenue in Q1 2016 of $173.5 million, up 30% from Q1 2015. The growth was largely driven by the performances of Provincial and Regional One. Revenue contributions from Legacy Airlines also increased due to the acquisition of First Air's non-aircraft assets in the Kivalliq region, which was completed in July 2015.

In Q1 2016, the Aviation segment generated 80% of the Corporation's consolidated revenue compared to 77% in Q1 2015. The growth of the Aviation segment's revenue, which is primarily in the aerospace sector, is consistent with EIC's efforts to become more diversified as a result of acquisition activities and growth capital investments that have introduced new revenue streams, new products and services and new geographies to its operations. In addition to scheduled passenger and cargo services, the Aviation segment provides a wide array of offerings, including maritime surveillance solutions, medevac

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2 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.

3 The Corporation had 27.6 million common shares outstanding at March 31, 2016, up from 23.1 million at March 31, 2015. The growth is mainly due to the $75 million equity offering and also from shares issued to the vendors of Ben Machine spread throughout 2015. See the Corporation's Management Discussion & Analysis, Section 6 – *Liquidity and Capital Resources* for additional information relating all changes in the common shares outstanding.

4 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.

5 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.

6 The Legacy Airlines include the operations of Calm Air, Perimeter, Keewatin, Bearskin, Custom Helicopters and other aviation supporting businesses within the Aviation segment.

7 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.

8 Free Cash Flow less Maintenance Capex is not an IFRS measure.

transportation services, fixed base operations services and the sale and lease of aftermarket aircraft and parts. This diversity is perhaps best illustrated by the fact that in Q1 2016 we had sales in over 60 countries around the world.

The Manufacturing segment generated revenue of $44.4 million in Q1 2016, up $3.9 million or 10% from 2015. The revenue growth was largely driven by the contributions of Ben Machine, which was acquired in July 2015 with no comparative and revenue growth at Stainless Fabrication. The revenue growth was partially offset by lower revenues at the Alberta operations and slightly lower revenues at WesTower.

Consolidated EBITDA for Q1 2016 was $44.3 million, up 43% from Q1 2015. EBITDA increases were largely driven by the contributions made by Provincial, Regional One and the addition of Ben Machine. The Corporation's Legacy Airlines, which continued to benefit from lower fuel costs and previous efforts to streamline operations and improve profitability, also contributed to EBITDA growth.

On a segmented basis, the Aviation segment generated EBITDA of $43.6 million in Q1 2016, up 40% from $31.2 million in Q1 2015. The Aviation segment's EBITDA margin for Q1 2016 was 25.1% compared to 23.4% in Q1 2015.

The Manufacturing segment generated EBITDA of $4.5 million in Q1 2016, up 62% from $2.8 million in Q1 2015. The increase was largely due to the addition of Ben Machine, which was acquired in July, 2015 with no comparative for the prior period, and by the improved performance by Stainless Fabrication. These positive contributions were partially offset by weaker results from the Alberta Operations. The Manufacturing segment's EBITDA margin for Q1 2016 was 10.2% compared to 6.9% for Q1 2015.

On a consolidated basis, EIC generated net earnings of $9.9 million or $0.36 per share (basic) for Q1 2016. This compares to net earnings of $0.9 million or $0.04 per share for Q1 2015. The improvement was driven by improved EBITDA performance already cited, by reduced interest expenses and reduced acquisition related costs.

Excluding the net impact of acquisition costs and the amortization of asset intangibles, EIC generated adjusted net earnings of $12.0 million or $0.43 per share (basic) for Q1 2016. These compare to $3.7 million or $0.16 per share (basic) for Q1 2015.

Free Cash Flow for Q1 2016 totaled $34.9 million, up 46% from Q1 2015. Free Cash Flow on a per share basis in Q1 2016 was $1.26 (basic), up 21% from Q1 2015. The growth in Free Cash Flow was the result of increased EBITDA and reduced cash interest, but these were partially offset by higher taxes.

Free Cash Flow less Maintenance Capex was $16.8 million or $0.61 on a per share (basic) basis for Q1 2016. These compare to $9.1 million and $0.40, respectively, for Q1 2015.

Maintenance Capex was $18.1 million, up 22% from Q1 2015, largely due to the timing of maintenance activities within the Legacy Airlines and a higher rate of foreign currency conversions from US based operations and aircraft related equipment.

The basic per share payout ratio for Q1 2016 was 79% based on Free Cash Flow less maintenance capital expenditures. In Q1 2015, the basic per share payout ratio was 109%. The improvement is consistent with EIC's profitability gains and driven by factors already cited, including the strong performance by Regional One and Provincial Aerospace, and the addition of Ben Machine. Traditionally, EIC's profitability and payout ratio are weakest in the first quarter given the impact that weather conditions and winter roads have on demand for Legacy Airlines' passenger and cargo transportation services.

Working Capital

As at March 31, 2016, EIC had a net cash position of $29.4 million and net working capital of $159.9 million, which represents a current ratio of 1.95 to 1. These compare to a net cash position of $15.5 million and net working capital of $135.3 million, or a current ratio 1.74 to 1, at December 31, 2015.

"In addition to this strong working capital position we have over $200 million available through our credit facilities and leverage ratios that are well below our covenants," said Ms. Tamara Schock, CFO of EIC. "Our overall balance sheet strength leaves us very well positioned to execute on our business objectives."

Outlook

"Our outlook for organic growth remains positive, particularly within our Aviation segment," said Ms. Carmele Peter, President of EIC. "In particular, we anticipate that our aerospace businesses will sustain their momentum given the growth capital investments we have made to expand their portfolio of assets and new long term contracts which have been negotiated with customers. We also anticipate improved performance from our Legacy Airlines. Within the Manufacturing segment, we anticipate continued strong performance from Ben Machine, which we believe will help to offset the drag on performance that low commodity prices will have, particularly, on our Alberta Operations."

Ms. Peter added, "Over the longer term, we remain very committed to growth via disciplined acquisitions. We are very well positioned to capitalize on acquisition opportunities that meet our specific purchase criteria and support our goal of continued diversification of operations. In addition, our strong continued operational performance and solid balance sheet have allowed us to reward our shareholders with our 11th dividend increase in our history."

The Company's complete interim financial statements and management's discussion and analysis for the three month period ended March 31, 2016 can be found at www.ExchangeIncomeCorp.ca or at www.sedar.com.

Conference Call Notice

The Corporation will hold a conference call on May 11, 2015 at 9:00 a.m. ET with Mike Pyle, CEO, Ms. Carmele Peter, President, and Ms. Tamara Schock, CFO to discuss its 2016 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 18, 2016 at midnight. To access the archived conference call, please dial 1-855-859-2056 and enter the encore code 92068487.

A live audio webcast of the 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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