Exchange
Income
Corporation

First Quarter Report

For the three months ended

March 31, 2023

CEO's Message

The first quarter of the year is always the slowest for EIC, from an operating point of view. The first quarter of 2023 has been far from slow on all fronts. Not only did the results exceed our internal expectations with all of our subsidiaries making strong contributions to our profitability, but the activity level in the first quarter and early second quarter was exceptional from the point of view of business development and investment in our future. We announced two acquisitions that will strengthen our Manufacturing segment. We entered into a contract to purchase the first King Air full movement simulator in Canada, which will increase our pipeline of trained pilots, while also reducing our carbon footprint. We increased the size of our credit facility to approximately $2 billion and extended it for a four year term. Finally, we took advantage of an inverted yield curve and swapped approximately $540 million of floating rate debt into a three-year fixed price to reduce our interest costs and provide certainty on future interest costs.

The future always arrives more quickly than we expect and it is precisely for that reason we are focused on making the decisions and investments today that will drive our growth in the future.

Let's begin with a review of the first quarter operating performance.

Highlights from EIC's 2023 First Quarter Financial Performance

- Revenue increased by $127 million to a first quarter record high of $527 million up from $400 million last year.
- Adjusted EBITDA grew 45% to a first quarter record high of $97 million from $67 million last year.
- Free Cash Flow rose 26% to $60 million from $47 million.
- Free Cash Flow less Maintenance Capital Expenditures was essentially unchanged at $19 million while on a per share basis it declined to $0.44 from $0.50 as a result of more normal levels of Maintenance Capital Expenditures.
- Net Earnings increased 83% to $7 million from $4 million last year.
- Adjusted Net Earnings were $12 million or $0.27 per share versus $8 million or $0.20 per share last year.
- The trailing twelve-month payout ratio on a Free Cash Flow less Maintenance Capital Expenditures basis improved modestly to 58% from 59% last year.

In the Chairman's year end message, he referenced that in 2023 we would be moving away from describing our businesses through individual entity names or geographies and instead discussing them as part of the business lines in which they are included. We believe this will make our operations more digestible and streamline our discussion of them.

Our business is still comprised of two segments, Aerospace & Aviation and Manufacturing but our discussion of the operations within those segments will now be described through six business lines. Within the Aerospace & Aviation segment, we have identified three lines of business that best describe the underlying operations of the segment: Essential Air Services, Aerospace, and Aircraft Sales & Leasing. The Essential Air Services business line includes our medevac, passenger and cargo transportation services which provide service to the remote communities of Canada's north. The Aerospace business line includes our intelligence, surveillance, reconnaissance operations, in service support, MRO services and training for governmental agencies. The final line of business, is Aircraft Sales & Leasing, which includes aircraft, engine and parts sales, aircraft and engine leasing, and aircraft management services.

The Manufacturing segment is comprised of three lines of business: Environmental Access Solutions, Multi-Storey Window Solutions and Precision Manufacturing & Engineering. Environmental Access Solutions encompasses our operations which provides temporary mat and bridge access solutions to areas while minimizing the impact on the local ecology. The Multi-Storey Window Solutions line of business includes the design, manufacturing and installation of the exteriors of residential and, with the acquisition of BVGlazing Systems Ltd. ("BVGlazing"), all facets of mixed-use high rises, which integrates residential, retail and office spaces. Finally, the Precision Manufacturing & Engineering line of business includes the provision of engineering and precision metal manufacturing services throughout North America.

We announced the agreement to acquire BVGlazing in March, which will increase our exposure to the North American high-rise residential window market and strategically complements our existing investments in Multi-Storey Window Solutions. We are very excited about the purchase of BVGlazing, which closed on May 1, 2023 after receipt of approval from Competition Bureau Canada. The strong management team is led by President Mike Cornacchia, who will continue to run the business. The BVGlazing transaction is expected to be immediately accretive to EIC based on its historical profitability and strong order book. The opportunities for our current subsidiaries and BVGlazing to work together to meet customer needs and create synergies are perhaps the most attractive of any acquisition EIC has made to date. The synergies can be broken into two main categories, revenue expansion and increased efficiency.

Our existing subsidiaries and BVGlazing each have product offerings that the other company does not. This acquisition will enable the group to tap into each other's strengths. For example, our existing subsidiaries have installation capability in all of their North American markets, while BVGlazing has to rely on third party contractors to install its product outside of Canada. BVGlzaing will be able to utilize our installation capabilities. On the other hand, BVGlazing has the ability to manufacture curtain wall, in addition to window wall, while our current operations are focused purely in the window wall market. Many high rise residential projects are mixed use and as such have a mix of office and retail space on lower floors, which would typically be cladded with curtain wall windows. BVGlazing's curtain wall capability will enable our existing subsidiaries to fully meet the needs of the developer for the entire project and not just the residential portion. BVGlazing also has in-house railing capability for balconies, which we currently outsource. We will take advantage of BVGlazing's in-house capabilities to maximize revenue opportunities, but more importantly, to make it easier for the developer to access all of its building envelope requirements in a single supplier.

There are also opportunities to increase the efficiency of both operations. In addition to greater purchasing power and resulting lower input costs, the two companies operate multiple leased manufacturing facilities in Southern Ontario, with duplicative capabilities. We will rationalize production to maximize efficiency and take advantage of purpose-built facilities, similar to the plant we built in Dallas before the pandemic. The purpose of this rationalization is not to reduce staffing, but rather to increase efficiency and facilitate growth. Our strong combined order backlog of approximately $1 billion and positive industry outlook means we will need more people, not less, to take advantage of the tremendous opportunities.

We also closed the acquisition of Hansen Industries Ltd. ("Hansen") on April 1, 2023. EIC has done very well in the precision metal business as a whole and in the lower mainland of British Columbia specifically. We have attempted to grow this area through acquisition for a prolonged period but have been unable to uncover companies with unique market niches and strong defensible margins. Hansen meets all of our acquisition requirements and will accretively grow our business on a standalone basis. The addition of a second operation in British Columbia will provide important capacity for both companies in times when demand exceeds standalone capacity. The organization is run by a strong management team, led by the President Amit Chhabra, who will continue to lead Hansen post-close.

EIC has a large fleet of King Air aircraft that we use in our medevac and charter operations, and with anticipated continued growth in this platform, we will become one of the largest global operators of this platform. This has enabled us to take advantage of our scale and purchase what will be the only civilian full motion King Air simulator in Canada. We have signed a contract to buy a simulator which will take some time before it is fully operational. Currently, our pilots must travel to third party locations in the United States for simulator training. This is not only time-consuming and expensive but also challenging logistically to book the simulator when we need it. Having our own simulator will quickly pay for itself by not outsourcing our training and will also reduce our carbon emissions by allowing for additional time in the simulator rather than in an aircraft in addition to reducing travel to access the simulator in distant locations. It will also provide new revenue opportunities for training pilots from other airlines within Canada as EIC will not have enough pilots to fully utilize the simulators capacity. This will in turn reduce these Canadian operators' carbon emissions as well. Our investment in a full motion simulator will generate an accretive financial return, increase operating flexibility, decrease our carbon footprint and increase our pilot training capacity in an industry faced with pilot shortages.

We are also very pleased with the recent signature of a contract for an 18-month engagement of our Force Multiplier aircraft. Pursuant to the contract, we will be providing maritime Intelligence, Reconnaissance and Surveillance ("ISR") services to an allied European Government to support and enhance its existing security, law enforcement and search and rescue capabilities. We are very excited about this contract for several reasons. The Force Multiplier Program is designed to provide short-term surveillance solutions for governments, which by its nature means that program assets would not be continuously used. This engagement will fully deploy the aircraft throughout the 18 months, doubling expected utilization on an annualized basis. The contract also supports further expansion of our operations in Europe. At the end of 2022, we commenced our 10-year surveillance contract for the Netherlands Government, and now Force Multiplier will be providing services to another European Government. Lastly, but most importantly, this important award further validates the credibility of our Aerospace business on the world stage. Force Multiplier is not just a product, it is a capability. The program includes highly trained crew and sensor operations who can quickly deploy and integrate the customer's technology preferences into Force Multiplier's agnostic system capability. This flexibility is in large part attributable to our proprietary CarteNav mission system software, which for this deployment is not only on the aircraft but also in the on-ground command centre. These collective capabilities are differentiators for the Force Multiplier Program in the international ISR marketplace. Force Multiplier's deployment to Europe commences mid-May.

EIC has consistently maintained liquidity and a strong balance sheet since our inception, which has provided stability in times of economic turmoil and access to capital in times of opportunity. This has been, and will continue to be, a cornerstone to our growth strategy. To that end, last fall after we completed the Northern Mat acquisition and deployed significant capital, we completed a $115 million dollar equity offering to reduce our leverage and prepare for future growth. During the second quarter of 2023, we completed our annual review of our syndicated bank facility and negotiated an extension to 2027 and increased the size of the facility from approximately $1.75 billion to $2.0 billion (the precise size of the facility varies with the exchange rate for the Canadian Dollar as a portion of the facility is denominated in US Dollars). Interest rates are unchanged from our previous facility, and the terms and conditions and covenants are also largely unchanged.

The rapid increase in interest rates has increased the carrying cost of our syndicated bank debt as most of it is structured with a floating rate of interest, with only approximately $190 million swapped into a fixed rate as at the beginning of fiscal 2023. Concerns of a potential upcoming recession, and a belief in the bond market that rates will not stay at the current level, resulted in an inverted yield curve where short term rates were higher than longer term rates. The magnitude of the delta between current and mid-term interest rates had risen to the point where we believed there was an opportunity to reduce our interest costs, not only in the near term, but also into the future. To that end we swapped approximately $540 million into a three-year fixed rate through multiple derivative hedging transactions. In the near term, depending on the date we completed the swap, this will result in savings between 100 and 150 basis points on the debt. Furthermore, it will provide stability in the event floating rates rise. When considering both our convertible debt and our syndicated bank facility, approximately two thirds of our debt has a fixed interest rate.

EIC's performance through the challenging pandemic years was strong and we were able to maintain our dividend uninterrupted, while laying the foundation for future growth with carefully selected investments. In 2019, the last full year of pre-pandemic operations, we generated Adjusted EBITDA of $320 million. Post pandemic we have grown rapidly, generating Adjusted EBITDA of $457 million in 2022 and 2023 guidance provided earlier in the year was $510 million to $540 million. With our strong performance in the first quarter, our two recently completed acquisitions, and other organic growth opportunities, we are updating our guidance for the 2023 period to between $540 million and $570 million of Adjusted EBITDA for the 2023 year.

None of this would be possible without the team of exceptional people we have at each and every one of our operations. I want to thank them for the dedication, effort and loyalty that they demonstrate each day. I also want to thank our Board for their guidance, and Grace Schalkwyk specifically, as she retires from our Board. Thank you to all of our stakeholders for their ongoing support. We look forward to the future and are excited about continuing to deliver reliable income and consistent growth to our shareholders.

Mike Pyle

Chief Executive Officer

May 9, 2023

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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 months ended March 31, 2023 ("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 months ended March 31, 2023, its annual financial statements for the year ended December 31, 2022, and its annual MD&A for the year ended December 31, 2022. 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; environmental, social and governance; significant contracts and customers; operational performance and growth; laws, regulations and standards; acquisition risk; concentration and diversification risk; maintenance costs; access to parts and relationships with key suppliers; casualty losses; environmental liability risks; dependence on information systems and technology; international operations risks; fluctuations in sales prices of aviation related assets; fluctuations in purchase prices of aviation related assets; warranty risk; performance guarantees; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; credit facility and the trust indentures; dividends; unpredictability and volatility of prices of securities; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest. A further discussion of these risks is included in *Section 11 – Risk Factors*.

The information contained or incorporated by reference in this report identifies additional factors that could affect the operating results and performance of the Corporation and its subsidiaries. Assumptions about the performance of the businesses of the Corporation and its subsidiaries are considered in setting the business plan for the Corporation and its subsidiaries and in setting financial targets. Should one or more of the risks materialize or the assumptions prove incorrect, actual results, performance, or achievements of the Corporation and its subsidiaries may vary materially from those described in forward-looking statements.

The forward-looking statements contained herein or contained in a document incorporated by reference herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included or incorporated by reference in this report are made as of the date of this report or such other date specified in such statement. Except as required by law, the Corporation disclaims any obligation to update any forward-looking information, estimates or opinions, future events or results, or otherwise.

EXCHANGE INCOME CORPORATION

The Corporation is a diversified, acquisition-oriented corporation focused on opportunities in aerospace, aviation, and manufacturing. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The objectives of the Corporation are:

(i) to provide shareholders with stable and growing dividends;

(ii) to maximize shareholder value through ongoing active monitoring of and investment in its operating subsidiaries; and

(iii) to continue to acquire additional businesses or interests therein to expand and diversify the Corporation's investments.

Segment Summary

The Corporation's operating segments are strategic business units that offer different products and services. The Corporation has two operating segments: Aerospace & Aviation and Manufacturing. As previously communicated in our Chairman's year end message in our 2022 annual report, we have moved away from describing our businesses through individual brand names or geographies and are instead discussing them through the six business lines that they fall within.

Aerospace & Aviation Segment
The Aerospace & Aviation segment is comprised of three lines of business: Essential Air Services, Aerospace, and Aircraft Sales & Leasing.

The **Essential Air Services** business line includes both fixed wing and rotary wing operations. Under various brand names across Canada, our subsidiaries provide essential services to Canada's northern and remote communities, including medevac, passenger, charter, freight services, and auxiliary services. The majority of the communities served are not accessible year-round by ground transportation, meaning our airlines provide a vital link into these communities. Our operations span across Canada, and more specifically include operations in Manitoba, Nunavut, Ontario, British Columbia, Alberta, Newfoundland and Labrador, Quebec, New Brunswick, and Nova Scotia. The Corporation also operates two flight schools, training pilots both for our own airlines and for airlines around the world.

Essential Air Services includes the operations of Calm Air International LP, CANLink Aviation Inc. (MFC Training), Carson Air Ltd, Custom Helicopters Ltd., Keewatin Air LP, PAL Airlines Ltd., and Perimeter Aviation LP (including its operating division, Bearskin Airlines).

The **Aerospace** business line includes our vertically integrated aerospace offerings that provide customized and integrated special mission aircraft solutions primarily to governments across the globe. These services encompass mission systems design and integration, aircraft modifications, intelligence, surveillance, reconnaissance operations, software development, logistics and in-service support. Most of these services are provided pursuant to long term government contracts. In addition, our subsidiaries deliver training solutions across an array of aviation platforms and have in-depth experience in training pilots and sensor operators on both manned and unmanned aircraft for governmental agencies.

Aerospace includes the operations of Crew Training International, Inc. and PAL Aerospace Ltd.

The **Aircraft Sales & Leasing** business line includes aftermarket aircraft, engine and parts sales and aircraft and engine leasing along with aircraft management services. Our subsidiaries specialize in regional and commuter aircraft, and seek to monetize their portfolio over the full life cycle of the asset. Our subsidiaries are not typical finance lessors; rather, assets are leased for shorter durations to consume the available green time on those assets. Once the green time has been consumed, the assets can then either be overhauled and leased out again, or torn down into piece parts and sold to airlines around the world to generate further cash flows. Revenue streams include selling whole aircraft, engines and components of those assets, leasing of aircraft and engines and fee income earned through the provision of services for third parties such as asset management or consignment sales. Our expertise in understanding the value of each component of an aircraft and the anticipated demand for those components, including the next major shop visits and next major overhaul event for each platform we specialize in, provides a competitive advantage on what to buy and what to pay.

Aircraft Sales & Leasing includes the operations of EIC Aircraft Leasing Limited and Regional One, Inc.

Manufacturing Segment

The Manufacturing segment is comprised of three lines of business: Environmental Access Solutions, Multi-Storey Window Solutions and Precision Manufacturing & Engineering.

Environmental Access Solutions business is the largest provider of temporary access solutions in Canada, providing a turnkey service which includes planning, consultation, delivery and installation, logistical support, and removal and washing solutions. Our access solutions and related services provide temporary ground protection that allows customers to access job sites or use heavy machinery and equipment on wet, loose, or otherwise unstable or environmentally sensitive ground. Access mats and bridges provide access to remote areas in a much more environmentally friendly way than the construction of temporary gravel roads and installation of culverts and water-diversion devices, which are difficult to remove and remediate and can cause cross-contamination of soil. As the largest operator in this industry, we provide a one-stop solution for our clients with a vertically integrated platform including in-house mat manufacturing capabilities, a sizable fleet of trucks and equipment, and a portable, patented closed-loop mat washing system.

Environmental Access Solutions includes the operations of Northern Mat and Bridge LP.

The **Multi-Storey Window Solutions** business line includes the design, manufacture and installation of the exteriors of residential and mixed-use high rises which integrate residential, retail, and office spaces. Our subsidiaries manufacture an advanced unitized window wall system. With the acquisition of BVGlazing subsequent to the end of the quarter, we have added curtain wall and railing solution capabilities to our product offering. This provides solutions for the entire façade, including the windows, operable elements and opaque areas that surround the exterior envelope of a building. Our vertically integrated offering within the Multi-Storey Window Solutions includes installation services in both Canada and in the United States. In the United States, we have the capability to install both our internally manufactured window solutions or those manufactured by others.

Multi-Storey Window Solutions includes the operations of Quest Window Systems Inc., and BVGlazing Systems Ltd (subsequent to May 1, 2023).

The **Precision Manufacturing & Engineering** line of business provides engineering and precision manufacturing services throughout North America in a wide variety of industries. This includes: wireless and wireline construction and maintenance services; the manufacturing of precision parts and components for a variety of industries; the manufacture of specialized stainless steel tanks, vessels, and processing equipment; electrical and control systems integration focused on the agricultural material handling segment; and the manufacture of specialized heavy-duty pressure washing and steam systems, commercial water recycling systems, and custom tanks.

Precision Manufacturing & Engineering includes the operations of Ben Machine Products Company Incorporated, LV Control Mfg. Ltd., Overlanders Manufacturing LP, Stainless Fabrication, Inc., Water Blast Manufacturing LP, WesTower Communications Ltd., and Hansen Industries Ltd. (subsequent to April 1, 2023).

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	2023	per share basic	per share diluted	2022	per share basic	per share diluted
For the three months ended March 31						
Revenue	**$ 526,844**			$ 400,226		
Adjusted EBITDA[(1)]	**97,117**			66,956		
Net Earnings	**6,861**	**$ 0.16**	**$ 0.16**	3,753	$ 0.10	$ 0.09
Adjusted Net Earnings[(1)]	**11,540**	**0.27**	**0.27**	7,835	0.20	0.20
Free Cash Flow[(1)]	**59,708**	**1.40**	**1.26**	47,409	1.22	1.10
Free Cash Flow less Maintenance Capital Expenditures[(1)]	**18,923**	**0.44**	**0.44**	19,496	0.50	0.49
Dividends declared	**26,805**	**0.63**		22,120	0.57	
For the Trailing Twelve months as at March 31						
Adjusted Net Earnings payout ratio[(1)]		**75%**			105%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio[(1)]		**58%**			59%	
FINANCIAL POSITION	**March 31, 2023**			December 31, 2022		
Working capital	**$ 493,439**			$ 465,481		
Capital assets	**1,311,715**			1,284,409		
Total assets	**3,551,108**			3,548,836		
Long-term debt	**1,288,892**			1,214,764		
Equity	**1,004,281**			1,019,054		
SHARE INFORMATION	**March 31, 2023**			December 31, 2022		
Common shares outstanding	**42,588,822**			42,479,063		
	March 31, 2023			March 31, 2022		
Weighted average shares outstanding during the period - basic	**42,529,459**			38,789,084		

Note 1) As defined in *Section 12 – Non-IFRS Financial Measures and Glossary*.

SIGNIFICANT EVENTS

Normal Course Issuer Bid ("NCIB")

On March 10, 2023, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 15, 2023, and ending on March 14, 2024. The Corporation can purchase a maximum of 3,958,307 shares and daily purchases will be limited to 25,561 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 15, 2023, and ending on March 14, 2024. The Corporation can purchase a maximum of $8,038 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $33, $33, $25, and $24, 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.

SUBSEQUENT EVENTS

Acquisition of Hansen Industries Ltd.

On April 1, 2023, the Corporation completed the acquisition of Hansen for $43 million, including purchase price consideration of $5 million in EIC common shares, subject to customary post closing adjustments. Hansen, with facilities located in Richmond, B.C., provides custom fabrication of precision metal components and assemblies using automated equipment within its two key divisions: sheet metal, its largest division, and machining. Hansen also has a high-volume metal stamping shop in order to be a full-service solution provider for its customers.

Acquisition of BVGlazing Systems Ltd.

On March 16, 2023, the Corporation announced that it had entered into an agreement to acquire BVGlazing for a purchase price of $95 million, including EIC share consideration of $23 million, subject to customary post closing adjustments, following receipt of regulatory approval under the Competition Act (Canada). On May 1, 2023, the Corporation completed the acquisition of BVGlazing after receiving the necessary approvals to close.

BVGlazing designs, engineers, manufactures, and supplies window, door, and railing systems for mid-rise and high-rise building projects in Canada and the US. BVGlazing manufactures unitized and stick curtain wall systems and railing systems, in addition to window wall glazing systems similar to those produced by EIC existing subsidiary Quest Window Systems ("Quest"). BVGlazing's added capability to provide curtain wall and railing products together with Quest's integrated installation capability will allow our collective window operations to offer complete solutions to their customers, an increasingly important attribute as developers turn to mixed-use projects that integrate residential, office and retail spaces to make more efficient use of their properties.

Credit Facility Upsize and Extension

On May 9, 2023, the Corporation amended its credit facility. The enhanced credit facility has been increased to approximately $2.0 billion and its term has been extended to May 9, 2027. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition.

2. RESULTS OF OPERATIONS

The following section analyzes the financial results of the Corporation for the three months ended March 31, 2023, and the comparative 2022 period.

	Three Months Ended March 31, 2023			
	Aerospace & Aviation	**Manufacturing**	**Head Office (2)**	**Consolidated**
Revenue	**$ 325,929**	**$ 200,915**	**$ -**	**$ 526,844**
Expenses (1)	**252,122**	**168,770**	**8,835**	**429,727**
Adjusted EBITDA	**73,807**	**32,145**	**(8,835)**	**97,117**
Depreciation of capital assets				**47,508**
Amortization of intangible assets				**4,797**
Finance costs - interest				**25,719**
Depreciation of right of use assets				**8,127**
Interest expense on right of use lease liabilities				**1,591**
Acquisition costs				**1,365**
Other				**(951)**
Earnings before income taxes				**8,961**
Current income tax expense				**3,085**
Deferred income tax recovery				**(985)**
Net Earnings				**$ 6,861**
Net Earnings per share (basic)				**$ 0.16**
Adjusted Net Earnings				**$ 11,540**
Adjusted Net Earnings per share (basic)				**$ 0.27**

	Three Months Ended March 31, 2022			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 281,592	$ 118,634	$ -	$ 400,226
Expenses (1)	218,733	107,721	6,816	333,270
Adjusted EBITDA	62,859	10,913	(6,816)	66,956
Depreciation of capital assets				36,891
Amortization of intangible assets				2,841
Finance costs - interest				14,852
Depreciation of right of use assets				6,536
Interest expense on right of use lease liabilities				752
Acquisition costs				455
Earnings before income taxes				4,629
Current income tax expense				1,237
Deferred income tax recovery				(361)
Net Earnings				$ 3,753
Net Earnings per share (basic)				$ 0.10
Adjusted Net Earnings				$ 7,835
Adjusted Net Earnings per share (basic)				$ 0.20

Note 1) Expenses include aerospace & aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization), and general and administrative expenses.
Note 2) Head Office is not a separate reportable segment. It includes expenses incurred at the head office of the Corporation and is presented for reconciliation purposes.

REVENUE AND ADJUSTED EBITDA *(Section 12 – Non-IFRS Financial Measures and Glossary)*

On a consolidated basis, the Corporation generated revenue of $527 million, an increase of $127 million, or 32% over the prior period. This was driven by increases in both segments, with the Aerospace & Aviation segment increasing $45 million and the Manufacturing segment increasing $82 million.

Adjusted EBITDA of $97 million was generated by the Corporation during the period, an increase of $30 million or 45% over the prior period. The increase was attributable to both the Aerospace & Aviation segment and the Manufacturing segment, slightly offset by an increase in Head Office costs compared to the prior period. Head office costs increased primarily due to increased investments in cybersecurity and increased performance-based compensation. No government assistance was received in the current period, compared to $11 million received in the prior period. Excluding the impact of subsidies in the prior period, Adjusted EBITDA increased by 72% over the prior period.

The Corporation's first quarter is the most seasonally challenging as demand within Essential Air Services and Environmental Access Solutions are seasonally slowest in the first quarter. Within Essential Air Services, winter roads into Northern communities lessen demand. Within Environmental Access Solutions, colder weather reduces demand for access solutions due to lower potential risk of environmental impact when the ground is frozen. The colder weather also generally results in a seasonal slowdown in large infrastructure projects across Canada.

<u>Aerospace & Aviation Segment</u>

Revenue generated by the Aerospace & Aviation segment increased by $45 million or 16% to $326 million.

Revenue within Essential Air Services increased 34% over the prior period. All revenue streams within Essential Air Services experienced increases over the prior period. The most material increase relates to passenger traffic, as the prior period was impacted by the emergence of the Omicron variant. In addition, the acquisition of APL in the second quarter of 2022, while a smaller acquisition, positively impacted revenue in the current period as there was no comparative in the prior period. In the current period, no government assistance was received by Essential Air Services, compared to $11 million received in the prior period which partially offsets the revenue increases noted above.

Revenue within Aircraft Sales & Leasing declined by 18% from the prior period due to lower large asset sales. Revenue generated in the current period with respect to large asset sales was strong relative to historical experience excluding the heightened activity we have seen in recent quarters. In the prior period, as airlines around the world anticipated a return of passengers as pandemic restrictions lessened, our operations saw a level of large asset sales materially higher than experienced historically with airlines catching up on expenditures that had been put off during the pandemic. This included the prior period, meaning asset sales were higher than normal for the first quarter of 2022. This resulted in a decline in large asset sales compared to the prior period. These large asset sales generally are higher dollar transactions and lower margin, resulting in an outsized impact on revenue compared to Adjusted EBITDA. Aircraft part sales remain at historically high levels, increasing over the prior period, and leasing income increased slightly over the prior period, both partially offsetting the decrease in revenue from large asset sales.

Revenue within Aerospace increased by 17% over the prior period primarily because of the Netherlands Coast Guard contract that was previously awarded and began late in 2022. This is the first quarter where the full impact of the contract award is reflected in our results.

In the Aerospace & Aviation segment, Adjusted EBITDA increased by $11 million or 17% to $74 million.

Adjusted EBITDA within Essential Air Services increased by 30% over the prior period. The increases in revenue discussed above drove the increases in Adjusted EBITDA. The slight decline in margins compared to the prior period came as a result of pandemic related government assistance in the prior period not recurring in the current period as there were no costs directly associated with this revenue.

Adjusted EBITDA within Aircraft Sales & Leasing decreased by 15% from the prior period. Consistent with the discussion above, a decline in revenue resulted in a corresponding decrease in Adjusted EBITDA. Increased revenue from higher margin streams, including part sales and aircraft leasing, resulted in Adjusted EBITDA declining less than revenue.

Adjusted EBITDA within Aerospace increased by 41% over the prior period. The increase in Adjusted EBITDA is consistent with the revenue discussion above. The percentage increase in Adjusted EBITDA is outsized compared to revenue due to the higher capital intensity nature of surveillance revenue.

<u>Manufacturing Segment</u>

Revenue generated by the Manufacturing segment increased by $82 million or 69% to $201 million.

Revenue within Environmental Access Solutions increased over the prior period due to the Corporation's acquisition of Northern Mat midway through the second quarter of 2022, resulting in no comparative results in the prior period. Strong seasonal demand for Environmental Access Solutions produced results in line with the first quarter in the prior year under previous ownership. The acquisition activity drove the majority of the increase in the Manufacturing segment revenue compared to the prior year.

Revenue within Multi-Storey Window Solutions increased by 49% over the prior period. Pandemic induced production gaps are starting to normalize and will continue to do so over the remainder of the year. This normalization increased efficiency compared to the last couple of quarters with respect to output from our manufacturing facilities.

Revenue within Precision Manufacturing & Engineering increased 7% over the prior period. Investments made to expand production capacity and the benefits from the integration of tuck-in acquisitions completed in 2021 drove the increase in revenue.

In the Manufacturing segment, Adjusted EBITDA increased by $21 million or 195% to $32 million.

Adjusted EBITDA within Environmental Access Solutions increased over the prior period due to the timing of acquisition activity in the prior year as there is no comparative in the prior period. Adjusted EBITDA margins for the Environmental Access solutions are higher than those of our other subsidiaries within the Manufacturing segment, which increased Adjusted EBITDA margins of the segment overall. This is because of the higher capital intensity of maintaining the rental mat and bridge fleet.

Adjusted EBITDA within Multi-Storey Window Solutions increased by 15% over the prior period. While a more efficient production schedule helped increase Adjusted EBITDA, Adjusted EBITDA did not increase at the same rate as revenue due to the lagging impact of material price inflation on our fixed price contracts. These contracts are signed up to 24 months in advance and therefore there is still a drag on Adjusted EBITDA from these higher costs. This is expected to improve throughout the remainder of the year as contracts that were bid after the material price inflation are added to our production schedule.

Adjusted EBITDA in Precision Manufacturing & Engineering increased by 32% over the prior period. This is driven by increased revenues as discussed above and the delayed impact of passing along to customers the impact of material price inflation that could not be passed to the customer in the short term in the prior period.

NET EARNINGS

Three Months Ended March 31,		**2023**		2022
Net Earnings	**$**	**6,861**	$	3,753
Net Earnings per share	**$**	**0.16**	$	0.10

Net Earnings was $7 million, an increase of $3 million over the prior period. The $30 million increase in Adjusted EBITDA during the current period was offset by increases in depreciation on capital assets of $11 million and interest costs of $11 million. The Corporation invested in significant capital assets in 2022 to support growth initiatives across the Aerospace & Aviation segment as well as to support the growth in the Environmental Access Solutions business resulting in increased depreciation in the current period. In addition, the acquisition activity in the second quarter of last year is contributing to the increase in depreciation in the first quarter as there is no depreciation for these acquisitions in the prior period. An increase in benchmark borrowing rates and higher levels of debt increased in interest expense over the prior period.

Income tax expense increased by $1 million over the prior period due to increased earnings before tax. The Corporation's effective tax rate increased to 23% from 19% as the Corporation generated higher earnings in high tax rate jurisdictions compared to the prior period.

Net Earnings per share increased by 60% over the prior period to $0.16 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 10% which partially offset the increase in Net Earnings per share. 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 March 31,		**2023**		2022
Net Earnings	**$**	**6,861**	$	3,753
Acquisition costs (net of tax $188 and $65)		**1,177**		390
Amortization of intangible assets (net of tax $1,295 and $767)		**3,502**		2,074
Accelerated interest accretion on redeemed debentures (net of tax of nil and $599)		**-**		1,618
Adjusted Net Earnings	**$**	**11,540**	$	7,835
per share - Basic	**$**	**0.27**	$	0.20
per share - Diluted	**$**	**0.27**	$	0.20

Adjusted Net Earnings was $12 million, an increase of $4 million over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $4 million in intangible asset amortization and $1 million in acquisition costs (all net of tax). In the prior period, Adjusted Net Earnings included the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $2 million (net of tax) which did not occur in the current period. Details around the calculation of Adjusted Net Earnings can be found in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Adjusted Net Earnings per share increased 35% over the prior period to $0.27 due to higher Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 10%, which partially offset the increase in Adjusted Net Earnings per share. 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*)

Three Months Ended March 31,		2023		2022
Cash flows from operations	$	(10,774)	$	25,054
Change in non-cash working capital		77,579		28,499
Acquisition costs (net of tax $188 and $65)		1,177		390
Principal payments on right of use lease liabilities		(8,274)		(6,534)
	$	59,708	$	47,409
per share - Basic	$	1.40	$	1.22
per share - Diluted	$	1.26	$	1.10

The Free Cash Flow generated by the Corporation during the period was $60 million, an increase of $12 million, or 26% over the prior period. The increase is primarily attributable to the increase in Adjusted EBITDA of $30 million, partially offset by an increase in cash interest and to a lesser extent, an increase in principal payments on right of use assets and 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 15% to $1.40. The weighted average number of shares increased by 10%, 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.

CAPITAL EXPENDITURES *(Section 12 – Non-IFRS Financial Measures and Glossary)*

	Three Months Ended March 31, 2023							
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	$	35,544	$	5,174	$	67	$	40,785
Growth Capital Expenditures		36,607		(2,196)		-		34,411
	$	72,151	$	2,978	$	67	$	75,196

	Three Months Ended March 31, 2022							
CAPITAL EXPENDITURES		Aerospace & Aviation		Manufacturing		Head Office		Total
Maintenance Capital Expenditures	$	27,244	$	634	$	35	$	27,913
Growth Capital Expenditures		8,155		13		-		8,168
	$	35,399	$	647	$	35	$	36,081

Maintenance Capital Expenditures for the period ended March 31, 2023, increased by $13 million or 46% over the prior period. The increase in the Aerospace & Aviation segment was $8 million and the increase in the Manufacturing segment was $5 million over the prior period. Maintenance Capital Expenditures for the Corporation's Essential Air Services are generally weighted more towards the first part of the year as heavy checks, overhauls and engine maintenance events are scheduled at a time when demand is lowest. Maintenance Capital Expenditures for the Manufacturing segment can vary from period to period due to the capital required to maintain production equipment, with the exception of Maintenance Capital Expenditures for the Environmental Access Solutions rental portfolio, which is calculated using depreciation as a proxy.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for Essential Air Services increased $5 million or 23% over the prior period. The prior period was materially impacted by the Omicron variant and therefore prior year Maintenance Capital Expenditures were lower than planned prior to the onset of the Omicron variant. The first quarter is generally the busiest quarter for large overhauls to occur in the Essential Air Services and the expenditures were in line with our expectations. In addition, parts inflation and increased labour rates have resulted in increased Maintenance Capital Expenditures. Finally, as the Corporation has invested to meet increased demand over the last number of quarters, our fleet size has increased, necessitating additional Maintenance Capital Expenditures. Growth Capital Expenditures for Essential Air Services was $19 million. The investment made was to purchase additional aircraft to expand the fleet. Additionally, investments were made for the construction of a new hangar to support our passenger, charter and cargo growth and deposits were made for the purchase of a King Air simulator.

Maintenance Capital Expenditures for Aerospace increased $4 million over the prior period due to increased heavy checks and overhauls to support increased levels of flying and higher overhaul costs experienced by the business due to inflationary pressures and labour costs. Growth Capital Expenditures for the quarter were $3 million which relate to the preparation of assets for the upgrade of the surveillance aircraft for the renewed Curaçao contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing were flat to the prior period. Investments made in the current period relate to the preparation of assets for lease, notably engines, which will be put on lease in the coming quarters. Growth Capital Expenditures were $15 million for the quarter. Several assets were purchased during the quarter that have either been placed on lease or will be placed on lease in coming quarters.

Regional One Lease Portfolio	**March 31, 2023**		December 31, 2022	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**61 (1)**	**102**	60 (1)	94

Note 1) The aircraft total above includes 9 airframes (December 31, 2022 – 9 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 lease portfolio for Aircraft Sales & Leasing 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. Earnings on the leasing of aircraft and engines are not derived solely from a financing spread as it is in the traditional leasing business but rather cash flows are generated from acquiring assets, leasing them out, and once the available green time on the assets is consumed and the aircraft have been retired from the active fleet, the assets are sold or parted out to generate further cash flows. It is important to note not all the aircraft and engines in the portfolio will be on lease at any given time.

The fleet of aircraft and engines to be leased have been underutilized, since the onset of the pandemic and as a result, the available green time on those aircraft is not being consumed at the same rate as in prior periods. While the impacts of the pandemic have lessened, the lease fleet remains underutilized due to a worldwide flight crew shortage, most notably experienced pilots. The acute shortage of pilots has resulted from a significantly lower number of pilots graduating from flight school due to the impacts the pandemic had on the ability to complete flight training coupled with higher than average pilot retirements during the pandemic. 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 remains underutilized, the historical approach continues to not be appropriate. The actual costs of maintaining the fleet were significantly lower than the depreciation expense recorded during the year. Starting in the second quarter of 2020, the actual expenditures on assets already owned have been used as the costs of maintaining the fleet until such time the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. Prior to the onset of the pandemic, Growth Capital Expenditures 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.

The Corporation continues to record Maintenance Capital Expenditures as cash outflows associated with maintaining the fleet and Growth Capital Expenditures as all purchases of net assets, net of disposals and transfers to inventory. Because the timing between the removal of assets from the lease portfolio and the replacement of those assets can vary from quarter to quarter, it is possible that negative Growth Capital Expenditures may arise in a particular quarter. However, it is not expected that negative Growth Capital Expenditures would consistently occur over a longer period as it is the Corporation’s intention to continue to maintain or grow the lease portfolio.

Manufacturing Segment

Maintenance Capital Expenditures in the Precision Manufacturing & Engineering and Multi-Storey Window Solutions business lines 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. Maintenance Capital Expenditures for Environmental Access Solutions, primarily relate to the depreciation on mats and bridges as well as maintenance on or replacement of equipment which, similar to Precision Manufacturing & Engineering and Multi-Storey Window Solutions, can vary based on what assets require repair or replacement.

For the period ended March 31, 2023, Precision Manufacturing & Engineering Maintenance Capital Expenditures of less than $1 million were consistent with the prior period. Growth Capital Expenditures of $1 million were made to purchase new equipment to enhance our ability to meet increasing customer demand and create efficiencies.

Maintenance Capital Expenditures for Environmental Access Solutions was $5 million, which increased over the prior period as there were no comparative amounts in the first quarter of 2022. Growth Capital Expenditures were negative $3 million in the first quarter, as Environmental Access Solutions took advantage of an opportunity to sell some mats in its fleet in response to customer demand before those mats could be replaced through its internal mat production facility.

INVESTMENT IN WORKING CAPITAL

During the period ended March 31, 2023, the Corporation invested $78 million into working capital. As previously disclosed in our year-end report, the investment during the period relates almost entirely to a decrease in accounts payable, as a material account receivable was collected in the fourth quarter of 2022 where a corresponding payment to a supplier was not due until January 2023.

During the period, the Corporation continued to invest in the Aircraft Parts & Leasing business making several purchases in the quarter for assets that will be parted out and sold in future quarters. This includes several aircraft from the leasing pool that have been identified for part out in subsequent quarters. This increase in inventory will support future parts sales, which are at all time highs. Finally, the Aircraft Parts & Leasing business has made deposits on capital assets to add to its lease portfolio that are currently recorded in prepaid expenses and deposits.

Further details of the investment in working capital are included in Note 15 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

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	2023 Dividends Amount	Record date	Per Share	2022 Dividends Amount
January	January 31, 2023	$ 0.21	$ 8,927	January 31, 2022	$ 0.19	$ 7,366
February	February 28, 2023	0.21	8,933	February 28, 2022	0.19	7,372
March	March 31, 2023	0.21	8,945	March 31, 2022	0.19	7,382
Total		**$ 0.63**	**$ 26,805**		$ 0.57	$ 22,120

Dividends declared for the three months ended March 31, 2023, increased over the prior period. This increase was due to an increase in the shares outstanding over the last twelve months and an increase in the dividend rate in both the second and third quarters of 2022. The shares outstanding increased over the prior period primarily due to the Corporation's equity offering in the third quarter of 2022, the shares issued as part of purchase consideration for the acquisitions of Northern Mat and APL, and the Corporation's dividend reinvestment plan. 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. See *Section 12 – Non-IFRS Financial Measures and Glossary* for more information on Non-IFRS measures.

Adjusted Net Earnings exclude acquisition costs, amortization of intangible assets, and unusual one-time items. Amortization of intangible assets results from intangible assets that are recorded when the Corporation completes an acquisition as part of the purchase price allocation for accounting purposes. There are no future capital expenditures associated with maintaining or replacing these intangible assets, therefore intangible asset amortization is not considered when assessing the ability to pay dividends. Acquisition costs are not required to maintain existing cash flows and therefore these costs are not considered in assessing the payment of dividends and include acquisition costs and pre-revenue ramp-up costs for significant expansions. Adjusted Net Earnings includes depreciation on all capital expenditures and is not impacted by the period to period variability in Maintenance Capital Expenditures.

Free Cash Flow less Maintenance Capital Expenditures is a measure that ensures the resulting payout ratio reflects the replacement of capital assets that is necessary to maintain the Corporation's existing revenue streams. Cash outflows associated with acquisitions and capital expenditures that will result in growth are not included in this payout ratio because they will generate future returns in excess of current cash flows.

The Corporation analyzes its payout ratios on a trailing twelve-month basis when assessing its ability to pay and increase dividends. The use of a longer period reduces the impact of seasonality on the analysis. The first quarter of the fiscal year is always the most seasonally challenging for the Corporation. Winter roads into northern communities lessen the demand for the Corporation's Essential Air Services. Environmental Access Solutions is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower, and the first quarter is the slowest. 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.

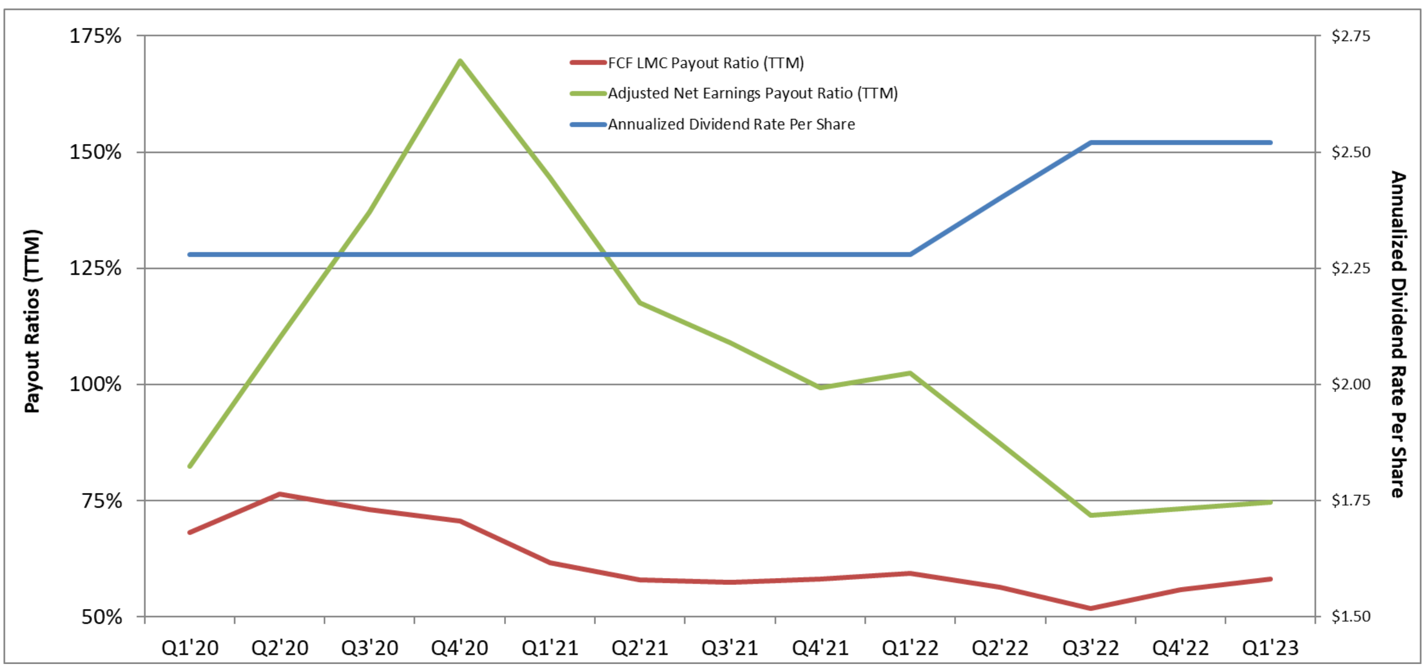
Payout Ratios *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Basic per Share Payout Ratios for the Corporation	**2023**		2022	
Periods Ended March 31	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**233%**	**75%**	285%	105%
Free Cash Flow less Maintenance Capital Expenditures	**143%**	**58%**	114%	59%

The trailing twelve month Adjusted Net Earnings payout ratio improved from 105% at March 31, 2022, to 75% at March 31, 2023, due to improved Adjusted Net Earnings over the prior period. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved slightly from 59% to 58% at March 31, 2023. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures.

The nature of Maintenance Capital Expenditures is such that fluctuation can occur from period to period based on the timing of maintenance events, as discussed in *Section 3 – Investing Activities*. The Adjusted Net Earnings payout ratio is not impacted by the timing differences in Maintenance Capital Expenditures.

The graph that follows shows the Corporation's historical Free Cash Flow less Maintenance Capital Expenditures trailing twelve-month payout ratio and Adjusted Net Earnings trailing twelve-month payout ratio on the left axis. On the right axis, the annualized dividend rate per share is shown.



5. OUTLOOK

2023 has started on a busy and promising note. Financially, the results of operations have exceeded our internal expectations and have started us off on the right foot for the remainder of the year. Our emphasis on investing for the future has driven this success and will be the catalyst for our success in years to come. Capital investments for growth, acquisitions and future contract awards all play a role in our continued success. Consequently, the recent acquisitions of BVGlazing and Hansen leave us poised for future growth in the Manufacturing segment.

Within Essential Air Services, we expect to see passenger volumes continue to grow as diagnostic and medical treatment wait times come down and the communities we serve open up to increased travel beyond their borders. Medevac and charter operations that have been hindered by a tight supply of aircraft and the availability of aviation services professionals are expected to rebound in the latter part of the second quarter and beyond as an ATR72-500 aircraft that was purchased previously will be brought into service as will two Dash8-100 aircraft which will be purchased later in the year and we see a stabilization of the labour markets. We have completed or are in the process of negotiating many of our Collective Bargaining Agreements that will provide security for our employees and stability for the company.

Our Aerospace operations marked a significant milestone in the first quarter with the completion of the new hangar in Winnipeg, which will enable us to perform maintenance and upgrades on Canada's new fleet of C295 search and rescue aircraft and will house our AGM this year. Work continues to progress in accordance with plans on existing contracts, including the contract with the Netherlands government where we completed the delivery of two ISR aircraft for maritime surveillance in the fourth quarter of last year. The most significant new development within Aerospace is the recent signing of an 18-month contract for the deployment of the On-Demand Force Multiplier ISR aircraft with a European country. The aircraft will be deployed beginning this month conducting surveillance missions of national sovereignty for this country.

We anticipate that our Aircraft Sales & Leasing business will continue to move in alignment with the changes in the worldwide aviation marketplace, particularly as it pertains to pilot availability and aircraft usage. Recent trends indicate a return to a more normal operating environment, with parts revenue stabilizing and sales of large aircraft and engines returning to historical norms. Leasing revenue is anticipated to slowly increase in conjunction with the stabilization of the aviation industry.

The second quarter of 2023 will mark the one-year anniversary for the Environmental Access Solutions business line as part of EIC. During the first year as part of the company, it enjoyed record revenues driven by high customer demand, a limited number of mats available for sale or rent, reduced lumber supply and high lumber prices. Market conditions are beginning to return to historical norms, and we expect that to continue throughout the year. Industry-wide mat supplies have increased, which is causing a reduction in pricing as well as rental volumes. The weather in the early part of the second quarter was not conducive to mat usage either, as a slower than typical thaw reduced the demand for mats in this period. Despite these market and weather-related changes, the business is still operating at a level well in excess of that off which we acquired it.

With the completion of the acquisition of BVGlazing in the second quarter of this year, we are excited at the prospects for our Multi-Storey Window Solutions group. We believe that this industry is not only resilient in the face of economic uncertainty but is poised for growth. Multi-storey residential dwellings are the most affordable housing available and, in times of high inflation and rising interest rates, are the preferred alternative for those looking for a home. BVGlazing brings a record of historical profitability and a strong order book to the table and will be immediately accretive. Even if we had no other operations in this line of business, we would have made this acquisition. Since we do have existing operations in this business line, we are enthusiastic about the synergistic opportunities before us. From a sales perspective, the addition of BVGlazing's curtain wall and railing products complements our existing unitized window wall offering and opens the door for us to compete on projects we would have otherwise not bid on or for which we would have had to subcontract out components of the project. Operationally, we are focused on bringing the organization into the fold and extracting the potential efficiencies we believe this opportunity presents. Also, the purpose of this rationalization is not to reduce employment but to facilitate efficiencies and growth. It will take time for these efficiencies to be realized so we do not expect any material benefits until 2024. In addition to identifying and extracting value from combining these operations, we are progressing on plan as we move towards a larger ramp up in the latter half of the year. The manufacturing side of the business will see improved revenues as higher pricing that was introduced in 2021 and 2022 begins to take effect. Costs of some inputs are beginning to normalize while others remain elevated, which means that margins should remain fairly stable. Overall outlook for the foreseeable future remains robust as the backlog continues to grow.

Revenue trends within the Precision Manufacturing & Engineering group should remain relatively consistent with prior years. Compared to the prior year, we expect an improvement in margins driven by sales mix changes, cost stabilization and an improving labour situation. Some supply chain challenges still exist, however, especially for the businesses that require computer chips. The addition of Hansen to the group early in the second quarter will be an important addition to the business line. As a standalone business, it meets all the criteria we require in a company and, with its operations on the west coast, it will be an excellent companion operation with our current operations already located there.

As inflation soared in 2022, central banks implemented rapid interest rate increases to attempt to curb the rising prices. While inflation rates have mitigated somewhat, the policy has created economic uncertainty and concerns about a possible recession. This, combined with a belief that interest rates will not remain at current levels indefinitely, gave rise to an inverted yield curve whereby short term interest rates were higher than long term rates. The disparity in rates created an opportunity for us to reduce our interest costs by swapping some of our floating rate interest into fixed rate interest. During the quarter, we swapped $540 million into a three year fixed rate that will, in the near term, save us between 100 and 150 basis points. From a risk perspective, it also provides us with stability in the event that the floating rates continue to rise. At present, approximately two-thirds of our total debt (including convertible debentures and our syndicated bank facility) now has a fixed rate.

A strong and liquid balance sheet have been hallmarks of EIC throughout the years and, with the recent increase in size of our credit facility and term extension, that tradition continues. When combined with the accordion feature embedded in the facility, we have access to over $1 billion of liquidity, providing us flexibility and nimbleness to take advantage of opportunities when they develop.

The first quarter and early second quarter were clearly very active from an acquisition standpoint. We are experiencing a continual stream of high quality opportunities cross our desks and we continue to bring assets to the table to help manage the deal flow. Given the time and focus required to close the recent transactions, most of the potential targets we are currently analyzing are in their earlier stages.

EIC's strong performance in the first quarter and the acquisitions of BVGlazing and Hansen have set the table for another terrific year. Based on these factors, we now expect that 2023 Adjusted EBITDA will be between $540 million and $570 million up from $510 million to $540 million.

Capital Expenditures

Maintenance Capital Expenditures are necessary to maintain the earning power of our subsidiaries. Our Maintenance Capital Expenditures are primarily concentrated in the Aerospace & Aviation segment and have increased in line with the increased scope of our operations over the last number of years. As flight hours have increased during the past two years, Maintenance Capital Expenditures have also steadily increased. We expect that this trend will continue as flight hours steadily climb to support the increased passenger volumes and we will experience higher Maintenance Capital Expenditures in our Essential Air Services operations. Previously referenced labour shortages, supply chain congestion, inflation and a larger overall fleet size will also influence Maintenance Capital Expenditures for the remainder of the year. Maintenance Capital Expenditures in the Aircraft Sales & Leasing business will increase in conjunction with the increase in the cadence of business operations.

In the Manufacturing segment, the additions of BVGlazing and Hansen will increase Maintenance Capital Expenditures relative to the prior year. The Environmental Access Solutions Maintenance Capital Expenditures will also be in line with the prior year, allowing for the period of time in the second quarter that this business line did not exist last year.

Growth Capital Expenditures within Essential Air Services will be focused on facility infrastructure and adding fleet capacity. Drawings and plans for the Gary Filmon Indigenous Terminal to support additional passengers and cargo are nearing completion and construction will commence later this year. We are also building a hangar in Timmins, Ontario to support the 5-year contract we have with a mining company in the area. We anticipate completing the modifications to an additional ATR72-500 during the second quarter and acquiring another Dash 8-Q400 to provide additional capacity. Growth Capital Expenditures in our Aerospace operations will be focused on fleet modernization for the renewed Curaçao contract.

Growth Capital Expenditures in Environmental Access Solutions will be lower than originally estimated as the market returns to historic norms and fewer rental mats are required. Overall, spending will be relatively similar to the prior year though as we modernize and increase our fleet of rolling stock. Precision Manufacturing & Engineering will also be procuring new equipment in order to accommodate the growth in its business in 2023.

Ongoing investment in our subsidiaries is one of the pillars of EIC's business model. Opportunities arise throughout the year and assessing growth prospects developed by our subsidiaries is an ongoing and integral process at EIC. Our Aircraft Sales & Leasing business is the most fluid example as opportunities can arise and be acted upon in short order. Consequently, we manage our financial position so we will be able to take advantage of these opportunities whenever they occur.

6. LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital position, Free Cash Flow, and capital resources remain strong. The Corporation completed several capital transactions in 2022, strengthening its balance sheet as the Corporation prepared for future growth. These transactions increased the Corporation's access to capital to make acquisitions, its ability to invest in its operating subsidiaries, and provides the ability to weather economic downturns. In addition, the structured timing of debt maturities provides additional financial flexibility. Subsequent to the end of the period, the Corporation completed an upsize and extension of its credit facility, which is discussed further below.

As at March 31, 2023, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current leverage ratio is 2.59x. This is in line with historical norms as the Corporation's subsidiaries continue their returns to post-pandemic operations and deliver results based on previous investments. Consistent with EIC's historical balance sheet management, the Corporation has been proactive in managing its liquidity such that should an opportunity present itself, EIC has the capability and financial resources to execute.

As at March 31, 2023, the Corporation has liquidity of approximately $892 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 March 31, 2023, the Corporation had a cash position of $92 million (December 31, 2022 - $140 million) and a net working capital position of $493 million (December 31, 2022 - $465 million) which represents a current ratio of 1.94 to 1 (December 31, 2022 – 1.80 to 1). The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

		March 31 2023		December 31 2022
Total senior debt outstanding (principal value)	**$**	**1,293,077**	$	1,218,326
Convertible debentures outstanding (par value)		**425,370**		425,500
Common shares		**1,025,303**		1,019,772
Total capital	**$**	**2,743,750**	$	2,663,598

Credit facility

The size of the Corporation's credit facility as at March 31, 2023, is approximately $1.75 billion, with $1.45 billion allocated to the Corporation's Canadian head office and US $250 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of March 31, 2023, the Corporation had drawn $580 million and US $527 million (December 31, 2022 - $201 million and US $751 million).

Subsequent to the end of the quarter, on May 9, 2023, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2.0 billion and extended its term to May 9, 2027. This includes $1.675 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investment in its operating subsidiaries and through acquisition.

The Corporation's long-term debt, net of cash, increased by $122 million since December 31, 2022. As discussed and projected in our year-end report, the increase is primarily attributable to a large payment made in 2023 for which a corresponding receivable was collected in the preceding quarter. In addition, investments made in Growth Capital Expenditures and working capital (in addition to the account payable already discussed) as discussed in *Section 3 – Investing Activities* were funded through the use of the credit facility.

During the period, the Corporation used derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same term unless both parties agree to extend the swap for an additional month. By entering into the swap, the Corporation can take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the US dollar borrowings as it will be exchanged for the same Canadian equivalent in one month. As at March 31, 2023, US $192 million (December 31, 2022 – US $427 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the period, the Corporation entered into an interest rate swap with certain members of its lending syndicate whereby the Corporation fixed $350 million of its credit facility variable rate debt for a period of 3 years. With the inversion in the yield curve at the time of execution, the fixed rate is below the floating rate of the Corporation's credit facility debt.

Subsequent to the end of the quarter, the Corporation entered into an interest rate swap with certain members of its lending syndicate whereby the Corporation fixed US $140 million of its credit facility variable rate debt for a period of three years. With the inversion in the yield curve at the time of execution, the fixed rate is below the floating rate of the Corporation's credit facility debt.

As a result of these rate swap transactions, rate swap transactions entered into in prior periods, and our fixed rate convertible debentures, approximately two thirds of our total debt is fixed.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at March 31, 2023, and changes in the amounts of convertible debentures outstanding during the three months ended March 31, 2023:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2018	EIF.DB.J	June 30, 2025	5.35%	$ 49.00
Unsecured Debentures - 2019	EIF.DB.K	March 31, 2026	5.75%	$ 49.00
Unsecured Debentures - July 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70
Unsecured Debentures - December 2021	EIF.DB.M	January 15, 2029	5.25%	$ 60.00

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Unsecured Debentures - June 2018	80,500	-	(130)	-	80,370
Unsecured Debentures - March 2019	86,250	-	-	-	86,250
Unsecured Debentures - July 2021	143,750	-	-	-	143,750
Unsecured Debentures - December 2021	115,000	-	-	-	115,000
Total	$ 425,500	$ -	$ (130)	$ -	$ 425,370

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the three months ended March 31, 2023:

	Date issued	Number of shares
Shares outstanding, beginning of period		42,479,063
Issued upon conversion of convertible debentures	various	2,652
Issued under dividend reinvestment plan (DRIP)	various	86,100
Issued under employee share purchase plan	March 20, 2023	21,007
Shares outstanding, end of period		42,588,822

The Corporation issued 86,100 shares under its dividend reinvestment plan during the period and received $4 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 21,007 shares under its Employee Share Purchase Plan during the period and received $1 million for those shares in accordance with the Employee Share Purchase Plan.

The weighted average shares outstanding during the three months ended March 31, 2023, increased by 10% compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's equity offering in the third quarter of 2022, shares issued as part of the acquisitions of Northern Mat and APL in 2022, and shares issued under the Corporation's dividend reinvestment plan.

Normal Course Issuer Bid

On March 10, 2023, the Corporation renewed its NCIB for common shares and certain series of convertible debentures. Under the renewed NCIB for common shares, purchases can be made during the period commencing on March 15, 2023, and ending on March 14, 2024. The Corporation can purchase a maximum of 3,958,307 shares and daily purchases will be limited to 25,561 shares, other than block purchase exemptions. The Corporation renewed its NCIB because it believes that from time to time, the market price of the common shares may not fully reflect the value of the common shares. The Corporation believes that in such circumstances, the purchase of common shares represents an accretive use of capital.

Under the NCIB for certain series of convertible debentures, purchases can be made during the period commencing on March 15, 2023, and ending on March 14, 2024. The Corporation can purchase a maximum of $8,038 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC; and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, with daily purchases of principal amount, other than block purchase exceptions, limited to $33, $33, $25, and $24, 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 three months ended March 31, 2023, 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 three months ended March 31, 2023, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2022.

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, 2022, except as noted below.

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions is reassessed each period end after the related acquisition. The carrying value of the liability is based on an estimate of both the amount of the potential payment and profitability that the earn out will be paid. During the quarter, the estimated liability for additional purchase consideration associated with Northern Mat was reduced to reflect the final payment made to the vendors. This resulted in a recovery of $1 million (2022 – nil) and is included within "Other" in the Statement of Income.

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 months ended March 31, 2023, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2022 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three months ended March 31, 2023.

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 March 31, 2023, and has concluded that the design of internal controls over financial reporting is effective.

There have been no material changes to the Corporation's internal controls during the 2023 period that would have materially affected, or are likely to materially affect, the internal controls over financial reporting.

Subsequent to the end of the first quarter, the Corporation acquired both Hansen on April 1, 2023 and BVGlazing on May 1, 2023. As at the date of this MD&A, management has not completed its review of internal controls over financial reporting for these newly acquired subsidiaries nor determined their impact, if any, on the Corporation's internal controls over financial reporting. An assessment of their impact will be completed for December 31, 2023 year end.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to management in a timely manner and that information required to be disclosed by the Corporation is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were effective as at March 31, 2023.

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, 2022.

12. NON-IFRS FINANCIAL MEASURES AND GLOSSARY

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

Adjusted EBITDA: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment, and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. Adjusted EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures, and income taxes. The most comparable IFRS measure, presented in the Corporation's Statements of Income as an additional IFRS measure, is Operating profit before Depreciation, Amortization, Finance Costs, and Other.

Adjusted Net Earnings: is defined as Net Earnings adjusted for acquisition costs, amortization of intangible assets, interest accretion on acquisition contingent consideration, accelerated interest accretion on convertible debentures, and non-recurring items. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less Maintenance Capital Expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders. The most comparable IFRS measure is Net Earnings. Interest accretion on contingent consideration is recorded in the period subsequent to an acquisition after the expected payment to the vendors is discounted. The value recorded on acquisition is accreted to the expected payment over the earn out period. Accelerated interest accretion on convertible debentures reflects the additional interest accretion recorded in a period that, but for the action to early redeem the debenture series, would have been recorded over the remaining term to maturity. This interest reflects the difference in the book value of the convertible debentures and the par value outstanding.

The Corporation presents Adjusted Net Earnings per share, which is calculated by dividing Adjusted Net Earnings, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents an Adjusted Net Earnings payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Adjusted Net Earnings, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

Free Cash Flow: for the year is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, acquisition costs, principal payments on right of use lease liabilities, and any unusual non-operating one-time items. Free Cash Flow is a performance measure used by management and investors to analyze the cash generated from operations before the seasonal impact of changes in working capital items or other unusual items. The most comparable IFRS measure is Cash Flow from Operating Activities. Adjustments made to Cash Flow from Operating Activities in the calculation of Free Cash Flow include other IFRS measures, including adjusting the impact of changes in working capital and deducting principal payments on right of use lease liabilities.

The Corporation presents Free Cash Flow per share, which is calculated by dividing Free Cash Flow, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

Free Cash Flow less Maintenance Capital Expenditures: for the year is equal to Free Cash Flow, as defined above, less Maintenance Capital Expenditures, as defined below.

The Corporation presents Free Cash Flow less Maintenance Capital Expenditures per share, which is calculated by dividing Free Cash Flow less Maintenance Capital Expenditures, as defined above, by the weighted average number of shares outstanding during the period, as presented in the Corporation's Financial Statements and Notes.

The Corporation presents a Free Cash Flow less Maintenance Capital Expenditures payout ratio, which is calculated by dividing dividends declared during a period, as presented in the Corporation's Financial Statements and Notes, by Free Cash Flow less Maintenance Capital Expenditures, as defined above. The Corporation uses this metric to assess cash flow available for distribution to shareholders.

Maintenance and Growth Capital Expenditures: Maintenance Capital Expenditures is defined as the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's aircraft leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation. While there is no comparable IFRS measure for Maintenance Capital Expenditures or Growth Capital Expenditures, the total of Maintenance Capital Expenditures and Growth Capital Expenditures is equivalent to the total of capital asset and intangible asset purchases, net of disposals, on the Statement of Cash Flows.

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

Purchases of operating aircraft and engines within the Corporation's aircraft lease portfolio are capital expenditures and, prior to the onset of COVID-19, the process used to classify those expenditures as either growth or maintenance was based on the depreciation of that portfolio. Aircraft that are leased to third parties are being consumed over time, therefore reinvestment is necessary to maintain the ability to generate future cash flows at existing levels. This depletion of the remaining green time of these aircraft was historically represented by depreciation. Only net capital expenditures more than depreciation were classified as Growth Capital Expenditures. If there were no purchases of capital assets during the period by within the aircraft lease portfolio, 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 the Corporation's leased assets.

Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures on its aircraft lease assets because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. Starting in the second quarter of 2020, the actual expenditures on assets already owned have been used as the costs of maintaining the fleet until such time the impact of COVID-19 wanes and the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. While the impact of the pandemic has lessened, the lease fleet remains underutilized due to a worldwide shortage of flight crews, most notably pilots. The acute shortage of pilots has resulted from a significantly lower number of pilots graduating from flight school due to the impacts the pandemic had on the ability to complete flight training coupled with higher than average pilot retirements during the pandemic. All purchases of new assets, net of disposals and transfers to inventory, will be reflected as Growth Capital Expenditures during this time.

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

Purchases of inventory are not reflected in either Growth or Maintenance Capital Expenditures. Aircraft purchased for part out or resale or access mats constructed for resale are recorded as inventory and are not capital expenditures. If a decision is made to take an asset out of either lease portfolio and either sell it or part it out, the net book value is transferred from capital assets to inventory. Within Aircraft Sales & Leasing, capital assets on the balance sheet include operating aircraft and engines that are either on lease or are available for lease. Individual parts are recorded within inventory and capital assets that become scheduled for part out or access mats that intended to be sold to a third party have been transferred to inventory as at the balance sheet date.

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

13. QUARTERLY INFORMATION

The following summary reflects quarterly results of the Corporation:

	2023				2022				2021
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 526,844**	$ 543,360	$ 586,770	$ 529,017	$ 400,226	$ 390,327	$ 400,003	$ 322,070	$ 300,746
Adjusted EBITDA	**97,117**	124,052	150,379	115,055	66,956	89,421	95,276	81,061	64,122
Net Earnings	**6,861**	26,990	48,936	29,990	3,753	23,056	21,899	16,506	7,127
Basic	**0.16**	0.64	1.20	0.76	0.10	0.61	0.58	0.44	0.20
Diluted	**0.16**	0.62	1.09	0.73	0.09	0.59	0.56	0.43	0.20
Adjusted Net Earnings	**11,540**	32,049	54,530	38,501	7,835	28,027	27,653	19,781	10,551
Basic	**0.27**	0.76	1.34	0.98	0.20	0.74	0.73	0.53	0.30
Diluted	**0.27**	0.73	1.20	0.90	0.20	0.71	0.71	0.52	0.29
Free Cash Flow ("FCF")	**59,708**	82,533	112,832	89,251	47,409	71,592	72,798	57,289	41,638
Basic	**1.40**	1.95	2.77	2.26	1.22	1.88	1.91	1.54	1.17
Diluted	**1.26**	1.71	2.38	1.95	1.10	1.62	1.69	1.37	1.06
FCF less Maintenance Capital Expenditures	**18,923**	40,243	69,009	47,356	19,496	42,906	48,151	36,523	19,574
Basic	**0.44**	0.95	1.70	1.20	0.50	1.13	1.27	0.98	0.55
Diluted	**0.44**	0.88	1.49	1.09	0.49	1.02	1.17	0.91	0.54
Maintenance Capital Expenditures	**40,785**	42,290	43,823	41,895	27,913	28,686	24,647	20,766	22,064
Growth Capital Expenditures	**34,411**	48,885	27,055	41,308	8,168	34,497	39,942	33,996	22,532

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		March 31 2023		December 31 2022
ASSETS				
CURRENT				
Cash and cash equivalents	$	92,253	$	139,896
Accounts receivable		390,423		434,956
Amounts due from customers on construction contracts		34,912		33,212
Inventories		383,923		335,060
Prepaid expenses and deposits		112,355		102,808
Income taxes receivable		4,141		-
		1,018,007		1,045,932
OTHER ASSETS (Note 6)		141,289		134,461
CAPITAL ASSETS		1,311,715		1,284,409
RIGHT OF USE ASSETS		157,583		157,319
INTANGIBLE ASSETS		296,299		300,374
GOODWILL		626,215		626,341
	$	3,551,108	$	3,548,836
LIABILITIES				
CURRENT				
Accounts payable and accrued expenses	$	395,483	$	451,906
Income taxes payable		-		6,888
Deferred revenue		66,472		60,467
Amounts due to customers on construction contracts		31,053		30,111
Current portion of right of use lease liability		31,560		31,079
		524,568		580,451
DEFERRED REVENUE		400		534
OTHER LONG-TERM LIABILITIES		22,749		23,635
LONG-TERM DEBT (Note 7)		1,288,892		1,214,764
CONVERTIBLE DEBENTURES (Note 8)		400,605		399,443
LONG-TERM RIGHT OF USE LEASE LIABILITY		132,885		133,181
DEFERRED INCOME TAX LIABILITY		176,728		177,774
		2,546,827		2,529,782
EQUITY				
SHARE CAPITAL (Note 9)		1,025,303		1,019,772
CONVERTIBLE DEBENTURES - Equity Component (Note 8)		14,011		14,017
CONTRIBUTED SURPLUS		16,635		16,635
DEFERRED SHARE PLAN		16,098		15,791
RETAINED EARNINGS				
Cumulative Earnings		684,742		677,881
Cumulative Dividends		(786,597)		(759,792)
Cumulative impact of share cancellation under the NCIB		(26,122)		(26,122)
		944,070		958,182
ACCUMULATED OTHER COMPREHENSIVE INCOME		60,211		60,872
		1,004,281		1,019,054
	$	3,551,108	$	3,548,836

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)

For the periods ended March 31		**2023**		2022
REVENUE				
Aerospace & Aviation	**$**	**325,929**	$	281,592
Manufacturing		**200,915**		118,634
		526,844		400,226
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization		**211,447**		184,070
Manufacturing expenses - excluding depreciation and amortization		**150,241**		93,171
General and administrative		**68,039**		56,029
		429,727		333,270
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)		**97,117**		66,956
Depreciation of capital assets		**47,508**		36,891
Amortization of intangible assets		**4,797**		2,841
Finance costs - interest		**25,719**		14,852
Depreciation of right of use assets		**8,127**		6,536
Interest expense on right of use lease liabilities		**1,591**		752
Acquisition costs		**1,365**		455
Other		**(951)**		-
EARNINGS BEFORE INCOME TAXES		**8,961**		4,629
INCOME TAX EXPENSE (RECOVERY)				
Current		**3,085**		1,237
Deferred		**(985)**		(361)
		2,100		876
NET EARNINGS	**$**	**6,861**	$	3,753
NET EARNINGS PER SHARE (Note 12)				
Basic	**$**	**0.16**	$	0.10
Diluted	**$**	**0.16**	$	0.09

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

Exchange Income Corporation
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders For the periods ended March 31		**2023**		2022
NET EARNINGS	**$**	**6,861**	$	3,753
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax expense of nil and nil, respectively.		**(683)**		(9,354)
Net gain on hedge of net investment in foreign operations, net of tax expense of nil and $46, respectively.		**157**		2,802
Net gain (loss) on hedge of restricted share plan, net of tax expense (recovery) of ($15) and $112, respectively.		**(41)**		360
Net gain (loss) on interest rate swap, net of tax expense (recovery) of ($34) and $1,208, respectively.		**(94)**		3,267
		(661)		(2,925)
COMPREHENSIVE INCOME	**$**	**6,200**	$	828

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Retained Earnings: Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Loss	**Total**
Balance, January 1, 2022	$ 852,821	$ 17,607	$ 13,046	$ 16,010	$ 568,212	$ (662,319)	$ (26,122)	$ 21,020	$ 800,275
Convertible debentures	-	-	-	-	-	-	-	-	-
Converted into shares	7	(1)	-	-	-	-	-	-	6
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	-
Shares issued under dividend reinvestment plan	3,690	-	-	-	-	-	-	-	3,690
Deferred share plan vesting (Note 13)	-	-	-	298	-	-	-	-	298
Shares issued under ESPP	844	-	-	-	-	-	-	-	844
Comprehensive income	-	-	-	-	3,753	-	-	(2,925)	828
Dividends declared (Note 10)	-	-	-	-	-	(22,120)	-	-	(22,120)
Balance, March 31, 2022	**$ 857,362**	**$ 14,017**	**$ 16,635**	**$ 16,308**	**$ 571,965**	**$ (684,439)**	**$ (26,122)**	**$ 18,095**	**$ 783,821**
Balance, January 1, 2023	$ 1,019,772	$ 14,017	$ 16,635	$ 15,791	$ 677,881	$ (759,792)	$ (26,122)	$ 60,872	**$ 1,019,054**
Convertible debentures (Note 8)									
Converted into shares	133	(6)	-	-	-	-	-	-	**127**
Matured/Redeemed	-	-	-	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 9)	4,345	-	-	-	-	-	-	-	**4,345**
Deferred share plan vesting (Note 13)	-	-	-	307	-	-	-	-	**307**
Shares issued under ESPP (Note 9)	1,053	-	-	-	-	-	-	-	**1,053**
Comprehensive income	-	-	-	-	6,861	-	-	(661)	**6,200**
Dividends declared (Note 10)	-	-	-	-	-	(26,805)	-	-	**(26,805)**
Balance, March 31, 2023	**$ 1,025,303**	**$ 14,011**	**$ 16,635**	**$ 16,098**	**$ 684,742**	**$ (786,597)**	**$ (26,122)**	**$ 60,211**	**$ 1,004,281**

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)

For the periods ended March 31	**2023**	2022
OPERATING ACTIVITIES		
Net earnings for the period	**$ 6,861**	$ 3,753
Items not affecting cash:		
Depreciation of capital assets	**47,508**	36,891
Amortization of intangible assets	**4,797**	2,841
Depreciation of right of use assets	**8,127**	6,536
Accretion of interest	**1,699**	3,844
Gain on disposal of capital assets	**(558)**	(249)
Deferred income tax recovery	**(985)**	(361)
Deferred share program share-based vesting (Note 13)	**307**	298
Other	**(951)**	-
	66,805	53,553
Changes in non-cash current and long-term working capital (Note 15)	**(77,579)**	(28,499)
	(10,774)	25,054
FINANCING ACTIVITIES		
Proceeds from long-term debt, net of issuance costs (Note 7)	**114,990**	145,052
Repayment of long-term debt (Note 7)	**(37,900)**	(6,538)
Long-term debt discount	**(1,036)**	(33)
Payment of matured debentures	**-**	(99,992)
Principal payments on right of use lease liabilities	**(8,274)**	(6,534)
Issuance of shares, net of issuance costs	**5,384**	4,534
Cash dividends (Note 10)	**(26,805)**	(22,120)
	46,359	14,369
INVESTING ACTIVITIES		
Purchase of capital assets	**(77,453)**	(53,821)
Proceeds from disposal of capital assets	**3,011**	18,272
Purchase of intangible assets	**(754)**	(532)
Investment in other assets	**(4,924)**	(7,701)
Payment of contingent acquisition consideration and prior period working capital settlements	**(3,749)**	(598)
	(83,869)	(44,380)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(48,284)**	(4,957)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**139,896**	75,408
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**641**	(1,132)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 92,253**	$ 69,319
Supplementary cash flow information		
Interest paid	**$ 28,988**	$ 11,554
Income taxes paid	**$ 14,023**	$ 9,654

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 March 31, 2023, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd., Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, and Northern Mat & Bridge LP ("Northern Mat"). Regional One, Inc., Quest USA Inc., Stainless Fabrication Inc., and Crew Training International, Inc., are wholly owned subsidiaries of EIIF Management USA Inc. Through the Corporation's subsidiaries, products and services are provided in two business segments: Aerospace & Aviation and Manufacturing. Subsequent to the quarter, the Corporation acquired Hansen Industries Ltd. ("Hansen") and BVGlazing Systems Ltd. ("BVGlazing") (Note 16). Hansen and BVGlazing will be reported within the Manufacturing segment as of the date of their acquisition.

The Corporation's interim results are impacted by seasonality factors. The Aerospace & Aviation segment has historically had the strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. With the diversity of the Manufacturing segment, the seasonality of the segment is relatively flat throughout the fiscal period except for Northern Mat. Northern Mat's business is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest.

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, 2022. 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 May 9, 2023.

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 2022 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

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.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions is reassessed each period end after the related acquisition. The carrying value of the liability is based on an estimate of both the amount of the potential payment and probability that the earn out will be paid. During the quarter, the estimated liability for additional purchase consideration associated with Northern Mat was reduced to reflect the final payment made to the vendors. This resulted in a recovery of $951 (2022 – nil) and is included within "Other" in the Statement of Income.

6. OTHER ASSETS

The other assets of the Corporation consist of the following:

		March 31 2023		December 31 2022
Long-term prepaid expenses and security deposits	$	2,773	$	3,553
Long-term receivables		8,479		9,996
Long-term holdback receivables		1,878		137
Equity method investments		109,279		102,163
Other investments - Fair value through OCI (Note 14)		6,898		6,917
Derivative financial instruments - Fair value through profit and loss (Note 14)		11,982		11,695
Total other assets	$	141,289	$	134,461

7. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at March 31, 2023, and December 31, 2022:

		March 31 2023		December 31 2022
Revolving term facility:				
Canadian dollar amounts drawn	$	579,500	$	201,000
United States dollar amounts drawn (US$527,287 and US$751,127 respectively)		713,577		1,017,326
Total credit facility debt outstanding, principal value		1,293,077		1,218,326
less: unamortized transaction costs		(2,632)		(3,045)
less: unamortized discount on outstanding Banker's Acceptances		(1,553)		(517)
Long-term debt	$	1,288,892	$	1,214,764

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 March 31, 2023.

Interest expense recorded by the Corporation during the three months ended March 31, 2023 for long-term debt was $18,772 (2022 – $5,053).

During the quarter, the Corporation entered into an interest rate swap with certain members of its lending syndicate whereby the Corporation has fixed interest rates on $350,000 of its Canadian credit facility debt until April 17, 2026.

Subsequent to the end of the period, the Corporation fixed US $140,000 of US denominated debt, maturing on April 27, 2026.

Subsequent to the end of the period, the Corporation increased its credit facility to approximately $2 billion and extended its term to May 9, 2027 (Note 16).

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

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2023:

	Three Months Ended March 31, 2023				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	$ 201,000	$ 409,500	$ (31,000)	$ -	$ 579,500
United States dollar amounts	1,017,326	55,491	(356,900)	(2,340)	713,577
	$ 1,218,326				$ 1,293,077

In the table above, withdrawals and repayments include the impact of entering into or changing the principal value on already outstanding cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 14.

8. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2018	EIF.DB.J	June 30, 2025	5.35%	$ 49.00
Unsecured Debentures - 2019	EIF.DB.K	March 31, 2026	5.75%	$ 49.00
Unsecured Debentures - July 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70
Unsecured Debentures - December 2021	EIF.DB.M	January 15, 2029	5.25%	$ 60.00

Summary of the debt component of the convertible debentures:

	2023 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2023 Balance, End of Period
Unsecured Debentures - 2018	$ 78,215	$ -	$ 214	$ (129)	$ -	$ 78,300
Unsecured Debentures - 2019	84,384	-	128	-	-	84,512
Unsecured Debentures - July 2021	138,699	-	190	-	-	138,889
Unsecured Debentures - December 2021	110,683	-	150	-	-	110,833
						412,534
less: unamortized transaction costs						(11,929)
Convertible Debentures - Debt Component, end of period						$ 400,605

During the three months ended March 31, 2023, convertible debentures totaling a face value of $130 were converted by the holders at various times into 2,652 shares of the Corporation (2022 – $8 and 155 shares).

Interest expense recorded during the three months ended March 31, 2023, for the convertible debentures was $6,947 (2022 – $9,799).

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.

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

Summary of the equity component of the convertible debentures:

	March 31 2023	December 31 2022
Unsecured Debentures - 2018	3,860	3,866
Unsecured Debentures - 2019	2,497	2,497
Unsecured Debentures - July 2021	4,241	4,241
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 14,011	$ 14,017

All convertible debentures outstanding at March 31, 2023, represent direct unsecured debt obligations of the Corporation.

On March 10, 2023, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $8,038 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at February 28, 2023. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 15, 2023 and ending on March 14, 2024. Daily purchases will be limited to $33 principal amount of Debentures (June 2018), $33 principal amount of Debentures (March 2019), $25 principal amount of Debentures (July 2021) and $24 principal amount of Debentures (December 2021), other than block purchase exemptions.

During the three months ended March 31, 2023, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

9. SHARE CAPITAL

Changes in the shares issued and outstanding during the three months ended March 31, 2023, are as follows:

	Number of Shares	2023 Amount
Share capital, beginning of period	42,479,063	$ 1,019,772
Issued upon conversion of convertible debentures	2,652	133
Issued under dividend reinvestment plan	86,100	4,345
Issued under employee share purchase plan	21,007	1,053
Share capital, end of period	42,588,822	$ 1,025,303

On March 10, 2023, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 3,958,307 Common Shares, representing 10% of the issued and outstanding shares at February 28, 2023. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 15, 2023 and ending on March 14, 2024. The maximum number of shares that can be purchased by the Corporation daily is limited to 25,561 shares, other than block purchase exemptions.

During the three months ended March 31, 2023, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,958,307 shares available for repurchase.

10. 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.

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

The amounts and record dates of the dividends during the three months ended March 31, 2023, and the comparative 2022 period are as follows:

Month	Record date	Per Share	2023 Dividends Amount	Record date	Per Share	2022 Dividends Amount
January	January 31, 2023	$ 0.21	$ 8,927	January 31, 2022	$ 0.19	$ 7,366
February	February 28, 2023	0.21	8,933	February 28, 2022	0.19	7,372
March	March 31, 2023	0.21	8,945	March 31, 2022	0.19	7,382
Total		$ 0.63	$ 26,805		$ 0.57	$ 22,120

After March 31, 2023, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.21 per share for April 2023.

11. 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 essential airline services to communities across Canada and also sells aircraft, engines, and aftermarket parts to regional airline operators around the world. In addition, the segment designs, modifies, maintains, and operates custom sensor-equipped aircraft. The Corporation's two flight schools provide pilot training services. Finally, our businesses deliver training solutions for governments across an array of aviation platforms and has in-depth experience in training pilots and sensor operators on both manned and unmanned aircraft. The Manufacturing segment consists of niche and specialty manufacturers in markets throughout Canada and the United States including engineering and precision metal manufacturing services, and the design, manufacture and installation of the exteriors of residential and mixed use high rises. In addition, the segment has in-house access mat manufacturing capabilities and rents and sells these solutions to customers.

The Corporation evaluates each segment's performance based on Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). The Corporation's method of calculating Adjusted EBITDA may differ from that of other corporations and therefore may not be comparable to measures utilized by them. The Corporation's method of calculating Adjusted EBITDA is consistent with the Corporation's Operating Profit before Depreciation, Amortization, Finance Costs, and Other presented in the interim condensed consolidated Statement of Income. All inter-segment and intra-segment transactions are eliminated, and all segment revenues presented in the tables below are from external customers.

"Head Office" used in the following segment tables is not a separate segment and is only presented to reconcile to the Corporation's total Adjusted EBITDA, certain statement of financial position amounts, and capital asset additions. It includes expenses incurred at the head office of the Corporation.

				Three Months Ended March 31, 2023
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 325,929	$ 200,915	$ -	$ 526,844
Expenses	252,122	168,770	8,835	429,727
Adjusted EBITDA	73,807	32,145	(8,835)	97,117
Depreciation of capital assets				47,508
Amortization of intangible assets				4,797
Finance costs - interest				25,719
Depreciation of right of use assets				8,127
Interest expense on right of use lease liabilities				1,591
Acquisition costs				1,365
Other (Note 5)				(951)
Earnings before income taxes				8,961
Current income tax expense				3,085
Deferred income tax recovery				(985)
Net Earnings				$ 6,861

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

	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
				Three Months Ended March 31, 2022
Revenue	$ 281,592	$ 118,634	$ -	$ 400,226
Expenses	218,733	107,721	6,816	333,270
Adjusted EBITDA	62,859	10,913	(6,816)	66,956
Depreciation of capital assets				36,891
Amortization of intangible assets				2,841
Finance costs - interest				14,852
Depreciation of right of use assets				6,536
Interest expense on right of use lease liabilities				752
Acquisition costs				455
Earnings before income taxes				4,629
Current income tax expense				1,237
Deferred income tax recovery				(361)
Net Earnings				$ 3,753

	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
				For the period ended March 31, 2023
Total assets	**$ 2,342,159**	**$ 1,091,696**	**$ 117,253**	**$ 3,551,108**
Net capital asset additions	**71,397**	**2,978**	**67**	**74,442**

	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
				For the year ended December 31, 2022
Total assets	$ 2,313,182	$ 1,090,573	$ 145,081	$ 3,548,836
Net capital asset additions	234,909	38,487	1,228	274,624

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.

Revenue Streams	**March 31 2023**	March 31 2022
Aerospace & Aviation Segment		
Sale and lease of goods - point in time	**$ 68,631**	$ 69,348
Sale of services - point in time	**208,966**	173,319
Sale of services - over time	**48,332**	38,925
Manufacturing Segment		
Sale and lease of goods - point in time	**62,357**	27,242
Sale of services - point in time	**21,569**	-
Sale of goods and services - over time	**116,989**	91,392
Total revenue	**$ 526,844**	$ 400,226

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

12. EARNINGS PER SHARE

Basic earnings per share for the Corporation is calculated by dividing the Net Earnings by the weighted average number of common shares outstanding during the period.

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

The computation for basic and diluted earnings per share for the three months ended March 31, 2023, and the comparative for the 2022 period are as follows:

Three Months Ended March 31		2023		2022
Net earnings	$	6,861	$	3,753
Effect of dilutive securities				
Convertible debenture interest		-		-
Diluted Net Earnings	$	6,861	$	3,753
Basic weighted average number of shares		42,529,459		38,789,084
Effect of dilutive securities				
Deferred Shares		874,798		862,334
Convertible debentures		-		-
Diluted basis weighted average number of shares		43,404,257		39,651,418
Net Earnings per share:				
Basic	$	0.16	$	0.10
Diluted	$	0.16	$	0.09

13. EMPLOYEE BENEFITS

Deferred Share Plan

During the three months ended March 31, 2023, the Corporation granted 29,455 (2022 – 28,537) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,527 (2022 – $1,232) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three months ended March 31, 2023, the Corporation recorded a compensation expense of $307 (2022 – $298), for the Corporation's Deferred Share Plan within the general and administrative expenses of head office.

Restricted Share Plan

During the three months ended March 31, 2023, the Corporation granted 172,324 (2022 – 145,661) restricted shares to certain personnel. The fair value of the restricted share units granted was $8,425 (2022 – $5,754) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three months ended March 31, 2023, the Corporation recorded compensation expense of $1,579 (2022 – $1,140), for the Corporation's Restricted Share Plan within the general and administrative expenses of head office net of its restricted share plan hedge, 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 three months ended March 31, 2023, employees acquired 21,007 shares from treasury at a weighted average price of $50.13 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 $362 based on the share price and monthly dividend rate at that time.

14. 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 December 31, 2022, audited consolidated financial statements.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate, and other price risk.

Currency Risk

The Corporation has US $527,287 or $713,577 (December 31, 2022 – US $751,127 or $1,017,326) 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 $172,587 (December 31, 2022 – US $161,627) 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 $142,700 (December 31, 2022 – US $142,700) of credit facility draws, which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During the period, the Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at March 31, 2023, was a financial liability of $3,796 (December 31, 2022 – financial liability of $4,571). At March 31, 2023, the notional value of the swaps outstanding is US $192,200 (December 31, 2022 – US $427,000). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $3,796 was reclassified from other comprehensive income (December 31, 2022 – $4,571).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 7) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Corporation to choose the base interest rate between Prime, Bankers Acceptances, or the Secured Overnight Financing Rate ("SOFR"). At March 31, 2023:

- US $525,200 (December 31, 2022 – US $748,500) was outstanding under SOFR and,
- US $2,087 (December 31, 2022 – US $2,627) was outstanding under US Prime, and
- $540,000 (December 31, 2022 – $201,000) was outstanding under Banker's Acceptances.
- $39,500 (December 31, 2022 – nil) was outstanding under Prime.

The interest rates of the convertible debentures (Note 8) have fixed interest rates.

The Corporation has multiple interest rate swaps transactions in place with members of its lending syndicate. These swaps fix the underlying interest rate on the Corporation's credit facility debt. A summary of swaps outstanding are as follows:

- $190,000, maturing May 15, 2024.
- $350,000, maturing April 17, 2026.
- Subsequent to March 31, 2023, US $140,000 was fixed, maturing on April 27, 2026.

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

These derivatives financial instruments hedge the exposure to variability in cash flow associated with the future payment of interest on Bankers' Acceptance or SOFR debt that would impact profit or loss and therefore qualifies as a cash flow hedge. The fair value of interest rate swaps are recorded within other long-term financial assets of $7,386 (December 31, 2022 – other long-term financial asset of $7,514) and are recorded as a separate line within other comprehensive income.

Other Price Risk

The Corporation's Restricted Share Plan is a cash settled plan. Participants are awarded restricted shares and the payment to the participants at the end of the vesting period fluctuates based on the change in the Corporation's share price from the grant date to the vesting date.

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into a derivative instrument for each of the 2020, 2021 and 2022 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value for the 2020, 2021 and 2022 programs was $19,368. The fair value of the instruments are recorded in long-term financial asset of $4,596 (December 31, 2022 – long-term financial asset of $4,181) 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		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	**March 31, 2023**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 6)	$ 4,596	$ -	$ 4,596	$ -
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 6)	7,386	-	7,386	-
Other assets - Fair value through OCI (Note 6)	6,898	-	-	6,898
Financial Liabilities				
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(3,796)	-	(3,796)	-
Fair Value Disclosures				
Other assets - Amortized cost	13,130	-	13,130	-
Long-term debt - Amortized cost	(1,288,892)	-	-	(1,293,077)
Convertible debt - Amortized cost	(400,605)	(453,169)	-	-

(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, 2022	Level 1	Level 2	Level 3
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 6)	$ 4,181	$ -	$ 4,181	$ -
Other long-term assets - Interest Rate Swap - Financial liability at fair value through OCI (Note 6)	7,514	-	7,514	-
Other assets - Fair value through OCI (Note 6)	6,917	-	-	6,917
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(4,700)	-	-	(4,700)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(4,571)	-	(4,571)	-
Fair Value Disclosures				
Other assets - Amortized cost	12,875	-	12,875	-
Long-term debt - Amortized cost	(1,214,764)	-	-	(1,218,326)
Convertible debt - Amortized cost	(399,443)	(446,890)	-	-

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 Macfab, Ryko, CTI, APL and Northern Mat including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary	**March 31**	December 31
For the periods ended	**2023**	2022
Opening balance	**$ 4,700**	$ 8,100
Accretion	**-**	235
Change in estimate	**(951)**	(1,947)
Acquisition of Northern Mat	**-**	6,189
Acquisition of APL	**-**	316
Settled during the period	**(3,749)**	(8,355)
Translation loss (gain)	**-**	162
Ending balance	**$ -**	$ 4,700

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.

During the period, the Corporation settled its consideration liability related to the acquisition of Northern Mat. This resulted in a payment of $3,749.

(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 March 31, 2023, 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 5.35%. 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 March 31, 2023, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $453,169 (December 31, 2022 - $446,890) with a carrying value of $400,605 (December 31, 2022 - $399,443).

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.

15. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three months ended March 31, 2023, and the comparative period in 2022 are as follows:

Three Months Ended March 31		2023		2022
Accounts receivable, including long-term portion	**$**	**42,930**	$	(2,134)
Amounts due from customers on construction contracts		**(1,708)**		337
Inventories		**(48,966)**		(23,017)
Prepaid expenses and deposits, including long-term portion		**(9,527)**		(18,218)
Accounts payable and accrued expenses, including long-term portion		**(56,118)**		25,479
Income taxes receivable/payable		**(11,018)**		(8,412)
Deferred revenue, including long-term portion		**5,873**		2,898
Amounts due to customers on construction contracts		**955**		(5,432)
Net change in working capital	**$**	**(77,579)**	$	(28,499)

16. SUBSEQUENT EVENTS

Acquisition of Hansen Industries Ltd.

On April 1, 2023 the Corporation acquired Hansen Industries Ltd. for $42.5 million, including purchase price consideration of $4.5 million in EIC common shares. Hansen, with facilities located in Richmond, B.C., provides custom fabrication of precision metal components and assemblies using automated equipment within its two key divisions: sheet metal, its largest division, and machining. Hansen also has a high-volume metal stamping shop in order to be a full-service solution provider for its customers.

Acquisition of BVGlazing Systems Ltd.

On March 16, 2023, the Corporation announced that it had entered into an agreement to acquire BVGlazing Systems Ltd.("BVGlazing") for a purchase price of $95 million, including EIC share consideration of $23 million and subject to customary closing adjustments, following receipt of regulatory approval under the Competition Act (Canada). On May 1, 2023, the Corporation completed the acquisition of BVGlazing after receiving the necessary approvals to close.

BVGlazing designs, engineers, manufactures, and supplies window, door, and railing systems for mid-rise and high-rise building projects in Canada and the US. BVGlazing manufactures unitized and stick curtain wall systems and railing systems, in addition to window wall glazing systems similar to those produced by EIC existing subsidiary Quest Window Systems ("Quest"). BVGlazing's added capability to provide curtain wall and railing products together with Quest's integrated installation capability will allow our collective window operations to offer complete solutions to their customers, an increasingly important attribute as developers turn to mixed-use projects that integrate residential, office and retail spaces to make more efficient use of their properties.

Credit Facility Upsize and Extension

On May 9, 2023 the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2 billion and extended its term to May 9, 2027. The increased size of the facility provides the Corporation capacity to continue to execute on its core strategy of pursuing accretive growth through investments in its operating subsidiaries and through acquisition.