Exchange
Income
Corporation

First Quarter Report

For the three months ended
March 31, 2024

CEO's Message

May 6, 2024 marks our 20th anniversary since our first acquisition of Perimeter Aviation Ltd. I think back to a comment that I had read, "Reflection requires looking back so that the view looking forward is even clearer." In my message I will look back over the past 20 years and reflect upon how far we have come as a company. Our history and the wisdom obtained over those years will provide guideposts to how we move forward as an organization. Since inception, our strategy has always been purpose built and was based on three fundamentals: i) to provide our shareholders with stable and growing cash distributions ii) maximize the share value associated with our portfolio of subsidiaries including through continued investment in those subsidiaries post acquisition, and iii) employ a disciplined acquisition strategy. We have not strayed from that purpose in the past 20 years, and I am even more convinced that our business model will lead us into the next 20 years of successes. But first let me highlight some of the key performance highlights from the first quarter:

Highlights from EIC's 2024 First Quarter Financial Performance

- Record first quarter Revenue of $602 million, an increase of $75 million or 14%.
- Adjusted EBITDA of $111 million, representing growth of $14 million over the prior period or 14% and setting another first quarter benchmark for the Corporation.
- Free Cash Flow first quarter record of $62 million compared to the prior period of $60 million.
- Net Earnings of $5 million compared to the prior period of $7 million and Net Earnings per share of $0.10 compared to the prior period of $0.16.
- Adjusted Net Earnings of $10 million compared to the prior period of $12 million and Adjusted Net Earnings per share of $0.20 compared to the prior year of $0.27.
- Increase in Free Cash flow less Maintenance Capital Expenditures of $4 million to $23 million, another first quarter record.
- Trailing Twelve Month Free Cash Flow less Maintenance Capital Expenditures Payout Ratio remained consistent with the comparative period at 58%.
- Subsequent to quarter end, completed an extension and upsize to the Corporation's credit facility to $2.2 billion, including the addition of a new Social Loan tranche of $200 million, containing consistent pricing and terms with our prior credit facility.

Revenue generated by the Aerospace & Aviation segment increased by $43 million or 13% to $369 million and Adjusted EBITDA increased by $20 million or 27% to $94 million over the comparative period. The significant drivers of the revenue and profitability increases relate to previous Growth Capital Expenditures related to additional routes, improved load factors and our previously announced medevac contracts in our Essential Air Services business line, increased flying on owned aircraft and changes in sales mix within the Aerospace business line and continued step-based improvements in our Aircraft Sales & Leasing business line as aircraft and engine leasing continues to strengthen.

Manufacturing segment revenue increased by $32 million to $233 million for the quarter and Adjusted EBITDA decreased by $5 million to $27 million. The increases in revenues were primarily driven by the acquisitions made in 2023 while the decline in segment profitability was expected and primarily due to the Environmental Access Solutions business line as the prior year comparative period was characterized by the continuation of the perfect alignment of price, demand, supply and weather coupled with the seasonal anomaly of having a number of rental mats deployed on a long, linear project in Western Canada.

We are very pleased with these results, and it sets the foundation for the remainder of the fiscal year. It demonstrated the importance of our diversified model as our Aerospace & Aviation segment posted record first quarter financial metrics and our Manufacturing segment posted strong revenue growth with an expected level of profitability due to changes in sales mix. Our business lines are complementary to one another and provide consistency whilst the world is experiencing significant macroeconomic and geopolitical uncertainty. This consistency has become a hallmark of EIC and has allowed us to provide a consistent, dependable, and increasing dividend to our shareholders. Our structure and model was developed 20 years ago and I would be remiss if I didn't reminisce about the start of EIC.

The Start of the Story

On May 6, 2004 the units of Exchange Industrial Income Fund began trading on the Toronto Venture Exchange. The initial public offering raised $8 million and through some additional financing transactions, Perimeter Aviation Ltd. was purchased for $18 million. For the 2004 fiscal year the distributions per unit (share) were 9 cents per month. The purpose of the Company was the same back in 2004 as it is today, to provide our shareholders with stable and growing cash distributions, maximize the share value associated with our portfolio of subsidiaries, and employ a disciplined acquisition strategy.

I still remember the employees of Perimeter being very skeptical of EIC being the buyer, however the attitude changed dramatically with the first aircraft addition to the Perimeter fleet and with each additional purchase. The historical Perimeter business was a successful business that was built by its founder, the late Bill Wehrle. It met all our acquisition requirements as it was a niche business with strong management and a strong cash flow profile. However, like most private businesses, their growth was limited by availability of capital and the willingness to lever an already profitable company. So when EIC purchased the business I sat with the employees, opened up the EIC chequebook, gave them a blank cheque in a literal and figurative sense and asked what they needed to grow. We provided the management team with the financial capabilities to fund their growth and soon the Company expanded their fleet and added medevac capabilities. In fact, based on 2023 financial metrics, Perimeter has increased their revenues by 562% since acquisition. The growth achieved by Perimeter allowed us to identify and purchase Keewatin Air Limited. The Keewatin Air employees were aware of the capital deployed into Perimeter and were excited about the prospect of additional investments. And thus, the story of EIC began. It is also important to note that EIC's leadership in the medevac industry existed before the concept of Sustainable Loans or before the ESG acronym was readily bounded about. Our philosophy at EIC was always, do the right thing and that philosophy continues to lead us today.

Our journey has not always been smooth. There were turbulent times. In 2011, we purchased WesTower Communications in both Canada and the US and in November of that year WesTower US announced the signing of a contract with AT&T. This single $500 million contract was approximately 5 times larger than the historical per annum revenues of WesTower at acquisition. Significant efforts were required by head office and WesTower management to execute on the contract. However, we came to quickly realize that diversification, which was one of our cornerstones of our business model, became impaired and performance was lagging expectations as the business grew faster than we could collectively manage. We were able to improve the performance and recognize this lack of diversification and this enabled the divestiture of WesTower US at a significant profit. The timing was strategic as we announced the disposition in October 2014 and used the proceeds for the acquisition of Provincial Aerospace Ltd. in January 2015. This turn of events set EIC for the success that we see today and provided some valuable lessons for our management teams. The lessons included the potential pitfalls of exponential growth, the importance of cash flows, working capital management and diversification of our businesses.

We enjoyed successes for the next five years and executed on a number of transactions that were consistent with our purpose. Then the next turbulent period hit, the pandemic known as COVID-19. During that time everything changed. There was no management playbook that someone could navigate. It was making decisions on real-time basis and pivoting on the fly. But during times of stress, we would always come back to our purpose and our value of always doing the right thing. While other companies were cutting dividends and laying off employees, we pivoted throughout our various businesses. Our manufacturing companies started to produce medical equipment/supplies and we continued our increasingly important essential air services by transporting people in need and medical professionals to communities across Canada. Our medevac operations adapted and incorporated medical isolation units to transport COVID-19 patients to locations where their acute care needs would be met. In both our Manufacturing and Aerospace & Aviation segments, the crisis created by the COVID-19 pandemic served to highlight the character we have always known exists across our organization. Our people care deeply about the communities we serve. We have always respected that spirit in our business practices and encouraged doing the right thing throughout our organization.

Fast forward to today. Our collective businesses generated $2.5 billion in per annum revenues and $556 million in Adjusted EBITDA in 2023. Our employee complement is over 8,000 strong around the world. As of December 31, 2023 we have had 17 dividend increases over the past 20 years and our average annual compounded total shareholder return since inception is approximately 19% significantly surpassing comparable indexed benchmarks. We have made $1.7 billion in Growth Capital Expenditures in addition to $1.6 billion in acquisition investments. Lastly, to date we have paid $906 million in dividends and that number is expected to approach approximately $1 billion by the year's end. All of these achievements are incredible but the thing I am most proud of is how we have not forgotten our roots of who we are and what got us here. Our Directors and executives constantly reinforce our values and the purpose of EIC to our new acquisitions, employees, and recruits. Our culture and the cultures of our subsidiaries have not changed over the years. While the numbers may have gotten bigger with more zeros behind them, the culture, the essence, and the purpose of EIC have remained the same.

Thank you to our shareholders, our employees, our customers and the communities we serve.

Cheers for the last 20 years and looking forward to the next 20.

Mike Pyle

Chief Executive Officer

May 7, 2024

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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, 2024 ("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, 2024, its annual financial statements for the year ended December 31, 2023, and its annual MD&A for the year ended December 31, 2023. 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: economic and geopolitical conditions; competition; government funding for Indigenous health care; access to capital; market trends and innovation; general uninsured loss; climate; acts of terrorism, armed conflict, labour or social unrest; 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.

All consolidated revenue percentages noted below have been calculated by adjusting revenues for acquisitions that were completed in fiscal 2023 to reflect a full year contribution. Acquisitions completed in the current year are not included.

Aerospace & Aviation Segment

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

Essential Air Services 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 we serve 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 Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Nunavut, Ontario, and Quebec. The Corporation also operates two flight schools, training pilots both for our own airlines and for airlines around the world.

Essential Air Services accounted for approximately 32% of the Corporation's consolidated revenues in fiscal 2023. Items impacting margins within this business are fuel prices, load factors, weather, and, in the current operating environment, the ability to source a full complement of pilots and aircraft mechanics. Labour costs in these areas have increased well above the rate of inflation and in certain circumstances cannot be immediately flowed through to the customer.

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).

Aerospace 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 ("ISR"), 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 accounted for approximately 14% of the Corporation's consolidated revenues in fiscal 2023. Training solutions typically generate lower margins as there are low capital requirements outside of working capital, whereas ISR flying operations typically have higher margins as the upfront investment in the owned assets to perform the ISR flying operations is reflected as an expense through depreciation.

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

Aircraft Sales & Leasing 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 accounted for approximately 12% of the Corporation's consolidated revenues in fiscal 2023. The most significant item impacting margins in this line of business is sales mix. Leasing contributes very high margins and therefore variability in leasing revenue has the largest impact on margin. Within this business line, parts revenue is the most predictable and stable from both sales and margin perspectives; whereas the sale of aircraft and engines varies on a period to period basis, both in volume and in price, but are generally higher dollar and lower margin transactions.

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 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 allow 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 manner 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 accounted for approximately 8% of the Corporation's consolidated revenues in fiscal 2023. Rentals generate higher margins than other lines of business within Environmental Access Solutions. Rental activity is influenced by several factors, such as the supply of mats in the marketplace, the availability and pricing of timber used in mat production, and weather conditions, including the amount of precipitation and temperature. In addition to rentals, the sale of mats and the overall sales mix in a given period can also have a significant impact on margins. These mat sale transactions are generally higher dollar value and lower margin transactions when compared to rental revenue.

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

Multi-Storey Window Solutions 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, curtain wall, and railing solutions. 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 and those manufactured by others.

Multi-Storey Window Solutions accounted for approximately 19% of the Corporation's consolidated revenues in fiscal 2023. The most significant items impacting margins within this line of business are the cost of raw materials and product mix. Since our subsidiaries both manufacture and install exteriors of high-rise buildings, the margins realized in a particular period can vary based on the type of work performed. Installation, particularly on jobs completed with non-Quest/BVGlazing product, generate lower margins than for supply and install projects.

Multi-Storey Window Solutions includes the operations of BVGlazing Systems Ltd., and Quest Window Systems Inc.

Precision Manufacturing & Engineering provides engineering and precision manufacturing services throughout North America in a wide variety of industries. These services include: wireless and wireline construction and maintenance services; the manufacture of precision parts and components for a variety of industries; the manufacture of portable hydronic climate control equipment; 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 accounted for approximately 15% of the Corporation's consolidated revenues in fiscal 2023. Margins in this line of business are typically stable. While there may be margin pressure in times of rapid escalation of prices of raw materials, generally our subsidiaries have the ability to pass on these costs to customers over time due to the specialty nature of the products that are being provided.

Precision Manufacturing & Engineering includes the operations of Ben Machine Products Company Incorporated, DryAir Manufacturing Corp., Hansen Industries Ltd., LV Control Mfg. Ltd., Overlanders Manufacturing LP, Stainless Fabrication, Inc., Water Blast Manufacturing LP, and WesTower Communications Ltd.

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	2024	per share basic	per share diluted	2023	per share basic	per share diluted
For the three months ended March 31						
Revenue	**$ 601,769**			$ 526,844		
Adjusted EBITDA[1]	**111,051**			97,117		
Net Earnings	**4,528**	**$ 0.10**	**$ 0.09**	6,861	$ 0.16	$ 0.16
Adjusted Net Earnings[1]	**9,574**	**0.20**	**0.20**	11,540	0.27	0.27
Free Cash Flow[1]	**61,931**	**1.31**	**1.19**	59,708	1.40	1.26
Free Cash Flow less Maintenance Capital Expenditures[1]	**22,593**	**0.48**	**0.47**	18,923	0.44	0.44
Dividends declared	**31,171**	**0.66**		26,805	0.63	
For the Trailing Twelve months as at March 31						
Adjusted Net Earnings payout ratio[1]		**84%**			75%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio[1]		**58%**			58%	
FINANCIAL POSITION	**March 31, 2024**			December 31, 2023		
Working capital	**$ 521,333**			$ 540,720		
Capital assets	**1,602,299**			1,571,067		
Total assets	**4,049,397**			4,079,807		
Long-term debt	**1,464,463**			1,422,642		
Equity	**1,242,195**			1,245,473		
SHARE INFORMATION	**March 31, 2024**			December 31, 2023		
Common shares outstanding	**47,281,753**			47,136,625		
	March 31, 2024			March 31, 2023		
Weighted average shares outstanding during the period - basic	**47,206,228**			42,529,459		

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

SIGNIFICANT EVENTS

Normal Course Issuer Bid ("NCIB")

On March 14, 2024, 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 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of 4,414,853 shares and daily purchases will be limited to 22,369 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 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,373 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 $646, $711, $1,212, and $1,628, 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

Credit Facility Upsize and Extension

On May 6, 2024, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2.2 billion from approximately $2.0 billion, extended its term to May 6, 2028, and was completed with no change in pricing. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The amount allocated to the Corporation's Canadian head office includes a new $200 million social loan tranche, which will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million Social Loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes. As part of the transaction, ISS Corporate provided an independent Second Party Opinion that concluded the loan is in alignment with the Social Loan Principles as issued by the Loan Market Association. 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, 2024, and the comparative 2023 period.

	Three Months Ended March 31, 2024			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 368,514	$ 233,255	$ -	$ 601,769
Expenses (1)	274,476	206,204	10,038	490,718
Adjusted EBITDA	94,038	27,051	(10,038)	111,051
Depreciation of capital assets				55,314
Amortization of intangible assets				5,578
Finance costs – interest				29,815
Depreciation of right of use assets				9,682
Interest expense on right of use lease liabilities				1,984
Acquisition costs				1,305
Earnings before income taxes				7,373
Current income tax expense				7,834
Deferred income tax recovery				(4,989)
Net Earnings				$ 4,528
Net Earnings per share (basic)				$ 0.10
Adjusted Net Earnings				$ 9,574
Adjusted Net Earnings per share (basic)				$ 0.20

				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

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 $602 million, an increase of $75 million, or 14% over the prior period. This was driven by increases in both segments, with the Aerospace & Aviation segment increasing $43 million and the Manufacturing segment increasing $32 million.

Adjusted EBITDA of $111 million was generated by the Corporation during the period, an increase of $14 million or 14% over the prior period. The increase was attributable to the Aerospace & Aviation segment, slightly offset by a decrease in the Manufacturing segment and an increase in Head Office costs compared to the prior period. Head office costs increased primarily due to increased investments in cybersecurity, increased personnel costs, and an increase in costs associated with the expansion of the Atik Mason Pilot Pathway Program.

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. In addition, the Corporation's most recent acquisition, DryAir, contributes all of its Adjusted EBITDA in the third and fourth quarters of the year with the first quarter historically generating negative Adjusted EBITDA.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $43 million or 13% to $369 million.

Revenue within Essential Air Services increased 19% over the prior period. The increase is primarily attributable to higher average load factors and the positive impact of expanded routes on the East Coast, including routes flown on behalf of Air Canada. Revenues under medevac operations also increased, primarily attributed to the commencement of the Manitoba Critical Care Contract partway through the quarter and the benefit of expanded scope under the new BCEHS contract.

Revenue within Aircraft Sales & Leasing increased by 10% from the prior period. The increase is attributable to continued improvement in leasing activity in the period as run rates continue to progress towards pre-COVID levels. Large asset sales represented a lower proportion of sales mix during the period as sales continue to trend towards historical norms. Large asset sales generally are higher dollar transactions with lower margins, resulting in an outsized impact on revenue compared to Adjusted EBITDA. Leasing revenue during the period was $17 million (2023 - $9 million) and sales and service revenue, which is the total revenue from all other streams in this business line other than leasing revenue was $50 million (2023 - $51 million).

Revenue within Aerospace increased by 2% over the prior period primarily attributed to the United Kingdom Home-Office contract that was awarded in May 2023. This increase was mostly offset by a reduction in revenue in our training business.

In the Aerospace & Aviation segment, Adjusted EBITDA increased by $20 million or 27% to $94 million.

Adjusted EBITDA within Essential Air Services increased by 24% over the prior period. The increases in revenue discussed above drove the increases in Adjusted EBITDA. Investments made previously in our fleets are now producing returns that were expected when the capital was deployed.

Adjusted EBITDA within Aircraft Sales & Leasing increased by 24% from the prior period, primarily attributed to an increase in leasing activity during the period. Margins within this revenue stream are higher than other revenue streams as the capital cost associated with leasing is represented through depreciation, having an outsized impact on Adjusted EBITDA compared to revenue. The Adjusted EBITDA contributed through increased lease revenue more than offset a decline in Adjusted EBITDA contributed through lower margin, higher revenue large asset sales.

Adjusted EBITDA within Aerospace increased by 40% over the prior period. The increase is attributable to increased ISR flying, the new UK Home Office Contract, and higher Adjusted EBITDA margins within the Corporation's training business during the quarter. The percentage increase in Adjusted EBITDA outpaced the percentage increase in revenue due to a change in product mix in the training business and the higher capital intensity nature of ISR flying revenue as the capital cost is recognized as an expense through depreciation.

Manufacturing Segment

Revenue generated by the Manufacturing segment increased by $32 million or 16% to $233 million.

Revenue within Environmental Access Solutions decreased by 35% over the prior period. The prior period experienced significant demand for mat and bridge rentals as long linear projects and milder weather that is more conducive to activity requiring mat usage in the prior period resulted in a significant number of rental mats being deployed. This was outside of the norm with respect to seasonality traditionally experienced within this business. As this large project started to wind down in the second quarter of 2023, we have consistently messaged that we expected this business to return to more normal seasonality, and results in the first quarter of 2024 are consistent with our expectations and our acquisition metrics. In addition, in the current period, drought conditions lessened the demand for mat supply as crews were able to access job sites in certain markets without the use of temporary roads and bridges. This will continue to be a headwind for Environmental Access Solutions until we return to more normal levels of precipitation.

Revenue within Multi-Storey Window Solutions increased by 71% over the prior period. In addition to strong increases in revenue for the pre-existing businesses, the Corporation acquired BVGlazing on May 1, 2023, for which there is no comparative in the prior period, contributing to the increase in revenue.

Revenue within Precision Manufacturing & Engineering increased 1% over the prior period. The increase is primarily driven by the acquisition of Hansen on April 1, 2023 and the acquisition of DryAir on October 5, 2023, with no comparative in the prior period for either acquisition. These increases were mostly offset by declines in revenue at our pre-existing businesses caused by a variety of factors, including certain customers delaying large capital projects and general economic uncertainty delaying certain orders.

In the Manufacturing segment, Adjusted EBITDA decreased by $5 million or 16% to $27 million.

Adjusted EBITDA margins were lower than the prior period primarily for two reasons. First, DryAir, which was acquired in the fourth quarter of 2023, has significant seasonality and as a result contributed negative Adjusted EBITDA in the first quarter. Second, product mix within this segment negatively impacted Adjusted EBITDA margins. In the prior period, Environmental Access Solutions generated significantly higher rental revenue, which generates very high Adjusted EBITDA margins. As discussed previously, this was abnormal and returned to a more normal cadence in 2024. This revenue was replaced by revenue generated within Multi-Storey Window Solutions, which generates lower margins, particularly on install-only jobs.

Adjusted EBITDA within Environmental Access Solutions decreased by 47% over the prior period. Adjusted EBITDA declined for the same reasons as described in the revenue section above. In addition, in the prior period, the proportion of revenue related to rental mats was higher than in the current period for reasons discussed above. This change in product mix resulted in Adjusted EBITDA declining at a faster rate than revenue as rental revenue is much higher margin.

Adjusted EBITDA within Multi-Storey Window Solutions increased by 338% over the prior period due to the acquisition of BVGlazing on May 1, 2023, for which there is no comparative in the prior period. In addition, improved performance of our pre-existing businesses due to increased throughput in our facilities and installation activities benefitted Adjusted EBITDA.

Adjusted EBITDA in Precision Manufacturing & Engineering decreased by 19% over the prior period, primarily due to a change in sales mix between entities, in addition to customers deferring capital spend during the period. As discussed above, DryAir experiences significant seasonality, with their strongest results in the third and fourth quarters. Consistent with our expectation, their Adjusted EBITDA contribution was negative in the first quarter of 2024, with no comparative in the prior period. The first and second quarters are seasonally slow for DryAir as they contribute almost all of their Adjusted EBITDA in the third and fourth quarters. The decrease was partially offset by the acquisition of Hansen on April 1, 2023, with no comparative in the prior period.

NET EARNINGS

Three Months Ended March 31,		2024		2023
Net Earnings	**$**	**4,528**	$	6,861
Net Earnings per share	**$**	**0.10**	$	0.16

Net Earnings was $5 million, a decrease of $2 million over the prior period. The Corporation generated higher Adjusted EBITDA compared to the prior period as discussed above, but this increase was offset by several items. First, a gain on contingent consideration of $1 million in the prior period accounts for approximately half of the decrease as this gain did not recur in 2024. Second, interest costs increased over the prior period by $4 million due to the increased benchmark borrowing rates as well as an increase in long-term debt to fund the acquisition and organic growth activity of the Corporation. If not for the interest rate swaps the Corporation entered into during 2023, that resulted in the fixed rate of interest being well below the floating rate of interest, the increase in interest costs would have been higher. Third, depreciation on capital assets increased $8 million over the prior period due to the acquisition activity and investment in Growth Capital Expenditures. Finally, an increase in amortization of intangible assets from the Corporation's 2023 acquisition activity decreased Net Earnings.

Income tax expense increased over the prior period and the Corporation's effective tax rate increased to 39% from 23% primarily as a result of three factors. First, in the prior period, the Corporation generated a $1 million gain on remeasurement of contingent consideration which was not subject to tax and reduced the effective tax rate in the prior period. Second, a greater portion of pre-tax earnings was generated in higher tax jurisdictions than in the prior period. Finally, the impact of the introduction of Global Minimum Tax legislation increased tax expense in the current period. Current tax expense was higher than the prior period due to higher pre-tax earnings in higher tax rate jurisdictions, reduced accelerated depreciation for tax purposes in Canada and the US and the impact of interest limitation legislation in the US.

Net Earnings per share decreased by 38% over the prior period to $0.10. The weighted average number of shares increased by 11%, which reduced Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. 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,		2024		2023
Net Earnings	**$**	**4,528**	$	6,861
Acquisition costs (net of tax $359 and $188)		**946**		1,177
Amortization of intangible assets (net of tax $1,478 and $1,295)		**4,100**		3,502
Adjusted Net Earnings	**$**	**9,574**	$	11,540
per share – Basic	**$**	**0.20**	$	0.27
per share – Diluted	**$**	**0.20**	$	0.27

Adjusted Net Earnings was $10 million, a decrease of $2 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, both net of tax. 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 decreased 26% from the prior period to $0.20. The weighted average number of shares increased by 11%, which reduced Adjusted Net Earnings per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. 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,		2024		2023
Cash flows from operations	$	**50,977**	$	(10,774)
Change in non-cash working capital		**19,085**		77,579
Acquisition costs (net of tax $359 and $188)		**946**		1,177
Principal payments on right of use lease liabilities		**(9,077)**		(8,274)
	$	**61,931**	$	59,708
per share – Basic	$	**1.31**	$	1.40
per share – Diluted	$	**1.19**	$	1.26

The Free Cash Flow generated by the Corporation during the period was $62 million, an increase of $2 million, or 4% over the prior period. The increase is primarily attributable to the increase in Adjusted EBITDA of $14 million, partially offset by an increase in cash interest and current taxes, and to a lesser extent, an increase in principal payments on right of use assets. Free Cash Flow is discussed further in Section 12 – Non-IFRS Financial Measures and Glossary.

Free Cash Flow per share decreased by 6% from the prior period to $1.31. The weighted average number of shares increased by 11%, which reduced Free Cash Flow per share. During 2023, the Corporation completed its largest common share offering in its history to fund capital expenditures required for recent contract wins. 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, 2024							
CAPITAL EXPENDITURES		**Aerospace & Aviation**		**Manufacturing**		**Head Office**		**Total**
Maintenance Capital Expenditures	$	**34,590**	$	**4,565**	$	**183**	$	**39,338**
Growth Capital Expenditures		**45,145**		**(5,819)**		**-**		**39,326**
	$	**79,735**	$	**(1,254)**	$	**183**	$	**78,664**

	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

Maintenance Capital Expenditures for the period ended March 31, 2024, were consistent with the prior period. Maintenance Capital Expenditures in both the Aerospace & Aviation segment and in the Manufacturing segment were consistent with the prior period. Maintenance Capital Expenditures for the Corporation's Essential Air Services have historically been weighted more towards the first half of the year as heavy checks, overhauls, and engine maintenance events are scheduled at a time when demand is lowest. With a larger fleet, we are more easily able to share aircraft across our organization if maintenance events occur during an operationally busier time of year. As the size of our fleet has increased, maintenance schedules have become more equally distributed through the entire year than we would have experienced historically. This is expected to be particularly true for 2024, as certain events that were expected to occur in the first quarter will occur later in the year. 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 were consistent with the prior period. While the first quarter is generally the busiest quarter for large overhauls to occur in Essential Air Services, these expenditures were below our expectations due to the timing of certain engine events. The segment continued to experience headwinds caused by parts inflation and increased labour rates. Growth Capital Expenditures for Essential Air Services were $16 million. This includes investments made in aircraft and infrastructure for the Carson Air medevac contract, investment in aircraft for the Manitoba medevac contract, continued investment for the acquisition of a full motion King Air simulator and construction of the facility to house the simulator.

Maintenance Capital Expenditures for Aerospace increased by $1 million over the prior period. Both the current and prior period experienced similar number of events that are supporting increased levels of flying. Growth Capital Expenditures for the quarter were $14 million which relate to the purchase of a previously leased hangar for our European operations, the purchase of an additional aircraft for modification into a surveillance platform to assist with our UK Home Office contract bid, and the preparation of assets for the upgrade of the surveillance aircraft for the expanded Curaçao contract.

Maintenance Capital Expenditures for Aircraft Sales & Leasing decreased $2 million over the prior period. Investments made in the current period relate to the preparation of assets that will be put on lease in the coming quarters. Growth Capital Expenditures were $15 million for the quarter. Assets were purchased during the quarter that have either already been placed on lease or will be placed on lease in coming quarters. Aircraft added during the period were of higher value than those disposed of during the quarter and additional investment in assets recently purchased were made to prepare those assets for lease, both which resulted in Growth Capital Expenditures during the period despite the number of assets staying constant.

Regional One Lease Portfolio	**March 31, 2024**		December 31, 2023	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**51 (1)**	**125**	51 (1)	125

Note 1) The aircraft total above includes 8 airframes (December 31, 2023 – 8 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. The predominant platforms are the Bombardier CRJ aircraft, Embraer ERJ aircraft and the Dash – 8 Q400 aircraft. The predominant engine platforms are the General Electric CF 34 engine series along with the Pratt & Whitney engines. Earnings on the leasing of aircraft and engines are not derived solely from a financing spread as 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 that 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 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, 2024, Precision Manufacturing & Engineering Maintenance Capital Expenditures and Multi-Storey Window Solutions Maintenance Capital Expenditures of less than $1 million were consistent with the prior period. Growth Capital Expenditures of less than $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 were $4 million, which was consistent with the prior period. Growth Capital Expenditures were negative $6 million in the first quarter, as Environmental Access Solutions took advantage of an opportunity sell some mats in its fleet in response to customer demand.

INVESTMENT IN WORKING CAPITAL

During the period ended March 31, 2024, the Corporation invested $19 million into working capital. As previously disclosed in our year-end report, the investment during the period relates entirely to a receivable collected in advance for which a corresponding payable of approximately $30 million was settled in early January 2024. In the prior period a similar transaction occurred where a payable of approximately $80 million was settled in the first quarter of 2023 for a receivable collected in late 2022. Without these two transactions, there is a modest cash inflow from working capital during both periods.

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 increase in inventory will support future parts sales, but due to a shortage of available MRO shop time around the world, we expect there may be delays in completing the tear down of these assets into their component parts for resale.

Further details of the investment in working capital are included in Note 15 and the Statement of Cash Flows in the Corporation's Interim Condensed 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	2024 Dividends Amount	Record date	Per Share	2023 Dividends Amount
January	January 31, 2024	$ 0.22	$ 10,380	January 31, 2023	$ 0.21	$ 8,927
February	February 29, 2024	0.22	10,389	February 28, 2023	0.21	8,933
March	March 29, 2024	0.22	10,402	March 31, 2023	0.21	8,945
Total		**$ 0.66**	**$ 31,171**		$ 0.63	$ 26,805

Dividends declared for the three months ended March 31, 2024, increased over the prior period as a result of three factors. First, the issuance of shares as part of the purchase price for the acquisitions of Hansen and BVGlazing in the second quarter of 2023 and DryAir in the fourth quarter of 2023. Second, the completion of the equity offering in the second quarter of 2023 increased the number of shares outstanding. Finally, the Corporation increased its dividend in the fourth quarter of 2023. 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. Across a large portion of our operations there is seasonality that exists. The first quarter of the fiscal year is always the most seasonally challenging for the Corporation. Winter roads into northern communities lessen the demand for the Corporation's air services. Therefore, a single quarter can be impacted by seasonal variations that do not impact the Corporation's ability to pay dividends over a longer period. 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.

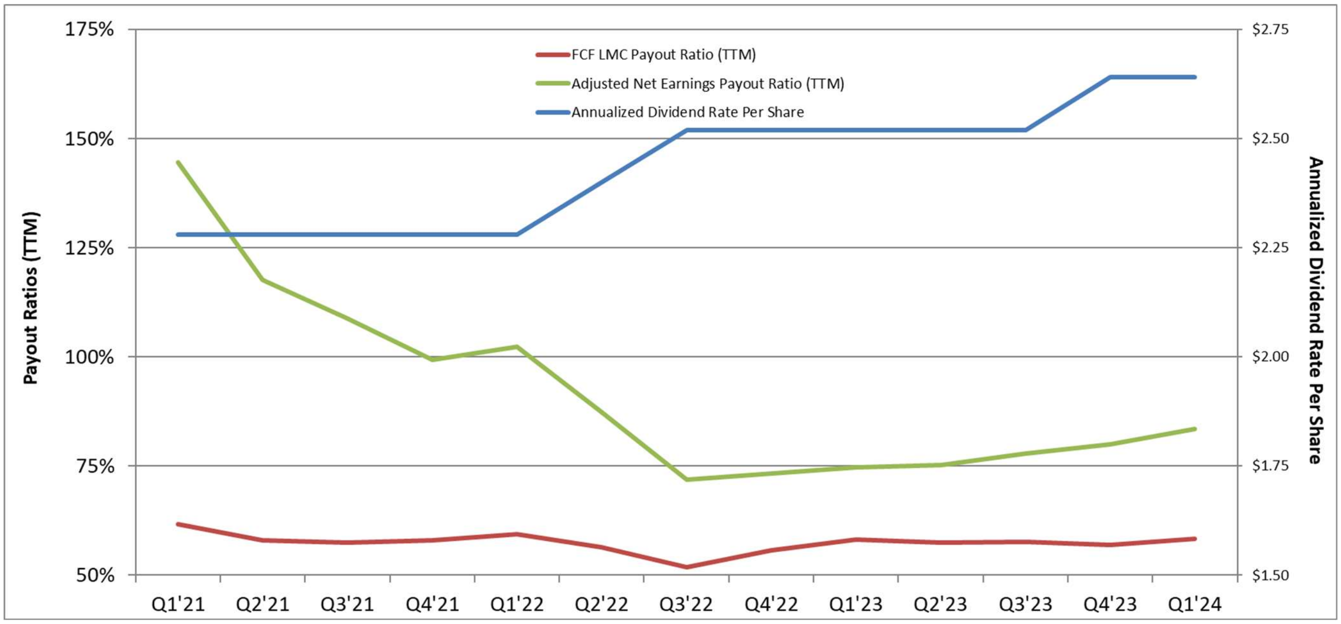
Payout Ratios *(Section 12 – Non-IFRS Financial Measures and Glossary)*

Basic per Share Payout Ratios for the Corporation	**2024**		2023	
Periods Ended March 31	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**330%**	**84%**	233%	75%
Free Cash Flow less Maintenance Capital Expenditures	**138%**	**58%**	143%	58%

The trailing twelve month Adjusted Net Earnings payout ratio was 84% at March 31, 2024 compared to 75% at March 31, 2023 primarily due to increased interest costs reducing Net Earnings from the prior period. The increase in interest costs is driven by increases in benchmark borrowing rates over the period. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio was 58% at March 31, 2024 compared to 58% at March 31, 2023 and was also impacted by interest rate increases. 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

The first quarter laid the foundation for fiscal 2024 as the Company set several records on key financial metrics. The organic growth initiatives, specifically the Aerospace and Aviation contractual wins, will continue to ramp and drive profitability throughout the remainder of 2024, into 2025 and beyond. For purposes of the Outlook, we will provide a high level overview of the seasonality of the business along with qualitative discussions regarding our segment expectations for the second quarter and the remainder of 2024.

Seasonality

As we have previously stated, our first quarter is our seasonally slowest quarter. While the majority of our operations experience this seasonality, it is especially impactful in our Essential Air Services and Environmental Access Solutions business lines. The Essential Air Services business line is impacted as winter roads are available to transport people and goods from the remote northern communities that our airlines service. The fixed cost nature of scheduled flying coupled with potential reduced traffic results in lower passenger and cargo revenues with a corresponding reduction in Adjusted EBITDA during the first quarter. Our Environmental Access Solutions business line also experiences seasonality as the frozen terrain generally experienced in the first quarter does not require the same degree of mat coverage that would be required during the spring, summer and fall periods.

Regarding the remaining quarters, we generally experience the highest level of activity in our Manufacturing and Aerospace & Aviation segments during the third quarter. An increased level of activity, coupled with fixed cost structures in our Aerospace & Aviation segment results in the highest level of profitability during the third quarter. Our second quarter would be characterized as the second highest level of revenue and profitability followed closely by the fourth quarter which would be an average level of per annum revenue and profitability.

The seasonality above is based on general predictable patterns. Unusual weather patterns or other events can impact individual subsidiaries; however, our geographic disparity mitigates such risk.

Outlook by Segment

Our Manufacturing Segment revenue in the second quarter and for the year is expected to grow primarily due to the acquisitions of Hansen, BVGlazing, and DryAir, which were executed in April, May and October 2023, respectively. Our Manufacturing Segment profitability is expected to decline during the second quarter due to an Environmental Access Solutions long-linear project wrapping up in the second quarter of the prior period coupled with a dry start to the spring of 2024, offset by profitability from the 2023 Manufacturing segment acquisitions. Our Environmental Access Solutions business line is expected to generate returns consistent with fiscal 2023 for the remainder of the fiscal year subsequent to the second quarter assuming normal amounts of precipitation. We expect our Precision Manufacturing & Engineering business to generate consistent returns with the second quarter of 2023 as DryAir is seasonally slowest in the first and second quarters. Our Multi-Storey Window Solutions business line revenue for the second quarter is expected to improve due to the acquisition of BVGlazing in 2023 coupled with increased volumes experienced by the business unit, while profitability for the second quarter is expected to be consistent with the prior period as additional costs are incurred as we continue to plan for the integration of the physical footprint of the businesses and delays in project timelines on certain jobs. Our manufacturing businesses collectively are seeing a significant number of inquiries, however the conversion to bookings is comparatively slower than in the past due to high interest rates, economic uncertainty and geopolitical concerns impacting business confidence.

On a longer-term basis, we believe our Manufacturing businesses are poised to grow based on business fundamentals and North American trends. Our Environmental Access Solutions business line sees opportunities for further geographic expansion into underserved regions. Furthermore, the green economy will require greater protection of environmentally sensitive areas as the electrical grid is expanded in the transmission and distribution sector and opportunities in the resource sector will require greater utilization of matting and bridge solutions. The long-term macroeconomic trends associated with the shortage in affordable housing and rentals across North America provides significant upside to our Multi-Storey Windows Solutions business line. Lastly, our Precision Manufacturing & Engineering business line is poised for growth based on the anticipated increased demand as customers are reshoring manufacturing capabilities to North America coupled with execution on opportunities that are expected to materialize when interest rates and macroeconomic uncertainty abates.

Our Aerospace & Aviation segment is expected to grow in the second quarter and for the remainder of the year due our organic growth investments made in our aviation entities over the past number of years and our the contractual announcements in 2023 and execution on those contracts. Our Essential Air Services business line will reflect the contributions from growth capital expenditures, the commercial agreement with Air Canada and the medevac contracts with British Columbia and Manitoba. Service had commenced under the Air Canada agreement on July 1, 2023 with limited flights and aircraft. The operations ramped up during 2023 with four of the aircraft flying the contracted routes in November 2023. We are anticipating the continued expansion of the contract with at least one additional aircraft in the latter part of the second quarter. The British Columbia fixed wing medevac contract started in November 2023 with services being provided by existing aircraft, however the full impact on profitability will be evident when the pre-existing aircraft are redeployed into our broader fleet. In February 2024, the Manitoba medevac contract started with the modification and deployment of turbo prop aircraft. The medevac jet aircraft will be modified and introduced into the fleet in the latter part of 2024. The Aerospace business line is expected to improve for the second quarter compared to the prior year as the 18-month ISR contract with the United Kingdom's Home Office started partway through the second quarter of 2023 and will be effective for the majority of 2024. The United Kingdom Home Office issued an RFP for a new contract that would begin after the expiry of the interim contract and we have submitted our bid during the first quarter. Lastly, the Aircraft Sales & Leasing business continues to improve. Leasing income is expected to increase as the year progresses and reach fiscal 2019 run rates by the end of the year. Furthermore, air operators are continuing to look for spare engines and repaired parts to capitalize on the current and growing demand around the world, resulting in strong parts, aircraft and engine sales.

On a longer-term basis, the outlook for our Aerospace & Aviation segment continues to be bullish. The services we provide to the Northern communities are essential services. We have invested significantly in our fleets over the past number of years and the result of those investments will continue to impact our financial results. Further tailwinds exist, as Canada's resources economy continues to develop, which will necessitate further transportation to remote areas. Lastly, there continues to be opportunities to expand the geographical footprint of our world class medevac capabilities to other regions throughout Canada and the ability to expand our ISR offerings to other geographies around the world.

Head Office is not a separate operating segment, but rather represents expenses incurred at the Head Office in support of the various segments. Expenses are anticipated to slightly increase relative to the first quarter for the remainder of the year due to continued investment in people through additional head count to support the operating segments, increases in expenditures related to Indigenous Reconciliation associated with an additional class of the Atik Mason Pilot Pathway students in Nunavut, and additional costs related to investments in IT and cybersecurity.

Capital Expenditures

Maintenance Capital Expenditures are undertaken to maintain the earning power of the business. The vast majority of our Maintenance Capital Expenditures are related to the Aerospace & Aviation segment, and these are driven by required maintenance intervals generally based on flight hours. With the expanded fleet size, contract wins and recent US dollar strength, we anticipate increases in our Maintenance Capital Expenditures in our Essential Air Services, Aircraft Sales & Leasing and Aerospace business lines consistent with increases in Adjusted EBITDA. Maintenance Capital Expenditures are expected to increase for the remainder of the year as certain events that were expected to occur in the first quarter will occur in subsequent quarters throughout 2024. Maintenance Capital Expenditures in our Manufacturing segment are expected to increase due to the acquisitions in 2023.

Growth Capital Expenditures for 2024 will be primarily driven by the contract wins in 2023 within the Aerospace & Aviation segment. The Growth Capital Expenditures pertain to the acquisition of aircraft to service the commercial agreement with Air Canada along with new King Air aircraft and related interior modifications which will continue into the second quarter for the British Columbia medevac contract. As previously announced, we have become one of the world's largest King Air operators and accordingly, we are acquiring and installing a full motion King Air simulator with expenditures occurring in 2024 and into 2025. Lastly, we will be incurring the planned expenditures related to the Gary Filmon Indigenous Terminal on the grounds of the Winnipeg Airport, which are expected to continue throughout 2024 with an anticipated opening in early 2025. Within the Aerospace business line, Growth Capital Expenditures will be required for the expanded scope of the ISR contract in Curacao along with investments in an additional ISR owned asset planned to support the final UK Home Office RFP submission. Finally, as the Aircraft Parts & Leasing business line is an opportunistic acquiror, Growth Capital Expenditures may be undertaken if opportunities are identified, and returns are commensurate with management's expectations. These opportunistic purchases are held to the same level of diligence and discipline as an acquisition and will only be executed if appropriate financial metrics and risk mitigation exist. Growth Capital Expenditures in our Manufacturing segment are expected to be relatively consistent with the prior year. Specifically, our Environmental Access Solutions business line constantly monitors the market and may right size its rental bridge and mat fleet. We anticipate an investment in the fleet in the second quarter and throughout the remainder of the year.

Overall Outlook

We set record metrics during the quarter driven by the diversified nature of our business. Our resilient business model coupled with the contractual wins announced in 2023 provides us with confident in re-confirming our guidance for fiscal 2024. We anticipate an Adjusted EBITDA range of $600 million to $635 million, which is an increase between 8% and 14% from our 2023 results.

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 2023, 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, 2024, 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 senior leverage ratio is 2.60x, with the increase compared to prior periods attributable to Growth Capital Expenditures related to recently awarded contracts funded using the Corporation's credit facility. The Corporation's total leverage ratio, including the impact of outstanding convertible debentures continues to be within the Corporation's target range as convertible debentures have declined relative to Adjusted EBITDA growth in recent years. Our historical target was approximately 1.0x unsecured leverage ratio through these debentures, and based on the midpoint of the 2024 guidance, convertible debentures are approximately 0.69x. The Corporation's total leverage ratio continues to moderate as returns are generated from previously deployed capital. 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, 2024, the Corporation has liquidity of approximately $913 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. Including the impact of the upsize to the Corporation's credit facility completed on May 6, 2024, the liquidity increases to approximately $1.1 billion.

As at March 31, 2024, the Corporation had a cash position of $50 million (December 31, 2023 - $104 million) and a net working capital position of $521 million (December 31, 2023 - $541 million) which represents a current ratio of 1.91 to 1 (December 31, 2023 – 1.87 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 2024	December 31 2023
Total senior debt outstanding (principal value)	**$ 1,468,565**	$ 1,427,035
Convertible debentures outstanding (par value)	**424,502**	424,502
Common shares	**1,259,588**	1,252,890
Total capital	**$ 3,152,655**	$ 3,104,427

Credit Facility

The size of the Corporation's credit facility as at March 31, 2024, is approximately $2 billion, with $1.675 billion allocated to the Corporation's Canadian head office and US $260 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, 2024, the Corporation had drawn $540 million and US $685 million (December 31, 2023 - $540 million and US $671 million).

Subsequent to the end of the quarter, on May 6, 2024, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $2.2 billion from approximately $2.0 billion and extended its term to May 6, 2028, and was completed with no change in pricing. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The amount allocated to the Corporation's Canadian head office includes a new $200 million social loan tranche, which will be used to fund the purchase of new King Air aircraft at Carson Air for the long-term medevac contract with the Province of British Columbia. The $200 million Social Loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes. As part of the transaction, ISS Corporate provided an independent Second Party Opinion that concluded the loan is in alignment with the Social Loan Principles as issued by the Loan Market Association. 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 $95 million since December 31, 2023. The increase is attributable to investments in Growth Capital Expenditures and in working capital as discussed in *Section 3 – Investing Activities*.

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, 2024, US $363 million (December 31, 2023 – US $338 million) of the Corporation's US denominated borrowings are hedged with these swaps.

During the period, the Corporation continued the use of interest rate swaps with certain members of its lending syndicate. The effect of these transactions results in approximately $725 million of the Corporation's credit facility debt being subject to a fixed rate with varying maturity dates. An interest rate swap of $190 million matures during the second quarter of 2024.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at March 31, 2024, and changes in the amounts of convertible debentures outstanding during the three months ended March 31, 2024:

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	79,702	-	-	-	79,702
Unsecured Debentures – March 2019	86,068	-	-	-	86,068
Unsecured Debentures – July 2021	143,732	-	-	-	143,732
Unsecured Debentures – December 2021	115,000	-	-	-	115,000
Total	$ 424,502	$ -	$ -	$ -	$ 424,502

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the three months ended March 31, 2024:

	Date issued	Number of shares
Shares outstanding, beginning of period		47,136,625
Issued under dividend reinvestment plan (DRIP)	various	117,187
Issued under employee share purchase plan	various	22,173
Issued under deferred share plan	various	5,768
Shares outstanding, end of period		47,281,753

The Corporation issued 117,187 shares under its dividend reinvestment plan during the period and received $5 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 22,173 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, 2024, increased by 11% compared to the prior period. The increase is primarily attributable to shares issued in connection with the Corporation's equity offering in the second quarter of 2023, the Corporation's dividend reinvestment plan, and shares issued as part of the acquisitions of BVGlazing and Hansen in the second quarter of 2023, and DryAir in the fourth quarter of 2023.

Normal Course Issuer Bid

On March 14, 2024, 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 19, 2024, and ending on March 18, 2025. The

Corporation can purchase a maximum of 4,414,853 shares and daily purchases will be limited to 22,369 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 19, 2024, and ending on March 18, 2025. The Corporation can purchase a maximum of $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,373 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 $646, $711, $1,212, and $1,628, 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, 2024, 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, 2024, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2023.

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, 2023.

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, 2024, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2023 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three months ended March 31, 2024.

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, 2024, 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 2024 period that would have materially affected, or are likely to materially affect, the internal controls over financial reporting.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to management in a timely manner and that information required to be disclosed by the Corporation is reported within the time periods prescribed by applicable securities legislation. Management has concluded that the design of disclosure controls and procedures were effective as at March 31, 2024.

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, 2023.

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.

On May 27, 2021, the Canadian Securities Administrators issued National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure along with the companion policy for that instrument that came into effect for financial years ending after October 15, 2021. As a result of the requirements under this instrument, the Corporation presents "Adjusted EBITDA" which is determined in the exact same manner as "EBITDA" was presented in its prior MD&A reports. As such, all amounts presented as "Adjusted EBITDA" are directly comparable to amounts presented as "EBITDA" in prior MD&A reports.

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, depreciation on the Corporation's mat and bridge rental portfolio assets, and, prior to the onset of COVID-19, depreciation recorded on assets in the Corporation's aircraft and engine 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.

Regional One's purchases of operating aircraft and engines within its lease portfolio are capital expenditures and, prior to the onset of COVID-19, the process used to classify those expenditures as either growth or maintenance 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 Regional One, Maintenance Capital Expenditures would still be equal to depreciation recorded on its leased assets and Growth Capital Expenditures would be negative, representing the depletion of potential future earnings and cash flows. The aggregate of Maintenance and Growth Capital Expenditures always equals the actual cash spent on capital assets during the period. This ensures that the payout ratio reflects the necessary replacement of Regional One's leased assets.

Historically, the Corporation has used depreciation as a proxy for Maintenance Capital Expenditures at Regional One because the assets are being depleted as they are being flown by lessees and therefore depreciation reflects the required ongoing investment to maintain Free Cash Flow at current levels. Starting in the second quarter of 2020, the actual expenditures on assets already owned 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.

Northern Mat has a portfolio of access mats and bridges that it rents to third parties. The utility of those assets is consumed over the useful life of the assets, 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 rental 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 rental 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. For Regional One, capital assets on the balance sheet include operating aircraft and engines that are either on lease or are available for lease. Individual parts are recorded within inventory and capital assets that become scheduled for part out 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 flow 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:

	2024				2023				2022
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 601,769**	$ 656,676	$ 687,673	$ 627,222	$ 526,884	$ 543,360	$ 586,770	$ 529,017	$ 400,226
Adjusted EBITDA	**111,051**	143,621	167,751	147,036	97,117	124,052	150,379	115,055	66,956
Net Earnings	**4,528**	29,027	49,523	36,896	6,861	26,990	48,936	29,990	3,753
Basic	**0.10**	0.62	1.06	0.85	0.16	0.64	1.20	0.76	0.10
Diluted	**0.09**	0.61	0.99	0.80	0.16	0.62	1.09	0.73	0.09
Adjusted Net Earnings	**9,574**	33,768	55,263	43,480	11,540	32,049	54,530	38,501	7,835
Basic	**0.20**	0.72	1.19	1.00	0.27	0.76	1.34	0.98	0.20
Diluted	**0.20**	0.70	1.09	0.93	0.27	0.73	1.20	0.90	0.20
Free Cash Flow ("FCF")	**61,931**	102,265	117,143	98,002	59,708	82,533	112,832	89,251	47,409
Basic	**1.31**	2.17	2.51	2.25	1.40	1.95	2.77	2.26	1.22
Diluted	**1.19**	1.92	2.20	1.96	1.26	1.71	2.38	1.95	1.10
FCF less Maintenance Capital Expenditures	**22,593**	49,971	74,341	58,592	18,923	40,243	69,009	47,356	19,496
Basic	**0.48**	1.06	1.60	1.34	0.44	0.95	1.70	1.20	0.50
Diluted	**0.47**	0.99	1.43	1.21	0.44	0.88	1.49	1.09	0.49
Maintenance Capital Expenditures	**39,338**	52,294	42,802	39,410	40,785	42,290	43,823	41,895	27,913
Growth Capital Expenditures	**39,326**	101,566	81,115	85,952	34,411	48,885	27,055	41,308	8,168

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR+ at www.sedarplus.ca.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	March 31 2024	December 31 2023
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 50,381**	$ 103,559
Accounts receivable	**505,783**	543,611
Amounts due from customers on construction contracts	**55,029**	40,207
Inventories	**423,031**	408,379
Prepaid expenses and deposits	**56,957**	63,602
	1,091,181	1,159,358
OTHER ASSETS (Note 6)	**147,306**	133,725
CAPITAL ASSETS	**1,602,299**	1,571,067
RIGHT OF USE ASSETS	**163,464**	170,099
INTANGIBLE ASSETS	**328,222**	332,362
GOODWILL	**716,925**	713,196
	$ 4,049,397	$ 4,079,807
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	**$ 412,299**	$ 461,917
Income taxes payable	**2,431**	7,274
Deferred revenue	**84,789**	71,281
Amounts due to customers on construction contracts	**33,038**	41,300
Current portion of right of use lease liability	**37,291**	36,866
	569,848	618,638
OTHER LONG-TERM LIABILITIES	**21,862**	33,607
LONG-TERM DEBT (Note 7)	**1,464,463**	1,422,642
CONVERTIBLE DEBENTURES (Note 8)	**405,148**	403,775
LONG-TERM RIGHT OF USE LEASE LIABILITY	**136,922**	143,288
DEFERRED INCOME TAX LIABILITY	**208,959**	212,384
	2,807,202	2,834,334
EQUITY		
SHARE CAPITAL (Note 9)	**1,259,588**	1,252,890
CONVERTIBLE DEBENTURES - Equity Component (Note 8)	**13,979**	13,979
CONTRIBUTED SURPLUS	**16,635**	16,635
DEFERRED SHARE PLAN	**16,914**	16,756
RETAINED EARNINGS		
Cumulative Earnings	**804,716**	800,188
Cumulative Dividends	**(905,551)**	(874,380)
Cumulative impact of share cancellation under the NCIB	**(26,122)**	(26,122)
	1,180,159	1,199,946
ACCUMULATED OTHER COMPREHENSIVE INCOME	**62,036**	45,527
	1,242,195	1,245,473
	$ 4,049,397	$ 4,079,807

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	2024	2023
REVENUE		
Aerospace & Aviation	$ 368,514	$ 325,929
Manufacturing	233,255	200,915
	601,769	526,844
EXPENSES		
Aerospace & Aviation expenses - excluding depreciation and amortization	229,322	211,447
Manufacturing expenses - excluding depreciation and amortization	178,569	150,241
General and administrative	82,827	68,039
	490,718	429,727
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	111,051	97,117
Depreciation of capital assets	55,314	47,508
Amortization of intangible assets	5,578	4,797
Finance costs - interest	29,815	25,719
Depreciation of right of use assets	9,682	8,127
Interest expense on right of use lease liabilities	1,984	1,591
Acquisition costs	1,305	1,365
Other (Note 5)	-	(951)
EARNINGS BEFORE INCOME TAXES	7,373	8,961
INCOME TAX EXPENSE (RECOVERY)		
Current	7,834	3,085
Deferred	(4,989)	(985)
	2,845	2,100
NET EARNINGS	$ 4,528	$ 6,861
NET EARNINGS PER SHARE (Note 12)		
Basic	$ 0.10	$ 0.16
Diluted	$ 0.09	$ 0.16

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**	**2024**	2023
NET EARNINGS	**$ 4,528**	$ 6,861
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.	**17,590**	(683)
Net gain (loss) on hedge of net investment in foreign operations, net of tax expense of nil and nil, respectively.	**(4,515)**	157
Net gain (loss) on hedge of restricted share plan, net of tax expense (recovery) of $461 and ($15), respectively.	**1,273**	(41)
Net gain (loss) on interest rate swap, net of tax expense (recovery) of $768 and ($34), respectively.	**2,161**	(94)
	16,509	(661)
COMPREHENSIVE INCOME	**$ 21,037**	$ 6,200

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 Income (Loss)	Total
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									
Converted into shares	133	(6)	-	-	-	-	-	-	127
Shares issued under dividend reinvestment plan (Note 9)	4,345	-	-	-	-	-	-	-	4,345
Shares issued under vesting of reserved shares (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**
Balance, January 1, 2024	$ 1,252,890	$ 13,979	$ 16,635	$ 16,756	$ 800,188	$ (874,380)	$ (26,122)	$ 45,527	**$ 1,245,473**
Shares issued under dividend reinvestment plan (Note 9)	5,363	-	-	-	-	-	-	-	**5,363**
Deferred share plan vesting (Note 13)	-	-	-	418	-	-	-	-	**418**
Deferred share plan issuance (Note 9)	260	-	-	(260)	-	-	-	-	**-**
Shares issued under ESPP (Note 9)	1,075	-	-	-	-	-	-	-	**1,075**
Comprehensive income	-	-	-	-	4,528	-	-	16,509	**21,037**
Dividends declared (Note 10)	-	-	-	-	-	(31,171)	-	-	**(31,171)**
Balance, March 31, 2024	**$ 1,259,588**	**$ 13,979**	**$ 16,635**	**$ 16,914**	**$ 804,716**	**$ (905,551)**	**$ (26,122)**	**$ 62,036**	**$ 1,242,195**

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	2024	2023
OPERATING ACTIVITIES		
Net earnings for the period	$ 4,528	$ 6,861
Items not affecting cash:		
Depreciation of capital assets	55,314	47,508
Amortization of intangible assets	5,578	4,797
Depreciation of right of use assets	9,682	8,127
Accretion of interest	1,646	1,699
Gain on disposal of capital assets	(2,115)	(558)
Deferred income tax recovery	(4,989)	(985)
Deferred share program share-based vesting	418	307
Other	-	(951)
	70,062	66,805
Changes in non-cash current and long-term working capital (Note 15)	(19,085)	(77,579)
	50,977	(10,774)
FINANCING ACTIVITIES		
Proceeds from long-term debt, net of issuance costs (Note 7)	29,476	114,990
Repayment of long-term debt (Note 7)	(13,363)	(37,900)
Long-term debt discount	22	(1,036)
Principal payments on right of use lease liabilities	(9,077)	(8,274)
Issuance of shares, net of issuance costs	6,698	5,384
Cash dividends (Note 10)	(31,171)	(26,805)
	(17,415)	46,359
INVESTING ACTIVITIES		
Purchase of capital assets	(91,086)	(77,453)
Proceeds from disposal of capital assets	12,806	3,011
Purchase of intangible assets	(384)	(754)
Investment in other assets	(3,834)	(4,924)
Payment of contingent acquisition consideration and prior period working capital settlements	(5,990)	(3,749)
	(88,488)	(83,869)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(54,926)	(48,284)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	103,559	139,896
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,748	641
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 50,381	$ 92,253
Supplementary cash flow information		
Interest paid	$ 31,078	$ 28,988
Income taxes paid	$ 12,856	$ 14,023

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 and Aviation, and Manufacturing segments. 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, 2024, 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. ("Carson Air"), Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, Northern Mat & Bridge LP ("Northern Mat"), Hansen Industries Ltd. ("Hansen"), BVGlazing Systems Ltd. ("BVGlazing"), and DryAir Manufacturing Corporation ("DryAir"). 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.

The Corporation's results are impacted by seasonality factors. The Aerospace & Aviation segment revenues have historically been the strongest 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. 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. In addition, the Corporation's most recent acquisition, DryAir, contributes all of its operating profit before depreciation, amortization, finance costs and other in the third and fourth quarters of the year with the first quarter historically generating negative operating profit before depreciation, amortization, finance costs and other.

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 Accounting Standards") 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 Accounting Standards, 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, 2023. 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 7, 2024.

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 2023 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies, except as noted below.

The Corporation adopted the amendments to IAS 12 – *Income Taxes* introduced in May 2023, and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). The Corporation operates in certain jurisdictions which have enacted legislation effective January 1, 2024. Pillar Two draft legislation in Canada has not been substantively enacted, but once enacted, is expected to be effective for the Corporation as of January 1, 2024. The Corporation does not believe Pillar Two legislation will have a material impact on its consolidated financial statements.

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

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

The Corporation presents, as an additional IFRS Accounting Standards 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 Accounting Standards measure and may not be comparable to similar measures presented by other companies.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Corporation's liabilities for contingent consideration associated with the earn out portion of its acquisitions are 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 first quarter, there was no change in the estimated liability for additional purchase consideration (2023 - $951 recovery).

6. OTHER ASSETS

The other assets of the Corporation consist of the following:

	March 31 2024	December 31 2023
Long-term prepaid expenses and security deposits	**$ 4,653**	$ 4,273
Long-term receivables	**1,043**	894
Equity method investments	**120,087**	114,528
Other investments - Fair value through OCI (Note 14)	**6,751**	6,718
Derivative financial instruments - Fair value through profit and loss (Note 14)	**14,772**	7,312
Total other assets	**$ 147,306**	$ 133,725

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

7. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at March 31, 2024, and December 31, 2023:

	March 31 2024	December 31 2023
Revolving term facility:		
Canadian dollar amounts drawn	**$ 540,000**	$ 540,000
United States dollar amounts drawn (US$685,288 and US$670,675 respectively)	**928,565**	887,035
Total credit facility debt outstanding, principal value	**1,468,565**	1,427,035
less: unamortized transaction costs	**(2,527)**	(2,794)
less: unamortized discount on outstanding Banker's Acceptances	**(1,575)**	(1,599)
Long-term debt	**$ 1,464,463**	$ 1,422,642

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, 2024.

Interest expense recorded by the Corporation during the three months ended March 31, 2024 for long-term debt was $22,756 (2023 – $18,772).

On May 6, 2024, subsequent to the end of the quarter, the Corporation completed an upsize and extension of its credit facility. The Corporation increased its credit facility to approximately $2.2 billion and extended its term to May 6, 2028. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The amount allocated to the Corporation's Canadian head office includes a new $200 million social loan tranche, and the Corporation obtained a Second Party Opinion that concludes on the alignment of the loan with Social Loan Principles.

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2024:

	Three Months Ended March 31, 2024				
	Opening	**Withdrawals**	**Repayments**	**Exchange Differences**	**Ending**
Credit facility amounts drawn					
Canadian dollar amounts	**$ 540,000**	**$ 30,000**	**$ (30,000)**	**$ -**	**$ 540,000**
United States dollar amounts	**887,035**	**30,000**	**(13,888)**	**25,418**	**928,565**
	$ 1,427,035				**$ 1,468,565**

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.

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

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:

	2024 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2024 Balance, End of Period
Unsecured Debentures - 2018	$ 78,301	$ -	$ 225	$ -	$ -	$ 78,526
Unsecured Debentures - 2019	84,737	-	138	-	-	84,875
Unsecured Debentures - July 2021	139,465	-	204	-	-	139,669
Unsecured Debentures - December 2021	111,292	-	158	-	-	111,450
						414,520
less: unamortized transaction costs						(9,372)
Convertible Debentures - Debt Component, end of period						$ 405,148

During the three months ended March 31, 2024, convertible debentures with a total face value of $nil were converted by the holders at various times into nil shares of the Corporation (2023 – $130 and 2,652 shares).

Interest expense recorded during the three months ended March 31, 2024, for the convertible debentures was $7,059 (2023 – $6,947).

Convertible Debentures Equity Component

Since all the outstanding convertible debentures contain a conversion feature available to the debenture-holder to convert debenture principal into shares of the Corporation, the debenture obligation is classified partly as debt and partly as shareholders' equity. The debt component represents the present value of interest and principal payments over the life of the convertible debentures discounted at a rate approximating the rate which would have applied to non-convertible debentures at the time the convertible debentures were issued. The difference between the principal amount of the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding.

Summary of the equity component of the convertible debentures:

	March 31 2024	December 31 2023
Unsecured Debentures - 2018	3,835	3,835
Unsecured Debentures - 2019	2,491	2,491
Unsecured Debentures - July 2021	4,240	4,240
Unsecured Debentures - December 2021	3,413	3,413
Convertible Debentures - Equity Component, end of period	$ 13,979	$ 13,979

All convertible debentures outstanding at March 31, 2024, represent direct unsecured debt obligations of the Corporation.

On March 14, 2024, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $7,970 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,607 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,373 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 March 5, 2024. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 19, 2024 and ending on March 18, 2025. Daily purchases will be limited to $646 principal amount of Debentures (June 2018), $711 principal amount of Debentures (March 2019), $1,212 principal amount of Debentures (July 2021) and $1,628 principal amount of Debentures (December 2021), other than block purchase exemptions.

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

During the three months ended March 31, 2024, 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, 2024, are as follows:

	Number of Shares		2024 Amount
Share capital, beginning of period	**47,136,625**	**$**	**1,252,890**
Issued under dividend reinvestment plan	**117,187**		**5,363**
Issued under employee share purchase plan	**22,173**		**1,075**
Issued under deferred share plan	**5,768**		**260**
Share capital, end of period	**47,281,753**	**$**	**1,259,588**

On March 14, 2024, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 4,414,853 Common Shares, representing 10% of the issued and outstanding shares at March 5, 2024. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 19, 2024 and ending on March 18, 2025. The maximum number of shares that can be purchased by the Corporation daily is limited to 22,369 shares, other than block purchase exemptions.

During the three months ended March 31, 2024, the Corporation did not make any purchases under its common share NCIB and therefore has the full 4,414,853 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.

The amounts and record dates of the dividends during the three months ended March 31, 2024, and the comparative 2023 period are as follows:

Month	Record date		Per Share		2024 Dividends Amount	Record date		Per Share		2023 Dividends Amount
January	January 31, 2024	$	**0.22**	$	**10,380**	January 31, 2023	$	0.21	$	8,927
February	February 29, 2024		**0.22**		**10,389**	February 28, 2023		0.21		8,933
March	March 29, 2024		**0.22**		**10,402**	March 31, 2023		0.21		8,945
Total		**$**	**0.66**	**$**	**31,171**		$	0.63	$	26,805

After March 31, 2024, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.22 per share for April 2024.

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.

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

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, 2024
	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
Revenue	**$ 368,514**	**$ 233,255**	**$ -**	**$ 601,769**
Expenses	**274,476**	**206,204**	**10,038**	**490,718**
Adjusted EBITDA	**94,038**	**27,051**	**(10,038)**	**111,051**
Depreciation of capital assets				**55,314**
Amortization of intangible assets				**5,578**
Finance costs - interest				**29,815**
Depreciation of right of use assets				**9,682**
Interest expense on right of use lease liabilities				**1,984**
Acquisition costs				**1,305**
Earnings before income taxes				**7,373**
Current income tax expense				**7,834**
Deferred income tax recovery				**(4,989)**
Net Earnings				**$ 4,528**

				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				(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)

	For the period ended March 31, 2024			
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 2,582,431**	**$ 1,398,587**	**$ 68,379**	**$ 4,049,397**
Net capital asset additions	**79,608**	**(1,445)**	**117**	**78,280**

	For the year ended December 31, 2023			
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 2,476,405	$ 1,428,011	$ 175,391	$ 4,079,807
Net capital asset additions	425,991	49,261	514	475,766

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 2024**	March 31 2023
Aerospace & Aviation Segment		
Sale and lease of goods - point in time	**$ 73,269**	$ 68,631
Sale of services - point in time	**246,450**	208,966
Sale of services - over time	**48,795**	48,332
Manufacturing Segment		
Sale and lease of goods - point in time	**59,255**	62,357
Sale of services - point in time	**13,218**	21,569
Sale of goods and services - over time	**160,782**	116,989
Total revenue	**$ 601,769**	$ 526,844

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.

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

The computation for basic and diluted earnings per share for the three months ended March 31, 2024, and the comparative for the 2023 period are as follows:

Three Months Ended March 31	**2024**	2023
Net earnings	**$ 4,528**	$ 6,861
Effect of dilutive securities		
Convertible debenture interest	**-**	-
Diluted Net Earnings	**$ 4,528**	$ 6,861
Basic weighted average number of shares	**47,206,228**	42,529,459
Effect of dilutive securities		
Deferred Shares	**947,788**	874,798
Convertible debentures	**-**	-
Diluted basis weighted average number of shares	**48,154,016**	43,404,257
Net Earnings per share:		
Basic	**$ 0.10**	$ 0.16
Diluted	**$ 0.09**	$ 0.16

13. EMPLOYEE BENEFITS

Deferred Share Plan

During the three months ended March 31, 2024, the Corporation granted 40,339 (2023 – 29,455) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,903 (2023 – $1,527) 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, 2024, the Corporation recorded a compensation expense of $418 (2023 – $307), 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, 2024, the Corporation granted 191,653 (2023 – 172,324) restricted shares to certain personnel. The fair value of the restricted share units granted was $8,779 (2023 – $8,425) 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, 2024, the Corporation recorded compensation expense of $1,858 (2023 – $1,579), 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, 2024, employees acquired 22,173 shares from treasury at a weighted average price of $48.49 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 $372 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, 2023, 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 $685,288 or $928,565 (December 31, 2023 – US $670,675 or $887,035) 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 $182,588 (December 31, 2023 – US $189,575) 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 $136,700 (December 31, 2023 – US $140,000) 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, 2024, was a financial asset of $2,359 (December 31, 2023 – financial liability of $12,326). At March 31, 2024, the notional value of the swaps outstanding is US $362,700 (December 31, 2023 – US $337,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $2,359 was reclassified from other comprehensive income (December 31, 2023 – $12,326).

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, 2024:

- US $683,900 (December 31, 2023 – US $668,900) was outstanding under SOFR and,
- US $1,388 (December 31, 2023 – US $1,775) was outstanding under US Prime, and
- $540,000 (December 31, 2023 – $540,000) was outstanding under Banker's Acceptances.

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, and
- $350,000, maturing April 17, 2026, and
- US $140,000, maturing on April 27, 2026.

These derivative 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 qualify as a cash flow hedges. The fair value of interest rate swaps are recorded within other long-term financial asset of $10,240 (December 31, 2023 – other long-term financial asset of $7,312) and are recorded as a separate line within other comprehensive income.

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

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 derivative instruments for each of the 2022, 2023 and 2024 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 qualify as cash flow hedges. On a combined basis, the initial grant date fair value for the 2022, 2023 and 2024 programs was $27,220. The fair value of the instruments are recorded in long-term financial asset of $2,173 (December 31, 2023 – long-term financial liability of ($445)) and are recorded as a separate line within other comprehensive income.

Fair Value of Financial Instruments

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

		Fair Value		
Recurring fair value measurements	**Carrying Value March 31, 2024**	**Quoted prices in an active market Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss (Note 6)	$ 2,359	$ -	$ 2,359	$ -
Other long-term assets - Restricted Share Plan Hedge - Financial asset at fair value through profit and loss (Note 6)	2,173	-	2,173	-
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 6)	10,240	-	10,240	-
Other long-term assets - Fair value through OCI (Note 6)	6,751	-	-	6,751
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(4,080)	-	-	(4,080)
Fair Value Disclosures				
Other assets - Amortized cost	3,815	-	3,815	-
Long-term debt - Amortized cost	(1,464,463)	-	-	(1,468,565)
Convertible debt - Amortized cost	(405,148)	(434,377)	-	-

(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, 2023	Level 1	Level 2	Level 3
Financial Assets				
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 6)	7,312	-	7,312	-
Other long-term assets - Fair value through OCI (Note 6)	6,718	-	-	6,718
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(10,384)	-	-	(10,384)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss(Note 6)	(12,326)	-	(12,326)	-
Other long term liabilities - Restricted Share Plan Derivative - Financial liability at fair value through profit and loss(Note 6)	(445)	-	(445)	-
Fair Value Disclosures				
Other assets - Amortized cost	3,563	-	3,563	-
Long-term debt - Amortized cost	(1,422,642)	-	-	(1,427,035)
Convertible debt - Amortized cost	(403,775)	(411,151)	-	-

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 Northern Mat, BVGlazing and DryAir 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	**2024**	2023
Opening balance	**$ 10,384**	$ 4,700
Change in estimate	**(314)**	(951)
Acquisition of BVGlazing	**-**	11,136
Acquisition of DryAir	**-**	6,304
Settled during the period	**(5,990)**	(10,805)
Ending balance	**$ 4,080**	$ 10,384

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.

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.

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

As at March 31, 2024, 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 6.10%. 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 creditworthiness.

As at March 31, 2024, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $434,377 (December 31, 2023 - $411,151) with a carrying value of $405,148 (December 31, 2023 - $403,775).

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, 2024, and the comparative period in 2023 are as follows:

Three Months Ended March 31		**2024**		2023
Accounts receivable, including long-term portion	**$**	**41,315**	$	42,930
Amounts due from customers on construction contracts		**(14,524)**		(1,708)
Inventories		**(12,402)**		(48,966)
Prepaid expenses and deposits, including long-term portion		**7,262**		(9,527)
Accounts payable and accrued expenses, including long-term portion		**(40,624)**		(56,118)
Income taxes receivable/payable		**(4,901)**		(11,018)
Deferred revenue, including long-term portion		**13,505**		5,873
Amounts due to customers on construction contracts		**(8,716)**		955
Net change in working capital	**$**	**(19,085)**	$	(77,579)

16. SUBSEQUENT EVENTS

Credit Facility Upsize and Extension

On May 6, 2024, the Corporation amended its credit facility. The enhanced credit facility was increased to approximately $2.2 billion and extended its term to May 6, 2028. This includes $1.846 billion allocated to the Corporation's Canadian head office and US $260 million allocated to EIIF Management USA, Inc. The amount allocated to the Corporation's Canadian head office includes a $200 million social loan that will be used to fund the purchase of new King Air aircraft for the long-term contract with the Province of British Columbia. The $200 million Social Loan permits the Corporation to draw on that portion of the facility as the new aircraft are delivered and modified for medical purposes. As part of the transaction, ISS Corporate provided an independent Second Party Opinion that concluded the loan is in alignment with the Social Loan Principles as issued by the Loan Market Association.