Exchange Income Corporation

Third Quarter Report

For the nine months ended September 30, 2022

CEO's Message

The third quarter was amongst the strongest quarters in EIC history in many respects. We increased our dividend for the second time in as many quarters, bringing the annualized rate to $2.52 per share, an increase of 11% over the $2.28 rate at the beginning of 2022. At the same time as the dividend increased, our payout ratio strengthened significantly. I will return to the financial results shortly, but a declining payout ratio even with the largest single year dividend increase in our history bears evidence to the strength of our results. After closing two transactions during the second quarter, we remained very active on the acquisition front in the third quarter. While we have not reached a stage where any potential deals can be announced, we are very happy with the quality of the opportunities we are examining. To that end we raised $115 million in a common share offering during the quarter to ensure we have the balance sheet strength and financial flexibility to move quickly should the right opportunity be discovered.

Before we go into greater detail on what has driven our financial results in the quarter, I would like to highlight the consolidated financial metrics which are all, whether on an absolute or per share basis, new quarterly records for the company.

Highlights from EIC's Third Quarter Financial Performance

- Revenue increased by 47% to $587 million up from $400 million last year. This was 11% higher than the second quarter of this year, which was the previous quarterly high.
- Adjusted EBITDA grew 58% to $150 million from $95 million last year. The $150 million exceeded the previous quarterly high of $115 million achieved in the second quarter of this year by 31%.
- Free Cash Flow less Maintenance Capital Expenditures increased 43% to $69 million from $48 million in 2021. This was 43% higher than the previous high of $48 million in the third quarter of last year. On a per share basis, it rose 34% to $1.70 from $1.27 last year. This was 30% higher than the previous best in the third quarter of 2018.
- Net Earnings grew by 123% to $49 million from $22 million last year. This was 63% higher than the previous best in the second quarter of 2022. Net Earnings per share increased 107% to $1.20 from $0.58 last year and exceeded the previous high by 33%.
- Adjusted Net Earnings reached $55 million, up 97% from last year. The results exceeded the previous high by 42%. Adjusted Net Earnings per share was $1.34, up 84% from last year. This exceeded the previous high, established in the third quarter of 2019 of $1.03, by 30%.
- The Free Cash Flow less Maintenance Capital Expenditures trailing twelve-month payout ratio improved to 52% from 57%. The trailing twelve-month payout ratio on an Adjusted Net Earnings basis improved significantly to 72% from 109%.
- All these improvements were achieved despite a decline in government support from $5 million in 2021 to zero in 2022.

Our Aerospace & Aviation segment continued to strengthen in the third quarter with revenue and Adjusted EBITDA improving by 32% and 13%, respectively. The differential between the rates of improvement is largely driven by three factors. First, the end of government subsidies which have a much larger impact on Adjusted EBITDA than they do on revenue. Subsidies in the segment declined by $5 million versus last year. Second, fuel price surcharges that were implemented to offset the rapid rise in fuel prices, increase revenue but not earnings as they are designed to simply offset increases in fuel costs. Finally, the acquisition of CTI, which generates lower margins than our other Aerospace & Aviation segment businesses because the capital required for the business beyond working capital is minimal. The margins at CTI are consistent with our expectations from diligence and CTI has performed well since it was acquired in December 2021.

In our Legacy Airlines and Provincial operations we continued to experience increased levels of passenger demand, although the rate of increase has slowed somewhat. The level of recovery towards pre-pandemic levels has also varied from region to region. Passenger levels in the Maritimes now exceed 2019 levels, while levels in the balance of our passenger network range between 75% and 95%. The return to 2019 levels and beyond will be driven by the capacity of the medical system as many of our customers are travelling south for doctor and diagnostic appointments. Access to the medical system for northern citizens has not yet returned to pre-pandemic levels. Our medevac operations have been strong throughout our system and has been buoyed by the acquisition of APL in Alberta in May of this year.

The aviation business worldwide continues to be handcuffed by shortages of qualified staff in general, but the shortage of qualified pilots and aircraft maintenance engineers has been particularly acute. This is expected to be a medium-term challenge as the number of pilot retirements in particular, greatly exceeded the number of new pilots entering the industry during the pandemic and it will take a significant period of time for the pilot pool to normalize. As passenger demand has returned, airlines have struggled to find enough experienced crew to operate all their available aircraft. While this has challenged our EIC airlines, and it has driven up our training costs, our investment in MFC Training continues to support our ability to graduate and integrate pilots internally. Fuel costs remain high but have moderated somewhat from previous levels, and fuel surcharges are now in place to offset the increased cost.

Perhaps the biggest impact of the pilot shortage is on our Regional One business. While passenger volumes have bounced back and customer demand is strong, airlines do not yet have sufficient pilots to operate all available aircraft. As such they are utilizing larger gauge aircraft first, and not the regional jets where we specialize. As such, the rebound in our lease portfolio has been slower than we would like.

We expect recovery of the lease performance to continue well into 2023. Parts, component and full aircraft and engine sales remain strong however.

Provincial delivered the first of two modified ISR aircraft for the maritime surveillance contract for the Government of the Netherlands during the third quarter and it has now gone into service. The second aircraft will be delivered and begin flying during the fourth quarter of 2022. This is an exciting milestone for the company as we launch our permanent presence in Europe.

The Manufacturing segment had an exceptional quarter with revenue and Adjusted EBITDA improving by 78% and 281%, respectively. While our existing manufacturing companies continued to perform well, the majority of the improvement is driven by a full quarter of operations from Northern Mat, Telcon, and Ryko, which were not owned during the comparable period in 2021, and by a full quarter of operations from Macfab, which was owned by EIC for only a portion of the quarter last year. The strong performance was achieved while still experiencing inflation in material costs, a very tight labour market and other supply chain disruptions.

Telcon and Ryko were acquired by WesTower in 2021 to add underground capacity to WesTower's well known above ground expertise and thereby provide our telecommunication customers a single point of contact service. Both have been welcome additions to WesTower's operations and are performing as expected.

Ben Machine has been one of EIC top performers over recent years in terms of organic growth rate and profitability. Despite ongoing investments in new machinery, Ben Machine was running out of production capacity. Macfab has a strong list of customers which increased the diversity of Ben Machine's revenue, while providing instant additional production capacity. It has met our expectations and is helping fuel Ben Machine's future growth.

The largest portion of the improvement was driven by Northern Mat & Bridge, which was acquired in May of this year. Northern Mat is the largest acquisition for EIC to date, and it has performed exceptionally well in the brief period under EIC ownership. Several factors have come together to maximize its results in the third quarter, and while the prospects remain strong looking forward, the factors will not always align as positively as they have in this quarter. Firstly, demand for matting was very strong with a number of long linear projects such as pipelines and electric transmission lines under way that required a large numbers of mats, from both Northern Mat and from its competitors. Secondly, supply was tighter than normal as many companies had chosen not to invest in new or replacement matting at a normal level during the pandemic. Finally, specialized fiber required to produce the mats was very difficult to obtain, and lumber prices were at all-time highs for the type of fiber utilized to make mats. This increased the price of new mats and in turn the sale and rental prices of matting. Northern Mat has a long track record and strong relationships with the timber producers and chose to continue to purchase lumber throughout the pandemic, which, through its vertically integrated manufacturing facilities, enabled it to continue to produce new mats for both its rental fleet and direct sale to customers.

It is also important to note that Northern Mat's business is seasonal and, while profitable year-round, follows a pattern which is similar to EIC as a whole. The first quarter is the slowest for the company as frozen ground and limited winter projects reduce demand for mats and bridges. As the spring thaw hits, demand expands, and results improve in the second quarter before peaking in the third quarter, which is the strongest period of the year. The fourth quarter starts strong before weakening after freeze up. As such, it would not be accurate to extrapolate any quarter as a proxy for the whole year, especially the first or third which are the low and the high, respectively.

We remain very interested in the environmental access business and are currently looking at investment opportunities across North America to expand Northern Mat's footprint. Whether this growth is accomplished through further acquisition or geographic expansion and growth capital investment, or most likely a combination of the two, is yet to be determined.

I regularly discuss our commitment to sustainability and being socially responsible as part of the quarterly report to our shareholders. The third quarter was a particularly good example of the commitment and investment we are making in this area. Indigenous Peoples in Canada make up a significant portion of Canada's population, and an even bigger portion of EIC's airline customers. The Truth and Reconciliation Commission recognized the need for real action to heal the relations with Indigenous Peoples, and we want to be a leader in this area. Investing in our customers in the North has been a part of our business model since inception. In our early years we began with sharing profits with our customer communities, providing travel benefits, and investing in economic development in these communities. This later expanded into a program where we brought small groups of children to professional sporting events in Winnipeg and gave them an opportunity to see the world outside of their remote community that may otherwise have been impossible because of the cost of travel. Unfortunately, the pandemic forced us to temporarily suspend the program. Last year, we added a much more ambitious plan to bring in approximately 1,000 Indigenous community members from across Manitoba, Northwestern Ontario, and Nunavut to a Winnipeg Blue Bombers game in an effort to draw attention to the need for reconciliation. We also provided bright orange Bomber gear for the new fans and worked with the Blue Bombers and Edmonton Elks franchises to have the teams warm up in custom orange jerseys to draw further attention to the issue during the telecast on TSN. The event was an amazing success. The looks on the children's faces as they walked into the stadium were truly worth every penny of the $1 million cost. I want to thank Wade Miller and his team at the Blue Bombers for helping to make this idea a reality.

This year we wanted to expand our commitment to being part of the solution and decided that, in addition to working with the Winnipeg Blue Bombers and Saskatchewan Roughriders to repeat our 1,000 visitor Bomber game event on Truth and Reconciliation Day, we needed to develop and launch a program that would make a direct contribution to the process of economic reconciliation. It was out of this desire the Atik ("Tik") Mason Indigenous Pilot Pathway was devised. Tik was the first recipient of our Bill Wehrle Scholarship Award and was the first Indigenous graduate of MFC Training to come work at an EIC airline. We asked Tik how we could assist others in following his career path and he said we needed to bring the training closer to the people's homes. We decided to open a seasonal flight school in Thompson, Manitoba, with equipment and staff from MFC Training in the Maritimes. With the input from our Indigenous partners, we selected 11 candidates for the program and provided them room and board, in addition to all of their training. By the end of the summer, 10 students completed their flight test and intend to continue in the aviation industry. In fact, several of the candidates are employed or are in the process of being hired with our aviation subsidiaries to continue their career in aviation between pilot training seasons. We are ecstatic to have 10 graduates from the inaugural year of the program whom are on their way to joining Tik as role models in their home communities. We look forward to adding them as pilots servicing their communities when they complete their training. This program also cost in excess of $1 million.

We are examining how we continue to grow these extremely successful programs next year and in the future. We believe it is incumbent on all of us to be part of the reconciliation journey and are very excited with our programs to date.

In our second quarter message we discussed how the uncertainty in the market and the rapid increase in interest rates has assisted us in our acquisition process. While there is no doubt the increased rates have driven up our interest costs, the impact has been modest in comparison to our growth in Adjusted EBITDA with more than 35% of our debt having a fixed rate. The increased cost of borrowing has had an impact on some of our competitors for acquisitions, particularly private equity companies who utilize far more traditional secured debt than we do in our capital model. Furthermore, they use mezzanine higher risk debt as a part of their funding model and the cost of this debt has moved up dramatically, while also becoming more difficult to source. This has resulted in fewer competitors on larger transactions and lower purchase multiples than has been the case in the lower interest rate environment. For these reasons, we believe we will be more competitive on larger transactions in excess of $100 million.

It is the breadth of this deal flow that encouraged us to strengthen our balance sheet with an offering of common shares during the third quarter. The offering was very well received, and the underwriters exercised the full overallotment option bringing the raise to a total of $115 million. In the current acquisition market, vendors are placing a far higher value on a demonstrated ability to close transactions and proven liquidity eliminates the need for a "subject to financing clause". We experienced this in the Northern Mat transaction when we closed during a choppy time in the markets. The new equity financing combined with our enhanced $1.75 billion syndicated credit facility, puts us in a position to move quickly when the right opportunity is uncovered, providing us a significant advantage to deliver deal certainty for the vendors.

The resilience of our operating businesses and the strong performance of the acquisitions we have made over the last twelve months enabled us to increase our dividend for the second consecutive quarter when we reported our second quarter results. The rationale for this decision is very evident in our payout ratios. Even with two dividend increases our payout ratios strengthened significantly in the third quarter. On a trailing twelve-month basis, our Free Cash Flow less Maintenance Capital Expenditures payout ratio strengthened to 52% from 57% and our Adjusted Net Earnings payout ratio improved dramatically to 72% from 109%. Higher dividends and greater financial flexibility have been driven by our diversified operations.

We increased our guidance for 2022 when we reported the second quarter to an Adjusted EBITDA range of $435 million to $445 million. Based on our third quarter results and our outlook for the final quarter we expect to be at or above the top end of that range for 2022. We previously gave 2023 guidance of $500 million to $530 million. We now expect 2023 to fall between $510 million and $540 million. EIC has an increase in our 2023 guidance from our record 2022 driven by investments made and the resiliency of our operations. In particular, as we head into an uncertain economic environment with the potential for a recession and a decrease in discretionary spending, the impact on EIC's operations will be muted, as the majority of our revenues are tied to essential services, government contracts, and long lead time infrastructure projects.

We are very excited about our third quarter results and our outlook for the future. The consistent implementation of our business plan has put us in a very desirable position. Our dividends have been increased twice by a total of 11% per annum at the same time as payout ratios are approaching their all-time best levels. Our Net Earnings on both an absolute and a per share basis are at record highs. Our equity raise combined with our enhanced syndicated credit facility, have provided the necessary strength and liquidity to continue our growth trajectory into the future. I want to thank all our shareholders, employees, and stakeholders for their remarkable support over the last three years. We are optimistic about the future and look forward to discussing it with you again with the release of our year-end results in February.

Mike Pyle
Chief Executive Officer

November 9, 2022

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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 and nine months ended September 30, 2022 ("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 and nine months ended September 30, 2022, its annual financial statements for the year ended December 31, 2021, and its annual MD&A for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim financial statements.

FORWARD-LOOKING STATEMENTS

This report and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical fact contained in this report and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, completed and potential acquisitions and the potential impact of such completed and/or potential acquisitions on the operations, financial condition, capital resources and business of the Corporation and/or its subsidiaries, the Corporation's policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its subsidiaries or any businesses to potentially be acquired by the Corporation. Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements, and developments of the Corporation and/or its subsidiaries to differ materially from anticipated results, performance, achievements, and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: COVID-19 related risks; economic and geopolitical conditions; competition; government funding for First Nations health care; access to capital; market trends and innovation; general uninsured loss; climate; acts of terrorism; pandemic; level and timing of defence spending; government funded defence and security programs; 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.

(a) **Aerospace & Aviation** – includes a variety of operations within the aerospace and aviation industries. It includes providing scheduled airline, cargo, charter service, and emergency medical services to communities located in Manitoba, Nunavut, Ontario, British Columbia, and Alberta. These services are provided by: **Calm Air**, **Perimeter**, **Bearskin** (as a division of Perimeter), **Keewatin**, **Carson, Custom Helicopters**, the equity investment in **Wasaya**, and other aviation supporting businesses ("**the Legacy Airlines**"). **Regional One** is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts. **Provincial** (comprised of PAL Airlines, the equity investment in Air Borealis, PAL Aerospace, and MFC Training) provides scheduled airline, charter service, and emergency medical services in Newfoundland and Labrador, Quebec, New Brunswick, Nova Scotia, and Ontario and through its aerospace business Provincial designs, modifies, maintains and operates custom sensor-equipped aircraft. Provincial provides maritime surveillance and support operations in Canada, the Caribbean, the Middle East, and Europe. Through MFC Training, Provincial offers a full range of pilot flight training services, from private pilot licensing to commercial pilot programs. **Crew Training International ("CTI")**, which is consolidated as part of Provincial, delivers training solutions for its customers across an array of aviation platforms and has in-depth experience in training pilots and sensor operators on both manned and unmanned aircraft for the US Department of Defense. Together all these operations make up the Aerospace & Aviation segment. To assist in further explaining the results of the segment, the Corporation may refer to the Legacy Airlines, Regional One, and Provincial.

(b) **Manufacturing** – provides a variety of manufactured goods and related services in several industries and geographic markets throughout North America. **Northern Mat** is a manufacturer of environmentally responsible temporary access mats, and sells and rents those mats as well as temporary access bridges to provide complete access solutions. **Quest** is a manufacturer and installer of an advanced unitized window wall system used primarily in high-rise multi-family residential projects in Canada and the United States. **WesTower** is focused on the engineering, design, manufacturing, and construction of communication infrastructure, wireless and wireline construction and maintenance services, and the provision of technical services. **Ben Machine** is a manufacturer of precision parts and components primarily used in the aerospace, defence, healthcare, and security sectors. **Stainless** manufactures specialized stainless steel tanks, vessels, and processing equipment. **LV Control** is an electrical and control systems integrator focused on the agricultural material handling segment. The **Alberta Operations** manufactures specialized heavy-duty pressure washing and steam systems, commercial water recycling systems, and custom tanks for the transportation of various products, primarily oil, gasoline, and water. **Overlanders** manufactures precision sheet metal and tubular products.

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	2022	per share basic	per share diluted	2021	per share basic	per share diluted
For the three months ended September 30						
Revenue	$ 586,770			$ 400,003		
Adjusted EBITDA[1]	150,379			95,276		
Net Earnings	48,936	$ 1.20	$ 1.09	21,899	$ 0.58	$ 0.56
Adjusted Net Earnings[1]	54,530	1.34	1.20	27,653	0.73	0.71
Free Cash Flow[1]	112,832	2.77	2.38	72,798	1.91	1.69
Free Cash Flow less Maintenance Capital Expenditures[1]	69,009	1.70	1.49	48,151	1.27	1.17
Dividends declared	25,283	0.62		21,696	0.57	
For the nine months ended September 30						
Revenue	1,516,013			$ 1,022,819		
Adjusted EBITDA[1]	332,390			240,459		
Net Earnings	82,679	2.09	2.02	45,532	$ 1.23	$ 1.20
Adjusted Net Earnings[1]	100,866	2.54	2.41	57,985	1.57	1.53
Free Cash Flow[1]	249,492	6.29	5.46	171,725	4.65	4.14
Free Cash Flow less Maintenance Capital Expenditures[1]	135,861	3.43	3.14	104,248	2.82	2.65
Dividends declared	70,737	1.78		63,476	1.71	
Trailing Twelve months as at September 30						
Adjusted Net Earnings payout ratio[1]		72%			109%	
Free Cash Flow less Maintenance Capital Expenditures payout ratio[1]		52%			57%	
FINANCIAL POSITION	**September 30, 2022**			December 31, 2021		
Working capital	$ 512,594			$ 225,108		
Capital assets	1,241,529			1,070,573		
Total assets	3,460,658			2,588,667		
Long-term debt	1,240,529			707,611		
Equity	1,018,013			800,275		
SHARE INFORMATION	**September 30, 2022**			December 31, 2021		
Common shares outstanding	42,372,394			38,740,389		
	September 30, 2022			September 30, 2021		
Weighted average shares outstanding during the period - basic	39,649,472			36,906,402		

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

SIGNIFICANT EVENTS

SARS-CoV-2 ("COVID-19")

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which has resulted in governments around the world at various times throughout the pandemic imposing severe travel restrictions and social distancing measures to limit the spread of the virus. Compared to the pre-pandemic operating environment, travel restrictions have materially impacted the subsidiaries within the Aerospace & Aviation segment, although to a lesser extent as 2022 has progressed, and both supply chain disruptions and required employee absenteeism have negatively impacted the efficiency of the subsidiaries in the Manufacturing segment. Additional information on the impacts of COVID-19 can be found in *Section 2 – Results of Operations* and *Section 5 – Outlook* of the MD&A.

Normal Course Issuers Bid ("NCIB")

On February 25, 2022, 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 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of 3,580,512 shares and daily purchases will be limited to 20,179 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 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021), and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), with daily purchases of principal amount, other than block purchase exceptions, limited to $7, $11, $70, and $60, 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.

Early Redemption of Convertible Debentures

On February 11, 2022, the Corporation redeemed its 5 year, 5.25% convertible debentures, which were due on December 31, 2022. The redemption of the debentures was completed with cash on hand from the Corporation's issuance of its December 2021 5.25% convertible debenture offering. Prior to the redemption date, less than $1 million principal amount of debentures were converted into 155 common shares at a price of $51.50 per share. On February 11, 2022, the remaining outstanding debentures in the principal amount of $100 million were redeemed by the Corporation.

Atik Mason Indigenous Pilot Pathway

On April 14, 2022, the Corporation announced the introduction of the Atik Mason Indigenous Pilot Pathway program ("the Pathway"). This fully funded program provides the opportunity for Indigenous community members to learn to fly and build careers as professional pilots. With the support and guidance of Manitoba Keewatinowi Okimakank Inc., the Pathway has been designed to remove significant barriers to flight training faced by Indigenous candidates, including cost and location, and honours the importance of retaining a deep connection to Indigenous culture while training. As part of the Pathway, EIC's subsidiary MFC Training, Canada's largest flight training school, established a seasonal base in Thompson, Manitoba to reduce the barrier of location to accessing flight training. Following a summer of rigorous flight training both in the air and on the ground, ten Pathway participants completed their flight test and intend to continue in the aviation industry.

Appointment of Chief Financial Officer

On June 1, 2022, Richard Wowryk was appointed to the position of Chief Financial Officer. Richard has spent over 10 years with EIC, starting his career with the company in Financial Reporting and progressing through roles of increasing responsibility including Controller and Chief Accounting Officer. A graduate of the University of Manitoba, Richard is both a Chartered Professional Accountant and a Chartered Business Valuator. Concurrent with Richard's promotion, Darryl Bergman departed EIC at the end of May to pursue a new career opportunity.

Acquisition of Northern Mat & Bridge

On May 10, 2022, the Corporation completed the acquisition of Northern Mat & Bridge ("Northern Mat") for $325 million, including purchase price consideration of $35 million in EIC common shares, subject to normal post-closing adjustments. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to the same condition as before the project began construction.

Dividend Increases

On May 10, 2022, the Corporation increased its monthly dividend by 5% or $0.12 per annum to $2.40 per annum. The increase was effective beginning with the May dividend, which was paid to shareholders in June 2022.

On August 11, 2022, the Corporation increased its monthly dividend for a second time in 2022, by 5% or $0.12 per annum to $2.52 per annum. The increase was effective beginning with the August dividend, which was paid to shareholders in September 2022.

Credit Facility Upsize and Extension

On May 10, 2022, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $1.75 billion and extended its term to May 10, 2026. 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.

Acquisition of Advanced Paramedics Ltd.

On May 10, 2022, the Corporation completed the acquisition of Advanced Paramedics Ltd. ("APL") for $15 million, including purchase price consideration of $2 million in EIC common shares, subject to normal post-closing adjustments. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, Indigenous, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.

Bought Deal Financing of Common Shares

On September 2, 2022, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 2,362,100 shares of the Corporation at $48.70 per share, for gross proceeds of approximately $115 million. The net proceeds of the offering were used to repay debt under the Corporation's credit facility during the third quarter and created further availability under the credit facility until required for future acquisitions or other growth opportunities.

2. RESULTS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Corporation for the three months ended September 30, 2022, and the comparative 2021 period.

	Three Months Ended September 30, 2022			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 363,412	$ 223,358	$ -	$ 586,770
Expenses (1)	263,211	163,048	10,132	436,391
Adjusted EBITDA	100,201	60,310	(10,132)	150,379
Depreciation of capital assets				44,686
Amortization of intangible assets				6,164
Finance costs - interest				21,069
Depreciation of right of use assets				8,024
Interest expense on right of use liabilities				1,419
Acquisition costs				1,313
Earnings before taxes				67,704
Current income tax expense				8,142
Deferred income tax expense				10,626
Net Earnings				$ 48,936
Net Earnings per share (basic)				$ 1.20
Adjusted Net Earnings				$ 54,530
Adjusted Net Earnings per share (basic)				$ 1.34

	Three Months Ended September 30, 2021			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 274,852	$ 125,151	$ -	$ 400,003
Expenses (1)	186,173	109,325	9,229	304,727
Adjusted EBITDA	88,679	15,826	(9,229)	95,276
Depreciation of capital assets				38,798
Amortization of intangible assets				3,790
Finance costs - interest				14,815
Depreciation of right of use assets				5,980
Interest expense on right of use lease liabilities				804
Acquisition costs				1,025
Earnings before taxes				30,064
Current income tax expense				5,353
Deferred income tax expense				2,812
Net Earnings				$ 21,899
Net Earnings per share (basic)				$ 0.58
Adjusted Net Earnings				$ 27,653
Adjusted Net Earnings per share (basic)				$ 0.73

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 $587 million, an increase of $187 million, or 47% over the prior period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $89 million over the prior period and the Manufacturing segment increasing by $98 million over the prior period.

Adjusted EBITDA of $150 million was generated by the Corporation during the period, an increase of $55 million or 58% over the prior period. The increase was attributable to both segments, as the Aerospace & Aviation segment increased by $12 million over the prior period and the Manufacturing segment increased by $44 million over the prior period. Head Office costs increased over the prior period primarily as a result of the Corporation investing additional resources in information technology and the inaugural costs associated with the Atik Mason Indigenous Pilot Pathway. The Corporation did not receive government assistance during the third quarter, a decrease from the $5 million received in the prior period. Excluding the impact of subsidies in the prior period, Adjusted EBITDA increased by 67% over the prior period.

The third quarter results were very strong due to operational improvements, the lessening impacts of COVID-19 on our operations, and the performance of our acquisitions completed in the second half of 2021 and first half of 2022. Third quarter results in the Aerospace & Aviation segment were achieved despite the continued shortage of pilots, causing airlines around the world to temporarily deploy larger aircraft to maximize their profitability, which in turn has reduced demand for regional aircraft. This has impacted demand for Regional One's leased assets resulting in a slower recovery from pandemic lows. In our operating airlines, passenger volumes are above pre-pandemic levels in the Maritimes but are still recovering in Central and Northern Canada owing to the backlog of medical appointments available in Southern centres.

<u>Aerospace & Aviation Segment</u>

Revenue generated by the Aerospace & Aviation segment increased by $89 million to $363 million.

Revenue in the Legacy Airlines and Provincial increased by $68 million or 34% over the prior period. The acquisitions of CTI and APL were completed December 16, 2021, and May 10, 2022, respectively, and positively contributed to revenue in the current period with no comparative in the prior period. Improved demand for passenger services resulting from reduced travel restrictions, increased charter, rotary wing activity, and strong performance from our medevac operations contributed to the increase in revenue over the prior period. The Corporation's surveillance flying had strong demand during the quarter, contributing positively to revenue during the period. Lastly, higher fuel surcharges to offset escalating fuel prices contributed to the increase in revenue over the prior period. The improvements were partly offset by the absence in government financial assistance supporting the continuation of essential service into remote northern communities during the pandemic which was received in the prior period.

Regional One's revenue for the current period increased by $21 million or 28%. The improvement was driven by a significant increase in sales and service revenue over the prior period as seen in the table below.

Regional One Revenue Three Months Ended September 30,		**2022**		2021
Sales and service revenue	**$**	**86,493**	$	65,029
Lease revenue		**7,848**		8,406
	$	**94,341**	$	73,435

The revenue generated by Regional One is comprised of two main streams – sales and service revenue and lease revenue. Sales and service revenue is derived from the sales of aircraft parts, aircraft engines, and whole aircraft, as well as from the provision of services such as asset management. Lease income is generated through the leasing of aircraft engines or whole aircraft.

Sales and service revenue increased by 33% over the prior period. The sales of whole aircraft and engines were materially impacted in prior periods due to the pandemic, but have been significantly above historical norms for the past five quarters. The third quarter of 2022 continued this trajectory. The sale of large assets varies on a period to period basis, but are generally higher dollar value transactions. Regional One's business has been significantly impacted by the pandemic as its business is dependent on the volume of passengers at traditional regional air carriers. As travel has slowly started to pick up around the world, most notably in the United States, Regional One is experiencing continuing growth compared to prior quarters impacted by the pandemic.

These material increases in Regional One's asset sales have not resulted in a decreased net investment in Regional One. Many of these sales have been made out of inventory as the assets were originally bought with the intention of reselling as opposed to leasing. While there has been a modest reduction in Regional One's lease portfolio, which resulted in negative Growth Capital Expenditures, those amounts have been more than offset by investments in other areas of Regional One's business. See *Section 3 – Investing Activities* for more detail on Regional One's investments during the period.

Lease revenue decreased marginally from the prior period. The COVID-19 pandemic continues to have an impact on the regional jet marketplace and therefore on Regional One's lease revenue business. The onset of the Omicron variant pushed out the recovery of lease asset utilization into future quarters, while the capacity constraints at air carriers and at airports around the world continue to negatively impact lease revenue. A shortage of air crews, pilots and airport staff continues to result in cancelled flights and in some cases regional routes being temporarily replaced with alternate means of transport in an attempt to ease the constraints. Aircraft around the world are sitting idle due to a shortage of pilots, which has temporarily reduced demand for the lease of whole aircraft. 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. Regional One has remained opportunistic in response to these market dynamics by focussing on large asset and part sales, resulting in strong growth in revenue and Adjusted EBITDA. Concurrently, management continues to prepare for returned demand for its lease assets. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, Adjusted EBITDA increased by $12 million or 13% to $100 million.

Adjusted EBITDA in the Legacy Airlines and Provincial increased by $7 million or 9% over the prior period. The increase in Adjusted EBITDA was primarily driven by the 34% increase in revenue. Capacity sharing across airline subsidiaries and cost savings associated with operational efficiencies both contributed to the improvement, while further helping to mitigate cost pressures stemming from the industry wide tight labour market. Higher operating costs due to a combination of factors, including the impact of escalating fuel prices, inflationary pressures and a shortage of pilots and aircraft maintenance engineers negatively impacted Adjusted EBITDA during the period. The impact of rapid fuel price escalation was largely offset by the implementation of fuel surcharges. The Corporation also benefited from the addition of CTI in December 2021 and APL in May 2022. Adjusted EBITDA in the Legacy Airlines and Provincial improved despite receiving $5 million less in government support in the third quarter of 2022 compared to the prior period.

Regional One's Adjusted EBITDA increased by $5 million or 26% over the prior period. The increase is driven from the contributions of increased aircraft and engine sales and part sales over the prior period.

Adjusted EBITDA margins for the segment were impacted by three notable differences compared to the prior period. First, CTI, acquired in December 2021, generates lower margins than those at our other Aerospace & Aviation segment subsidiaries as the capital requirements for the business are minimal, which is consistent with our expectations. Second, fuel price surcharges, which were implemented earlier in the year to offset the rapid escalation in fuel prices are a flow through to the customer to cover additional fuel costs experienced and will result in lower Adjusted EBITDA margins until these fuel price surcharges are no longer necessary. Finally, the $5 million reduction in government subsidies decreased Adjusted EBITDA margins as there were no associated costs with these subsidies when they were received in the prior period. The combination of these three factors resulted in the percentage increase in revenue outpacing the percentage increase in Adjusted EBITDA.

Manufacturing Segment

The Manufacturing segment revenue increased by $98 million or 78% over the prior period to $223 million and Adjusted EBITDA increased by $44 million or 281% to $60 million.

The Manufacturing segment achieved this performance because of our existing companies' consistent performance, and the additions of Northern Mat during the second quarter of 2022 and the three tuck-in acquisitions completed in the second half of 2021. The segment benefitted from operating within a diverse array of industries, whereby the results of companies operating in industries that are most challenged by the current economic environment were buffered by the performance of companies in more robust industries, resulting in these companies as a whole, excluding the impact of acquisitions, delivering period over period growth in Adjusted EBITDA. The benefits of diversification enabled our existing manufacturing companies to produce results consistent with the comparative period despite receiving no government subsidies in the current period and significant macroeconomic headwinds for manufacturing companies throughout North America. Lower results at Quest were offset by strength in the remainder of the segment, including growth in the telecommunications industry from 5G investment and increased projects in Alberta buoyed by increased oil prices. These positively impacted results in the current period and are expected to continue to positively impact results in the fourth quarter.

All of our entities were impacted by the macroeconomic variables which are impacting businesses throughout the globe, including material price increases, supply chain deliveries, and labour challenges. This has resulted in increased raw material, transportation, and fuel costs which put downward pressure on margins. By continuing to use the same solutions-oriented approach used to lessen the early impact of COVID-19, as a whole our subsidiaries have been able to manage through these issues.

Quest has performed consistent with the expectations we had for 2022. As anticipated, gaps in the production schedule caused by project delays resulting from the pandemic persist. Quest's projects are booked more than a year in advance, meaning that as the market began to react to the pandemic and projects were put on hold or shifted out, production schedules could not be filled in the short term. These gaps were not the result of low long term demand, but rather short term decisions made by developers as part of the uncertainty surrounding the pandemic. To mitigate some of the impact, Quest's installation businesses have executed on additional work in their markets to install non-Quest product. This work is at lower margins than experienced for supply and install jobs and has a much shorter sales cycle.

Quest has seen a return of strong demand in 2022. Quest's order backlog has continued its growth during the period which is the third quarter in a row where the backlog has increased and has left Quest with the largest backlog in its history. This includes, as discussed earlier in 2022, Quest being contracted to complete projects in two new US markets where they have not completed a project in the past. This continued trajectory supports demand for Quest's windows and installation services and will contribute to Quest's growth in future periods.

During the second quarter of 2022, the Corporation completed its acquisition of Northern Mat, increasing revenue and Adjusted EBITDA compared to the prior period. Northern Mat, driven by several long linear projects, is experiencing well above historical demand for its rental mats and bridges and the utilization of these rental assets was nearing practical capacity during the third quarter. The performance of Northern Mat was materially above its historical performance and in line with our high expectations based on our diligence performed. The third quarter also benefitted from the sale of mats to customers as the integrated nature of Northern Mats' in-house manufacturing capabilities allowed Northern Mat to take advantage of strong demand for mats. Northern Mat continues to produce as many mats as possible within their integrated manufacturing facilities to meet growing customer demand, which is expected to persist well above historical levels in the short to medium term.

NET EARNINGS

Three Months Ended September 30,		**2022**		2021
Net Earnings	**$**	**48,936**	$	21,899
Net Earnings per share	**$**	**1.20**	$	0.58

Net Earnings was $49 million, an increase of $27 million or 123% over the prior period. The $55 million increase in Adjusted EBITDA during the current period contributed to the increase Net Earnings. This increase was partially offset by several items. Depreciation on capital assets and depreciation on right of use assets increased by $6 million and $2 million, respectively, over the prior period due to assets acquired through the Corporation's seven acquisitions over the last 12 months. The increase in depreciation of capital assets was also due to investments made in Growth Capital Expenditures over the same period, and increased flying by the Corporations airlines. Interest costs increased over the prior period by $6 million due to the increase in benchmark borrowing rates as well as the increase in long-term debt to fund the acquisition activity of the Corporation. Finally, intangible asset amortization increased by $2 million over the prior period primarily as a result of the acquisitions of Northern Mat and CTI.

Income tax expense increased by $11 million over the comparative period as the Corporation generated higher earnings before taxes. The Corporation's effective rate of tax increased compared to the prior period primarily because the Corporation generated a larger proportion of earnings before tax in higher tax rate jurisdictions in the current period compared to the prior period.

Net Earnings per share increased by 107% over the prior period to $1.20 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 7%, which partially offset the increased Net Earnings. 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 September 30,		2022		2021
Net Earnings	**$**	**48,936**	$	21,899
Acquisition costs (net of tax $219 and nil)		**1,094**		1,025
Amortization of intangible assets (net of tax $1,664 and $1,023)		**4,500**		2,767
Interest accretion on acquisition contingent consideration (net of tax of nil and nil)		**-**		71
Accelerated interest accretion on redeemed debentures (net of tax nil and $700)		**-**		1,891
Adjusted Net Earnings	**$**	**54,530**	$	27,653
per share - Basic	**$**	**1.34**	$	0.73
per share - Diluted	**$**	**1.20**	$	0.71

Adjusted Net Earnings was $55 million, an increase of $27 million or 97% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $5 million in intangible asset amortization and $1 million in acquisition costs (all net of tax). In the prior period, non-cash accelerated interest accretion on the early redemption of convertible debentures increased Adjusted Net Earnings by $2 million (net of tax).

Adjusted Net Earnings per share increased by 84% over the prior period to $1.34 due to higher Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 7%, which partially offset the increased Adjusted Net Earnings. 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)*

FREE CASH FLOW Three Months Ended September 30,		2022		2021
Cash flows from operations	**$**	**104,992**	$	98,422
Change in non-cash working capital		**14,620**		(20,607)
Acquisition costs (net of tax $219 and nil)		**1,094**		1,025
Principal payments on right of use lease liabilities		**(7,874)**		(6,042)
	$	**112,832**	$	72,798
per share - Basic	**$**	**2.77**	$	1.91
per share - Diluted	**$**	**2.38**	$	1.69

The Free Cash Flow generated by the Corporation during the period was $113 million, an increase of $40 million or 55% over the prior period. The increase in Adjusted EBITDA of $55 million is the primary reason for the increase in Free Cash Flow for the quarter. This was partially offset by an increase in cash interest costs of $9 million, an increase in current taxes of $3 million, and an increase in principal payments on right of use lease liabilities of $2 million, Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Because of the increase in Free Cash Flow described above, Free Cash Flow on a basic per share basis increased by 45% to $2.77. The weighted average number of shares increased by 7%, which partially offset the increased Free Cash Flow. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

Changes in non-cash working capital are included in cash flow from operations per the Statement of Cash Flow and are removed in the reconciliation to Free Cash Flow. As a result, it has no impact on the calculation of Free Cash Flow. A detailed discussion of changes in working capital is included in *Section 3 – Investing Activities*.

Nine Month Results

The following section analyzes the financial results of the Corporation for the nine months ended September 30, 2022, and the comparative 2021 period.

	Nine Months Ended September 30, 2022			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 997,358	$ 518,655	$ -	$ 1,516,013
Expenses (1)	748,718	408,466	26,439	1,183,623
Adjusted EBITDA	248,640	110,189	(26,439)	332,390
Depreciation of capital assets				121,053
Amortization of intangible assets				14,781
Finance costs - interest				51,132
Depreciation of right of use assets				21,971
Interest expense on right of use liabilities				3,106
Acquisition costs				6,217
Earnings before taxes				114,130
Current income tax expense				12,887
Deferred income tax expense				18,564
Net Earnings				$ 82,679
Net Earnings per share (basic)				$ 2.09
Adjusted Net Earnings				$ 100,866
Adjusted Net Earnings per share (basic)				$ 2.54

	Nine Months Ended September 30, 2021			
	Aerospace & Aviation	Manufacturing	Head Office (2)	Consolidated
Revenue	$ 655,929	$ 366,890	$ -	$ 1,022,819
Expenses (1)	445,865	313,244	23,251	782,360
Adjusted EBITDA	210,064	53,646	(23,251)	240,459
Depreciation of capital assets				104,480
Amortization of intangible assets				12,109
Finance costs - interest				37,384
Depreciation of right of use assets				18,202
Interest expense on right of use lease liabilities				2,488
Acquisition costs				1,508
Earnings before taxes				64,288
Current income tax expense				16,422
Deferred income tax expense				2,334
Net Earnings				$ 45,532
Net Earnings per share (basic)				$ 1.23
Adjusted Net Earnings				$ 57,985
Adjusted Net Earnings per share (basic)				$ 1.57

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 $1,516 million, an increase of $493 million, or 48% over the comparative period. The increase was driven by both of the Corporation's segments, with the Aerospace & Aviation segment increasing by $341 million over the prior period and the Manufacturing segment increasing by $152 million over the prior period.

Adjusted EBITDA of $332 million was generated by the Corporation during the period, an increase of $92 million or 38% over the prior period. The increase was attributable to both segments, as the Aerospace & Aviation segment increased by $39 million over the prior period and the Manufacturing segment increased by $57 million over the prior period. Head Office costs increased over the prior period as the Corporation invested additional resources in information technology, performance-based compensation increased, and the Corporation incurred costs associated with the inaugural Atik Mason Indigenous Pilot Pathway Program. The Corporation did not receive any government assistance during the second or third quarters of 2022, which in total during the period declined by $32 million from what was received in the prior period. Excluding the impact of subsidies in both periods, Adjusted EBITDA increased by 63% over the prior period.

The Corporation's results for the first quarter, which is always the seasonally slowest quarter for the Corporation, were materially impacted by the emergence of the Omicron variant, and were also impacted to a lesser extent at the beginning of the second quarter. As discussed in the three-month section above, a worldwide shortage of pilots is resulting in a slower return of demand for Regional One's aircraft lease portfolio. The financial impact on our airline operations was partially offset with continued support from the Manitoba and Ontario Provincial governments and the Government of Nunavut during the first three months of the period. While materially lower than in the prior period, this support ensured continued service to remote communities that otherwise would not be economical at times when our airlines were materially impacted by the pandemic. The demand for the products and services in the Aerospace & Aviation segment rebounded quickly and continue to trend closer to pre-pandemic levels. The Corporation's results benefitted from its acquisition activity in the second half of 2021 and first half of 2022, which contributed to the increase in revenue and Adjusted EBITDA.

Aerospace & Aviation Segment

Revenue generated by the Aerospace & Aviation segment increased by $341 million to $997 million.

Revenue in the Legacy Airlines and Provincial increased by $217 million or 43% over the prior period. The acquisitions of Carson Air and CTI in the prior year, and to a lesser extent the acquisition of APL partway through the second quarter of 2022, positively contributed to revenue in the current period. Demand for passenger services resulting from reduced travel restrictions in the second and third quarters of 2022, increased charter activity, and strong rotary wing and medevac operations positively contributed to the revenue generated in the period. This increase was partly offset by significantly lower government financial assistance compared to the prior period, which supported the continuation of essential service into remote northern communities where service was not economical in prior periods.

Regional One's revenues for the current year increased by $124 million or 85%. As seen in the table below, this was driven by significant increase in sales and service revenue and an increase in lease revenue over the prior period.

Regional One Revenue	Nine Months Ended September 30		**2022**		2021
Sales and service revenue		**$**	**245,047**	$	123,565
Lease revenue			**25,309**		22,599
		$	**270,356**	$	146,164

Sales and service revenue increased by 98% over the prior period. The sales of whole aircraft, engines, and parts were materially impacted during the prior period due to the pandemic, and Regional One has taken advantage of current market conditions to generate record levels of asset sales. Regional One saw a material recovery in larger asset sales during the period to levels well above pre-pandemic sales, which, combined with a material increase in part sales, drove the increase in sales and service revenue over the prior period. The sale of large assets varies on a period to period basis, but are generally higher dollar value transactions. As discussed in the three-month section above, the large number of asset sales has not led to a reduction of our net investment in Regional One. Regional One's business has been significantly impacted by COVID-19 as its business is dependent on the volume of passengers at traditional regional air carriers. As travel has slowly started to pick up around the world, most notably in the United States, Regional One is experiencing continuing growth compared to prior quarters impacted by the pandemic.

Lease revenue increased by $3 million or 12% over the prior period. The increase over the prior period reflects increased utilization of the Corporation's lease pool engines as Regional One deployed more engines from its portfolio as it saw increasing demand from customers. Regional One's lease revenues have been impacted by both the Omicron variant and the temporary capacity disruptions within the aviation industry, most notably a worldwide shortage of pilots. The Corporation has no lease revenue recorded for deferred lease payments during the period.

In the Aerospace & Aviation segment, Adjusted EBITDA increased $39 million or 18% to $249 million.

Adjusted EBITDA in the Legacy Airlines and Provincial increased by $9 million or 5% over the prior period. In the first quarter, increased revenues were outpaced by higher operating costs. Throughout 2021 the segment experienced strengthening of passenger demand since pandemic lows; however, passenger demand experienced a sharp decline with the emergence of Omicron in late 2021, which continued into the first quarter of 2022. Given the shorter cycle of the Omicron variant compared to earlier variants and the long-term strategy of retaining employees in a difficult labour market, infrastructure and labour costs were largely kept at pre-Omicron levels to accommodate for the anticipated rebound in passenger demand later in the year. As passenger volumes recovered later in the first quarter and continued to trend upward in the second quarter, the cost structure became more aligned with volumes. The impact of escalating fuel prices in the first and second quarters and other inflationary cost pressures throughout 2022 placed downward pressure on Adjusted EBITDA. Although certain contracts have embedded fuel cost escalation clauses, the contractual right to implement the fuel increase always lags in time compared to the initial increase in fuel prices. Furthermore, the Corporation benefitted from the acquisitions of Carson and CTI in July 2021 and December 2021, respectively, and to a lesser extent the acquisition of APL partway through the second quarter of 2022. Adjusted EBITDA in the Legacy Airlines and Provincial improved despite receiving $26 million less in government support compared to the prior period.

Adjusted EBITDA at Regional One increased by $30 million or 80% over the prior period. Consistent with the three-month discussion above, the increase in Adjusted EBITDA was primarily driven by a significant increase in aircraft, engine, and part sales. In addition, increased lease revenue positively impacted Adjusted EBITDA compared to the prior period.

Adjusted EBITDA margins for the segment were impacted by three notable differences compared to the prior period. First, CTI, acquired in December 2021, generates lower margins than those at our other Aerospace & Aviation segment subsidiaries as the capital requirements for the business are minimal, which is line with our expectations. Second, the rapid increase in fuel prices in the period temporarily reduced margins. While the Corporation has the capability to pass these on to customers through automatic changes to contract prices or through fuel price surcharges, there is a lag between when the Corporation experiences the fuel price increases and when the new pricing is realized from the customer. Also, as fuel price surcharges are a flow through to the customer to cover additional fuel costs experienced, Adjusted EBITDA margins will be lower until these newly implemented fuel price surcharges are no longer necessary. Finally, the $26 million reduction in government subsidies decreased Adjusted EBITDA margins as there were no associated costs with these subsidies. The combination of these three factors resulted in the percentage increase in revenue outpacing the percentage increase in Adjusted EBITDA.

Manufacturing Segment

The Manufacturing segment revenue increased by $152 million or 41% over the prior period to $519 million and Adjusted EBITDA increased by $57 million or 105% to $110 million. Excluding the impact of CEWS received in the prior period, the Manufacturing segment Adjusted EBITDA increased by 132%.

All our entities were impacted by the macroeconomic variables impacting businesses globally, including material price increases, supply chain deliveries, and labour challenges. The impacts for the nine-month period are consistent with those described in the three-month section above.

During the period, the Corporation completed its acquisition of Northern Mat, which increased revenue and Adjusted EBITDA compared to the prior period. Northern Mat, driven by several large projects, is experiencing well above historical demand for its leased mats and bridges and the utilization of these leased assets was nearing practical capacity as the quarter ended. Factors driving this performance are consistent with the three-month section above. To a lesser extent, the Manufacturing segment benefitted from the three tuck-in acquisitions completed in the prior period.

Consistent with the three-month section above, Quest has experienced temporary gaps in its production schedules that has resulted in lower results compared to the prior period, which included two of the strongest quarters in Quest's history. During the year, however, Quest has seen a return to strong demand for its products and services as its order backlog increased in each of the first, second and third quarters.

The balance of the segment collectively experienced an increase in revenue and Adjusted EBITDA for the same reasons described in the three-month section above.

NET EARNINGS

Nine Months Ended September 30,		**2022**		2021
Net Earnings	**$**	**82,679**	$	45,532
Net Earnings per share	**$**	**2.09**	$	1.23

Net Earnings was $83 million, an increase of $37 million or 82% over the prior period. The $92 million increase in Adjusted EBITDA during the current period increased Net Earnings. This increase was partially offset by several items. Depreciation on capital assets increased by $17 million over the prior period due to assets acquired through the Corporation's seven acquisitions over the last 12 months, investments made in Growth Capital Expenditures over the same period, and increased flying by the Corporation's airlines. Interest costs and acquisition costs increased over the prior period by $14 million and $5 million, respectively, due to the acquisition activity of the Corporation and increases in benchmark borrowing rates.

Income tax expense increased by $13 million due to increased earnings before tax compared to the prior period. The Corporation's effective rate of tax decreased compared to the prior period as losses in lower tax rate jurisdictions were a lower proportion of the Corporation's earnings before tax in the current period.

Net Earnings per share increased by 70% over the prior period to $2.09 due to increased Net Earnings generated in the period. The weighted average number of shares increased by 7%, which partially offset the increased Net Earnings. 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)*

Nine Months Ended September 30,		**2022**		2021
Net Earnings	**$**	**82,679**	$	45,532
Acquisition costs (net of tax $438 and nil)		**5,779**		1,508
Amortization of intangible assets (net of tax $3,991 and $3,269)		**10,790**		8,840
Interest accretion on acquisition contingent consideration (net of tax of nil and nil)		**-**		214
Accelerated interest accretion on redeemed debentures (net of tax $599 and $700)		**1,618**		1,891
Adjusted Net Earnings	**$**	**100,866**	$	57,985
per share - Basic	**$**	**2.54**	$	1.57
per share - Diluted	**$**	**2.41**	$	1.53

Adjusted Net Earnings was $101 million, an increase of $43 million or 74% over the prior period. Adjusted Net Earnings includes the add-back of acquisition-related costs, which are comprised of $11 million in intangible asset amortization and $6 million in acquisition costs, and the add-back of non-cash accelerated interest accretion on the early redemption of convertible debentures of $2 million (all net of tax).

Adjusted Net Earnings per share increased by 62% to $2.54 over the prior period due to higher Adjusted Net Earnings generated in the period. The weighted average number of shares increased by 7%, which partially offset the increased Adjusted Net Earnings. 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)*

FREE CASH FLOW Nine Months Ended September 30,		**2022**		2021
Cash flows from operations	**$**	**165,327**	$	206,035
Change in non-cash working capital items		**100,409**		(18,240)
Acquisition costs (net of tax $438 and nil)		**5,779**		1,508
Principal payments on right of use lease liabilities		**(22,023)**		(17,578)
	$	**249,492**	$	171,725
per share - Basic	**$**	**6.29**	$	4.65
per share - Diluted	**$**	**5.46**	$	4.14

The Free Cash Flow generated by the Corporation during the period was $249 million, an increase of $78 million, or 45% over the prior period. The main reason for this increase is the $92 million increase in Adjusted EBITDA and lower current taxes, which was partially offset by increased borrowing costs and increased principal payments on right of use lease liabilities. Free Cash Flow is discussed further in *Section 12 – Non-IFRS Financial Measures and Glossary*.

Because of the increase in Free Cash Flow described above, Free Cash Flow on a basic per share basis increased by 35% to $6.29 The weighted average number of shares increased by 7%, which partially offset the increased Free Cash Flow. Details around the increase in shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

Changes in non-cash working capital are included in cash flow from operations per the Statement of Cash Flow and are removed in the reconciliation to Free Cash Flow. As a result, it has no impact on the calculation of Free Cash Flow. A detailed discussion of changes in working capital is included in *Section 3 – Investing Activities*.

3. INVESTING ACTIVITIES

Investment through the acquisition of new businesses, the purchase of capital assets, and investment in working capital to maintain and grow our existing portfolio of subsidiaries is a primary objective of the Corporation.

ACQUISITIONS

Northern Mat and Bridge

On May 10, 2022, the Corporation acquired the shares of Northern Mat. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to the same condition as before the project began construction.

The components of the consideration paid to acquire Northern Mat are outlined in the table below.

Consideration given:		
Cash	**$**	**290,000**
Issuance of 863,256 shares of the Corporation at $40.54 per share		**35,000**
Working capital settlement, including amount paid on close and estimated final payment		**14,489**
Contingent consideration - earn out		**4,465**
Total purchase consideration	**$**	**343,954**

Advanced Paramedic Ltd.

On May 10, 2022, the Corporation acquired the shares of APL. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, Indigenous, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with Alberta Health Services. The acquisition of APL is strategic to EIC to further strengthen our leading medevac position throughout Canada.

The components of the consideration paid to acquire APL are outlined in the table below.

Consideration given:		
Cash	**$**	**13,000**
Issuance of 49,326 shares of the Corporation at $40.54 per share		**2,000**
Estimated working capital settlement		**257**
Total purchase consideration	**$**	**15,257**

CAPITAL EXPENDITURES

	Three Months Ended September 30, 2022			
CAPITAL EXPENDITURES	**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$ 35,138**	**$ 8,584**	**$ 101**	**$ 43,823**
Growth Capital Expenditures	**17,395**	**9,660**	**-**	**27,055**
	$ 52,533	**$ 18,244**	**$ 101**	**$ 70,878**

	Three Months Ended September 30, 2021			
CAPITAL EXPENDITURES	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$ 23,422	$ 1,225	$ -	$ 24,647
Growth Capital Expenditures	39,859	83	-	39,942
	$ 63,281	$ 1,308	$ -	$ 64,589

	Nine Months Ended September 30, 2022			
CAPITAL EXPENDITURES	**Aerospace & Aviation**	**Manufacturing**	**Head Office**	**Total**
Maintenance Capital Expenditures	**$ 99,231**	**$ 14,165**	**$ 236**	**$ 113,632**
Growth Capital Expenditures	**59,914**	**15,818**	**798**	**76,530**
	$ 159,145	**$ 29,983**	**$ 1,034**	**$ 190,162**

	Nine Months Ended September 30, 2021			
CAPITAL EXPENDITURES	Aerospace & Aviation	Manufacturing	Head Office	Total
Maintenance Capital Expenditures	$ 64,269	$ 3,156	$ 52	$ 67,477
Growth Capital Expenditures	95,187	1,283	-	96,470
	$ 159,456	$ 4,439	$ 52	$ 163,947

Maintenance Capital Expenditures for the nine month period ended September 30, 2022, increased by 68% over the prior period. Maintenance Capital Expenditures for the Corporation's airlines are generally weighted more towards the first half of the year as heavy overhauls and engine maintenance events are scheduled at a time when demand is lowest in the airline subsidiaries. In the current period, due to the Omicron induced impacts and the rapid increase in demand for our airlines' services, some of these events were performed later in the year. During the period, the Corporation's airline subsidiaries performed more Maintenance Capital Expenditures as our flight hours increased over the prior period as we continue to trend towards more normal passenger volumes. In addition, the recent acquisition activity both in the second half of 2021 and the first half of 2022 has added to Maintenance Capital Expenditures as there is no comparative in the prior period.

Aerospace & Aviation Segment

Maintenance Capital Expenditures for the Legacy Airlines and Provincial for the three and nine months ended September 30, 2022, were $30 million and $79 million, respectively, an increase of 65% and 42%, respectively, over the prior period. Increased levels of flying and the trend towards more normal passenger volumes in 2022 necessitated a return to more typical maintenance schedules. During the three and nine months ended September 30, 2022, the Legacy Airlines and Provincial invested $24 million and $76 million, respectively, in Growth Capital Expenditures. The investments made by Provincial relate to aircraft modifications in preparation for the Netherlands Coast Guard ISR contract which were completed during the third quarter and increased capacity within its airline operations to meet growing demand as passenger volumes are now above pre-pandemic levels. Growth Capital Expenditures made by the Legacy Airlines are primarily related to aircraft and hangars to increase capacity in our passenger, cargo, medevac, and rotary wing operations.

Regional One's Maintenance Capital Expenditures for the three and nine months ended September 30, 2022, were $5 million and $20 million, respectively, a decrease of less than $1 million and an increase of $11 million, respectively. In the current period, Regional One made investments to prepare certain engines within its portfolio for lease as demand for engines is recovering more quickly than for whole aircraft. The COVID-19 pandemic has left Regional One's fleet of aircraft and engines underutilized, 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 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 is currently underutilized, the historical approach is not currently 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 impact of the COVID-19 pandemic wanes and the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures. All purchases of new assets, net of disposals and transfers to inventory, will be reflected as Growth Capital Expenditures during this time.

The table below provides a summary of the fleet of assets in Regional One's lease portfolio.

Regional One Lease Portfolio	**September 30, 2022**		December 31, 2021	
	Aircraft	**Engines**	Aircraft	Engines
Lease portfolio	**54 (1)**	**89**	64 (1)	81

Note 1) The aircraft total above includes 9 airframes (December 31, 2021 – 10 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 Regional One lease portfolio is comprised of several different types of aircraft and engines, but the predominant platforms are the Bombardier CRJ aircraft, the GE CF34 engines that are used on those aircraft, the Embraer ERJ aircraft, and the Dash-8 Q400 aircraft. Regional One is not a traditional leasing company as its earnings are not derived solely from a financing spread. It generates cash flows from acquiring assets and leasing them out, but once the available green time on the assets is consumed and the aircraft have been retired from the active fleet, the assets are sold or parted out to generate further cash flows. It is important to note not all the aircraft and engines in the portfolio will be on lease at any given time.

During the three and nine months ended September 30, 2022, Regional One had Growth Capital Expenditures of negative $7 million in the three month period and negative $16 million in the nine month period. During the period, Regional One had significant demand for its aircraft and engines and took advantage by selling some assets within its portfolio. Due to the inherent nature of the timing of sales and purchases, Regional One has not yet replaced these assets in the lease portfolio. More than offsetting the negative Growth Capital Expenditures during the period, Regional One's inventory and prepaid deposits have increased $24 million and $21 million, respectively, in 2022, representing continued investments in its portfolio of assets for resale and deposits made on capital asset purchases. In addition, Regional One has made several investments with joint venture partners to acquire aircraft and engines. These investments are made with partners so that Regional One is able to access investment opportunities in which they otherwise would not be able to participate.

Prior to the onset of the pandemic, Growth Capital Expenditures at Regional One 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. Starting in the second quarter of 2020, Growth Capital Expenditures represent the purchases of new 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 Manufacturing segment primarily relate to the investment in Northern Mat's pool of rental mats and bridges, and the replacement of production equipment, or components of that equipment. Continued reinvestment in the rental mats and bridges at Northern Mat is required to maintain cash flows at current levels, represented by depreciation, as the useful life of the assets are consumed by lessees. Certain manufacturing assets have long useful lives and therefore can last for many years before requiring replacement or significant repair, which can result in significant variability from year to year.

For the three and nine months ended September 30, 2022, Maintenance Capital Expenditures of $9 million and $14 million, respectively, were made by the Manufacturing segment, an increase of $7 million and $11 million, respectively, over the prior period. The increase over the prior period is mostly attributable to the acquisition of Northern Mat and to a lesser extent investments made by the tuck-in acquisitions made in the second half of 2021, for which there is no comparative in the prior period.

For the three and nine months ended September 30, 2022, Growth Capital Expenditures of $10 million and $16 million, respectively, were made by the Manufacturing segment. The investments were almost entirely made at Northern Mat to increase its fleet of rental mats and bridges to support a surge in customer demand.

INVESTMENT IN WORKING CAPITAL

During the nine months ended September 30, 2022, the Corporation invested $100 million into working capital to support several growth initiatives and increased revenues, as discussed further below. Details of the investment in working capital are included in Note 16 and the Statement of Cash Flows in the Corporation's Consolidated Financial Statements.

During the second quarter, the Corporation's rotary wing operations made a deposit on an order of helicopters that are tied to the Corporation's bid on a significant 10-year rotary wing medical contract in Canada for which the Corporation is not the incumbent. If the Corporation is unsuccessful in its bid for this contract, the deposit will be returned to the Corporation in a future period. This deposit increased prepaid expenses and deposits by $27 million.

Regional One made deposits on a number of capital assets to add to its lease portfolio that are currently recorded in prepaid expenses and deposits. This resulted in an investment in working capital during the period of $21 million. These deposits, assuming Regional One completes the transactions, will be recorded as capital assets at the time of the purchase. If the transactions are not completed, the funds will be returned in future periods.

In addition to the deposits at Regional One, Regional One also made investments in its inventory during the period in two ways. First, several whole aircraft and engines were purchased for resale as Regional One continues to take advantage of current market conditions that has seen large asset sales significantly increase compared to prior periods. Second, several assets have been removed from the lease portfolio and parted out, which will serve to increase part sales in the future. The combined impact of these two factors resulted in an investment in working capital of $24 million. These investments more than offset the negative Growth Capital Expenditures experienced during the period, resulting in a net investment in Regional One during the period.

The Corporation's subsidiaries, most notably in the Manufacturing segment, have looked to mitigate supply chain disruptions where possible through the advanced purchase of raw materials. These advanced purchases resulted in increased inventory compared to December 31, 2021 and will be rightsized over time as the supply chains normalize and the Corporation manages its inventory to a level that reflects its business volumes at that time. In addition, some of the investment in inventory in the Manufacturing segment is attributable to Northern Mat to support materially higher business volumes since it was acquired. In the Manufacturing segment, where most of the advanced purchases are being made, inventory increased by $21 million to mitigate the impact of supply chain disruptions and meet the increased demand for the segment's products and services.

The Corporation's revenue has increased as discussed in *Section 2 – Results of Operations*. The Corporation's revenue in the fourth quarter of 2021 was $390 million compared to $587 million in the third quarter of 2022. This increase in revenue has necessitated an investment in working capital during the 2022 period to support the increase in business volumes, which was mostly offset by cash management strategies in other areas.

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**	**2022 Dividends Amount**	Record date	Per Share	2021 Dividends Amount
January	January 31, 2022	$ **0.19**	$ **7,366**	January 29, 2021	$ 0.19	$ 6,744
February	February 28, 2022	**0.19**	**7,372**	February 26, 2021	0.19	6,748
March	March 31, 2022	**0.19**	**7,382**	March 31, 2021	0.19	6,755
April	April 29, 2022	**0.19**	**7,387**	April 30, 2021	0.19	7,146
May	May 31, 2022	**0.20**	**7,965**	May 31, 2021	0.19	7,189
June	June 30, 2022	**0.20**	**7,982**	June 30, 2021	0.19	7,198
July	July 29, 2022	**0.20**	**7,990**	July 30, 2021	0.19	7,218
August	August 31, 2022	**0.21**	**8,395**	August 31, 2021	0.19	7,231
September	September 29, 2022	**0.21**	**8,898**	September 30, 2021	0.19	7,247
Total		**$ 1.78**	**$ 70,737**		$ 1.71	$ 63,476

Dividends declared for the nine months ended September 30, 2022, increased over the prior period. The increase was primarily driven by three items. First, the issuance of shares as part of the acquisitions in the second half of 2021 as well as the acquisitions of Northern Mat and APL in the second quarter of 2022. Second, the Corporation increased its dividend rate by 5% for the May 2022 dividend and increased the rate for a second time in 2022 by 5% for the August 2022 dividend. Third, the Corporation closed a bought deal offering of common shares in September 2022, increasing the number of shares outstanding. Further information on shares outstanding can be found in *Section 6 – Liquidity and Capital Resources*.

The Corporation uses both an earnings-based payout ratio (Adjusted Net Earnings) and a cash flow-based payout ratio (Free Cash Flow less Maintenance Capital Expenditures) to assess its ability to pay dividends to shareholders. Both methods of calculating the payout ratio provide an indication of the Corporation's ability to generate enough funds from its operations to pay dividends. See *Section 12 – Non-IFRS Financial Measures and Glossary* for more information on Non-IFRS measures.

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

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

The Corporation analyzes its payout ratios on a trailing twelve-month basis when assessing its ability to pay and increase dividends. The use of a longer period reduces the impact of seasonality on the analysis. The first quarter of the fiscal year is always the most seasonally challenging for the Corporation. Winter roads into northern communities lessen the demand for the Corporation's 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. 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.

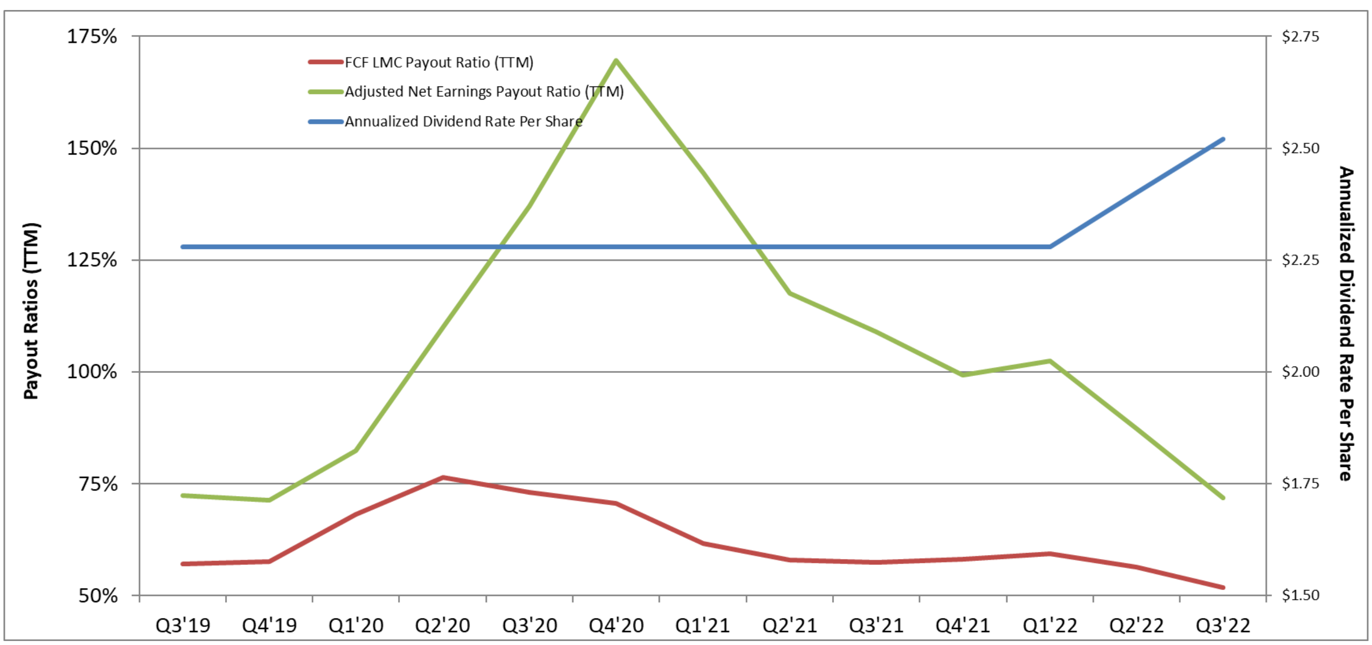
Payout Ratios

Basic per Share Payout Ratios for the Corporation	**2022**		2021	
Periods Ended September 30	**Three Months**	**Trailing Twelve Months**	Three Months	Trailing Twelve Months
Adjusted Net Earnings	**46%**	**72%**	78%	109%
Free Cash Flow less Maintenance Capital Expenditures	**36%**	**52%**	45%	57%

The trailing twelve month Adjusted Net Earnings payout ratio improved from 109% at September 30, 2021, to 72% at September 30, 2022, due to improved performance from executing on investments made in previous periods. In addition, the trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio improved from 57% to 52% at September 30, 2022. The rate of improvement in the Adjusted Net Earnings payout ratio is higher than for the Free Cash Flow less Maintenance Capital Expenditures payout ratio because depreciation on capital assets has not increased at the same rate as Maintenance Capital Expenditures as the Corporation's lease fleet continues to be depreciated at a quicker rate than the green time is being consumed. See *Section 3 – Investing Activities* for more information on Maintenance Capital Expenditures. The trailing twelve month Free Cash Flow less Maintenance Capital Expenditures payout ratio at September 30, 2022, is the lowest in the Corporation's history.

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 three quarters of 2022 have, by any meaningful measure, been among the best in the company's existence. And while we go to great lengths to explain what is driving the results, the fundamental reasons for the success are quite simple and go back to our core values. We have acquired great companies, at reasonable valuations, in diverse industries and have invested in their futures. This is the very essence of the phrase, "Plant now, harvest later".

In times of economic instability such as we have experienced over the past few years, having a diversified portfolio of companies has been a cornerstone of our ability to not only survive, but to thrive. It will also be key to our future success. Depending on what is happening in the world, the changing economic and social tides can create headwinds for some companies, but also present opportunities for others. Even in times of relative stability, it would be extremely rare for all our subsidiaries to be operating at peak performance simultaneously. Conversely, it would also be an exceptional circumstance for all of them to be performing poorly at the same time. Our diversification is fundamental to the sustainability of our company and the dividends we generate.

Understanding our seasonality is important when examining our results and anticipating the future. Our third quarter is historically our strongest, while our first quarter is our weakest, with the second and fourth quarters falling somewhere in between these goalposts. So, when looking forward, it is important to consider the impacts of changes on a year over year basis, not necessarily sequentially quarter to quarter.

Our Aerospace & Aviation segment has performed remarkably well as it has rebounded from the pandemic's lingering effects. We also know that some of the challenges we are currently facing are due to economic or social issues that will inevitably be resolved over time. However, some of these changes will take longer to materialize than others so the timing can be difficult to project. What we do know is that they will eventually happen and EIC will be ready to capitalize. Here are a few examples of performance improvements we expect to see.

Increasing fuel costs have certainly tested not only us but the entire aviation industry. We have been able to mitigate some of this impact through the implementation of fuel price surcharges. The nature of these surcharges is that they generally lag in timing relative to the rate of increase in the fuel prices as some of them are based on prior-quarter fuel prices. As fuel prices stabilize and gradually reduce, the lag in the timing of changes to the fuel surcharge will lead to a more complete recovery of the fuel cost increases.

The return to historical passenger volumes in our Legacy Airlines operations, particularly in Nunavut and Central Canada, has been impacted by a backlog in diagnostic and medical procedures resulting from the pandemic that has strained the medical system beyond its current capacity. Over time, this backlog will be reduced, freeing up resources and allowing for a return to normal levels of medical travel from the north to the south.

The global shortage of qualified pilots will continue to have a drag on Regional One's leasing business until such time pilot supply is sufficient for airlines to utilize smaller jets on appropriate routes. The number of pilots that have retired in the past few years has significantly exceeded the number of qualified pilots to replace them. This has caused airlines to react to the strong customer demand coming out of the pandemic by utilizing larger gauge aircraft to transport more passengers on fewer flights. We recognize that it will take some period of time for new pilots to enter the system and get trained to the necessary level to build up the pool of qualified pilots. As this pool is replenished, we anticipate that airlines will resume flying smaller gauge, regional jets which is the area in which Regional One specializes. Thus, in the short term, we expect a recovery that will take several quarters longer than previously anticipated.

The first of two modified ISR aircraft to the Netherlands Coast Guard has been delivered and is in service. The second aircraft will be delivered and performing missions later in the fourth quarter. This is an exciting development in Provincial's ISR offerings and provides its first base within Europe as it looks for continued growth in this space.

The Manufacturing segment achieved tremendous results in the third quarter. This was driven largely by the acquisition of Northern Mat, which has achieved results in the upper end of the range of expected performance, and further by the performance of the other manufacturing companies we have acquired in the last 12 months. Telcon and Ryko have expanded WesTower's product offering and allowed the company to expand into new markets as well as further increase their product and service offerings to current customers. The addition of Macfab at Ben Machine has given the company the capacity to accept jobs that it would have otherwise had to pass on.

Northern Mat's performance has been positively impacted by a confluence of factors, some of which sparked demand for its products and services and others that have created a scarcity of supply. There have been a number of long, linear projects that require mats for both pipeline and hydroelectricity projects. Construction of the pipelines requires industrial mats to bring in people and equipment while protecting the environment. Similarly, mats are needed for the same reasons to develop transmission lines to carry electricity from hydroelectric generating stations being constructed in the northern part of central Canada. Additionally, the long-term prospects look bright in other industry sectors as well, such as forestry and mining, and demand has increased in the oil and gas sector as a result of the increase in activity in Western Canada. Consequently, we see demand for industrial mats remaining strong.

From a supply perspective, the industry is currently experiencing a shortage of industrial mats. During the pandemic, the demand for mats slowed and many companies chose not to invest in new or replacement mats at their usual levels. In addition, lumber supplies are very tight and the fibre used in the production of mats is difficult to obtain, meaning that it is difficult to manufacture or procure new mats. Compounding this, lumber prices for the fibre used in the production of its mats are exceptionally high so any mats that are being produced are expensive, and this higher cost is reflected in sale and rental prices.

We realize that this convergence of events for Northern Mat has created a “perfect storm” in the market. We do not presently see any reductions in demand as the pipelines and transmission line are long, linear projects that will take time to complete. As for product supply and cost, we understand that supply will eventually increase and there will be a pull back to the norm at some point, but we are unsure when that may be. It is also important to note that Northern Mat’s business is seasonal and while profitable year-round, follows a pattern which is similar to EIC as a whole. The first quarter is the slowest for the company as frozen ground and limited winter projects reduce demand for mats and bridges. As the spring thaw hits, demand expands, and results improve in the second quarter before peaking in the third quarter, which is the strongest period of the year. The fourth quarter starts strong before weakening after freeze up. As such, it would not be accurate to extrapolate any quarter as a proxy for the whole year, especially the first or third which are the low and the high, respectively. With this seasonality, it is expected that Northern Mat’s results for the fourth quarter will not be as strong as they were in the third quarter.

Quest’s operations have performed in line with our current expectations. As anticipated, gaps in the production schedule caused by project delays resulting from the pandemic persist. Looking ahead, we have not seen higher interest rates significantly impact demand, as evidenced by Quest’s backlog, which continued to grow in the third quarter and sits at a record high. One trend we have noticed, likely caused by the higher cost of borrowing, is that developers are shifting their planned projects to rental properties from condominiums to allow those who cannot afford a mortgage at these rates to access their units.

Having a full backlog will eventually result in Quest being able to operate at a more consistent, full capacity, reducing costs and increasing output. Aluminum pricing appears to have stabilized and is slowly coming down, which is an encouraging development. Supply chain issues appear to be levelling off but we are not able to forecast when they will return to normal at this time.

The acquisition pipeline continues to be very robust and rising interest rates have proved to be beneficial for us in the acquisition process in a couple of ways. Many of our competitors for acquisitions are more heavily impacted by the increasing interest rates, as they utilize a different capitalization model than we do, with higher leverage and higher-risk mezzanine debt. This debt has increased more rapidly and is harder to access now. As a result, EIC can increase our competitive advantage by providing deal certainty by utilizing our liquid balance sheet. Additionally, we are starting to see downward pressure on acquisition multiples for larger transactions. At present, we are actively pursuing opportunities in aviation, manufacturing, and the industrial matting industries.

The results of the past several quarters clearly demonstrate the resilience of our businesses, the value of our diversification and the validity of our business model. The acquisitions and investments we have made throughout the last several years have pushed us on an upward trajectory that is clearly sustainable. For 2022, we are projecting that our Adjusted EBITDA will fall at or above the top end of the previously issued guidance of between $435 and $445 million. Furthermore, we are increasing our guidance for Adjusted EBITDA for 2023 from $500 to $530 million to between $510 and $540 million.

Capital Expenditures

Maintenance Capital Expenditures, which are necessary to maintain the earning power of our subsidiaries, have increased in line with the increased scope of our operations over the last number of years. Within our Legacy Airlines and Provincial, the magnitude of expenditures fluctuates with the flight hours. As the recovery within our airlines from the pandemic has continued resulting in increased flight hours, this has required additional maintenance reinvestment. We anticipate Maintenance Capital Expenditures for the fourth quarter of 2022 to be similar to those experienced in the third quarter. Although our Maintenance Capital Expenditures are typically weighted more to the front half of the year, the onset of Omicron late in 2021 and into 2022 delayed some of the maintenance activity to later in 2022. In addition, the acquisition of eight businesses since the pandemic began and the capacity added in our aviation business to support our growth contribute to the overall future maintenance investments required.

Regional One’s fleet of leased aircraft are not flying as much as they were prior to the pandemic. Therefore, green time is not being consumed at the same rate on these aircraft. As a result, starting with the second quarter of 2020, the actual capital expenditures on assets already owned are being used as the costs of maintaining the fleet. This will continue until such time as the fleet utilization again warrants the use of depreciation as a proxy for Maintenance Capital Expenditures.

Within the Manufacturing segment, we anticipate higher levels of Maintenance Capital Expenditures resulting from the growth in the segment through the significant acquisition activity over the last 12 months.

Provincial will continue to invest in Growth Capital Expenditures to support its ongoing contracts in Curacao and for FWSAR, which includes the construction of a new hangar in Winnipeg. The Legacy Airlines expect to incur Growth Capital Expenditures to support charter and passenger operations as well as to bolster its medevac capacity. Additional Growth Capital Expenditures will be directed towards any opportunities to acquire large assets that Regional One identifies.

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 2021, strengthening its balance sheet as the Corporation prepared for future growth. During 2022, the Corporation completed an upsize and extension of its credit facility and completed a bought deal common share offering. The proceeds from the equity offering were used to repay indebtedness under the credit facility. 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. 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.

During the fourth quarter of 2021, the Corporation completed a convertible debenture offering, generating gross proceeds of $115 million. The net proceeds of this offering were temporarily used to repay indebtedness under its senior credit facility, and during the first quarter of 2022, were deployed to redeem its convertible debenture series maturing December 31, 2022. As a result of this redemption, the Corporation does not have any debt maturities until June 30, 2025. This provides exceptional flexibility while giving the Corporation the capital to invest for future growth.

As at September 30, 2022, the Corporation's key financial covenant for its credit facility is its senior leverage ratio, and its facility allows for a maximum of 4.0x. The Corporation's current leverage ratio as calculated under the terms of the facility is 2.48x, with the decrease compared to the second quarter of 2022 largely attributable to the performance of our underlying businesses and the common share offering net proceeds being used to repay long-term debt. The Corporation's leverage ratio would have declined further but for the material strengthening in the US dollar near the end of September 2022. This increased the converted value of the Corporation's US dollar debt without having as significant of an impact on the translation of the Corporation's US dollar denominated Adjusted EBITDA.

As at September 30, 2022, the Corporation has liquidity of approximately $951 million through cash on hand, its credit facility, and the credit facility accordion feature, which when combined with strong Free Cash Flow, maintains the Corporation's very strong liquidity position.

As at September 30, 2022, the Corporation had a cash position of $97 million (December 31, 2021 - $75 million) and a net working capital position of $513 million (December 31, 2021 - $225 million) which represents a current ratio of 2.03 to 1 (December 31, 2021 – 1.47 to 1). The current ratio is calculated by dividing current assets by current liabilities, as presented on the Statement of Financial Position. The current year working capital has been impacted primarily by two factors. First, the Corporation made investments in working capital during the year as discussed in *Section 3 – Investing Activities.* Second, the acquisitions of Northern Mat and APL increased working capital during 2022. The current ratio in the prior year is impacted by the presentation of the convertible debentures due December 31, 2022, as a current liability, which were redeemed in the first quarter of 2022.

Overview of Capital Structure

The Corporation's capital structure is summarized below.

		September 30 2022		December 31 2021
Total senior debt outstanding (principal value)	$	**1,244,470**	$	710,681
Convertible debentures outstanding (par value)		**425,500**		525,500
Common shares		**1,014,919**		852,821
Total capital	$	**2,684,889**	$	2,089,002

Credit facility

The size of the Corporation's credit facility as at September 30, 2022, is approximately $1.75 billion, with $1.45 billion allocated to the Corporation's Canadian head office and US $250 million allocated to EIIF Management USA, Inc. The facility allows for borrowings to be denominated in either Canadian or US funds. As of September 30, 2022, the Corporation had drawn $190 million and US $769 million (December 31, 2021 - $190 million and US $411 million).

On May 10, 2022, the Corporation amended its credit facility. The enhanced credit facility increased to approximately $1.75 billion from approximately $1.3 billion and extended its term to May 10, 2026. 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 $511 million since December 31, 2021. The increase is primarily attributable to the acquisitions of Northern Mat and APL, which combined included cash purchase consideration of $318 million, and the redemption of the convertible debentures that were set to mature in December 2022 in the principal amount of $100 million. The December 31, 2021 long-term debt, net of cash, was temporarily lower as the funds raised from a convertible debenture offering in December 2021 were used to repay the credit facility until being deployed in the first quarter of 2022 to redeem these debentures. The remaining increase is attributable to the investments in Growth Capital Expenditures and 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 September 30, 2022, US $443 million (December 31, 2021 – US $122 million) of the Corporation's US denominated borrowings are hedged with these swaps.

Convertible Debentures

The following summarizes the convertible debentures outstanding as at September 30, 2022, and changes in the amounts of convertible debentures outstanding during the nine months ended September 30, 2022:

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 - December 2017	100,000	-	(8)	(99,992)	-
Unsecured Debentures - June 2018	80,500	-	-	-	80,500
Unsecured Debentures - March 2019	86,250	-	-	-	86,250
Unsecured Debentures - July 2021	143,750	-	-	-	143,750
Unsecured Debentures - December 2021	115,000	-	-	-	115,000
Total	$ 525,500	$ -	$ (8)	$ (99,992)	$ 425,500

During the first quarter of 2022, the Corporation redeemed its 5 year 5.25% convertible debentures which were due on December 31, 2022. The redemption of the debentures was completed with funds raised from the Corporation's issuance of its December 2021 5.25% convertible debenture offering. Prior to the redemption date of February 11, 2022, less than $1 million principal amount of debentures were converted into 155 common shares at a price of $51.50 per share. On February 11, 2022, the remaining outstanding debentures in the principal amount of $100 million were redeemed by the Corporation.

Share Capital

The following summarizes the changes in the shares outstanding of the Corporation during the nine months ended September 30, 2022:

	Date issued	Number of shares
Shares outstanding, beginning of period		38,740,389
Issued upon conversion of convertible debentures	various	155
Issued under dividend reinvestment plan (DRIP)	various	260,254
Issued under employee share purchase plan	various	41,793
Issued under deferred share plan	various	55,121
Issued to Northern Mat vendors on closing	May 10, 2022	863,256
Issued to APL vendors on closing	May 10, 2022	49,326
Prospectus offering, including over-allotment	September 2, 2022	2,362,100
Shares outstanding, end of period		42,372,394

On September 2, 2022, the Corporation closed a bought deal financing of common share, which, inclusive of the over-allotment exercised by the underwriters, resulted in 2,362,100 shares of the Corporation at $48.70 per share, for gross proceeds of approximately $115 million.

The Corporation issued 260,254 shares under its dividend reinvestment plan during the period and received $11 million for those shares in accordance with the dividend reinvestment plan.

The Corporation issued 41,793 shares under its Employee Share Purchase Plan during the period and received $2 million for those shares in accordance with the Employee Share Purchase Plan.

The Corporation issued shares to the vendors of Northern Mat and APL as part of the consideration paid on completion of the acquisitions. In total, 912,582 shares were issued, representing purchase price consideration of $37 million.

The weighted average shares outstanding during the three and nine months ended September 30, 2022, increased by 7% and 7%, respectively, 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 2021 and the third quarter of 2022, the Corporation's dividend reinvestment plan, and shares issued as part of the acquisitions of Carson, Macfab, Telcon, Ryko, CTI, Northern Mat, and APL throughout 2021 and 2022.

Normal Course Issuer Bid

On February 25, 2022, 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 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of 3,580,512 shares and daily purchases will be limited to 20,179 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 1, 2022, and ending on February 28, 2023. The Corporation can purchase a maximum of $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC, $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC, $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC; and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC, with daily purchases of principal amount, other than block purchase exceptions, limited to $7, $11, $70, and $60, 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 nine months ended September 30, 2022, 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 nine months ended September 30, 2022, are consistent with those described in the Corporation's MD&A for the year ended December 31, 2021.

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, 2021, except as noted below.

Measurement and Presentation of Capital Assets and Inventory

The Corporation manufactures access mats at Northern Mat. In addition, Northern Mat purchases bridges from third parties. Upon completion of the mats, or acquisition of the bridges, management must assess the intended use of those assets. If the asset will be rented to third parties, the asset is included within capital assets and depreciated over its useful life. If the asset will be sold to a third party, the asset is recorded in inventory. If management's intention for use of the mats and bridges changes from the initial classification, those assets are reclassified based on management's new intended use of the asset.

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 and nine months ended September 30, 2022, that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2021 annual consolidated financial statements and Note 3 of the Corporation's interim condensed consolidated financial statements for the three and nine months ended September 30, 2022.

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 September 30, 2022, and has concluded that the design of internal controls over financial reporting is effective.

CTI was acquired on December 16, 2021, APL was acquired on May 10, 2022, and Northern Mat was acquired on May 10, 2022. In accordance with section 3.3(1)(b) of National Instrument 52-109, management has limited the scope of its design of internal controls over financial reporting to exclude the controls at each of these entities as management has not completed its review of internal controls over financial reporting for these newly acquired companies. These entities had revenue of $218 million included in the consolidated results of the Corporation for the first nine months of 2022. As at September 30, 2022, these entities had current assets of $163 million, non-current assets of $398 million, current liabilities of $83 million, and non-current liabilities of $26 million.

There have been no material changes to the Corporation's internal controls during the 2022 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 disclosure controls and procedures were effective as at September 30, 2022.

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, 2021.

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

Purchases of inventory are not reflected in either Growth or Maintenance Capital Expenditures. Aircraft purchased for part out or resale or access mats constructed for resale are recorded as inventory and are not capital expenditures. If a decision is made to take an asset out of either lease portfolio and either sell it or part it out, the net book value is transferred from capital assets to inventory. 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:

			2022				2021		2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 586,770**	**$ 529,017**	**$ 400,226**	$ 390,327	$ 400,003	$ 322,070	$ 300,746	$ 301,710	$ 297,286
Adjusted EBITDA	**150,379**	**115,055**	**66,956**	89,421	95,276	81,061	64,122	81,971	83,235
Net Earnings	**48,936**	**29,990**	**3,753**	23,056	21,899	16,506	7,127	13,479	17,244
Basic	**1.20**	**0.76**	**0.10**	0.61	0.58	0.44	0.20	0.38	0.49
Diluted	**1.09**	**0.73**	**0.09**	0.59	0.56	0.43	0.20	0.37	0.48
Adjusted Net Earnings	**54,530**	**38,501**	**7,835**	28,027	27,653	19,781	10,551	18,847	20,626
Basic	**1.34**	**0.98**	**0.20**	0.74	0.73	0.53	0.30	0.53	0.59
Diluted	**1.20**	**0.90**	**0.20**	0.71	0.71	0.52	0.29	0.52	0.57
Free Cash Flow ("FCF")	**112,832**	**89,251**	**47,409**	71,592	72,811	57,289	41,638	59,497	57,886
Basic	**2.77**	**2.26**	**1.22**	1.88	1.91	1.54	1.17	1.68	1.64
Diluted	**2.38**	**1.95**	**1.10**	1.62	1.69	1.37	1.06	1.48	1.45
FCF less Maintenance Capital Expenditures	**69,009**	**47,356**	**19,496**	42,906	48,164	36,523	19,574	41,270	44,350
Basic	**1.70**	**1.20**	**0.50**	1.13	1.27	0.98	0.55	1.17	1.26
Diluted	**1.49**	**1.09**	**0.49**	1.02	1.17	0.91	0.54	1.05	1.23
Maintenance Capital Expenditures	**43,823**	**41,895**	**27,913**	28,686	24,647	20,766	22,064	18,227	13,536
Growth Capital Expenditures	**27,055**	**41,308**	**8,168**	34,497	39,942	33,996	22,532	14,434	6,807

ADDITIONAL INFORMATION
Additional information relating to the Corporation is on SEDAR at www.sedar.com.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	September 30 2022	December 31 2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 97,397	$ 75,408
Accounts receivable	429,594	301,767
Amounts due from customers on construction contracts	30,332	27,705
Inventory	348,587	255,451
Prepaid expenses and deposits	101,825	40,127
Income taxes receivable	3,760	-
	1,011,495	700,458
OTHER ASSETS (Note 7)	149,399	66,658
CAPITAL ASSETS	1,241,529	1,070,573
RIGHT OF USE ASSETS	144,057	83,439
INTANGIBLE ASSETS	174,605	180,664
GOODWILL	739,573	486,875
	$ 3,460,658	$ 2,588,667
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 366,052	$ 267,635
Income taxes payable	-	4,577
Deferred revenue	66,255	53,171
Amounts due to customers on construction contracts	37,244	30,556
Current portion of convertible debentures	-	98,808
Current portion of right of use lease liability	29,350	20,603
	498,901	475,350
DEFERRED REVENUE	540	1,857
OTHER LONG-TERM LIABILITIES	26,435	16,271
LONG-TERM DEBT (Note 8)	1,240,529	707,611
CONVERTIBLE DEBENTURES (Note 9)	398,166	393,408
LONG-TERM RIGHT OF USE LEASE LIABILITY	121,208	69,397
DEFERRED INCOME TAX LIABILITY	156,866	124,498
	2,442,645	1,788,392
EQUITY		
SHARE CAPITAL (Note 10)	1,014,919	852,821
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	14,017	17,607
CONTRIBUTED SURPLUS	16,635	13,046
DEFERRED SHARE PLAN	15,506	16,010
RETAINED EARNINGS		
Cumulative Earnings	650,891	568,212
Cumulative Dividends	(733,056)	(662,319)
Cumulative impact of share cancellation under the NCIB	(26,122)	(26,122)
	952,790	779,255
ACCUMULATED OTHER COMPREHENSIVE INCOME	65,223	21,020
	1,018,013	800,275
	$ 3,460,658	$ 2,588,667

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)

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2022**	2021	**2022**	2021
REVENUE				
Aerospace & Aviation	**$ 363,412**	$ 274,852	**$ 997,358**	$ 655,929
Manufacturing	**223,358**	125,151	**518,655**	366,890
	586,770	400,003	**1,516,013**	1,022,819
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**221,776**	156,224	**640,085**	366,805
Manufacturing expenses - excluding depreciation and amortization	**141,837**	96,714	**356,068**	277,046
General and administrative	**72,778**	51,789	**187,470**	138,509
	436,391	304,727	**1,183,623**	782,360
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**150,379**	95,276	**332,390**	240,459
Depreciation of capital assets	**44,686**	38,798	**121,053**	104,480
Amortization of intangible assets	**6,164**	3,790	**14,781**	12,109
Finance costs - interest	**21,069**	14,815	**51,132**	37,384
Depreciation of right of use assets	**8,024**	5,980	**21,971**	18,202
Interest expense on right of use lease liabilities	**1,419**	804	**3,106**	2,488
Acquisition costs	**1,313**	1,025	**6,217**	1,508
EARNINGS BEFORE INCOME TAXES	**67,704**	30,064	**114,130**	64,288
INCOME TAX EXPENSE				
Current	**8,142**	5,353	**12,887**	16,422
Deferred	**10,626**	2,812	**18,564**	2,334
	18,768	8,165	**31,451**	18,756
NET EARNINGS	**$ 48,936**	$ 21,899	**$ 82,679**	$ 45,532
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 1.20**	$ 0.58	**$ 2.09**	$ 1.23
Diluted	**$ 1.09**	$ 0.56	**$ 2.02**	$ 1.20

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

Exchange Income Corporation

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2022**	2021	**2022**	2021
NET EARNINGS	**$ 48,936**	$ 21,899	**$ 82,679**	$ 45,532
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax expense for the three months ended September 30 of nil and $10, respectively, and net of tax expense for the nine months ended September 30 of nil and $1, respectively	**42,736**	17,155	**53,427**	950
Net loss on hedge of net investment in foreign operations net of tax recovery for the three months ended September 30 of nil and $240, respectively and net of tax recovery for the nine months ended September 30 of nil and nil, respectively	**(12,267)**	(5,347)	**(15,342)**	(573)
Net gain (loss) on hedge of restricted share plan, net of tax expense (recovery) for the three months ended September 30 of $(49) and $169, respectively and net of tax expense for the nine months ended September 30 of $23 and $225, respectively	**(134)**	459	**62**	611
Net gain on interest rate swap, net of tax expense for the three months ended September 30 of $411 and $188, respectively and net of tax expense for the nine months ended September 30 of $2,240 and $1,093, respectively	**1,110**	509	**6,056**	2,957
	31,445	12,776	**44,203**	3,945
COMPREHENSIVE INCOME	**$ 80,381**	$ 34,675	**$ 126,882**	$ 49,477

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	**Total**
Balance, January 1, 2021	$ 731,343	$ 13,214	$ 9,837	$ 16,893	$ 499,624	$ (576,932)	$ (26,122)	$ 18,089	$ 685,946
Shares issued to acquisition vendors	4,521	-	-	-	-	-	-	-	4,521
Prospectus offering	84,946	-	-	-	-	-	-	-	84,946
Converted into shares	1,119	(52)	-	-	-	-	-	-	1,067
Issued	-	4,241	-	-	-	-	-	-	4,241
Matured/Redeemed	-	(3,209)	3,209	-	-	-	-	-	-
Shares issued under dividend reinvestment plan	9,212	-	-	-	-	-	-	-	9,212
Shares issued under First Nations community partnership agreements	79	-	-	-	-	-	-	-	79
Deferred share plan vesting (Note 14)	-	-	-	971	-	-	-	-	971
Deferred share plan issuance	205	-	-	(205)	-	-	-	-	-
Shares issued under ESPP	1,554	-	-	-	-	-	-	-	1,554
Comprehensive income	-	-	-	-	45,532	-	-	3,945	49,477
Dividends declared(Note 11)	-	-	-	-	-	(63,476)	-	-	(63,476)
Balance, September 30, 2021	**$ 832,979**	**$ 14,194**	**$ 13,046**	**$ 17,659**	**$ 545,156**	**$ (640,408)**	**$ (26,122)**	**$ 22,034**	**$ 778,538**
Balance, January 1, 2022	$ 852,821	$ 17,607	$ 13,046	$ 16,010	$ 568,212	$ (662,319)	$ (26,122)	$ 21,020	**$ 800,275**
Shares issued to acquisition vendors	36,943	-	-	-	-	-	-	-	**36,943**
Prospectus offering, September 2022	110,976	-	-	-	-	-	-	-	**110,976**
Convertible debentures (Note 9)									
Converted into shares	7	(1)	-	-	-	-	-	-	**6**
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 10)	11,046	-	-	-	-	-	-	-	**11,046**
Deferred share plan vesting (Note 14)	-	-	-	832	-	-	-	-	**832**
Deferred share plan issuance	1,336	-	-	(1,336)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	1,790	-	-	-	-	-	-	-	**1,790**
Comprehensive income	-	-	-	-	82,679	-	-	44,203	**126,882**
Dividends declared (Note 11)	-	-	-	-	-	(70,737)	-	-	**(70,737)**
Balance, September 30, 2022	**$ 1,014,919**	**$ 14,017**	**$ 16,635**	**$ 15,506**	**$ 650,891**	**$ (733,056)**	**$ (26,122)**	**$ 65,223**	**$ 1,018,013**

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)

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2022**	2021	**2022**	2021
OPERATING ACTIVITIES				
Net earnings for the period	**$ 48,936**	$ 21,899	**$ 82,679**	$ 45,532
Items not affecting cash:				
Depreciation of capital assets	**44,686**	38,798	**121,053**	104,480
Amortization of intangible assets	**6,164**	3,790	**14,781**	12,109
Depreciation of right of use assets	**8,024**	5,980	**21,971**	18,202
Accretion of interest	**1,675**	4,355	**7,142**	7,903
Gain on disposal of capital assets	**(725)**	(120)	**(1,286)**	(3,736)
Deferred income tax expense	**10,626**	2,812	**18,564**	2,334
Deferred share program share-based vesting	**226**	301	**832**	971
	119,612	77,815	**265,736**	187,795
Changes in non-cash current and long-term working capital (Note 16)	**(14,620)**	20,607	**(100,409)**	18,240
	104,992	98,422	**165,327**	206,035
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**88,697**	160,084	**625,642**	182,932
Repayment of long-term debt (Note 8)	**(140,000)**	(137,000)	**(152,073)**	(226,151)
Long-term debt discount	**219**	13	**(312)**	11
Proceeds from issuance of convertible debentures, net of issuance costs (Note 9)	**-**	137,131	**-**	137,131
Payment of matured debentures	**-**	(67,881)	**(99,992)**	(67,881)
Principal payments on right of use lease liabilities	**(7,874)**	(6,042)	**(22,023)**	(17,578)
Issuance of shares, net of issuance costs	**113,683**	4,141	**122,311**	94,626
Cash dividends (Note 11)	**(25,283)**	(21,696)	**(70,737)**	(63,476)
	29,442	68,750	**402,816**	39,614
INVESTING ACTIVITIES				
Purchase of capital assets	**(89,390)**	(94,121)	**(261,555)**	(204,618)
Proceeds from disposal of capital assets	**23,810**	30,193	**77,730**	43,676
Purchase of intangible assets	**(5,298)**	(661)	**(6,337)**	(3,005)
Investment in other assets	**(27,901)**	(2,169)	**(45,247)**	(5,570)
Cash outflow for acquisitions, net of cash acquired	**-**	(61,163)	**(312,837)**	(61,163)
Payment of contingent acquisition consideration and prior period working capital settlements	**-**	(6,505)	**(598)**	(6,505)
	(98,779)	(134,426)	**(548,844)**	(237,185)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**35,655**	32,746	**19,299**	8,464
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**60,270**	43,464	**75,408**	69,862
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,472**	721	**2,690**	(1,395)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 97,397**	$ 76,931	**$ 97,397**	$ 76,931
Supplementary cash flow information				
Interest paid	**$ 20,184**	$ 5,494	**$ 41,744**	$ 24,652
Income taxes paid	**$ 2,947**	$ 6,552	**$ 20,882**	$ 19,631

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

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

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Corporation") is a diversified, acquisition-oriented corporation focused on opportunities in the aerospace, aviation, and manufacturing sectors. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The Corporation is incorporated in Canada and the address of the registered office is 101 – 990 Lorimer Boulevard, Winnipeg, Manitoba, Canada R3P 0Z9.

As at September 30, 2022, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd., Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, Stainless Fabrication, Inc., LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, and Northern Mat & Bridge LP. 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 interim results are impacted by seasonality factors. The Aerospace & Aviation segment has historically had the strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. With the diversity of the Manufacturing segment, the seasonality of the segment is relatively flat throughout the fiscal period except for Northern Mat. Northern Mat's business is also subject to seasonal variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest.

SARS-CoV-2 ("COVID-19")

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which resulted in governments around the world imposing severe travel restrictions and social distancing measures to limit the spread of the virus. At different times during the pandemic, travel restrictions and required quarantine periods materially impacted the subsidiaries within the Aerospace & Aviation segment, most notably passenger traffic and demand for the Corporation's leased aircraft and aftermarket parts. In the Manufacturing segment, social distancing, additional actions to keep our employees safe and required COVID-19 employee absenteeism reduced manufacturing efficiency and reduced throughput in the production facilities. These impacts, among others as a result of COVID-19, reduced Revenue, Cash Flows from Operations (before the impact of working capital), and Net Earnings.

In 2022, the continued lessening of restrictions and thus increase in travel around the world has reduced the negative impacts for the Aerospace & Aviation segment compared to previous periods impacted by the pandemic where the restrictions were more stringent. These challenges have shifted to aircraft around the world sitting idle due to a shortage of pilots, which has temporarily reduced demand for the lease of whole aircraft. The acute shortage of pilots has resulted from significantly lower numbers 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. The impact on the Manufacturing segment has shifted from production inefficiencies due to employee absenteeism to varying levels of supply chain constraints, direct material price increases, delays in deliveries, and labour challenges. The Corporation is unable to predict with accuracy the duration of the virus, actions governments will take, or customer sentiment going forward. The development and deployment of vaccines and the lessening of restrictions could continue to result in more travel around the world.

2. BASIS OF PREPARATION

The Corporation prepares its interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") – Part I as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part I of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

In accordance with IFRS, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2021. 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 November 9, 2022.

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 with the addition of those noted below. Note 3 of the Corporation's 2021 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

Revenue Recognition

Manufacturing Segment

i. Sales and Rentals of Mats and Bridges

Northern Mat earns revenues from mat and bridge sales and rentals, and equipment services, based on pre-determined rates. Revenue is recognized when the asset is delivered to the customer on sales of assets and for rentals is recognized based on the rental agreement with the customer, which usually calls for daily rental rates. Revenue is measured based on consideration specified in a contract with a customer. Contracts are generally short-term in nature and are not considered to have a significant financing component.

ii. Capital Assets

Capital Assets are recorded at historical cost less accumulated depreciation and include rental mats and bridges. Depreciation is recognized on a straight-line basis. New categories of assets as a result of the Northern Mat acquisition are detailed below.

Rental Mats	5 years
Rental Bridges	50 years

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

The Corporation presents, as an additional IFRS measure, operating profit before depreciation, amortization, finance costs, and other in the interim condensed consolidated statement of income to assist users in assessing financial performance. The Corporation's management and the Board use this measure to evaluate consolidated operating results and assess the ability of the Corporation to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of the performance of the business and how much cash is being generated by the Corporation and assists in determining the need for additional cost reductions, evaluation of personnel, and resource allocation decisions. Operating profit before depreciation, amortization, finance costs, and other is referred to as an additional IFRS measure and may not be comparable to similar measures presented by other companies.

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.

Measurement and Presentation of Capital Assets and Inventory

The Corporation manufactures access mats at Northern Mat. In addition, Northern Mat purchases bridges from third parties. Upon completion of the mats, or acquisition of the bridges, management must assess the intended use of those assets. If the asset will be rented to third parties, the asset is included within capital assets and depreciated over its useful life. If the asset will be sold to a third party, the asset is recorded in inventory. If management's intention for use of the mats and bridges changes from the initial classification, those assets are reclassified based on management's new intended use of the asset.

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

6. ACQUISITIONS

Northern Mat & Bridge (“Northern Mat”)

On May 10, 2022, the Corporation acquired the shares of Northern Mat. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat’s products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat’s access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to the same condition as before the project began construction.

The components of the consideration paid to acquire Northern Mat are outlined in the table below.

Consideration given:		
Cash	**$**	**290,000**
Issuance of 863,256 shares of the Corporation at $40.54 per share		**35,000**
Working capital settlement, including amount paid on close and estimated final payment		**14,489**
Contingent consideration - earn out		**4,465**
Total purchase consideration	**$**	**343,954**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included net working capital of $47.8 million, capital assets of $79.1 million, and goodwill of $226.2 million.

Advanced Paramedics Ltd. (“APL”)

On May 10, 2022, the Corporation acquired the shares of APL. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, Indigenous, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with Alberta Health Services.

The components of the consideration paid to acquire APL are outlined in the table below.

Consideration given:		
Cash	**$**	**13,000**
Issuance of 49,326 shares of the Corporation at $40.54 per share		**2,000**
Estimated working capital settlement		**257**
Total purchase consideration	**$**	**15,257**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included capital assets of $1.2 million and goodwill of $13.6 million.

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		September 30 2022		December 31 2021
Long-term prepaid expenses and security deposits	**$**	**2,767**	$	2,193
Long-term receivables		**12,562**		3,953
Long-term holdback receivables		**540**		717
Equity method investments		**93,987**		52,236
Other investments - Fair value through OCI (Note 15)		**6,916**		6,591
Derivative financial instruments - Fair value through profit and loss (Note 15)		**32,627**		405
Loan to Nunatsiavut Group of Companies ("NGC")		**-**		563
Total other assets	**$**	**149,399**	$	66,658

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

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at September 30, 2022, and December 31, 2021:

	September 30 2022	December 31 2021
Revolving term facility:		
Canadian dollar amounts drawn	$ 190,000	$ 190,000
United States dollar amounts drawn (US$769,293 and US$410,697 respectively)	1,054,470	520,681
Total credit facility debt outstanding, principal value	1,244,470	710,681
less: unamortized transaction costs	(3,434)	(2,907)
less: unamortized discount on outstanding Banker's Acceptances	(507)	(163)
Long-term debt	$ 1,240,529	$ 707,611

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 September 30, 2022.

Interest expense recorded by the Corporation during the three and nine months ended September 30, 2022 for long-term debt was $14,133 and $27,452, respectively (2021 – $5,278 and $15,918, respectively).

Credit Facility

The following is the continuity of long-term debt for the nine months ended September 30, 2022:

	Nine Months Ended September 30, 2022				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	$ 190,000	$ 438,000	$ (438,000)	$ -	$ 190,000
United States dollar amounts	520,681	537,319	(62,073)	58,543	1,054,470
	$ 710,681				$ 1,244,470

In the table above, withdrawals and repayments include the impact of entering into 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 15.

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

9. 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:

	2022 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2022 Balance, End of Period
Unsecured Debentures - 2017	**98,810**	**-**	**1,190**	**(8)**	**(99,992)**	**-**
Unsecured Debentures - 2018	**77,402**	**-**	**607**	**-**	**-**	**78,009**
Unsecured Debentures - 2019	**83,883**	**-**	**371**	**-**	**-**	**84,254**
Unsecured Debentures - July 2021	**137,958**	**-**	**551**	**-**	**-**	**138,509**
Unsecured Debentures - December 2021	**110,161**	**-**	**375**	**-**	**-**	**110,536**
						411,308
less: unamortized transaction costs						**(13,142)**
Convertible Debentures - Debt Component, end of period						**$ 398,166**

During the nine months ended September 30, 2022, convertible debentures totaling a face value of $8 were converted by the holders at various times into 155 shares of the Corporation (2021 – $1,094 and 24,446 shares).

On February 11, 2022, the Corporation redeemed its 5 year 5.25% convertible debentures which were to mature on December 31, 2022. On the redemption date, the remaining outstanding debentures in the principal amount of $99,992 were redeemed by the Corporation.

Interest expense recorded during the three and nine months ended September 30, 2022, for the convertible debentures was $6,936 and $23,680 respectively (2021 – $9,469 and $21,255 respectively).

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:

	September 30 2022	December 31 2021
Unsecured Debentures - 2017	**-**	3,590
Unsecured Debentures - 2018	**3,866**	3,866
Unsecured Debentures - 2019	**2,497**	2,497
Unsecured Debentures - July 2021	**4,241**	4,241
Unsecured Debentures - December 2021	**3,413**	3,413
Convertible Debentures - Equity Component, end of period	**$ 14,017**	$ 17,607

All convertible debentures outstanding at September 30, 2022, represent direct unsecured debt obligations of the Corporation.

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at February 14, 2022. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022 and ending on February 28, 2023. Daily purchases will be limited to $7 principal amount of Debentures (June 2018), $11 principal amount of Debentures (March 2019), $70 principal amount of Debentures (July 2021) and $60 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 nine months ended September 30, 2022, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

10. SHARE CAPITAL

Changes in the shares issued and outstanding during the nine months ended September 30, 2022, are as follows:

		2022
	Number of Shares	Amount
Share capital, beginning of period	38,740,389	$ 852,821
Issued upon conversion of convertible debentures	155	7
Issued under dividend reinvestment plan	260,254	11,046
Issued under employee share purchase plan	41,793	1,790
Issued under deferred share plan	55,121	1,336
Shares issued to Northern Mat & Bridge vendors on closing (Note 6)	863,256	34,950
Shares issued to Advanced Paramedics Ltd vendors on closing (Note 6)	49,326	1,993
Prospectus offering, including over-allotment	2,362,100	110,976
Share capital, end of period	42,372,394	$ 1,014,919

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 3,580,512 Common Shares, representing 10% of the issued and outstanding shares at January 31, 2022. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022 and ending on February 28, 2023. The maximum number of shares that can be purchased by the Corporation daily is limited to 20,179 shares, other than block purchase exemptions.

During the nine months ended September 30, 2022, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,580,512 shares available for repurchase.

On May 10, 2022, the Corporation issued 863,256 shares as part of the acquisition of Northern Mat (Note 6) and 49,326 shares as part of the acquisition of APL (Note 6).

On September 2, 2022, the Corporation closed a bought deal financing of common shares, which, inclusive of the over-allotment exercised by the underwriters, resulted in the issuance of 2,362,100 shares of the Corporation at $48.70 per share, for gross proceeds of approximately $115,034.

11. DIVIDENDS DECLARED

The Corporation pays cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Corporation's Board of Directors regularly examines the dividends paid to shareholders.

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

The amounts and record dates of the dividends during the nine months ended September 30, 2022, and the comparative 2021 period are as follows:

Month	Record date	Per Share	2022 Dividends Amount	Record date	Per Share	2021 Dividends Amount
January	January 31, 2022	$ 0.19	$ 7,366	January 29, 2021	$ 0.19	$ 6,744
February	February 28, 2022	0.19	7,372	February 26, 2021	0.19	6,748
March	March 31, 2022	0.19	7,382	March 31, 2021	0.19	6,755
April	April 29, 2022	0.19	7,387	April 30, 2021	0.19	7,146
May	May 31, 2022	0.20	7,965	May 31, 2021	0.19	7,189
June	June 30, 2022	0.20	7,982	June 30, 2021	0.19	7,198
July	July 29, 2022	0.20	7,990	July 30, 2021	0.19	7,218
August	August 31, 2022	0.21	8,395	August 31, 2021	0.19	7,231
September	September 29, 2022	0.21	8,898	September 30, 2021	0.19	7,247
Total		**$ 1.78**	**$ 70,737**		$ 1.71	$ 63,476

After September 30, 2022, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.21 per share for October 2022.

12. 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 airline services to communities in Manitoba, Ontario, Nunavut, British Columbia, Alberta, and Eastern Canada and provides aircraft and engine aftermarket parts to regional airline operators around the world. In addition, Provincial's aerospace business designs, modifies, maintains, and operates custom sensor-equipped aircraft. MFC Training provides pilot training services. The Manufacturing segment consists of niche, specialty manufacturers in markets throughout Canada and the United States including Northern Mat, which in addition to its manufacturing capabilities, rents its fleet of mats and bridges to provide access solutions to its customers.

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

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited, amounts in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

							Three Months Ended September 30, 2022
		Aerospace & Aviation		**Manufacturing**		**Head Office**	**Consolidated**
Revenue	**$**	**363,412**	**$**	**223,358**	**$**	**-**	**$ 586,770**
Expenses		**263,211**		**163,048**		**10,132**	**436,391**
Adjusted EBITDA		**100,201**		**60,310**		**(10,132)**	**150,379**
Depreciation of capital assets							**44,686**
Amortization of intangible assets							**6,164**
Finance costs - interest							**21,069**
Depreciation of right of use assets							**8,024**
Interest expense on right of use lease liabilities							**1,419**
Acquisition costs							**1,313**
Earnings before income taxes							**67,704**
Current income tax expense							**8,142**
Deferred income tax expense							**10,626**
Net Earnings							**$ 48,936**

							Three Months Ended September 30, 2021
		Aerospace & Aviation		Manufacturing		Head Office	Consolidated
Revenue	$	274,852	$	125,151	$	-	$ 400,003
Expenses		186,173		109,325		9,229	304,727
Adjusted EBITDA		88,679		15,826		(9,229)	95,276
Depreciation of capital assets							38,798
Amortization of intangible assets							3,790
Finance costs - interest							14,815
Depreciation of right of use assets							5,980
Interest expense on right of use lease liabilities							804
Acquisition costs							1,025
Earnings before income taxes							30,064
Current income tax expense							5,353
Deferred income tax expense							2,812
Net Earnings							$ 21,899

							Nine Months Ended September 30, 2022
		Aerospace & Aviation		**Manufacturing**		**Head Office**	**Consolidated**
Revenue	**$**	**997,358**	**$**	**518,655**	**$**	**-**	**$ 1,516,013**
Expenses		**748,718**		**408,466**		**26,439**	**1,183,623**
Adjusted EBITDA		**248,640**		**110,189**		**(26,439)**	**332,390**
Depreciation of capital assets							**121,053**
Amortization of intangible assets							**14,781**
Finance costs - interest							**51,132**
Depreciation of right of use assets							**21,971**
Interest expense on right of use lease liabilities							**3,106**
Acquisition costs							**6,217**
Earnings before income taxes							**114,130**
Current income tax expense							**12,887**
Deferred income tax expense							**18,564**
Net Earnings							**$ 82,679**

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

	Nine Months Ended September 30, 2021			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 655,929	$ 366,890	$ -	$ 1,022,819
Expenses	445,865	313,244	23,251	782,360
Adjusted EBITDA	210,064	53,646	(23,251)	240,459
Depreciation of capital assets				104,480
Amortization of intangible assets				12,109
Finance costs - interest				37,384
Depreciation of right of use assets				18,202
Interest expense on right of use lease liabilities				2,488
Acquisition costs				1,508
Earnings before income taxes				64,288
Current income tax expense				16,422
Deferred income tax expense				2,334
Net Earnings				$ 45,532

	For the period September 30, 2022			
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 2,265,297**	**$ 1,063,714**	**$ 131,647**	**$ 3,460,658**
Net capital asset additions	**152,828**	**29,963**	**1,034**	**183,825**

	For the year ended December 31, 2021			
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 1,921,682	$ 580,841	$ 86,144	$ 2,588,667
Net capital asset additions	216,752	5,305	71	222,128

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.

		Three Months Ended		**Nine Months Ended**	
Revenue Streams	Periods ended September 30	**2022**	2021	**2022**	2021
Aerospace & Aviation Segment					
Sale of goods - point in time		**$ 90,921**	$ 69,409	**$ 262,240**	$ 135,615
Sale of services - point in time		**226,591**	197,710	**621,364**	497,183
Sale of services - over time		**45,900**	7,733	**113,754**	23,131
Manufacturing Segment					
Sale of goods and services - point in time		**115,487**	24,358	**210,969**	72,245
Sale of goods and services - over time		**107,871**	100,793	**307,686**	294,645
Total revenue		**$ 586,770**	$ 400,003	**$ 1,516,013**	$ 1,022,819

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

13. EARNINGS PER SHARE

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

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

The computation for basic and diluted earnings per share for the three and nine months ended September 30, 2022, and the comparative for the 2021 period are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2022**	2021	**2022**	2021
Net earnings	**$ 48,936**	$ 21,899	**$ 82,679**	$ 45,532
Effect of dilutive securities				
Convertible debenture interest	**5,064**	-	**11,356**	-
Diluted Net Earnings	**$ 54,000**	$ 21,899	**$ 94,035**	$ 45,532
Basic weighted average number of shares	**40,706,606**	38,034,523	**39,649,472**	36,906,402
Effect of dilutive securities				
Deferred Shares	**824,384**	980,191	**824,384**	980,191
Convertible debentures	**8,047,432**	-	**6,130,765**	-
Diluted basis weighted average number of shares	**49,578,422**	39,014,714	**46,604,621**	37,886,593
Net Earnings per share:				
Basic	**$ 1.20**	$ 0.58	**$ 2.09**	$ 1.23
Diluted	**$ 1.09**	$ 0.56	**$ 2.02**	$ 1.20

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the nine months ended September 30, 2022, the Corporation granted 32,964 (2021 – 30,607) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,422 (2021 – $1,214) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and nine months ended September 30, 2022, the Corporation recorded a compensation expense of $226 and $832, respectively, for the Corporation's Deferred Share Plan within the general and administrative expenses of head office (2021 – $301 and $971, respectively).

Restricted Share Plan

During the nine months ended September 30, 2022, the Corporation granted 153,270 (2021 – 121,408) restricted shares to certain personnel. The fair value of the restricted share units granted was $6,062 (2021 – $4,881) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and nine months ended September 30, 2022, the Corporation recorded compensation expense of $1,655 and $4,295, respectively for the Corporation's Restricted Share Plan within the general and administrative expenses of head office (2021 – $1,641 and $4,030, respectively), 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 nine months ended September 30, 2022, employees acquired 41,793 shares from treasury at a weighted average price of $42.83 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 $620 based on the share price and monthly dividend rate at that time.

15. 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 audited December 31, 2021, 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 $769,293 or $1,054,470 (December 31, 2021 – US $410,697 or $520,681) 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 $156,693 (December 31, 2021 – US $134,997) 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 $149,500 (December 31, 2021 – US $153,900) 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 September 30, 2022, was a financial asset of $24,731 (2021 – financial liability of $482). At September 30, 2022, the notional value of the swaps outstanding is US $443,300 (2021 – US $121,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $24,731 was reclassified from other comprehensive income (2021 – $482).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 8) 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 September 30, 2022:

- US $766,600 (December 31, 2021 – US $410,600) was outstanding under SOFR and,
- US $2,693 (December 31, 2021 – US $97) was outstanding under US Prime, and
- $190,000 (December 31, 2021 – $190,000) was outstanding under Banker’s Acceptances.

The interest rates of the convertible debentures (Note 9) have fixed interest rates.

The Corporation continued the use of its interest rate swap with certain members of its lending syndicate whereby the Corporation has fixed interest rates on $190,000 of its Canadian credit facility debt until May 15, 2024. The derivative financial instrument hedges the exposure to variability in cash flow associated with the future payment of interest on Bankers' Acceptance debt that would impact profit or loss and therefore qualifies as a cash flow hedge. The interest rate swap is classified as an other long-term financial asset of $7,353 (December 31, 2021 – other long-term financial liability of $943) and is 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 a derivative instrument for each of the 2020, 2021, and 2022 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value for the 2020, 2021, and 2022 programs was $15,139. The instruments are classified as a long-term financial asset of $543 (2021 – long-term financial asset of $405) 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 September 30, 2022**	**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 7)	$ 24,731	$ -	$ 24,731	$ -
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	543	-	543	-
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	7,353	-	7,353	-
Other assets - Fair value through OCI (Note 7)	6,916	-	-	6,916
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(6,646)	-	-	(6,646)
Fair Value Disclosures				
Other assets - Amortized cost	15,215	-	15,215	-
Long-term debt - Amortized cost	(1,240,529)	-	-	(1,244,470)
Convertible debt - Amortized cost	(398,166)	(409,851)	-	-

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

Recurring fair value measurements	Carrying Value December 31, 2021	Fair Value: Quoted prices in an active market Level 1	Fair Value: Significant other observable inputs Level 2	Fair Value: Significant unobservable inputs Level 3
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	$ 405	$ -	$ 405	$ -
Other assets - Fair value through OCI (Note 7)	$ 11,029	$ -	$ -	$ 11,029
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(8,100)	-	-	(8,100)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(482)	-	(482)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(943)	-	(943)	-
Fair Value Disclosures				
Other assets - Amortized cost	7,144	-	7,144	-
Long-term debt - Amortized cost	(707,611)	-	-	(710,681)
Convertible debt - Amortized cost	(492,216)	(534,947)	-	-

The Corporation valued the level 3 consideration liabilities based on the present value of estimated cash outflows using probability weighted calculations, discount rates, and the observable fair market value of its equity, as applicable.

The following table summarizes the changes in the consideration liabilities recorded on the acquisitions of LV Control, AWI, WIS, Carson Air, Macfab, Ryko, CTI, APL and Northern Mat including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary For the periods ended	**September 30 2022**	December 31 2021
Opening balance	**$ 8,100**	$ 5,714
Accretion	**-**	286
Change in estimate	**(2,056)**	(6,000)
Acquisition of Window Installation, including change in estimate	**-**	6,505
Acquisition of Carson	**-**	1,091
Acquisition of Macfab	**-**	598
Acquisition of Ryko	**-**	419
Acquisition of CTI	**-**	7,204
Acquisition of Northern Mat	**6,389**	-
Acquisition of APL	**257**	-
Settled during the period	**(6,315)**	(7,596)
Translation loss (gain)	**271**	(121)
Ending balance	**$ 6,646**	$ 8,100

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.

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

Included in the $6,646 above is the working capital settlement for APL and Northern Mat, and the contingent consideration associated with the Northern Mat acquisition. During the period, the Corporation settled its consideration liability related to the acquisitions of Macfab, Ryko and CTI. This resulted in a payment of $6,315 and finalized the purchase price allocation for the acquisition Macfab, Ryko and CTI.

Financial Instrument Fair Value Disclosures

The fair values of cash and cash equivalents, accounts receivable, deposits, accounts payable, and accrued expenses approximate their carrying values due to their short-term nature.

As at September 30, 2022, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 5.35%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's credit-worthiness.

As at September 30, 2022, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $409,851 (December 31, 2021 - $534,947) with a carrying value of $398,166 (December 31, 2021 - $492,216).

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.

16. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three and nine months ended September 30, 2022, and the comparative period in 2021 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	**2022**	2021	**2022**	2021
Accounts receivable, including long-term portion	**$ (4,048)**	$ 2,070	**$ (59,207)**	$ (24,260)
Amounts due from customers on construction contracts	**(9)**	(1,826)	**(2,128)**	(5,732)
Inventory	**(9,138)**	(8,187)	**(53,715)**	(13,227)
Prepaid expenses and deposits, including long-term portion	**578**	(3,344)	**(55,223)**	(11,488)
Accounts payable and accrued expenses, including long-term portion	**(4,689)**	25,902	**70,402**	48,714
Income taxes receivable/payable	**1,423**	(1,210)	**(10,813)**	(3,060)
Deferred revenue, including long-term portion	**(5,745)**	9,198	**5,495**	25,388
Amounts due to customers on construction contracts	**7,008**	(1,996)	**4,780**	1,905
Net change in working capital	**$ (14,620)**	$ 20,607	**$ (100,409)**	$ 18,240